



Qwest Productivity Media Income Trust



Financial Statements
December 31, 2017 and 2016



RSM Canada LLP

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Qwest Productivity Media Income Trust

We have audited the accompanying financial statements of Qwest Productivity Media Income Trust, 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 units 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.

Auditor's 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 Qwest Productivity Media Income Trust as at December 31, 2017 and the results of their financial performance and its cash flows for the year ended December 31, 2017, in accordance with International Financial Reporting Standards.

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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 May 19, 2017.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Canada
May 16, 2018

Qwest Productivity Media Income Trust

Statements of Financial Position

As at December 31

	2017	2016
	\$	\$
Assets		
Cash	6,541	482
Accounts receivable	10,000	-
Subscription receivable (note 5)	472,927	869,490
Due from manager	459	6,350
Investments - at fair value (note 7)	29,225,511	5,250,494
Prepaid expenses	140,000	5,716
	<u>29,855,438</u>	<u>6,132,532</u>
Liabilities		
Accounts payable and accrued liabilities	9,460	3,849
Redemption payable	74,863	-
Distribution payable	-	168
Management fees payable (note 6)	20,963	7,880
	<u>105,286</u>	<u>11,897</u>
Net assets attributable to holders of redeemable units	<u>29,750,152</u>	<u>6,120,635</u>
Net assets attributable to holders of redeemable units as follows:		
Class A Units	8,066,662	1,373,300
Class F Units	21,683,490	4,747,335
	<u>29,750,152</u>	<u>6,120,635</u>
Units issued and outstanding (note 5)		
Class A Units	767,589	135,198
Class F Units	2,015,938	461,736
Net assets attributable to holders of redeemable units per unit		
Class A Units	10.51	10.16
Class F Units	10.76	10.28

Qwest Productivity Media Income Trust
Statements of Comprehensive Income

	Year ended December 31, 2017	Period from commencement of operations on March 17, 2016 to December 31, 2016
	\$	\$
Income		
Early redemption fees	7,730	-
Interest income	35	-
Other changes in fair value of investments		
Change in unrealized appreciation in value of investments	1,352,777	72,934
Total income - net	<u>1,360,542</u>	<u>72,934</u>
Expenses		
Management fee (note 6)	135,522	7,880
Accounting and audit	112,826	3,403
Unitholder recordkeeping	23,816	569
Filing fees	14,787	-
Agency fees	7,917	-
FundSERV	4,730	-
Securityholder reports	2,934	-
Bank charges	925	-
Operating fees	1,304	-
Legal	433	-
Administrative fee	3,549	819
Expenses reimbursements	(40,293)	-
Total expenses	<u>268,450</u>	<u>12,671</u>
Increase in net assets attributable to holders of redeemable units	<u>1,092,092</u>	<u>60,263</u>
Increase in net assets attributable to holders of redeemable units		
Class A	284,712	21,300
Class F	807,380	38,963
	<u>1,092,092</u>	<u>60,263</u>
Increase in net assets attributable to holders of redeemable units per unit		
Class A	0.67	0.20
Class F	0.78	0.19

Qwest Productivity Media Income Trust

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

	Year ended December 31, 2017 \$	Period from commencement of operations on March 17, 2016 to December 31, 2016 \$
Net assets attributable to holders of redeemable units -		
Beginning of year/period		
Class A	1,373,300	-
Class F	4,747,335	-
	<u>6,120,635</u>	<u>-</u>
Increase in net assets attributable to holders of redeemable units		
Class A	284,712	21,300
Class F	807,380	38,963
	<u>1,092,092</u>	<u>60,263</u>
Unitholders' transactions		
Proceeds from issuance of Class A units	7,578,850	1,352,000
Proceeds from issuance of Class F units	16,468,910	4,708,540
Payment for Class A units redeemed	(1,145,692)	-
Payment for Class F units redeemed	(308,528)	-
Distribution to Unitholders of Class A units	(165,323)	(14,738)
Distribution to Unitholders of Class F units	(542,647)	(24,051)
Distribution reinvested in Class A units	165,323	14,738
Distribution reinvested in Class F units	542,647	23,883
Issuance costs	(56,115)	-
	<u>22,537,425</u>	<u>6,060,372</u>
Net increase in net assets attributable to unitholders	<u>23,629,517</u>	<u>6,120,635</u>
Net increase in net assets attributable to unitholders -		
End of year/period	<u>29,750,152</u>	<u>6,120,635</u>
Net increase in net assets attributable to unitholders -		
End of year/period - Class A units	8,066,662	1,373,300
Net increase in net assets attributable to unitholders -		
End of year/period - Class F units	21,683,490	4,747,335

