Qwest
INVESTMENT MANAGEMENT

Qwest Productivity Media Income Trust

Financial Statements
December 31, 2018 and 2017

KPMG LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Qwest Productivity Media Income Trust

Opinion

We have audited the financial statements of Qwest Productivity Media Income Trust, which comprise:

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

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

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

Basis for Opinion

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

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

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

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on May 16, 2018.

Other information

The Manager is responsible for the other information. Other information comprises:

- the information included in the Annual Management Report on Fund Performance for the Fund filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report on Fund Performance for the Fund filed with the relevant Canadian Securities Commissions as at the date of this auditors' report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

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

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 5, 2019

Qwest Productivity Media Income Trust

Statement of Financial Position

December 31, 2018 and 2017

	2018	2017
Assets		
Current assets:		
Cash	$ 441,114	$ 6,541
Accounts receivable	10,000	10,000
Subscriptions receivable	991,583	472,927
Due from manager (note 5)	-	459
Investments (note 6)	39,907,991	29,225,511
Prepaid expenses (note 5)	20,550	140,000
Dividends receivable	505,164	-
	41,876,402	29,855,438
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	28,790	9,460
Redemption payable	25,401	74,863
Distribution payable	435,404	-
Management fees payable (note 5)	25,910	20,963
	515,505	105,286
Net assets attributable to holders of redeemable units	$ 41,360,897	$ 29,750,152
Net assets attributable to holders of redeemable units:		
Series A	$ 8,532,722	$ 8,066,662
Series F	32,828,175	21,683,490
	$ 41,360,897	$ 29,750,152
Number of redeemable units outstanding: (note 4)		
Series A	779,129	767,589
Series F	2,877,400	2,015,938
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 10.95	$ 10.51
Series F	11.41	10.76

See accompanying notes to financial statements.

Approved on behalf of the Board of Directors of Qwest Investment Fund Management:

Maurice Levesque, Director

Don Short, Director

Qwest Productivity Media Income Trust

Statements of Comprehensive Income

Years ended December 31, 2018 and 2017

	2018	2017
Revenue:		
Early redemption fees	$ 63,762	$ 7,730
Interest income	1,340	35
Dividend income	505,164	-
Change in unrealized appreciation in value of investments	2,135,097	1,352,777
Realized gain on sale of investments, including foreign exchange adjustments	119,083	-
	2,824,446	1,360,542
Expenses:		
Management fee (note 5)	267,287	135,522
Administrative fees	156,656	79,840
Unitholder recordkeeping and fund accounting fees	67,106	41,057
Audit fees	25,852	19,294
Agency fees	10,500	7,917
Filing fees	10,440	14,787
Legal fees	10,061	433
Securityholder reports	8,558	2,934
FundSERV	2,926	4,730
Bank charges	1,198	925
Unitholder recordkeeping fees	-	-
Operating fees	-	1,304
Expenses reimbursements	-	(40,293)
	560,584	268,450
Increase in net assets attributable to holders of redeemable units	$ 2,263,862	$ 1,092,092
Increase in net assets attributable to holders of redeemable units:		
Series A	$ 451,682	$ 284,712
Series F	1,812,180	807,380
	$ 2,263,862	$ 1,092,092
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	$ 0.59	$ 0.67
Series F	0.81	0.78

See accompanying notes to financial statements.

Qwest Productivity Media Income Trust

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

Years ended December 31, 2018 and 2017

December 31, 2018	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to investors from net investment income	Reinvestment of distributions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
Series A	$ 8,066,662	$ 433,699	$ (335,064)	$ (327,009)	$ 242,752	$ 451,682	$ 8,532,722
Series F	21,683,490	13,145,653	(3,462,001)	(1,354,234)	1,003,087	1,812,180	32,828,175
	$ 29,750,152	$ 13,579,352	$ (3,797,065)	$(1,681,243)	$ 1,245,839	$ 2,263,862	$ 41,360,897

December 31, 2017	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to investors from net investment income	Reinvestment of distributions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
Series A	$ 1,373,300	$ 7,554,342	$ (1,145,692)	$ (165,323)	$ 165,323	$ 284,712	$ 8,066,662
Series F	4,747,335	16,437,303	(308,528)	(542,647)	542,647	807,380	21,683,490
	$ 6,120,635	$ 23,991,645	$ (1,454,220)	$ (707,970)	$ 707,970	$ 1,092,092	$ 29,750,152

See accompanying notes to financial statements.

