



AlphaDelta Canadian Prosperity Class

Financial Statements
(Unaudited)
June 30, 2016

AlphaDelta Canadian Prosperity Class

Statement of Financial Position

(Unaudited)

As at

	June 30, 2016 \$	December 31, 2015 \$
Assets		
Cash	696,594	112,907
Dividends receivable	16,317	13,838
Subscriptions receivable	-	6,940
Due from related parties (note 8)	12,344	22,186
Investments - at fair value (note 10)	6,874,591	5,197,985
Prepaid expenses	17,452	15,662
	<u>7,617,298</u>	<u>5,369,518</u>
Liabilities		
Accounts payable and accrued liabilities	31,877	41,198
Management fees payable (notes 7 and 8)	9,919	7,709
	<u>41,796</u>	<u>48,907</u>
Net assets attributable to holders of redeemable shares	<u>7,575,502</u>	<u>5,320,611</u>
Series net assets attributable to holders of redeemable shares		
Series A	677,978	1,097,434
Series F	6,897,524	4,223,177
	<u>7,575,502</u>	<u>5,320,611</u>
Shares outstanding (note 3)		
Series A	75,558	122,947
Series F	758,864	469,612
Net assets attributable to holders of redeemable shares per share (note 2)		
Series A	8.97	8.93
Series F	9.09	8.99

Approved on behalf of the Board of Directors of Qwest Funds Corp.



Maurice Levesque
Director



John Loeprich
Director

The accompanying notes are an integral part of these financial statements.

AlphaDelta Canadian Prosperity Class

Statement of Comprehensive Income

(Unaudited)

	Six-month period ended June 30, 2016 \$	Period from March 2, 2015 to June 30, 2015 \$
Income		
Interest income	4,344	1,525
Other changes in fair value of investments		
Dividend income	60,223	44,934
Net realized loss on sale of investments	(365,902)	(57,454)
Change in unrealized appreciation (depreciation) of investment	402,117	(170,017)
Total income - net	<u>100,782</u>	<u>(181,012)</u>
Expenses		
Management fee	47,105	24,958
Shareholder recordkeeping and fund accounting fees (note 9)	36,585	15,864
Audit	16,422	17,050
Legal	11,407	1,000
Transaction costs	10,850	12,938
Filing	10,047	1,328
Custodial fees	7,242	4,875
Independent review committee fees	4,299	424
Translation fee	2,982	1,200
Securityholder reports	967	840
Tax review	890	1,200
Bank charges	626	205
Foreign withholding taxes	436	-
Expenses reimbursement (note 8)	(73,797)	(40,288)
Total expenses	<u>76,061</u>	<u>41,594</u>
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	<u>24,721</u>	<u>(222,606)</u>
Decrease in net assets attributable to holders of redeemable shares from operations - Series A shares	(6,352)	(14,743)
Increase (decrease) in net assets attributable to holders of redeemable shares from operation - Series F shares	31,073	(207,863)
Decrease in net assets attributable to holders of redeemable shares from operations per Series A shares (note 13)	(0.06)	(0.30)
Increase (decrease) in net assets attributable to holders of redeemable shares from operations per Series F shares (note 13)	0.06	(0.53)

The accompanying notes are an integral part of these financial statements.

AlphaDelta Canadian Prosperity Class

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

(Unaudited)

	Six-month period ended June 30, 2016 \$	Period from March 2, 2015 to June 30, 2015 \$
Net assets attributable to holders of redeemable shares - Beginning of period		
Series A shares	1,097,434	-
Series F shares	4,223,177	-
	<u>5,320,611</u>	<u>-</u>
Increase (decrease) in net assets attributable to holders of redeemable shares from operations		
Series A shares	(6,352)	(14,743)
Series F shares	31,073	(207,863)
	<u>24,721</u>	<u>(222,606)</u>
Shareholder transactions (note 3)		
Proceeds from issuance of Series A shares	1,485	902,595
Proceeds from issuance of Series F shares	3,518,025	6,454,751
Payment for Series A shares redeemed	(414,589)	(7,790)
Payment for Series F shares redeemed	(874,751)	(29,988)
	<u>2,230,170</u>	<u>7,319,568</u>
Net increase in net assets attributable to holders of redeemable shares	<u>2,254,891</u>	<u>7,096,962</u>
Net assets attributable to holders of redeemable shares - End of period	<u>7,575,502</u>	<u>7,096,962</u>
Net assets attributable to holders of redeemable shares - End of period Series A shares	677,978	880,062
Net assets attributable to holders of redeemable shares - End of period Series F shares	6,897,524	6,216,900

The accompanying notes are an integral part of these financial statements.