Qwest Productivity Media Income Trust
Statements of Cash Flows

	Year ended December 31, 2017 \$	Period from commencement of operations on March 17, 2016 to December 31, 2016 \$
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	1,092,092	60,263
Adjustments to determine net cash used in operating activities		
Change in unrealized appreciation in value of investments	(1,352,777)	(72,934)
Prepaid expenses	(134,284)	(5,716)
Due from manager	5,891	(6,350)
Accounts receivable	(10,000)	-
Accounts payable and accrued liabilities	5,611	3,849
Management fees payable	13,083	7,880
Net cash used in operating activities	<u>(380,384)</u>	<u>(13,008)</u>
Cash flows from investing activities		
Purchases of investments	<u>(22,622,240)</u>	<u>(5,177,560)</u>
Net cash used in investing activities	<u>(22,622,240)</u>	<u>(5,177,560)</u>
Cash flows from financing activities		
Distribution paid in cash for Class F units	(168)	-
Payment for Class A units redeemed	(1,145,692)	-
Payment for Class F units redeemed	(233,666)	-
Proceeds from issuance of Class A units	7,518,850	1,352,000
Proceeds from issuance of Class F units	16,925,474	3,839,050
Issuance costs	(56,115)	-
Net cash from financing activities	<u>23,008,683</u>	<u>5,191,050</u>
Increase in cash	6,059	482
Cash - Beginning of year/period	<u>482</u>	<u>-</u>
Cash - End of year/period	<u>6,541</u>	<u>482</u>

Qwest Productivity Media Income Trust

Schedule of Investment Portfolio

As at December 31, 2017

		Number of Units	Average cost \$	Fair value \$	Net assets %
Productivity Media Income Fund I, LP					
Master Series	Class C	137,105	1,341,710	1,492,013	5.02
Master Series	Class F	373,426	3,835,850	4,245,668	14.27
January 2017 Series	Class F	86,697	866,970	948,814	3.19
February 2017 Series	Class F	11,820	118,200	128,465	0.43
March 2017 Series	Class F	21,957	219,570	237,016	0.80
April 2017 Series	Class C	5,700	57,000	60,831	0.20
April 2017 Series	Class F	9,600	96,000	102,887	0.35
May 2017 Series	Class C	2,000	20,000	21,169	0.07
May 2017 Series	Class F	165,080	1,650,800	1,753,903	5.90
June 2017 Series	Class F	27,100	271,000	285,543	0.96
July 2017 Series	Class C	21,720	217,200	226,378	0.76
July 2017 Series	Class F	162,430	1,624,300	1,697,702	5.71
August 2017 Series	Class C	657,320	6,573,200	6,800,058	22.86
August 2017 Series	Class F	583,030	5,830,300	6,045,661	20.32
September 2017 Series	Class C	24,480	244,800	251,641	0.85
September 2017 Series	Class F	157,060	1,570,600	1,617,515	5.44
October 2017 Series	Class C	17,280	172,800	176,448	0.59
October 2017 Series	Class F	43,520	435,200	445,011	1.50
November 2017 Series	Class F	194,950	1,949,500	1,978,634	6.65
December 2017 Series	Class C	3,810	38,100	38,372	0.13
December 2017 Series	Class F	66,670	666,700	671,782	2.26
Total portfolio of investments			<u>27,799,800</u>	29,225,511	98.26
Cash				6,541	0.02
Other assets, net of liabilities				<u>518,100</u>	1.72
Net assets attributable to holders of redeemable units				<u>29,750,152</u>	100.00

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

1 General information

Qwest Productivity Media Income Trust (the “Trust”) is an open-ended unit trust formed on March 17, 2016 under the laws of Province of Alberta by a trust agreement dated March 17, 2016 with an address at Suite 802, 750 West Pender Street, Vancouver, British Columbia, V6C 2T8. The trustee of the Trust is Computershare Trust Company of Canada (the “Trustee”). The Manager of the Trust is Qwest Investment Fund Management Ltd. (“QIFM”) whose ultimate parent is Qwest Investment Management Corp. The Trust consists of two Classes of trust units, the Class A Trust Unit and Class F Trust Unit (collectively, the “Trust Units”).

