



AlphaDelta Canadian Focused Equity Class

Financial Statements
December 31, 2017 and 2016



INDEPENDENT AUDITORS' REPORT

To the Shareholders of

Qwest Funds Corp

AlphaDelta Canadian Focused Equity Class (the "Funds")

We have audited the accompanying financial statements of the Fund, which comprise the statement of financial position as at December 31, 2017, and the statements of comprehensive income, changes in net assets attributable to redeemable shares and cash flows for the year ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017 and the results of its financial performance and its cash flows for the year ended December 31, 2017, in accordance with International Financial Reporting Standards.

Other matter

The financial statements of the Fund for the year ended December 31, 2016 were audited by another auditor who expressed an unmodified opinion on those financial statements on March 28, 2017.

RSM Canada LLP

Chartered Professional Accountants

Licensed Public Accountants

March 31, 2018

Toronto, Ontario

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AlphaDelta Canadian Focused Equity Class

Statements of Financial Position

As at December 31

(Expressed in Canadian Dollars)

	2017	2016
Assets		
Cash	\$ 154,497	\$ 1,800,339
Accounts receivable	1,347	9,096
Dividends receivable	1,558	15,040
Due from related parties (Note 8)	102,599	75,442
Investments - at fair value (Note 10)	2,341,767	6,317,602
Prepaid expenses	13,124	17,385
Subscriptions receivable	3,442	-
	2,618,334	8,234,904

Liabilities

Accounts payable and accrued liabilities	29,885	80,540
Distribution payable	86	27
Management fees payable (Notes 7 and 8)	1,938	6,861
Redemptions payable	-	6,688
	31,909	94,116

Net assets attributable to holders of redeemable shares \$ 2,586,425 \$ 8,140,788

Series net assets attributable to holders of redeemable shares

Series A	\$ 315,256	\$ 530,919
Series F	368,811	860,801
Series G	1,902,358	6,749,068
	\$ 2,586,425	\$ 8,140,788

Shares outstanding (Note 3)

Series A	27,599	54,640
Series F	31,347	8,979
Series G	146,409	620,750

Net assets attributable to holders of redeemable shares per share (Note 2)

Series A	\$ 11.42	\$ 9.72
Series F	\$ 11.77	\$ 9.90
Series G	\$ 12.99	\$ 10.87

Approved by the Board



Director



Director

AlphaDelta Canadian Focused Equity Class
Statements of Comprehensive Income
For the years ended December 31
(Expressed in Canadian Dollars)

	2017	2016
Income		
Foreign Exchange Loss on Cash	\$ (17,012)	\$ -
Interest income	(2,097)	9,921
Early redemption fees	79	54
Dividend income	25,551	134,435
Other changes in fair value of investments		
Net realized gain (loss) on sale of investments	650,892	(58,857)
Change in unrealized (depreciation) appreciation of investments	(172,306)	949,961
	485,107	1,035,514
Expenses		
Shareholder recordkeeping and fund accounting fees (Note 9)	53,780	76,180
Legal	33,238	28,142
Filing	27,521	14,485
Management fee (Notes 7 and 8)	22,151	90,537
Transaction costs	18,254	22,710
Custodial fees	12,654	14,591
Audit	12,311	44,878
Securityholder reports	3,397	4,385
Tax review	2,559	4,744
Independent review committee fees	1,793	7,547
Bank charges	1,099	923
Translation fee	1,080	4,931
Foreign withholding taxes	968	1,014
Interest	466	13
News release	-	530
Expense reimbursement (Note 8)	(102,599)	(133,679)
	88,672	181,931
Increase in net assets attributable to holders of redeemable shares from operations	\$ 396,435	\$ 853,583
Increase in net assets attributable to holders of redeemable shares from operations - Series A shares	\$ 60,172	\$ 51,005
Increase in net assets attributable to holders of redeemable shares from operations - Series F shares	\$ 88,656	\$ 158,884
Increase in net assets attributable to holders of redeemable shares from operations - Series G shares	\$ 247,607	\$ 643,694
Increase in net assets attributable to holders of redeemable shares from operations per Series A shares (Note 13)	\$ 1.83	\$ 0.61
Increase in net assets attributable to holders of redeemable shares from operations per Series F shares (Note 13)	\$ 1.95	\$ 0.47
Increase in net assets attributable to holders of redeemable shares from operations per Series G shares (Note 13)	\$ 1.97	\$ 1.04

