Davis-Rea Partners Fund

Financial Statements

For the Years Ended December 31, 2014 and 2013

(Expressed in Canadian dollars)

Collins Barrow

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Davis-Rea Partners Fund

We have audited the accompanying financial statements of Davis-Rea Partners Fund, which comprise the statements of financial position as at December 31, 2014, December 31, 2013 and January 1, 2013 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2014 and December 31, 2013 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 audits. We conducted our audits 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 in our audits 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 Davis-Rea Partners Fund as at December 31, 2014, December 31, 2013, and January 1, 2013, and the results of its financial performance, its changes in net assets and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Licensed Public Accountants
Chartered Accountants
March 23, 2015
Toronto, Ontario

DAVIS-REA PARTNERS FUND
Statements of Financial Position
As at December 31, 2014 and December 31, 2013 and January 1, 2013
(Expressed in Canadian Dollars)

		December 31, 2014	December 31, 2013 (Note 15)	January 1, 2013 (Note 15)
Assets				
Cash	$	-	$ 5,242,955	$ 4,221,079
Investments at fair value		**27,551,448**	16,251,898	11,689,226
Receivable for investments sold		-	971,210	1,587,160
Subscriptions receivable		**45,000**	1,040,000	100,000
Accrued interest receivable		-	-	68,530
Accrued dividends receivable		-	-	17,839
Total assets		**27,596,448**	23,506,063	17,683,834
Liabilities				
Short positions at fair value		**3,422,924**	9,589,598	4,399,000
Bank overdraft		**4,241,963**	1,008,283	7,731,271
Payable for investments purchased		-	679,367	-
Redemptions payable		**800**	-	-
Accrued management fees (Note 8)		**138,298**	51,893	24,453
Other accrued expenses		**22,406**	32,363	21,932
Accrued dividend income payable		**37,690**	-	31,500
Total liabilities		**7,864,081**	11,361,504	12,208,155
Net assets attributable to holders of redeemable units (Note 5)	$	**19,732,367**	$ 12,144,559	$ 5,475,679
Net assets attributable to holders of redeemable units per class (Note 5)				
CLASS O	$	**15**	$ 17	$ 13
CLASS F	$	**238,677**	$ -	$ -
CLASS A	$	**19,254,373**	$ 12,144,542	$ 5,475,666
CLASS B	$	**239,302**	$ -	$ -
Net assets attributable to holders of redeemable units per unit				
CLASS O	$	**14.80**	$ 16.74	$ 12.62
CLASS F	$	**5.58**	$ -	$ -
CLASS A	$	**7.27**	$ 10.44	$ 9.93
CLASS B	$	**5.57**	$ -	$ -

Approved by the Manager of the Davis-Rea Partners Fund

Director Director

DAVIS-REA PARTNERS FUND
Statements of Comprehensive Income
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

		2014		2013 (Note 14)
Investment Income				
Interest for distribution purposes	$	15,782	$	50,433
Dividend income		225,006		143,194
		240,788		193,627
Net Gain (Loss) on Investments				
Net realized gain (loss)		3,888,416		2,539,721
Net foreign exchange gain (loss) on cash		1,318,437		368,158
Net foreign exchange gain (loss)		415,230		(23,845)
Change in unrealized appreciation (depreciation)		(10,948,189)		(65,589)
		(5,326,106)		2,818,445
		(5,085,318)		3,012,072
Expenses				
Management fees (Note 8)		437,802		137,405
Audit fees		17,200		12,000
Custodial and administrative fees (Note 8)		2,080		3,697
Legal fees		545		4,360
Trustee fees		2,104		2,796
Unitholder communication fees		2,845		2,745
Administration fees		22,765		17,752
Transaction costs		1,929,694		449,987
Harmonized sales tax		60,937		23,353
Other expenses		26,303		17,188
Securities lending expense		262,878		119,655
Interest expense, short positions		8,113		-
Dividend expense, short positions		283,903		71,091
		3,057,169		862,029
Increase (decrease) in net assets attributable to holders of redeemable units	$	(8,142,487)	$	2,150,043
Increase (decrease) in net assets attributable to holders of redeemable units per class				
CLASS O	$	(2)	$	4
CLASS F	$	(11,333)	$	-
CLASS A	$	(7,899,987)	$	2,150,039
CLASS B	$	(231,165)	$	-
Average redeemable units outstanding				
CLASS O		1		1
CLASS F		6,572		-
CLASS A		1,889,112		687,557
CLASS B		23,827		-
Increase (decrease) in net assets attributable to holders of redeemable units per unit				
CLASS O	$	(2.19)	$	4.18
CLASS F	$	(1.72)	$	-
CLASS A	$	(4.18)	$	3.12
CLASS B	$	(9.71)	$	-