Qwest Productivity Media Income Trust

Statements of Cash Flows

Years ended December 31, 2018 and 2017

	2018	2017
Cash provided by (used in):		
Operating activities:		
Increase in net assets attributable to holders of redeemable units	$ 2,263,862	$ 1,092,092
Items not involving cash:		
Change in unrealized appreciation of investments	(2,135,097)	(1,352,777)
Change in realized gain on sale of investments, including foreign exchange adjustments	(119,083)	-
Dividend income	(505,164)	-
Changes in other non-cash balances:		
Accounts receivable	-	(10,000)
Due from manager	459	5,891
Prepaid expenses	119,450	(134,284)
Accounts payable and accrued liabilities	19,330	5,611
Management fee payable	4,947	13,083
Proceeds from sale of investments	2,076,875	-
Purchase of investments	(10,505,175)	(22,622,240)
Net cash used in operating activities	(8,779,596)	(23,002,624)
Financing activities:		
Proceeds from redeemable units issued	12,851,909	24,388,209
Redemption of redeemable units	(3,637,740)	(1,379,358)
Distribution paid in cash	-	(168)
Net cash provided by financing activities	9,214,169	23,008,683
Increase in cash	434,573	6,059
Cash, beginning of year	6,541	482
Cash, end of year	$ 441,114	$ 6,541

See accompanying notes to financial statements.

Qwest Productivity Media Income Trust

Schedule of Investment Portfolio
(Expressed in Canadian Dollars)

December 31, 2018

		Number of units	Average cost	Fair value $	Net assets %
Productivity Media Income Fund I, LP:					
Master Series	Class C	707,454	$ 7,357,259	$ 8,229,124	19.90
Master Series	Class F	1,712,790	18,484,748	20,932,991	50.61
January 2018 Series	Class C	4,240	42,400	45,321	0.11
January 2018 Series	Class F	136,229	1,362,289	1,464,383	3.54
February 2018 Series	Class F	129,700	1,297,000	1,383,991	3.35
April 2018 Series	Class F	45,770	457,700	481,918	1.17
July 2018 Series	Class F	16,000	160,000	165,051	0.40
August 2018 Series	Class F	45,000	450,000	460,976	1.11
September 2018 Series	Class C	9,000	90,000	91,350	0.22
September 2018 Series	Class F	85,879	858,787	873,306	2.11
October 2018 Series	Class C	11,500	115,000	115,993	0.28
October 2018 Series	Class F	82,500	825,000	833,292	2.01
November 2018 Series	Class C	7,500	75,000	75,094	0.18
November 2018 Series	Class F	105,000	1,050,000	1,052,299	2.54
December 2018 Series	Class C	12,200	122,000	121,319	0.29
December 2018 Series	Class F	360,000	3,600,000	3,581,583	8.66
Total portfolio of investments			36,347,183	39,907,991	96.48
Cash				441,114	1.07
Other assets attributable to holders of redeemable units				1,011,792	2.45
Net assets attributable to holders of redeemable units				$ 41,360,897	100.00

See accompanying notes to financial statements.

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 the Province of Alberta by a trust agreement dated March 17, 2016. The address of the Trust's registered office is Four Bentall Centre, Suite 732, 1055 Dunsmuir Street, Vancouver, British Columbia, V6C 2T8. The Trust consists of two classes of trust units, Class A and Class F.

The principal purpose of the Trust is to provide unitholders with 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 trustee of the Trust is Computershare Trust Company of Canada (the "Trustee"). The Trustee delegated the exclusive power and sole responsibility to manage the business and affairs of the Trust to Qwest Investment Fund Management Ltd. (the "Manager"). 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.

These financial statements were authorized for issuance by the Manager of the Trust on April 5, 2019.

2. Basis of presentation:

(a) 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).

(b) Basis of measurement:

These financial statements were prepared on a historical cost basis, except for investments, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

2. Basis of presentation:

(d) Use of estimates and judgment (continued):

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next fiscal year is included in note 6 and relate to the determination of fair value of investments with significant unobservable inputs.

3. Summary of significant accounting policies:

The accounting policies set out below have been applied consistently to all periods as presented in these financial statements.