The principal purpose of the Trust is to provide the Trust Unitholders a high level of income, superior risk adjusted returns and potential for long-term income generation on select investments with moderate volatility and low correlations to traditional asset classes. The Trust achieves its returns to by investing all or substantially all of its assets in the Productivity Media Income Fund I LP (the “PMI Partnership”).

The Trust appointed Qwest Investment Fund Management Ltd. (the “Manager”) as the manager of the Trust. The manager is responsible for providing or arranging for the provision of administrative services required by the Trust and also serves as a portfolio advisor to the Trust. The Manager also provides key management personnel to the Trust.

2 Basis of preparation and statement of compliance

Statement of compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Trust reports under this basis of accounting as required by Canadian Securities Legislation and Canadian Accounting Standards Board.

These financial statements were authorized for issuance by the Manager of the Trust on May 16, 2018.

Basis of measurement

These financial statements were prepared on a going concern basis, under the historical cost convention, except for financial instruments classified as fair value through profit or loss, which are measured at fair value.

3 Significant estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets, liabilities, revenues and expenses. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognized in the year the estimates are revised and in any future periods affected. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

3 Significant estimates and judgements (continued from previous page)

Determination that the Trust is an investment entity

The Manager of the Trust evaluated the facts and circumstances to determine whether the Trust meets the definition of an investment entity under IFRS 10, Consolidated Financial Statements. The Manager concluded that the Trust will have more than one investor, the investors are not related, and the Trust, as a feeder fund for the PMI Partnership which itself is an investment entity and whose investments evaluated are at their fair value each reporting period. Accordingly, the Manager determined that the Trust meets the definition of an investment entity and will apply the exception to consolidating its investments as required under IFRS 10.

Estimation of fair value

The Trust holds an investment in a private limited partnership whose values are not quoted in active markets as well as other financial assets and liabilities. To estimate fair value, the Manager use valuation techniques that make use of observable and non-observable data. The Trust categorizes financial instruments held at fair value in accordance with the fair value hierarchy described in Note 7. The investment in the PMI Partnership is recorded at the reported net asset value per unit. The underlying assets of the PMI Partnership consist of financial instruments which are not quoted in active markets and consist of loans and investments in private entities which are reported at estimated fair value. To estimate fair value, PMI Partnership make use of observable data, to the extent practicable. The PMI Partnership categorizes the fair value of its assets and liabilities into three categories, which are differentiated based on the observable nature of the inputs and extent of estimation required. Unlisted investments or investments that have no active market are valued at fair value using industry recognized valuation methods which may include expected future cash flows discounted at appropriate discount rates and comparable peer group valuations adjusted for company specific circumstances. The value of loans held by PMI Partnership will be the outstanding principal on the reporting date subject to fair market value or impairment adjustments in keeping with the PMI Partnership's operating policies which include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs.

4 Significant accounting policies

Adoption of narrow-scope amendments to International Accounting Standard ("IAS") 1, Presentation of Financial Statements

The Trust adopted the amended IAS 1, which emphasizes materiality by clarifying that specific and single disclosures that are not material do not have to be presented even if they are a minimum requirement of a standard.

Cash

Cash includes cash on hand and deposits held with a Canadian chartered bank and is recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value due to its short-term nature.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

4 Significant accounting policies (continued from previous page)

Redeemable units

The Trust's redeemable units provide unitholders with the right to redeem their interest in the Trust subject to the conditions below; to receive cash equal to their proportionate share of the series net asset value of the Trust on demand subject to certain conditions. These redeemable units involve multiple contractual obligations on the part of the Trust and therefore meet the criteria for classification as financial liabilities. The Trust's obligation for net assets attributable to holders of redeemable units is measured at fair value through profit or loss with the fair value being the redemption amount as of the reporting date.