DAVIS-REA PARTNERS FUND
Statements of changes in net assets attributable to holders of redeemable units
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

Total		2014		2013
Net assets attributable to holders of redeemable units at beginning of year (Note 14)	**$**	**12,144,559**	$	5,475,679
Increase (decrease) in net assets attributable to holders of redeemable units		**(8,142,487)**		2,150,043
Distributions paid or payable to holders of redeemable units (Note 6)				
From net realized capital gains		**(4,917,222)**		(1,998,745)
Total distributions to holders of redeemable units		**(4,917,222)**		(1,998,745)
Redeemable unit transactions (Note 5)				
Amount received from the issuance of units		**16,171,426**		4,523,837
Amount received from reinvestment of distributions		**4,917,222**		1,998,745
Amount paid on redemptions of units		**(441,131)**		(5,000)
Net increase (decrease) from redeemable unit transactions		**20,647,517**		6,517,582
Net increase (decrease) in net assets attributable to holders of redeemable units		**7,587,808**		6,668,880
Net assets attributable to holders of redeemable units at end of year	**$**	**19,732,367**	$	12,144,559

CLASS O		2014		2013
Net assets attributable to holders of redeemable units at beginning of year	**$**	**17**		13
Increase (Decrease) in Net Assets from Operations		**(2)**		4
Net increase (decrease) in net assets attributable to holders of redeemable units		**(2)**		4
Net assets attributable to holders of redeemable units at end of year	**$**	**15**	$	17

CLASS F		2014		2013
Net assets attributable to holders of redeemable units at beginning of year	**$**	**-**	$	-
Increase (Decrease) in Net Assets from Operations		**(11,333)**		-
Changes Due to Unitholder Transactions (Note 5)				
Amount received from the issuance of units		**250,010**		-
Net increase (decrease) from redeemable unit transactions		**250,010**		-
Net increase (decrease) in net assets attributable to holders of redeemable units		**238,677**		-
Net assets attributable to holders of redeemable units at end of year	**$**	**238,677**	$	-

CLASS A		2014		2013
Net assets attributable to holders of redeemable units at beginning of year	**$**	**12,144,542**	$	5,475,666
Increase (Decrease) in Net Assets from Operations		**(7,899,987)**		2,150,039
Distributions Paid or Payable to Unitholders				
From net realized capital gains		**(4,917,222)**		(1,998,745)
Total distributions to holders of redeemable units		**(4,917,222)**		(1,998,745)
Changes Due to Unitholder Transactions (Note 5)				
Amount received from the issuance of units		**15,450,949**		4,523,837
Amount received from reinvestment of distributions		**4,917,222**		1,998,745
Amount paid on redemptions of units		**(441,131)**		(5,000)
Net increase (decrease) from redeemable unit transactions		**19,927,040**		6,517,582
Net increase (decrease) in net assets attributable to holders of redeemable units		**7,109,831**		6,668,876
Net assets attributable to holders of redeemable units at end of year	**$**	**19,254,373**	$	12,144,542

CLASS B		2014		2013
Net assets attributable to holders of redeemable units at beginning of year	**$**	**-**	$	-
Increase (Decrease) in Net Assets from Operations		**(231,165)**		-
Changes Due to Unitholder Transactions (Note 5)				
Amount received from the issuance of units		**470,467**		-
Net increase (decrease) from redeemable unit transactions		**470,467**		-
Net increase (decrease) in net assets attributable to holders of redeemable units		**239,302**		-
Net assets attributable to holders of redeemable units at end of year	**$**	**239,302**	$	-

DAVIS-REA PARTNERS FUND
Statements of Cash Flows
For the years ended December 31, 2014 and 2013
(Expressed in Canadian Dollars)