(a) Financial instruments:

(*i*) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Trust becomes a party to the contractual provisions of the instrument. The Trust derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in *the statement of financial position* only when the Trust has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

A financial asset is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

3. Summary of significant accounting policies (continued):

(a) Financial instruments (continued):

(*i*) Recognition and measurement (continued):

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition the Trust may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Trust changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Trust has not classified any of its financial assets as FVOCI.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(*ii*) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Trust’s investments are classified as FVTPL.

3. Summary of significant accounting policies (continued):

(a) Financial instruments (continued):

(*ii*) Fair value through profit and loss (continued):

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 fair value of financial assets and liabilities traded in active markets (such as publicly marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's 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 that is most representative of fair value based on the specific facts and circumstances. The Trust's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

(*iii*) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Trust classifies cash and cash equivalents, subscriptions receivable, accounts receivable, due from the Manager, redemptions payable, management fees payable, and accounts payable and accrued liabilities as amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

3. Summary of significant accounting policies (continued):

(b) Redeemable units:

The Trust classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Trust has designated the redeemable units as financial liabilities at FVTPL because they are managed and their performance evaluated on a fair value basis. The redeemable units provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Trust's valuation policies at each redemption date.

(c) Income recognition:

Interest income is recognized on an accrual basis. Portfolio transactions are recorded on the trade date. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Realized gains and losses arising from the sale of investments are determined on the cost basis of the respective investments.

(d) Income taxes:

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust does not record income taxes.

4. Redeemable units:

The Trust is authorized to issue an unlimited number of Class A and Class F units. Units issued and outstanding represents the capital of the trust. The trust is not subject to any internally or externally imposed restrictions on their capital. QIFM manages the capital of the Trust in accordance with the Trust's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions.

Class A units are available to all investors who have commission-based accounts with their dealers. Class F units are available to investors who have fee-based accounts with their dealers.

4. Redeemable units (continued):

The unit transactions for the Trust during the year ended December 31 are as follows:

	2018		2017	
	Class A	Class F	Class A	Class F
Redeemable units, beginning of year:	767,589	2,015,938	135,198	461,736
Redeemable units issued for cash	42,232	1,170,241	723,853	1,532,599
Redeemable units issued on reinvestment of distributions	22,169	87,913	19,242	55,114
Consolidation of units	(21,838)	(84,042)	(3,538)	(4,741)
Redemption of redeemable units	(31,023)	(312,650)	(107,166)	(28,770)
Redeemable units, end of year:	779,129	2,877,400	767,589	2,015,938

5. Related party transactions:

(a) Management fees:

Under the trust agreement, the Manager receives a management fee based on the net asset value attributable to holders of redeemable units on each valuation day at the following annualized rates:

Class A	1.50%
Class F	0.50%

The investment management fees incurred during the year amounted to $267,287 (2017 - $135,522). As at December 31, 2018, $25,910 of investment management fees were payable to the Manager (2017 - $20,963).

In addition, the Manager is entitled to an incentive allocation payable annually by the general partner of PMI Partnership (the “General Partner”) and is equal to 5% of the gross incentive allocation payable to the General Partner by PMI Partnership. No incentive allocation was receivable by the Manager as at December 31, 2018 (2017 - nil).

5. Related party transactions (continued):

(b) Other related party transactions:

Included in accounts receivable as at December 31, 2018 is an amount due from Heritage Bancorp Ltd. ("Heritage") for $10,000 (December 31, 2017 - $10,000). During the year ending December 31, 2018, an administrative fee of $113,400 (December 31, 2017 - $189,840) was paid to Heritage, of which $20,550 is recorded as a prepaid expense as at December 31, 2018 (December 31, 2017 - $110,000). 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 year ended December 31, 2018, the Trust paid $nil (December 31, 2017 - $32,400) in marketing fees to the Manager of which $nil (December 31, 2017 - $20,000) is recorded as a prepaid expense as at December 31, 2018.

6. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Trust determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Trust measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

6. Fair value of financial instruments (continued):

(a) Valuation models (continued):

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Trust uses widely recognized valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives such as interest rate swaps. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, the Trust uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instrument being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Trust believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Trust and the counterparty where appropriate.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

6. Fair value of financial instruments (continued):

(b) Valuation framework:

The Manager has engaged SGGG to value the net assets of the Trust on a monthly basis. SGGG obtains pricing for level 1 financial instruments from a third-party pricing vendor. The Manager is responsible for performing the fair value measurements of financial instruments in Levels 2 and 3.