AlphaDelta Canadian Prosperity Class

Statement of Cash Flows

(Unaudited)

	Six-month period ended June 30, 2016 \$	Period from March 2, 2015 to June 30, 2015 \$
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	24,721	(222,606)
Adjustments to determine net cash used in operating activities		
Net realized loss on sale of investments	365,902	57,454
Due from related parties	9,842	(6,921)
Management fees payable	2,210	9,885
Prepaid expenses	(1,790)	(640)
Dividends receivable	(2,479)	(18,009)
Accounts payable and accrued liabilities	(9,321)	31,772
Change in unrealized (appreciation) depreciation of investments	(402,117)	170,017
Purchase of investment securities	(3,314,858)	(7,096,470)
Proceeds from sale of investment securities	1,674,467	341,792
	<hr/>	<hr/>
Net cash used in operating activities	(1,653,423)	(6,733,726)
Cash flows from financing activities		
Payment for Series A shares redeemed	(414,589)	(7,790)
Payment for Series F shares redeemed	(874,751)	(29,988)
Proceeds from issuance of Series A shares	1,485	897,860
Proceeds from issuance of Series F shares	3,524,965	6,433,951
	<hr/>	<hr/>
Net cash from financing activities	2,237,110	7,294,033
	<hr/>	<hr/>
Increase in cash	583,687	560,307
Cash - Beginning of period	112,907	-
	<hr/>	<hr/>
Cash - End of period	696,594	560,307
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Interest received	4,290	924
Dividend received and withholding taxes	53,699	24,287

The accompanying notes are an integral part of these financial statements.

AlphaDelta Canadian Prosperity Class

Schedule of Investment Portfolio

(Unaudited)

Ast at June 30, 2016

	Number of shares	Average cost \$	Fair value \$	Net assets %
Canadian equities				
Consumer, Cyclical				
Dorel Industries Inc.	1,650	57,107	56,727	0.75
Leon's Furniture Ltd.	12,380	194,010	187,309	2.47
Richelieu Hardware Ltd.	7,190	153,222	182,267	2.41
Uni-Select Inc.	4,860	148,693	159,214	2.10
		<hr/>	<hr/>	<hr/>
		553,032	585,517	7.73
Consumer, Non-cyclical				
Altus Group Ltd.	14,470	293,431	322,247	4.25
High Liner Foods Inc.	11,880	232,309	223,938	2.96
K-Bro Linen Inc.	3,320	153,361	139,374	1.84
Morneau Shepell Inc.	9,830	168,944	174,384	2.30
Premium Brands Holdings Corp.	4,890	197,677	266,016	3.51
		<hr/>	<hr/>	<hr/>
		1,045,722	1,125,959	14.86
Energy				
Canadian Energy Services & Technology Corp.	24,050	131,282	97,884	1.29
Pason Systems Inc.	7,880	165,662	140,737	1.86
Raging River Exploration Inc.	16,620	152,216	170,854	2.26
ShawCor Ltd.	5,530	192,965	177,126	2.33
Spartan Energy Corp.	46,510	121,481	157,669	2.08
TORC Oil & Gas Ltd.	8,300	71,212	68,060	0.90
		<hr/>	<hr/>	<hr/>
		834,818	812,330	10.72
Financial				
Agellan Commercial Real Estate Investment Trust	5,390	48,745	56,541	0.75
Canadian Western Bank	9,600	245,049	236,640	3.13
Currency Exchange International Corp.	5,220	133,525	137,286	1.81
E-L Financial Corp Ltd.	240	154,953	166,200	2.19
Equitable Group Inc.	2,690	160,320	150,613	1.99
First National Financial Corp.	3,880	85,485	116,284	1.54
Guardian Capital Group Ltd.	6,500	112,710	138,125	1.82
Laurentian Bank of Canada	4,090	188,877	197,302	2.61
Pure Multi-Family REIT LP	14,160	104,442	106,766	1.41
		<hr/>	<hr/>	<hr/>
		1,234,106	1,305,757	17.25

AlphaDelta Canadian Prosperity Class

Schedule of Investment Portfolio...continued

(Unaudited)