AlphaDelta Canadian Focused Equity Class
Statements of Changes in Net Assets Attributable to Holders of Redeemable Shares
For the years ended December 31
(Expressed in Canadian Dollars)

	2017	2016
Net assets attributable to holders of redeemable shares -		
Beginning of year		
Series A shares	\$ 530,919	\$ 1,097,434
Series F shares	860,801	4,223,177
Series G shares	6,749,068	-
	8,140,788	5,320,611
Distributions to investors		
From net investment income - Series A shares	(2,031)	(8,722)
From net investment income - Series F shares	(2,378)	(14,137)
From net investment income - Series G shares	(12,264)	(111,184)
	(16,673)	(134,043)
Net increase in net assets attributable to holders		
of redeemable shares from operations		
Series A shares	60,172	51,005
Series F shares	88,656	158,884
Series G shares	247,607	643,694
	396,435	853,583
Shareholder transactions		
Issuance of Series A shares	95,914	4,940
Issuance of Series F shares	21,442	3,519,525
Issuance of Series G shares	1,781,998	6,501,781
Shares issued on reinvestment of distributions - Series A	1,945	8,599
Shares issued on reinvestment of distributions - Series F	2,305	13,978
Shares issued on reinvestment of distributions - Series G	12,264	111,184
Series A shares redeemed	(371,663)	(622,337)
Series F shares redeemed	(602,015)	(7,040,626)
Series G shares redeemed	(6,876,315)	(396,407)
	(5,934,125)	2,100,637
Net increase (decrease) in net assets attributable to holders of		
redeemable shares		
	(5,554,363)	2,820,177
Net assets attributable to holders of redeemable shares -		
End of year		
	\$ 2,586,425	\$ 8,140,788
Net assets attributable to holders of redeemable shares -		
End of year - Series A shares		
	\$ 315,256	\$ 530,919
Net assets attributable to holders of redeemable shares -		
End of year - Series F shares		
	\$ 368,811	\$ 860,801
Net assets attributable to holders of redeemable shares -		
End of year - Series G shares		
	\$ 1,902,358	\$ 6,749,068

AlphaDelta Canadian Focused Equity Class

Statements of Cash Flows

For the years ended December 31

(Expressed in Canadian Dollars)

	2017	2016
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable shares	\$ 396,435	\$ 853,583
Adjustments to determine net cash used in operating activities		
Change in unrealized appreciation of investments	172,306	(949,961)
Net realized gain (loss) on sale of investments	(650,892)	58,857
Accounts receivable	7,749	(9,096)
Accounts payable and accrued liabilities	(50,655)	39,342
Foreign exchange loss on cash	17,012	-
Management fees payable	(4,923)	(848)
Prepaid expenses	4,261	(1,723)
Dividends receivable	13,482	(1,202)
Due from related parties	(27,157)	(53,256)
Purchase of investment securities	(2,650,415)	(5,165,103)
Proceeds from sale of investment securities	7,104,838	4,936,590
Net cash from (used in) operating activities	4,332,041	(292,817)
Cash flows from financing activities		
Distribution paid in cash for Series A shares	(27)	(96)
Distribution paid in cash for Series F shares	(74)	(159)
Payments for Series A shares redeemed	(371,663)	(622,337)
Payments for Series F shares redeemed	(602,015)	(1,118,700)
Payments for Series G shares redeemed	(6,883,004)	(389,719)
Proceeds from issuance of Series A Shares	95,914	4,940
Proceeds from issuance of Series F Shares	18,000	3,526,465
Proceeds from issuance of Series G Shares	1,781,998	579,855
Net cash from (used in) financing activities	(5,960,871)	1,980,249
Foreign exchange loss on cash	(17,012)	-
Increase (decrease) in cash during the year	(1,645,842)	1,687,432
Cash, Beginning of year	1,800,339	112,907
Cash, End of year	\$ 154,497	\$ 1,800,339
Supplemental cash flow items are operating in nature		
Interest paid	\$ 466	\$ 13
Interest received	\$ 63	\$ 9,921
Dividends received, net of withholding taxes	\$ 38,065	\$ 132,219

AlphaDelta Canadian Focused Equity Class
Schedule of Investment Portfolio
As at December 31, 2017
(Expressed in Canadian Dollars)