The Trust has an established control framework with respect to the measurement of fair values. This framework includes an investment committee, which is independent of front office management and reports to the Manager's Board of Directors.

Specific controls include:

- verification of observable pricing inputs;
- calibration of models against observed market transactions;
- analysis and investigation of significant monthly valuation movements; and
- review of unobservable inputs and valuation adjustments

When third party information is used to measure fair value, Management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes understanding how the fair value has been arrived at and the extent to which it represents actual market transactions.

(c) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position. All fair value measurements below are recurring.

2018	Level 1	Level 2	Level 3	Total
Assets:				
Investments	$ -	$ -	$ 39,907,991	$ 39,907,991

2017	Level 1	Level 2	Level 3	Total
Assets:				
Investments	$ -	$ -	$ 29,225,511	$ 29,225,511

The carrying amount of the Trust's net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

6. Fair value of financial instruments (continued):

(c) Fair value hierarchy - financial instruments measured at fair value (continued):

There were no financial instruments transferred into or out Level 1, 2 or 3 during the periods ended December 31, 2018 and 2017.

Beginning balance, January 1, 2018	$ 29,225,511
Purchases	10,505,175
Sales	(2,076,875)
Realized gains included in net income	119,083
Change in unrealized appreciation included in net income	2,135,097
Ending balance, December 31, 2018	$ 39,907,991

Beginning balance, January 1, 2017	$ 5,250,494
Purchases	22,622,240
Change in unrealized appreciation included in net income	1,352,777
Ending balance, December 31, 2017	$ 29,225,511

(d) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used at year-end in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

2018

Description	Fair value	Valuation technique	Unobservable input	Amount / Range	Sensitivity to change in significant unobservable input
Unlisted limited partnership	$ 39,907,991	Enterprise value	Enterprise value	$ 39,907,991	The estimated fair value would increase if the enterprise value were higher

2017

Description	Fair value	Valuation technique	Unobservable input	Amount / Range	Sensitivity to change in significant unobservable input
Unlisted limited partnership	$ 39,907,991	Enterprise value	Enterprise value	$ 29,225,511	The estimated fair value would increase if the enterprise value were higher

6. Fair value of financial instruments (continued):

(d) Significant unobservable inputs used in measuring fair value (continued):

Significant unobservable inputs are developed as follows:

(*i*) Enterprise value:

Represents the amount that market participants would pay when purchasing the Trust's interest in the investee company. The Manager determines this value based on comparable arm's length transactions in shares of the respective company.

The underlying assets of 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. 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 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.

In accordance with the limited partnership agreement with PMI Partnership (the "Partnership Agreement"), the Trust is only permitted to redeem a maximum of 25% of the net asset value of its units per quarter.

(e) Effects of unobservable input on fair value measurement:

Although the Trust believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to holders of non-redeemable units.

	2018	2017
Favorable	$ 3,990,799	$ 2,922,551
Unfavorable	(3,990,799)	(2,922,551)

6. Fair value of financial instruments (continued):

(e) Effects of unobservable input on fair value measurement (continued):

The favorable and unfavorable effects of using reasonably possible alternative assumptions for the valuation of unlisted private investments have been calculated by recalibrating the model values using unobservable inputs based on ranges of possible estimates. The recalibrated model considers the impact of a change in the enterprise value multiple to alternative reasonably possible assumptions of a 10% increase or decrease in the enterprise value.

(f) Financial instruments not measured at fair value:

The carrying value of cash and cash equivalents, subscriptions receivable, accounts receivable, due from the Manager, redemptions payable, management fees payable, and accounts payable and accrued liabilities approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

7. Financial risk management:

(a) Risk management framework:

The Trust invests all or substantially all of its assets in PMI Partnership, an unlisted limited partnership. The investment strategy of PMI Partnership is applicable to the Trust to the extent that the Trust's assets are invested in PMI Partnership. The investment objective 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.

The Manager has been given discretionary authority to manage the assets in line with the Trust's investment objectives. Compliance with the Trust's investment policy is monitored by the Manager on a monthly basis.