Ast at June 30, 2016

	Number of shares	Average cost \$	Fair value \$	Net assets %
Industrial				
Ag Growth International Inc.	6,690	277,140	273,956	3.61
ATS Automation Tooling Systems Inc.	19,490	215,118	189,443	2.50
Badger Daylighting Ltd.	6,400	168,823	144,000	1.90
DIRTT Environmental Solutions	19,820	106,017	106,632	1.41
Exco Technologies Ltd.	19,790	268,941	241,438	3.19
Intertape Polymer Group Inc.	10,640	167,684	224,291	2.96
Martinrea International Inc.	26,660	287,520	213,280	2.82
Stella-Jones Inc.	6,050	271,486	291,066	3.84
Winpak Ltd.	5,040	209,867	239,249	3.15
WSP Global Inc.	6,930	290,580	273,874	3.62
		<u>2,263,176</u>	<u>2,197,229</u>	<u>29.00</u>
Technology				
Computer Modelling Group Ltd.	18,380	219,831	190,049	2.51
Enghouse Systems Ltd.	5,830	313,595	319,426	4.21
Sandvine Corp.	26,120	86,702	69,479	0.92
The Descartes Systems Group Inc.	10,880	264,688	268,845	3.55
		<u>884,816</u>	<u>847,799</u>	<u>11.19</u>
Total portfolio of investments		<u>6,815,670</u>	<u>6,874,591</u>	<u>90.75</u>
Cash			696,594	9.20
Other net assets			<u>4,317</u>	<u>0.05</u>
Net assets attributable to holders of redeemable shares			<u>7,575,502</u>	<u>100.00</u>

The accompanying notes are an integral part of these financial statements.

AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

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 issue - the AlphaDelta Canadian Prosperity Class (the “Fund”), AlphaDelta Growth of Dividend Income Class (the “ADGDI” Class), AlphaDelta Tactical Growth Class (formerly AlphaDelta Global Value 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. The Fund currently only offers Series A, Series F, Series G 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 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-advisors 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 companies with market capitalization of up to \$3 billion as of the date of investment.

The financial statements were authorized for issue by the Board of Directors of the Corporation, on August 26, 2016.

2 Summary of significant accounting policies

Basis of preparation

These interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”), as applicable to the preparation of interim financial statements including International Accounting Standards (“IAS”) 34, Interim Financial Statements.

AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

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

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 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 as at the beginning of the period of the transfer.

AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

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 and deposits with original maturities of three months or less and is 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 33-1/3% 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 33-1/3% tax is refundable at the rate of \$1 for every \$3 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.

On March 22, 2016, the federal budget announced proposals to amend the Income Tax Act (Canada) so that 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 if the conversion occurs after September 2016. On July 29, 2016, the Department of Finance released draft legislation for consultation that implements this measure and which extends the effective date of this measure from October 1, 2016 to January 1, 2017. Until the proposed amendments become effective, conversions between the Portfolio and other classes within Qwest Funds Corp. will continue to occur on a tax deferred basis.

AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

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 are 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.

Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share

Increase (decrease) in net assets attributable to holders of redeemable shares from operations per share is determined by dividing the increase (decrease) 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 management to make estimates and assumptions that affect the reported amounts of assets, liabilities, 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 (IAS 39). 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.

Financial statements reporting entity

If the Corporation cannot pay the expenses attributable to one class using the proportionate share of the Corporation’s assets attributable to that class, the Corporation would be required to pay those expenses out of the Fund’s proportionate share of the Corporation’s assets. A significant judgment made in preparing the financial statements is the determination by the management that the risk of such cross class liability is remote and therefore each class may be considered a separate reporting entity.

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Notes to Financial Statements

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Future accounting changes

IFRS 9 - Financial Instruments

The final version of IFRS 9, Financial Instruments, was issued by the IASB in July 2014 and will replace IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018; however, it is available for early adoption. The Fund has determined that it will not early adopt this standard and is in the process of assessing the impact to the Funds financial statements.

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 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.

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Notes to Financial Statements

(Unaudited)

June 30, 2016

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

	Six-month period ended June 30, 2016 \$	Period from March 2, 2015 to June 30, 2015 \$
Series A		
Shares issued and outstanding - Beginning of period	122,947	-
Shares issued during the period	163	89,815
Shares redeemed during the period	(47,552)	(772)
	<hr/>	<hr/>
Shares issued and outstanding - End of period	75,558	89,043
	<hr/>	<hr/>
Series F		
Shares issued and outstanding - Beginning of period	469,612	-
Shares issued during the period	386,506	629,794
Shares redeemed during the period	(97,254)	(2,947)
	<hr/>	<hr/>
Shares issued and outstanding - End of period	758,864	626,847
	<hr/>	<hr/>

Classification of shares

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 also 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.

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Notes to Financial Statements

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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, 2015, the Corporation has unrecognized non-capital losses of approximately \$2,722,775 available for utilization against taxable income in future years. The Corporation has unrecognized capital losses available at December 31, 2015 of approximately \$8,309,968. The non-capital losses expire as follows:

Expiry date	\$
2035	524,234
2034	389,415
2033	722,898
2032	<u>1,086,228</u>
	<u>2,722,775</u>

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 period ended June 30, 2016 are \$10,850 (June 30, 2015 - \$12,938). For the periods ended June 30, 2016 and 2015, there were no soft dollar amounts paid.