	Number of Shares	Average Cost \$	Fair Value \$	Net Assets %
Canadian equities				
Consumer, Cyclical				
Dollarama Inc.	820	81,275	128,781	4.98
Gildan Activewear Inc.	2,870	95,281	116,551	4.51
Spin Master Corp.	2,630	88,296	142,073	5.49
		264,852	387,405	14.98
Consumer, Non-cyclical				
Altus Group Ltd.	3,100	91,360	114,483	4.43
Energy				
Pason Systems Inc.	5,000	95,189	90,950	3.52
PrairieSky Royalty Ltd.	3,650	115,032	117,019	4.52
		210,221	207,969	8.04
Financial				
Element Fleet Management Corp.	7,000	86,055	66,500	2.57
Industrial Alliance Insurance & Financial Services Inc.	1,000	56,953	59,820	2.31
The Toronto-Dominion Bank	1,200	79,365	88,380	3.42
		222,373	214,700	8.30
Industrial				
Ag Growth International Inc.	1,700	86,182	90,678	3.51
CCL Industries Inc.	1,750	95,516	101,640	3.93
DIRTT Environmental Solutions	15,000	102,585	101,100	3.91
		284,283	293,418	11.35
Technology				
Enghouse Systems Ltd.	1,000	58,172	61,490	2.38
US Equities				
Consumer, Cyclical				
WABCO Holdings Inc.	500	78,030	89,831	3.47
Consumer, Non-cyclical				
Align Technology Inc.	450	59,496	125,182	4.84
Gartner Inc.	650	87,608	100,219	3.87
S&P Global Inc.	500	78,108	106,044	4.10
		225,212	331,445	12.81
Industrial				
National Instruments Corp.	2,500	110,348	130,302	5.04
Technology				
ANSYS Inc.	650	83,690	120,109	4.64
Intuit Inc.	675	104,354	133,340	5.16
IPG Photonics Corp.	550	84,079	147,450	5.70
Jack Henry & Associates Inc.	750	90,340	109,825	4.25
		362,463	510,724	19.75
Total portfolio of investment		1,907,314	2,341,767	90.55
Cash		-	154,497	5.96
Other net assets		-	90,161	3.49
Net assets attributable to holders of redeemable shares			2,586,425	100.00

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

1. GENERAL

Qwest Funds Corp. (the "Corporation") is a mutual fund corporation incorporated under the laws of Canada on March 8, 2006. The address of the Corporation's registered office is Suite 802, 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. The authorized capital of the Corporation consists of an unlimited number of Class A shares, Class B shares and special shares. Currently, there are four classes of special shares that are in operation - the AlphaDelta Canadian Focused Equity Class (the "Fund"), AlphaDelta Growth of Dividend Income Class (the "ADGDI" Class), AlphaDelta Tactical Growth Class (the "ADTG" Class) and Qwest Energy Canadian Resource Class (the "QECRC" Class); however, the Corporation may offer additional classes of special shares in the future. These financial statements present the financial information of the Fund as a separate reporting entity. If another Class of the Corporation cannot satisfy its obligations, the other classes, including the Fund, may be required to satisfy them using assets attributable to those classes. The Manager believes the risk of such cross-liability is remote. The Fund currently offers Series A, Series F shares and Series I shares. The Corporation's ultimate controlling party is Qwest Investment Management Corp. ("QIM") which owns 51% of Class A voting shares and 100% of Class B voting shares of the Corporation. The Fund launched on January 1, 2015. The Fund commenced operations on March 2, 2015.

The Corporation appointed Qwest Investment Fund Management Ltd. (the "Manager"), whose ultimate parent is QIM, as the manager of the Fund. The Manager is responsible for providing portfolio management services to the Fund, and the Manager is authorized to delegate its investment advisory duties to sub-advisors. The Manager has entered into an agreement with AlphaDelta Management Corp. ("ADM"), pursuant to which ADM will assist the Manager in identifying, screening and selecting sub-advisors. ADM shares common directors with the manager. The sub-advisor for this fund is Laurus Investment Counsel Inc.

The fundamental investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity securities of Canadian and foreign companies.

The financial statements were authorized for issue by the Board of Directors of the Corporation, on March 29, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB").