		2014		2013
Cash flows from operating activities				
Increase (decrease) in net assets attributable to holder of redeemable units	**$**	**(8,142,487)**	$	2,150,043
Adjustments for:				
Foreign exchange gain (loss) on cash		**(1,318,437)**		(368,158)
Net realized gain (loss) on sale of investments		**(3,888,416)**		(2,539,721)
Net change in unrealized appreciation (depreciation) of investments		**10,948,189**		65,589
Purchase of investments		**(777,741,675)**		(117,503,328)
Proceeds from the sale of investments		**753,507,521**		121,900,703
Interest receivable		**-**		68,530
Dividends receivable		**24,895**		(866)
Other liabilities		**89,243**		25,077
		(26,521,167)		3,797,869
Financing activities				
Amount received from the issuance of units		**17,166,426**		3,583,837
Amount paid on redemptions of units		**(440,331)**		(5,000)
		16,726,095		3,578,837
Increase (decrease) in cash during the year		**(9,795,072)**		7,376,706
Foreign exchange gain (loss) on cash		**1,318,437**		368,158
Cash at beginning of year		**4,234,672**		(3,510,192)
Cash at end of year (Note 3)	**$**	**(4,241,963)**	$	4,234,672
Interest received	**$**	**15,782**	$	118,963
Interest expense, short positions		**8,113**		-
Dividends received		**249,901**		142,328
Dividend expense		**283,903**		71,091

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2014
(Expressed in Canadian Dollars)

DAVIS-REA PARTNERS FUND

	Number of Shares	Average Cost* $	Fair Value $
INVESTMENTS - 122.28%			
INVESTMENTS HELD LONG - 139.62%			
CANADIAN EQUITIES - 139.62%			
Energy - 139.62%			
8193053 Canada Ltd.	250,000	250,000	250,000
Artek Exploration Ltd.	874,550	2,872,794	1,530,463
Elkwater Resources Ltd.	8,250,000	825,000	1,113,750
Kelt Exploration Ltd.	1,019,000	13,613,546	7,133,000
Raging River Exploration Inc.	75,900	737,563	557,106
RMP Energy Inc.	461,600	3,464,087	2,114,128
Spartan Energy Corp.	4,756,334	15,076,310	13,270,172
Tourmaline Oil Corp.	40,900	2,112,174	1,582,830
		38,951,474	**27,551,448**
TOTAL INVESTMENTS HELD LONG		**38,951,474**	**27,551,448**
INVESTMENTS SOLD SHORT - (17.34%)			
CANADIAN EQUITIES - (9.07%)			
Energy - (9.07%)			
Penn West Petroleum Ltd.	(125,000)	(391,746)	(303,750)
Surge Energy Inc.	(403,800)	(1,679,057)	(1,485,984)
		(2,070,803)	**(1,789,734)**
Total Canadian Equities		**(2,070,803)**	**(1,789,734)**
U.S. EQUITIES - (8.27%)			
Consumer Discretionary - (5.01%)			
Netflix Inc.	(2,500)	(941,154)	(989,174)
		(941,154)	**(989,174)**
Consumer Staples - (3.26%)			
Tesla Motors Inc.	(2,500)	(621,866)	(644,016)
		(621,866)	**(644,016)**
Total U.S. Equities		**(1,563,020)**	**(1,633,190)**
TOTAL INVESTMENTS SOLD SHORT		**(3,633,823)**	**(3,422,924)**
TOTAL COST AND FAIR VALUE OF INVESTMENTS - 122.28%		**35,317,651**	**24,128,524**
TRANSACTION COST INCLUDED IN AVERAGE COST		**(50,648)**	
TOTAL INVESTMENTS - 122.28%		**35,267,003**	**24,128,524**
OTHER ASSETS AND LIABILITIES - (22.28%)			**(4,396,157)**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REEDEMABLE UNITS - 100.00%			**19,732,367**

*Cost includes transaction costs

1. ESTABLISHMENT OF TRUST

The Davis Rea Partners Fund (the "Fund" formerly the Davis Rea Partners Pooled Fund) is an open ended unincorporated investment unit trust established under the laws of the Province of Ontario by a declaration of trust dated May 31, 2011. CIBC Mellon Trust Company is the trustee (the "Trustee") and the custodian (the "Custodian") of the Fund. Davis Rea Ltd. is the manager of the Fund (the "Manager"). Issuance of Class A, B, F, N and O, units commenced on June 19, 2011. Class A and Class B units are intended for accredited investors or investor investing at least $150,000 in units of a class of the Fund. Class F units of the Fund are intended for investors who participate in a fee based program through their dealer. Class N units can only be purchased by another Davis Rea fund. Class O units are designed exclusively for institutional investors and individual investors that have been approved by the Manager.

The financial statements of the Fund for the year ended December 31, 2014 were authorized for issue on March 23, 2015.

2. BASIS OF PRESENTATION AND ADOPTION OF IFRS

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB). The Fund adopted this basis of accounting in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously , the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CICA Handbook (Canadian GAAP). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 15 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the year ended December 31, 2013 prepared under Canadian GAAP.

The financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Fund.

Financial instruments

The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset. The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets and liabilities at fair value through profit or loss

The Fund measures its investments at fair value through profit and loss. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering memorandum.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include discounted cash flow analysis and option pricing models, which considers factors such as the market value of the underlying security, strike price, historical volatility and terms of the warrants or options.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within 'changes in unrealized appreciation (depreciation)' in the period in which they arise. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are measured at amortized cost. Transaction costs are included in the initial carrying amount of the asset. The Fund includes in this category subscriptions receivable, accrued interest receivable, accrued dividends receivable and other assets.

Other financial liabilities

This category includes all financial liabilities, other than those classified at fair value through profit or loss. Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the liability. The Fund includes in this category redemptions payable, accrued management fees, other accrued expenses and distributions payable to holders of redeemable units.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown of the Fund into the three-level hierarchy is provided in Note 12.

Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. The Fund derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the statement of comprehensive income.

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. If an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss to a maximum of the carrying amount of the asset had the impairment not been recognized.

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Investments and derivatives are measured at fair value through profit or loss (FVTPL), including certain investments in debt securities, which have been designated at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented as an other financial liability at the present value of the redemption amount.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at FVTPL.

Valuation of Investments

Investments held include equities. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their last traded market price where the last traded market price falls within the day's bid ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. The Fund'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. Investments held, such as bonds, with no active market or available bid prices are valued at their closing sale prices.

Distribution of income

Each unitholder's share of income, net of the Fund's expenses and net capital gain is distributed annually. Distributions from income trusts, mutual funds and REIT's are recognized on the ex-distribution date and are recorded as income, capital gains or a return of capital, based on best information available to the Manager. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment.

Investment Transactions and Income Recognition

The accrual method of recording income and expense is followed by the Fund, with investment transactions accounted for on the trade date basis and dividend income recorded on the ex dividend date. Realized gain/loss on sale of investments and unrealized appreciation /depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. The Fund generally incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statement of Comprehensive Income. Distributions from mutual and pooled funds are recognized on the ex distribution date and are recorded as income, capital gains or return of capital, based on the best information available. Those treated as return of capital reduce the average costs of the underlying investment. The interest for distribution purposes on debt securities as disclosed at fair value through profit or loss shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis. The fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Income Taxes

The Fund qualifies as a unit trust under the Income Tax Act (Canada), and accordingly, is not subject to income tax on the portion of its income, including net realized capital gains, that is distributed to unitholders other than alternative minimum tax. A unit trust may be subject to alternative minimum tax in certain circumstances. All or substantially all of the income for income tax purposes of the Fund is distributed to unitholders of the Fund in each taxation period.

Foreign Currency Translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars (CAD), which is also its functional and presentation currency.

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses on the sale of investments are included in net foreign exchange gain (loss) on the statement of comprehensive income.

Commissions and Other Transaction Costs

Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are expensed in the Statement of Comprehensive Income.

Valuation of Fund units

The value at which units are issued or redeemed is the Net Asset Value per unit. Net asset value per unit for each class is calculated at the end of each day on which the Fund's Manager is open for business ("valuation day') by dividing the net asset value of each class by its outstanding units. The net asset value of each class is computed by calculating the value of the class' proportionate share of a fund's assets less the class' proportionate share of the fund's common liabilities and less class-specific liabilities. Due to the impact of IFRS transition, there is no quantitative difference between the Net Asset Value and Net Assets of the Fund in 2014. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each class of a fund based on that class' prorata share of total net asset value of that fund. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the Statements of Changes in Net assets Attributable to Holders of Redeemable Units.

Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the year divided by the weighted average units outstanding during the year for each class.

Other Assets and Liabilities

Subscriptions receivable, accrued interest receivable, accrued dividends receivable, and receivable for portfolio securities sold are designated as loans and receivables and are recorded at amortized cost. Similarly, accounts payable and accrued liabilities, payable for portfolio securities purchased, accrued management fees, accrued dividends payable, and bank overdraft are designated as other financial liabilities and are recorded at amortized cost. These balances are short term in nature, therefore, amortized cost approximates fair value for these assets and liabilities.

Cash

Cash is comprised of deposits with financial institutions. For the purpose of the statement of cash flows, cash is presented net of outstanding bank overdrafts when applicable.