Class A units are redeemable either by the unitholders or by the Trust for the Net Asset Value per Unit calculated as of the applicable Redemption Date.

Class F units are redeemable either by the unitholders or by the Trust for the Net Asset Value per Unit calculated as of the applicable Redemption Date.

Increase in net assets attributable to holders of redeemable shares from operations per unit

Increase in net assets attributable to holders of redeemable units from operations per unit is determined by dividing the increase in net assets attributable to holders of redeemable units from operations by the weighted average number of units outstanding during the reporting period.

Financial assets and financial liabilities

Recognition

Regular way purchases and sales of financial assets are recognized on the trade date at which the Trust commits to purchase the asset. All other financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognized on the trade date at which the Trust becomes a party to the contractual provisions of the instrument.

Fair value measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date. When available, the Trust measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

4 Significant accounting policies (continued from previous page)

If a market for a financial instrument is not active, the Trust establishes fair value using a valuation technique. Valuation techniques include using reported net asset values of the PMI Partnership which itself makes use of observable data, to the extent practicable. The PMI Partnership categorizes the fair value of its assets and liabilities into three categories, which are differentiated based on the observable nature of the inputs and extent of estimation required. Unlisted investments or investments that have no active market are valued at fair value using industry recognized valuation methods which may include expected future cash flows discounted at appropriate discount rates and comparable peer group valuations adjusted for company specific circumstances. The value of loans held by PMI Partnership will be the outstanding principal on the reporting date subject to fair market value or impairment adjustments in keeping with the PMI Partnership's operating policies which include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs.

Financial instruments disclosures require the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of fair value are:

Level 1 – Quoted market price (unadjusted) in an active market for an identical instrument

Level 2 – Valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

Level 3 – Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between instruments.

Income taxes

The Trust has reviewed the mutual fund trust conditions and has assessed their interpretation and application to the Trust assets and revenue, and it has determined that it qualifies as a mutual fund trust. Under current tax legislation, a mutual fund trust is not liable to pay Canadian income taxes provided that its taxable income is fully distributed to unitholders during the year. It is the intention of the Trust to distribute all of its net income on an annual basis. Accordingly, no income tax provision has been recorded. However, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the Trust would, therefore, be subject to tax.

Future accounting changes

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 Trust is performing an assessment of all aspects of IFRS 9 and plans to adopt the new standard on the required effective date.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

4 Significant accounting policies (continued from previous page)

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 Trust's 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 Trust 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.

5 Units authorized and outstanding

The Trust is authorized to issue an unlimited number of Class A and Class F units. Class A units are available to all investors and may be purchased, switched or redeemed through authorized dealers. Class F units are available to investors who have fee-based accounts with their dealer for investment advice and other services. Class F units may only be purchased, switched or redeemed through authorized dealers, and not directly through the Manager. Units may be redeemed at their net asset value ("NAV") per unit on the last business day of a calendar month, or such other dates as Manager may permit. If the units are redeemed prior to the 18-month anniversary of the initial subscription for such Trust units, will be subject to an early redemption fee of 5% of the value of the units redeemed.

The numbers of Class A and F units issued and redeemed at net asset value for the year ended December 31, 2017 and period ended December 31, 2016 are summarized as follows:

	Year ended December 31, 2017	Period from Year ended March 17, 2016 to December 31, 2016
Class A		
Units issued and outstanding – Beginning of year/period	135,198	-
Units issued on reinvestment of distribution	19,362	1,451
Units issued during the year/period	723,853	133,747
Units redeemed during the year/period	(107,166)	-
Units issued and outstanding – End of year/period	771,247	135,198
Class F		
Units issued and outstanding – Beginning of year/period	461,736	-
Units issued on reinvestment of distribution	55,329	2,323
Units issued during the year/period	1,532,599	459,413
Units redeemed during the year/period	(28,770)	-
Units issued and outstanding – End of year/period	2,020,894	461,736

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

5 Units authorized and outstanding (continued from previous page)

Classification of units

IAS 32 requires that units or shares of an entity that include a contractual obligation for the issuer to repurchase them for cash or another financial asset be classified as a liability. Class A and F units of the Trust are redeemable on demand and include a requirement to make distributions to unitholders. As such the unit of the Trust are classified as financial liabilities.