The following is a summary of significant accounting policies used by the Fund:

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at fair value through profit or loss ("FVTPL"). The Fund's investments have been designated at FVTPL, except for derivatives which are FVTPL because they are held for trading. The Fund's obligation for net assets attributable to holders of redeemable shares is presented as a liability at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount expected to be received or required to be paid, discounted, when appropriate, at the contract's original effective interest rate. The calculation includes all fees and amounts paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Dividend income is recognized at the ex-dividend date. Realized gains and losses on disposal of investments and derivatives and unrealized gains and losses in the value of investments and derivatives are reflected in the statement of comprehensive income and calculated on an average cost basis, where applicable. Upon disposal of an investment or derivative, previously recognized unrealized gains and losses are reversed so as to recognize the full realized gain or loss in the period of disposition. Interest is recorded on an accrual basis. All costs directly attributable to operating activities are expensed as incurred.

Regular way purchases and sales of financial assets are accounted for on a trade date basis.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously.

Allocation of Income and Expenses, and Realized and Unrealized Capital Gains and Losses

Income and expenses incurred in connection with the Fund's operations and realized and unrealized gains or losses that are not directly attributable to a particular series of shares are allocated between Series A, Series F Series G, and Series I using the net asset value ("NAV") of Series A, F, G and I shares.

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.

The Fund's policy is to recognize transfers within, into and out of the fair value hierarchy at the beginning of the period of the transfer.

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Fair Value Measurement (Cont'd)

Investments in publicly traded equity securities

The fair value of equity securities that are traded in an active market is measured using the last traded price at the period-end date where such price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread which is most representative of fair value based on specific facts and circumstances. When current prices or quotations are not readily available, valuations are established based upon a valuation technique in order to estimate what that fair value would be in an arm's length transaction motivated by normal business considerations. These valuations may include use of the most recent publicly traded price or a price established by the Manager in accordance with its valuation policy.

The amounts at which publicly traded investments could be disposed of currently may differ from the carrying value based on the last traded price, as the value at which significant ownership positions are sold is often different than the quoted price due to a variety of factors such as premiums paid for large blocks or discounts due to illiquidity.

Cash

Cash consists of cash held with a Canadian chartered bank.

Taxation

The Corporation qualifies as a mutual fund corporation as defined in the Income Tax Act (Canada). A mutual fund corporation is subject to a special 38-1/3% tax on taxable dividends received from corporations resident in Canada and to tax at a normal corporate rate on other income and net taxable realized capital gains for the period. The special 38-1/3% tax is refundable at the rate of \$1 for every \$2.61 of ordinary dividends paid. All the tax on net taxable realized capital gains is refundable on a formula basis when shares are redeemed or capital gains dividends are paid. As a result of these refund mechanisms, the Fund is in effect not taxable with respect to dividends received from corporations resident in Canada and net taxable realized capital gains. The Fund is not taxable as all the Fund's net income for tax purposes and sufficient net capital gains realized in the period, will be distributed to shareholders such that no income tax is payable by the Fund with respect to taxable realized capital gains and dividends received from corporations resident in Canada. Therefore the Fund does not recognize current or deferred income taxes with respect to these types of income.

As of January 1, 2017, conversions of shares between two classes of a mutual fund corporation (including Qwest Funds Corp.) will be treated as a disposition of shares at their fair market value, in order to comply with amendments to the Income Tax Act (Canada).

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign Currency Translation

The functional and presentation currency of the Fund is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the exchange rates prevailing at 12:00 pm Eastern Standard Time (the “noon rate”) on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing at the respective dates of such transactions. Foreign exchange gains and losses relating to cash are presented as ‘Foreign exchange loss on cash’ and those relating to other financial assets and liabilities are presented within ‘Net realized loss on sale of financial investments’ and ‘Change in unrealized appreciation of investments’ in the statement of comprehensive income.

Increase in Net Assets Attributable to Holders of Redeemable Shares from Operations per Share

Increase in net assets attributable to holders of redeemable shares from operations per share is determined by dividing the increase in net assets attributable to holders of redeemable shares from operations of each series by the weighted average number of shares outstanding of that series during the reporting period (see note 13).

Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Manager to make estimates and assumptions that affect the reported amounts of assets, liabilities at the date of the financial statements, and reported amounts of income and expenses during the reporting period. Actual results could differ from those reported and the differences could be material. The following paragraphs discuss the most significant accounting estimates and judgments that the Fund has made in preparing its financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under International Accounting Standards (“IAS”) 39, *Financial Instruments - Recognition and Measurement*. The most significant judgments made include the determination that certain investments are held for trading and that the fair value option can be applied to those which are not.