7 Management fee

The management fee is calculated at 2.5% per annum of the daily NAV of Series A shares, 1.5% per annum of the daily net asset value of Series F shares and 0.75% per annum of the daily net asset value 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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8 Related party balances and transactions

Balances and transactions are as follows:

	Six-month period ended June 30, 2016 \$	Period from March 2, 2015 to June 30, 2015 \$
Qwest Funds Corp., Qwest Energy Canadian Resource Class Reimbursement for QECRC expenses paid by the Fund	5,068	1,390
Qwest Investment Fund Management Ltd. (“QIFM”) Management fee	47,105	24,958
AlphaDelta Management Corp. (note 1) Voluntary reimbursement for Fund expenses	73,797	40,288
	June 30, 2016 \$	As at December 31, 2015 \$
Qwest Investment Fund Management Ltd. Management fee payable	9,919	7,709
AlphaDelta Management Corp. (note 1) Due from related parties	12,344	22,186

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

Included within accounts payable and accrued liabilities is an amount of \$1,264 in respect of sales tax payable which is to be remitted to the tax authorities through QIFM.

The terms of transactions with the Manager are disclosed in note 7. QECRC is another class of special shares of the Corporation. During the period, 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 % of NAV.

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 period ended June 30, 2016 are \$36,585 (June 30, 2015 - \$15,864).

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Notes to Financial Statements

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10 Fair Value measurement

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2016 and December 31, 2015. 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

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

	Financial assets at fair value at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	6,874,591	-	-	6,874,591

	Financial assets at fair value at December 31, 2015			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Equities	5,026,865	171,120	-	5,197,985

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. Equity securities with a value of \$166,200 at June 30, 2016 (December 31, 2015 - \$171,120) were transferred from Level 2 to Level 1 of the fair value hierarchy during the period. As at December 31, 2015 the equity security EL Financial was thinly traded and therefore classed as level 2.

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Notes to Financial Statements

(Unaudited)

June 30, 2016

The following are the Fund's investments which are classified as held for trading and FVTPL:

	June 30, 2016	December 31, 2015
	\$	\$
Held for trading	-	-
Fair value through profit or loss	6,874,591	5,197,985

The following table presents the net gain (loss) on the fair value of investments by category for the period ended June 30, 2016 and period from commencement of operations on March 2, 2015 to June 30, 2015.

Category	Six-month period ended June 30, 2016	Period from March 2, 2015 to June 30, 2015
	\$	\$
Financial assets at FVTPL		
Held for trading	-	-
Fair value through profit or loss	96,438	(179,487)
	<u>96,438</u>	<u>(179,487)</u>

11 Financial instruments risk management

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 companies with market capitalizations of up to \$3 billion as of the date of investment.

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.

AlphaDelta Canadian Prosperity Class

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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 June 30, 2016, 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 \$344,000 (December 31, 2015 - \$260,000).

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

The monetary financial assets and liabilities of the Fund are all denominated in Canadian dollars. Consequently, the Fund has no significant direct exposure to currency risk.

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 June 30, 2016 and December 31, 2015.

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Notes to Financial Statements

(Unaudited)

June 30, 2016

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.

Sector/subgroup	% of net assets	
	As at June 30, 2016	As at December 31, 2015
Industrial	29.00	29.49
Financial	17.25	19.99
Consumer, Non-cyclical	14.86	14.09
Technology	11.19	8.97
Energy	10.72	13.57
Cash	9.20	2.12
Consumer, Cyclical	7.73	11.58
Other net assets	0.05	0.19
	<hr/>	<hr/>
	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 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.

AlphaDelta Canadian Prosperity Class

Notes to Financial Statements

(Unaudited)

June 30, 2016

13 Increase (decrease) in net assets attributable to redeemable shares per share

Increase (decrease) in net assets attributable to redeemable shares per share for the period ended June 30, 2016 and from commencement of operations on March 2, 2015 to June 30, 2015 are calculated as follows:

	June 30, 2016	June 30, 2015
	\$	\$
Series A		
Decrease in net assets attributable to holders of redeemable shares	(6,352)	(14,743)
Weighted average shares outstanding during the period	101,232	48,487
Decrease in net assets attributable to holders of redeemable shares per share	(0.06)	(0.30)
Series F		
Increase (decrease) in net assets attributable to holders of redeemable shares	31,073	(207,863)
Weighted average shares outstanding during the period	517,138	395,623
Increase (decrease) in net assets attributable to holders of redeemable shares per share	0.06	(0.53)