Redeemable participating shares/units

Redeemable units are redeemable at the unitholder's option and are classified as other financial liabilities and are recorded at present value of redeemable amount.

Net asset value per unit of each series is calculated daily at the close of business (unless such day is not a business day, in which case the last business day prior to such day is used) (each a "valuation day") by dividing the net asset value of each series by the outstanding units of that series. The net asset value of each series is computed by calculating the fair value of the assets less liabilities of the series.

(Expressed in Canadian Dollars)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgement in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Fund has made in preparing the financial statements:

Fair value measurement of derivatives and securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Please refer to Note 12 for additional disclosure.

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 judgements on the classification of these investments as either held for trading or designated as fair value through profit and loss under IAS 39, Financial Instruments. Due to the fact the investments have not been acquired or incurred principally for the purpose of selling or repurchasing in the near term and there is no evidence of a recent actual pattern of short term profit taking the investments are designated as FVTPL and are not considered to be held for trading.

5. REDEEMABLE UNITS

The capital of the Fund is represented by Class A, B, F, N and O issued redeemable units with no par value. Unit holders are entitled to distributions, if any, and to payment of a proportionate share of the net assets based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. Capital movements are shown on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment strategies and risk management policies, the Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

The following table summarizes the changes in the number of Class A, B, F and O units during the year. There were no Class N units issued or outstanding during the year.

Class O Units	**2014**	2013
Units outstanding, beginning of year	1	1
Units issued	-	-
Units reinvested	-	-
Units redeemed	-	-
Units outstanding, end of year	**1**	1

Class A Units	**2014**	2013
Units outstanding, beginning of year	1,162,754	551,581
Units issued	1,158,269	423,857
Units redeemed	(33,820)	(491)
Units reinvested	359,970	187,807
Units outstanding, end of year	2,647,173	1,162,754

(Expressed in Canadian Dollars)

Class B Units	2014
Units issued	42,933
Units redeemed	-
Units outstanding, end of year	42,933

Class F Units	2014
Units issued	42,809
Units redeemed	-
Units outstanding, end of year	42,809

6. DISTRIBUTIONS PER UNIT

Distributions may be made by the Fund of all or any part of its net income and net realized gains or as a return of capital to unitholders of record as of the close of business on or before the last valuation date in the year or at such other dates as determined by the Fund Manager, according to each unitholders' proportionate share of the Fund less any tax required to be deducted. The Manager intends to automatically reinvest such distributions of the Fund in additional units of the same class of the Fund on behalf of each unitholder.

The fund had the following distributions:

	2014	2013
From net realized capital gain	**$ 4,917,222**	$ 1,998,745

7. INCOME TAXES

The Fund qualifies as a unit trust under the Income Tax Act (Canada) and thus is not subject to income tax on its net taxable capital gains and its net investment income for the year if it allocates net capital gains and net investment income to unitholders. It is the intention of the Fund Manager to allocate the taxable income and realized gains of the Fund annually to unitholders so as to eliminate any income taxes otherwise payable by the Fund. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and reduces the cost base of the units at the unitholder level.

The Fund may be subject to alternative minimum tax in a year in which it has a net investment loss for tax purposes as well as net realized capital gain. This alternative minimum tax can be carried forward indefinitely to be applied against future taxes otherwise payable. There was no alternative minimum tax as at December 31, 2014.

8. MANAGEMENT FEES AND OTHER EXPENSES AND RELATED PARTY TRANSACTIONS

In accordance with a management agreement, the Manager is responsible for providing investment management administrative services and facilities to the Fund, including general portfolio management, maintenance of accounting records and preparation of reports to unitholders.

The management fee, for Class A, Class B and Class F, is computed at 2.00%, 2.25% and 1.75% respectively, per annum of the Net Asset Value of the Fund plus applicable taxes, is accrued monthly and payable quarterly to the Manager. Class O unitholders pay management fees directly to the Manager and no management fees are charged to Class N unitholders as these units can only be purchased by another Davis Rea fund.

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Custodian fees are fixed and payable to the Custodian. In addition, transaction fees are payable to the Custodian.

9. ECONOMIC DEPENDENCE

As at December 31, 2014, 44.9% (2013 - 37.45%) of total Net Assets are collectively held by two unitholders.

(Expressed in Canadian Dollars)

10. SOFT DOLLAR COMMISSIONS

The brokerage commissions paid on securities transactions may include "soft dollar" amounts, such as the value of research and other services provided by the broker. Although the Manager uses best efforts to determine the soft dollar portion of commissions paid on portfolio transactions of the Fund, the soft dollar portion, in some instances, is not ascertainable. The Fund paid soft dollar amounts during the year ended December 31, 2014 of $126,920 (2013 - $54,336).

11. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES

The Fund is exposed to a variety of financial risks: credit risk, liquidity risk, and market risk (including other price risk), in the normal course of business. The value of investments held within the Fund will fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market, and company specific news. The level of risk depends on the Fund's investment objectives and the type of securities it invests.

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives. The risk management practices include monitoring compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events, and diversify investment portfolios within the constraints of the investment guidelines.

Credit Risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to honour its financial obligation or commitment that it has entered into with a Fund. The Fund minimizes credit risk by maintaining its primary bank account at a reputable financial institution.

All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

A Fund's source of credit risk is its investments in debt instruments and derivatives. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly represents the maximum credit risk exposure of the Fund. As at December 31, 2014 and 2013, the credit risk is minimal given that the Fund had no significant investments in debt instruments or derivatives. As at January 1, 2013, the fund's maximum exposure to credit risk in any one investment relates to Province of Saskatchewan bond in the amount of $4,558,967.

Debt securities by credit rating*	January 1, 2013
AAA	83.26%
AA	0.00%
A	0.00%
BBB	0.00%
Below BBB	22.95%
Unrated	0.00%
Total	106.21%

*Extracted the blended composite debt securities ratings from Bloomberg, which is a blend of a security's Moody's, S&P, Fitch, and DBRS ratings. The rating agencies are evenly weighted when calculating the composite. It is calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings. A composite is not to be generated if the debt security is rated by only one of the four rating agencies.

Liquidity Risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation on time or at a reasonable price. The Fund is exposed to monthly cash redemptions of redeemable units. The units of the Fund are issued and redeemed on demand at the then current net asset value per unit at the option of the unit holder. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity for the purpose of funding redemptions.

The Fund's financial liabilities are all due within one year, and the Fund has sufficient cash on hand to settle these in due course.

Interest Rate Risk
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The fund did not hold any debt or derivative instruments that would hold any interest risk as of December 31, 2014 and 2013.
The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity as at January 1, 2013:

	Investments	Total
>5 years	$ 5,815,737	$ 5,815,737
Total	$ 5,815,737	$ 5,815,737

As at December 31, 2014, had the prevailing interest rates raised or lowered by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $0 (December 31, 2013 - nil, January 1, 2013 - $923,474). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Market Risk
Other Price Risk
Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate due to changes in market conditions (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2014, a 5% (December 31, 2013 - 5%, January 1, 2013 - 5%) increase or decrease in equity prices would have increased or decreased the Fund's Net Assets by $1,206,426 (December 31, 2013 - $333,115, January 1, 2013 - $73,724). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency. Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollar terms, of any foreign securities held in the Fund. These fluctuations may reduce, or even eliminate, any return the Fund has earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments.

The table below indicates the currencies to which the Fund had significant exposure as at December 31, 2014:

	Cash	Investments	Total
U.S. Dollar	$ 17,953,902	$ (1,633,190)	$ 16,320,712

The table below indicates the currencies to which the Fund had significant exposure as at December 31, 2013:

	Cash	Investments	Total
U.S. Dollar	$ 5,242,955	$ (2,233,715)	$ 3,009,240

The table below indicates the currencies to which the Fund had significant exposure as at January 1, 2013:

	Cash	Investments	Total
U.S. Dollar	$ 4,221,079	$ 149,296	$ 4,370,375

*Amounts include monetary and non-monetary items.
As at December 31, 2014, had the Canadian dollar strengthened or weakened by 5% (December 31, 2013 - 5%, January 1, 2013 - 5%) in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $816,036 (December 31, 2013 - $150,462, January 1, 2013 - $218,519). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(Expressed in Canadian Dollars)

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.