The subscription receivable for Class A units of \$60,000 and Class F units of \$412,927 (December 31, 2016 – Class F units \$869,490) was received in cash subsequent to year end.

6 Related party transactions

Management fees and expenses

The Trust pays the investment manager, Qwest Investment Fund Management Ltd., a monthly management fee equal to a) 1/12 of 1.5% of the Net Asset Value of the Class A trust units on each valuation date, plus any applicable Federal or Provincial taxes, and b) 1/12 of 0.5% of the Net Asset Value of the Class F units on each valuation date, plus any applicable Federal or Provincial, calculated and payable at the beginning of each month based on the Trust's Net Asset Value as at the end of the immediately preceding month. This management fee is subject to Harmonized Sales Tax ("HST").

In addition, the Manager is entitled to an Incentive Allocation which is defined in the Limited Partnership Agreement ("LPA") which governs the Partnership. The Incentive Allocation operates as follows: Productivity Media Income Fund I LP shall pay to the Manager, on an annual basis, an amount equal to 5% of the gross Incentive Allocation payable to PMI.

The Manager shall not be responsible for any fees or expenses of the Trust and shall be entitled to reimbursement from the Trust for reasonable costs and expenses incurred in connection with investment management services provided to the Trust, including safekeeping, services or custodial charges that may be charged by brokers, custodians, banks or trust companies, and interest charges on funds borrowed, if any, on behalf of the Trust. The Manager shall be responsible solely for its own costs of performing the investment management services.

Included in accounts receivable as at December 31, 2017 is an amount due to Heritage Bancorp Ltd. ("Heritage") for \$10,000 (December 31, 2016 - \$nil). During the period ending December 31, 2017, an administrative fee of \$189,840 was paid to Heritage, of which \$110,000 is recorded as a prepaid expense as at December 31, 2017 (December 31, 2016 - \$nil). Heritage provides general administrative services to the Trust and is related to the Trust by virtue of having directors in common with the Manager of the Trust.

During the period ended December 31, 2017 the Trust paid \$32,400 in marketing fees to the Manager of which \$20,000 is recorded as a prepaid expenses as at December 31, 2017.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

7 Investments

The following table illustrates the classification of the investment in the PMI Partnership within the fair value hierarchy as at December 31, 2017:

Financial assets at fair value as at December 31, 2017				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Beginning of the year	-	-	5,250,494	5,250,494
Purchase of Units	-	-	22,622,240	22,622,240
Change in unrealized appreciation	-	-	1,352,777	1,352,777
Disposals	-	-	-	-
Transfers	-	-	-	-
	-	-	29,225,511	29,255,511

The following table illustrates the classification of the investment in the PMI Partnership within the fair value hierarchy as at December 31, 2016:

Financial assets at fair value as at December 31, 2016				
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Beginning of the period	-	-	-	-
Purchase of Units	-	-	5,177,560	5,177,560
Change in unrealized appreciation	-	-	72,934	72,934
Disposals	-	-	-	-
Transfers	-	-	-	-
	-	-	5,250,494	5,250,494

The Trust's equity position is consisted solely of PMI Partnership units. The fair value of investment in the PMI Partnership units are based on the net asset value of the PMI Partnership as of December 31, 2017 and 2016 which carries its underlying investments at fair value.

A 10% increase or decrease in the fair value of the PMI Partnership units would increase or decrease income of the Trust by approximately \$2,923,000 (December 31, 2016 - \$525,000) or approximately \$1.05 (December 31, 2016 - \$0.88) per unit. The key sensitivities in the valuation of the PMI Partnership's underlying investments include collectability of principal, interest and fees and changes in interest rate yields.

The business of PMI Partnership is to construct unique investment structures whereby it actively participates as a producer or in a similar role for movie productions and by utilizing asset-based debt and revenue participation structures negotiated on a one-off basis with Canadian, American, United Kingdom and Australian motion pictures and television companies and special purpose vehicles.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

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8 Risk management

The Trust is exposed to a variety of financial instruments risks: interest rate, risk concentration risk and liquidity risk. The Trust's exposure to financial instruments risks is concentrated in its investment holdings.