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Accounting Standards Issued But Not Yet Applied

IFRS 9 - Financial Instruments

The IASB issued the final version of IFRS 9 Financial Instruments which replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Fund is performing an assessment of all aspects of IFRS 9 and plans to adopt the new standard on the required effective date.

Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). Consideration of the Funds business model and the contractual cash flows associated with the financial instrument is required under IFRS 9 to determine the classification and measurement categories.

The Fund will analyze the contractual cash flow characteristics of financial instruments in more detail before concluding whether financial instruments meet the criteria for FVTPL, FVOCI or amortized cost measurement under IFRS 9.

IFRS 9 also introduces an expected credit loss model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The impact of this will depend on the classification and measurement of the entities financial instruments.

The Fund has not applied hedge accounting under IAS 39 and will not apply hedge accounting under IFRS 9.

3. SHAREHOLDER TRANSACTIONS

The Fund is divided into Series A, F G and I shares and the number of shares of each series that may be issued is unlimited and they are offered in all provinces and territories in Canada. Series A shares are available to all investors and may be purchased, switched or redeemed through authorized dealers. Series F and Series G shares are available to investors who have fee-based accounts with their dealers for investment advice and other services. Series F shares and Series G shares may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager. Series G shares are only available to investors with accounts with investment advisors that have invested at least \$1,000,000 of client assets in shares of the Fund. Series I shares are available to institutional or other high net worth investors who negotiate and pay management fees directly to the Manager. Series I shares may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager.

Shares may be redeemed at their NAV per share on any valuation day. If the shares are redeemed or switched within 90 days of purchase, the shareholder may be charged a short-term trading fee of 2% of the value of the shares redeemed.

The number of Series A, F and G shares issued and redeemed at NAV are summarized as follows:

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

3. SHAREHOLDER TRANSACTIONS (Cont'd)

	2017	2016
Series A		
Shares issued and outstanding - beginning of year	54,640	122,947
Shares issued on reinvestment of distribution	170	885
Shares issued during the year	9,134	535
Shares redeemed during the year	(36,345)	(69,727)
Share issued and outstanding - end of year	27,599	54,640
Series F		
Shares issued and outstanding - beginning of year	86,979	469,612
Shares issued on reinvestment of distribution	195	1,412
Shares issued during the year	1,911	386,670
Shares redeemed during the year	(57,738)	(770,715)
Share issued and outstanding - end of year	31,347	86,979
Series G		
Shares issued and outstanding - beginning of year	620,750	-
Shares issued on reinvestment of distribution	940	10,224
Shares issued during the year	155,894	648,085
Shares redeemed during the year	(631,175)	(37,559)
Share issued and outstanding - end of year	146,409	620,750

As at December 31, 2017, there were no Series I shares issued and outstanding (2016 – Nil).

Classification of Shares

International Accounting Standards (“IAS”) 32, *Financial Instruments: Presentation*, requires that units or shares of an entity would include a contractual obligation for the issuer to repurchase them for cash or another financial asset be classified as a liability. The Class A shares of the Corporation are not redeemable and holders are entitled to receive the remaining property of the Corporation upon liquidation, dissolution, winding-up or other distribution of assets. As a result, the Class A shares are subordinate to all other classes of shares of the Corporation, including the Fund, and thus the condition in paragraph IAS 32.16A(b) is not met. The Special shares of the Fund are redeemable on demand. As such the shares of the Fund are classified as financial liabilities. The Class A shares of the Corporation are not presented in the financial statements of the Fund.

4. DISTRIBUTIONS

The Fund may pay annually to shareholders ordinary dividends and capital gains dividends. Ordinary dividends will generally be paid in December and capital gain dividends will generally be paid in February. Dividends and distributions may be paid at other times as determined by the Manager. In line with the terms of the prospectus, distributions are automatically reinvested in the Fund unless otherwise determined by the Manager.

AlphaDelta Canadian Focused Equity Class

Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

5. INCOME TAXES

The Corporation's available tax losses, both capital and non-capital, are determined at the corporate and not the individual class level. As at December 31, 2017, the Corporation has unrecognized non-capital losses of approximately \$3,248,145 available for utilization against taxable income in future years. The Corporation has unrecognized capital losses available at December 31, 2017 of approximately \$7,901,770. The non-capital losses expire as follows:

Expiry date		
	2037	\$ 1,090,669
	2036	520,929
	2035	524,234
	2034	389,415
	2033	722,898
		<hr/>
		\$ 3,248,145

6. EXPENSES

The Fund is responsible for all charges and expenses incurred in connection with its operations, including regulatory, printing, legal and audit expenses (Note 8).