(b) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Trust's income or the fair value of its holdings of financial instruments.

The Trust's strategy for the management of market risk is driven by the Trust's investment objective. The fundamental investment objective of the Trust is to provide 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's market risk is managed on a monthly basis by the Manager in accordance with the policies and procedures in place. The market risk of PMI Partnership is applicable to the Trust to the extent that the Trust's assets are invested in PMI Partnership.

7. Financial risk management (continued):

(c) Interest rate risk:

Interest rate risk is the risk that the fair value of future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. As at December 31, 2018 and 2017 PMI Partnership held fixed interest rate bearing investment projects. Thus, exposure to interest rate risk is minimal. Past due loans held by PMI Partnership bear interest at floating rates until repaid.

(d) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

Concentration risk of the Trust is limited to its investment in PMI which comprises 96% of net assets (2017 - 98%). PMI Partnership seeks to diversify the assets of its portfolio among jurisdictions, producers, collateral and genres.

(e) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust, resulting in a financial loss to the Trust. It arises principally from cash equivalents and other receivables due to the Trust. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Trust’s maximum exposure to credit risk.

The Trust’s policy over credit risk is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with reputable counterparties.

Credit risk is monitored on a monthly basis by the Manager in accordance with the policies and procedures in place. The credit risk of PMI Partnership is applicable to the Trust to the extent that the Trust’s assets are invested in PMI Partnership. As at December 31, 2018 PMI Partnership has credit risk exposure equal to 77% of its net asset value (2017 - 85%) relating to the production entities the investment project loans are granted to. PMI Partnership manages credit risk by performing a risk assessment on all loans prior to entering into an agreement.

(f) Liquidity risk:

Liquidity risk is the risk that the Trust will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Trust’s policy and the Manager’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due without incurring unacceptable losses or risking damage to the Trust’s reputation.

7. Financial risk management (continued):

(f) Liquidity risk (continued):

The Trust's offering memorandum provides for the monthly creation and cancellation of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at each redemption date.

In accordance with the limited partnership agreement with PMI Partnership (the "Partnership Agreement"), the Trust is only permitted to redeem a maximum of 25% of the net asset value of its units per quarter. As a result, the Trust may not be able to liquidate some of its investments in these instruments in due time to meet its liquidity requirements.

8. Capital management:

The redeemable units issued by the Trust represent the capital of the Trust. The Trust's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

9. Change in accounting policy:

The Trust has adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of January 1, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment and hedge accounting. The adoption of IFRS 9 have been applied retrospectively. The nature and effects of the key changes to the Trust's accounting policy are summarized below.

(a) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Trust may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivatives liabilities. The Trust may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

9. Change in accounting policy (continued):

(a) Classification and measurement of financial assets and liabilities (continued):

The adoption of IFRS 9 did not result in any measurement differences in the Trust's financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Trust's financial assets and financial liabilities as at January 1, 2018.

Financial instruments	Classification category		Measurement category		Carrying amount at January 1, 2018		
	Original (IAS 39)	New (IFRS9)	Original (IAS 39)	New (IFRS 9)	Original (IAS 39) $	New (IFRS 9) $	Difference $
Assets							
Cash	Amortized cost	Amortized cost	Amortized cost	Amortized cost	6,541	6,541	-
Dividends receivable	Loans and receivables	Amortized cost	Amortized cost	Amortized cost	10,000	10,000	-
Accounts receivable	Loans and receivables	Amortized cost	Amortized cost	Amortized cost	472,927	472,927	-
Due from manager	Loans and receivables	Amortized cost	Amortized cost	Amortized cost	459	459	-
Investments	FVTPL – designated at inception	FVTPL	FVTPL	FVTPL	29,225,511	29,225,511	-
Liabilities							
Accounts payable and accrued liabilities	Financial liabilities	Financial liabilities	Amortized cost	Amortized cost	9,460	9,460	-
Redemptions payable	Financial liabilities	Financial liabilities	Amortized cost	Amortized cost	74,863	74,863	
Management fees payable	Financial liabilities	Financial liabilities	Amortized cost	Amortized cost	20,963	20,963	-

(b) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Trust measures its financial assets at FVTPL or holds only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

(c) Hedge accounting:

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Trust has not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.