Interest rate risk

The Trust is exposed to risks associated with the effects of fluctuations in the prevailing levels of market interest rates of the underlying investments held by PMI Partnership. As at December 31, 2017 and December 31, 2016 the investment projects held by PMI Partnership were interest-bearing at fixed interest rates. Thus, exposure to interest rate risk is minimal.

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 Trust's investment objective is to provide unitholders of the Trust with similar return to the PMI Partnership by investing all or substantially all of its assets in the PMI Partnership. Concentration risk is limited to its investment in the PMI Partnership which comprises 98% of net assets. The PMI Partnership seeks to diversify its underlying investments.

Liquidity risk

Liquidity risk is the risk the Trust will encounter difficulty in meeting obligations associated with its financial liabilities. The Trust is exposed to monthly redemptions of redeemable units and liabilities when they become due. Liquidity risk is managed by holding cash balances and the ability to redeem PMI Partnership units on a quarterly basis.

As at December 31, 2017, the Trust has cash and cash equivalents of \$6,541 (December 31, 2016 - \$482) to settle \$105,286 (December 31, 2016 - \$11,897) of liabilities and its operating working capital position is \$524,641. The Trust is dependent on future distributions of investments and subscriptions to fund redemptions.

9 Commitments and indemnities

Trust agreement

Computershare Trust Company of Canada has been appointed as Trustee to hold the trust property in accordance with the provisions of the Trust agreement. The Trustee is entitled to an annual fee as determined in agreement with the Manager. In addition, under the trust agreement, the manager will also be compensated as manager of the Trust and be entitled to reimbursement for reasonable costs and expenses incurred by it in connection with the activities of the Trust.

In accordance with the Trust Agreement, the Trust and Manager indemnify the Trustee against all costs, charges and expenses, including all legal fees, judgements and settlements brought, commenced against any of the Trustee and Manager parties.

In accordance with the Trust Agreement, The Trust indemnifies the Manager and its directors, officers and employees against all costs, charges and expenses, including all legal fees, judgements and settlements brought, commenced against any of the Trustee and Manager parties. The Manager may, at the expense of the Trust, purchase and maintain insurance on behalf of the Trust in respect of any obligation of the Trust to indemnify the Manager parties.

Qwest Productivity Media Income Trust

Notes to the Financial Statements

December 31, 2017 and 2016

9 Commitments and indemnities (continued from previous page)

Fund management agreement

Pursuant to a one year renewable Fund Management Agreement, the Manager has retained SGGG Fund Services Inc. ("SGGG") as service provider to provide certain fund management services in respect of the Trust including the distribution of the Units through the facilities of FundSERV; authorizing contractual arrangements relating to the Trust; and providing services in respect of the Trust; assisting the Manager with calculating income and capital gains of the Trust; and providing services in respect of the Trust's daily operations. SGGG has also been engaged to provide trust accounting services for the Trust. Under the agreement, the Manager agreed to indemnify and hold harmless SGGG and any service provider (or its employees) engaged by SGGG for the purposes of providing services to the Trust from any losses or claims, and pay the reasonable fees and expenses of counsel that may be incurred in advising with respect to and/or defending any claim that may be made against the indemnified parties.

10 Capital management

QIFM manages the capital of the Trust which consists of net assets, in accordance with the Trust's investment objectives, policies and restrictions, as outlined in the Trust's offering documents and Trust Agreement, while maintaining sufficient liquidity to meet participating Trust redemptions. The Trust does not have any externally imposed regulatory capital requirements.

11 Filing of financial statements

These financial statements of the Trust have not been filed with the provincial regulators pursuant to the exemption under section 2.11 of National Instrument 81-106 Investment Fund Continuous Disclosure. This exemption is available when the financial statements have been provided to the Unitholders by the Trust as required under the National Instrument.

12 Subsequent events

From January 1, 2018 to February 28, 2018 the Trust issued an additional \$2,036,730 in Class F units and redeemed \$1,297,330 in Class F units.

Investment in PMI Partnership

From January 1, 2018 to February 28, 2018, the Trust invested additional \$42,400 in Class C units and \$2,659,289 Class F and redeemed \$1,021,677 in Class C units in PMI Partnership.