Brokerage commissions paid by the Fund with respect to security transactions for the year ended are \$18,254 (2016 - \$22,710). For the years ended December 31, 2017 and 2016, there were no soft dollar amounts paid.

7. MANAGEMENT FEES

The management fee is calculated at 2.0% (2016 - 2.5%) per annum of the daily NAV of Series A shares, 1.0% (2016 - 1.5%) per annum of the daily NAV of Series F shares and 0.6% (2016 - 0.8%) per annum of the daily NAV of Series G shares, plus applicable taxes, and is paid monthly. The fees are payable to the Manager (Notes 1 and 8).

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Notes to Financial Statements

December 31, 2017 and 2016

(Expressed in Canadian Dollars)

8. RELATED PARTY BALANCES AND TRANSACTIONS

The Manager has retained Heritage Bancorp Ltd. (“Heritage”), a company related to the Manager by common ownership and directors, to perform certain administrative functions on behalf of the Manager.

Balances and transactions are as follows:

	2017	2016
	\$	\$
Qwest Funds Corp., Qwest Energy Canadian Resource Class		
Reimbursement to QECRC for expenses paid by the		
Fund	3,492	8,467
Qwest Investment Fund Management Ltd.		
Management fee	22,151	90,537
Management fee payable	1,938	6,861
AlphaDelta Management Corp. (note 1)		
Voluntary reimbursement for Fund expenses	102,599	133,679
Due from related parties	102,599	75,442

All amounts payable are due on demand and non-interest bearing.

The terms of transactions with the Manager are disclosed in note 7. QECRC is another class of special shares of the Corporation. During the year, ADM has reimbursed the Fund for certain operating expenses incurred. This reimbursement is at the discretion of ADM and is calculated daily based on a set % of NAV.

Included within accounts receivable is an amount of \$1,347 in respect of sales tax refundable which is to be refunded by the tax authorities through QIFM. In addition, an amount of \$750 was deposited in a trust account held in QIFM's name during the year to cover costs associated with shareholder transactions.

9. SHAREHOLDER RECORDKEEPING AND FUND ACCOUNTING FEES

The Fund has engaged the services of SGGG Fund Services Inc. (“SGGG”) and FundSERV Inc. to provide shareholder recordkeeping and fund accounting services. Shareholder recordkeeping and fund accounting fees incurred by the Fund for the year ended are \$53,780 (2016 - \$76,180).

10. FAIR VALUE MEASUREMENT

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2017 and December 31, 2016. The three levels of fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

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10. FAIR VALUE MEASUREMENT (Cont'd)

Level 3 - Inputs that are not based on observable market data.

Financial Instruments at fair value as at December 31, 2017:

	Level 1	Level 2	Level 3	Total
Equities	\$ 2,341,767	\$ -	\$ -	\$ 2,341,767

Financial Instruments at fair value as at December 31, 2016:

	Level 1	Level 2	Level 3	Total
Equities	\$ 6,141,214	\$ 176,388	\$ -	\$ 6,317,602

All fair value measurements above are recurring. The carrying values of other financial instruments approximate their fair values due to their short-term nature.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements. The Manager has engaged SGGG to value the net assets of the Fund on a daily basis. SGGG obtains pricing from a third party pricing vendor. The Fund's overall market positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors. The Manager ensures the accuracy of the calculation of NAV prepared by SGGG by reviewing the NAV calculation on a monthly basis.

The Fund's equity positions are classified as Level 1 when the security is actively traded and reliable price is observable. Certain of the Fund's equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

There were no financial instruments that were transferred into or out of Level 1 or 2 during the years ended December 31, 2017 and 2016.

The Fund invests in public equity securities all of which are measured at FVTPL.

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES

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

The fundamental investment objective of the Fund is to provide long-term capital appreciation by investing primarily in equity securities of Canadian and foreign companies.

The Fund will not use derivatives. The Fund may hold a portion of its assets in cash or short-term money market securities while seeking investment opportunities or for defensive purposes to reflect adverse market, economic, political or other conditions.

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11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (Cont'd)

Market Risk

(a) Price risk

The Fund's investments are exposed to market price risk due to changing market conditions for equities as well as any changes to the tax environment in which the investee entities operate. All investments in equity securities have inherent risk of a loss of capital. The maximum risk resulting from financial instrument investments is determined by the fair value of the financial instruments. The Manager seeks to manage market risks by setting thresholds on individual investments to mitigate the risk of exposure to any one investment. The Fund's overall market positions are monitored on a daily basis by the Manager and are reviewed on a quarterly basis by the Board of Directors.

At December 31, 2017, the Fund's market risk is impacted directly by changes in equity prices. The immediate impact on net assets of a 5% increase or decrease in the fair value of investments assuming all other variables remain constant would be approximately \$117,000 (2016 - \$316,000).

(b) Interest rate risk

The Fund's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rate on its financial position and cash flows. The substantial majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

(c) Currency risk

Currency risk is the risk that the value of investments denominated in currencies other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates. The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the investment is denominated.

When the value of the Canadian dollar falls in relation to foreign currencies, the value in Canadian dollars of investments denominated in other currencies increases.

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11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (Cont'd)

The Fund's currency risk is impacted directly by changes in foreign exchange rates. The immediate impact on the assets of a 5% increase or decrease in the foreign exchange rate which the Fund had exposure to, assuming all other variables remain constant, is detailed in the table below:

				As At December 31, 2017 Impact on net assets attributable to holders of redeemable shares		
	Monetary	Exposure Non- monetary	Total	Monetary	Non- monetary	Total
United States Dollar	\$ 109,137	\$ 1,062,302	\$ 1,171,439	\$ 5,457	\$ 53,115	\$ 58,572
% of net assets	4.2	41.1	45.3	0.2	2.1	2.3
attributable to holders of redeemable shares						

The Fund did not have foreign currencies as of December 31, 2016.

Credit Risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due.

Credit risk associated with cash is minimized by ensuring that these balances are held by high-quality financial institutions.

When the Fund trades in listed or unlisted securities that are settled upon delivery using approved brokers, the risk of default is considered minimal since delivery of securities 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 Fund only transacts with reputable brokers with a high credit rating.

The Manager monitors the Fund's credit position regularly, and the Board of Directors reviews it on a periodic basis. The Fund has not identified any past due assets or receivables as at December 31, 2017 and 2016.

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11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES (Cont'd)

Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The table below shows concentration risk by industry sector:

	2017	2016
	%	%
Sector/subgroup		
Technology	22.13	6.25
Consumer, Cyclical	18.45	8.79
Consumer, Non-cyclical	17.24	12.38
Industrial	16.39	17.96
Financial	8.30	19.21
Energy	8.04	13.02
Cash	5.96	22.11
Other net assets	3.49	0.28
	100.00	100.00

Liquidity Risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with its financial liabilities. The Fund is exposed to daily cash redemptions of redeemable shares and liabilities when they become due. Liquidity risk is managed by holding cash balances and investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of when liabilities come due.

All liabilities are due within 30 days of the statement of financial position date, except for related party balances and net assets attributable to holders of redeemable shares which are due on demand.

12. CAPITAL MANAGEMENT

Shares of the Fund issued and outstanding represent the capital of the Fund. The Manager manages the capital of the Fund in accordance with the investment objectives of the Fund. There are no externally imposed restrictions on the Fund's capital other than certain minimum subscription requirements. The minimum initial investment is \$1,000.

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13. INCREASE IN NET ASSETS ATTRIBUTABLE TO REDEEMABLE SHARES PER SHARE

Increase in net assets attributable to redeemable shares per share for the year ended December 31, 2017 and the period ended December 31, 2016 are calculated as follows:

	2017	2016
Series A		
Increase in net assets attributable to holders of redeemable shares from operations	\$ 60,172	\$ 51,005
Weighted average shares outstanding during the year	32,916	83,724
Increase in net assets attributable to holders of redeemable shares per share	\$ 1.83	\$ 0.61
Series F		
Increase in net assets attributable to holders of redeemable shares from operations	\$ 88,656	\$ 158,884
Weighted average shares outstanding during the year	45,495	335,315
Increase in net assets attributable to holders of redeemable shares per share	\$ 1.95	\$ 0.47
Series G		
Increase in net assets attributable to holders of redeemable shares from operations	\$ 247,607	\$ 643,694
Weighted average shares outstanding during the year	125,818	616,680
Increase in net assets attributable to holders of redeemable shares per share	\$ 1.97	\$ 1.04