	Percentage of Net Assets (%)		
Portfolio by Category	**December 31, 2014**	**December 31, 2013**	**January 1, 2013**
Bonds	-	-	106.2
Consumer Discretionary	-	13.9	16.9
Energy	139.6	34.8	76.0
Financials	-	21.9	4.6
Information Technology	-	-	1.4
Materials	-	43.8	4.6
Preferred Equities	-	0.8	2.7
U.S. Equities	-	18.6	1.2
Canadian Equities Sold Short			
Consumer Staples	-	(1.8)	-
Energy	(9.1)	(26.2)	(25.5)
Financials	-	(5.3)	(21.8)
Information Technology	-	(2.9)	-
Materials	-	-	(33.0)
Utilities	-	(5.0)	-
U.S. Equities Sold Short			
Consumer Discretionary	(5.0)	(16.9)	-
Consumer Staples	(3.3)	-	-
Financials	-	(16.2)	-
Information Technology	-	(4.8)	-
Other Assets and Liabilities, Net	(22.3)	45.2	(33.1)
	100.0	**100.0**	**100.0**

12. FAIR VALUE DISCLOSURE

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis at December 31, 2014:

	Level 1	**Level 2**	**Level 3**	**Total**
Canadian Equities - Long Position	$ 27,301,448	$ -	$ 250,000	$ 27,551,448
Canadian Equities - Short Position	(1,789,734)	-	-	(1,789,734)
U.S. Equities - Short Position	(1,633,190)	-	-	(1,633,190)
Total Investments	$ 23,878,524	$ -	$ 250,000	$ 24,128,524

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis at December 31, 2013:

	Level 1	**Level 2**	**Level 3**	**Total**
Canadian Equities - Long Position	$ 13,894,444	$ -	$ -	$ 13,894,444
Canadian Equities - Short Position	(4,998,429)	-	-	(4,998,429)
Preferred Equities	96,985	-	-	96,985
U.S. Equities - Long Position	2,260,469			2,260,469
U.S. Equities - Short Position	(4,591,169)	-	-	(4,591,169)
Total Investments	$ 6,662,300	$ -	$ -	$ 6,662,300

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis at January 1, 2013:

	Level 1	**Level 2**	**Level 3**	**Total**
Canadian Equities - Long Position	$ 5,724,194	$ -	$ -	$ 5,724,194
Canadian Equities - Short Position	(4,399,000)	-	-	(4,399,000)
Preferred Equities	149,295	-	-	149,295
Bonds	-	5,815,737	-	5,815,737
Total Investments	$ 1,474,489	$ 5,815,737	$ -	$ 7,290,226

There were no transfers into or out of level 1 or level 2 during the years.

If the significant unobservable inputs used in determining fair value of the Fund's Level 3 financial instruments decreased or increased by 5%, with all other variables held constant, the impact on Net Assets would be $12,500.

(Expressed in Canadian Dollars)

13. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2014:

Assets	Financial assets at FVTPL designated at inception	Total	Financial assets at amortized cost	Total
Investments at fair value	27,551,448	27,551,448	-	27,551,448
Subscription receivable	-	-	45,000	45,000
Total	**27,551,448**	**27,551,448**	**45,000**	**27,596,448**

Liabilities	Financial liabilities at FVTPL designated at inception	Total	Financial liabilities at amortized cost	Total
Short positions at fair value	3,422,924	3,422,924	-	3,422,924
Bank overdraft	-	-	4,241,963	4,241,963
Redemptions payable		-	800	800
Accrued management fees		-	138,298	138,298
Other accrued expenses		-	22,406	22,406
Accrued dividend income	-	-	37,690	37,690
Total	**3,422,924**	**3,422,924**	**4,441,157**	**7,864,081**

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2013:

Assets	Financial assets at FVTPL designated at inception	Total	Financial assets at amortized cost	Total
Investments at fair value	16,251,898	16,251,898	-	16,251,898
Cash	-	-	5,242,955	5,242,955
Receivable for investments sold		-	971,210	971,210
Subscription receivable	-	-	1,040,000	1,040,000
Accrued interest receivable	-	-	-	-
Accrued dividends receivable		-	-	-
Total	**16,251,898**	**16,251,898**	**7,254,165**	**23,506,063**

Liabilities	Financial liabilities at FVTPL designated at inception	Total	Financial liabilities at amortized cost	Total
Short positions at fair value	9,589,598	9,589,598	-	9,589,598
Bank overdraft		-	1,008,283	1,008,283
Payable for investments purchased		-	679,367	679,367
Accrued management fees		-	51,893	51,893
Other accrued expenses		-	32,363	32,363
Total	**9,589,598**	**9,589,598**	**1,771,906**	**11,361,504**

(Expressed in Canadian Dollars)

The following tables present the carrying amounts of the Fund's financial instruments by category as at January 1, 2013:

Assets	Financial assets at FVTPL designated at inception	Total	Financial assets at amortized cost	Total
Investments at fair value	11,689,226	11,689,226	-	11,689,226
Cash	-	-	4,221,079	4,221,079
Receivable for investments sold		-	1,587,160	1,587,160
Subscription receivable	-	-	100,000	100,000
Accrued interest receivable	-	-	68,530	68,530
Accrued dividends receivable		-	17,839	17,839
Total	**11,689,226**	**11,689,226**	**5,994,608**	**17,683,834**

Liabilities	Financial liabilities at FVTPL designated at inception	Total	Financial liabilities at amortized cost	Total
Short positions at fair value	4,399,000	4,399,000	-	4,399,000
Bank overdraft	-	-	7,731,271	7,731,271
Accrued management fees	-	-	24,453	24,453
Other accrued expenses	-	-	21,932	21,932
Accrued dividend income paya	-	-	31,500	31,500
Total	**4,399,000**	**4,399,000**	**7,809,155**	**12,208,155**

The following table presents the net gains (losses) on financial instruments at FVTPL by category for the year ended December 31, 2014 and 2013.

	Net gains (losses) 2014	2013
Financial assets at FVTPL		
Designated at inception	$ (7,627,752)	$ 2,752,851
	(7,627,752)	2,752,851
Financial liabilities at FVTPL		
Designated at inception	1,223,996	(108,937)
Total	**$ (6,403,756)**	**$ 2,643,914**

14. CAPITAL MANAGEMENT

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's NAV per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statements of changes in net assets attributable to holders of redeemable units. The Fund endeavors to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. There has been no change in the capital management policy during the year.

15. TRANSITION TO IFRS

The effect of the Fund's transition to IFRS is summarized in this note as follows:

Transition elections

The only voluntary exemption adopted by the Fund upon transition was the ability to designate a financial asset and liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

Statement of cash flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative years, without exception.

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS

(a) Classification of redeemable units issued by the Fund

Under Canadian GAAP, the Fund accounted for its redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Fund's units do not meet the criteria in IAS32 for classification as equity as all classes of units are redeemable at the discretion of the unitholders and there is no most subordinate class. Therefore, have been reclassified as financial liabilities on transition to IFRS.

(Expressed in Canadian Dollars)

(b) Revaluation of investments at FVTPL

Previously under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices are available. Under IFRS, the Fund measures the fair values of its investments using the guidance in IFRS 13, Fair Value Measurement (IFRS 13), which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amount of the Fund's investments by $47,076 at January 1, 2013 and $86,355 as at December 31, 2013. The impact of this adjustment was to increase the Fund's increase (decrease) in net assets attributable to holders of redeemable units by $39,279 for the year ended December 31, 2013.

	Previously reported under Canadian GAAP	**IFRS Transition Adjustment**	**Reported Under IFRS**
	$	$	$
As at January 1, 2013			
Investments	11,644,900	44,325	11,689,226
Short positions at fair value	(4,401,750)	2,750	(4,399,000)
Net assets attributable to holders of redeemable units	5,428,603	47,075	5,475,679
Net assets attributable to holders of redeemable units per class			
Class O	12	1	13
Class A	5,428,591	47,074	5,475,666
Net assets attributable to holders of redeemable units per class per unit			
Class O	12.00	0.62	12.62
Class A	9.84	0.09	9.93
As at December 31, 2013			
Investments	16,192,350	59,548	16,251,898
Short positions at fair value	(9,616,405)	26,807	(9,589,598)
Net assets attributable to holders of redeemable units	12,058,204	86,355	12,144,559
Net assets attributable to holders of redeemable units per class			
Class O	17	-	17
Class A	12,058,187	86,355	12,144,542
Net assets attributable to holders of redeemable units per class per unit			
Class O	16.59	0.15	16.74
Class A	10.37	0.07	10.44
For the year ended December 31, 2013			
Net change in unrealized appreciation/depreciation in value of in	(104,869)	39,280	(65,589)
Increase (decrease) in net assets attributable to holders of redeemable units	2,110,764	39,280	2,150,043
Increase (decrease) in net assets attributable to holders of redeemable units per class			
Class O	4	-	4
Class A	2,110,760	39,280	2,150,039
Increase (decrease) in net assets attributable to holders of redeemable units per class per unit			
Class O	4.38	(0.20)	4.18
Class A	3.07	0.05	3.12

(c) Reclassification adjustments

In addition to the measurement adjustments noted above, the Fund reclassified certain amounts upon transition in order to conform to its financial statement presentation under IFRS. Withholding taxes which were previously netted against dividend income under Canadian GAAP, have been reclassified and presented separately as expense under IFRS.

16. NOTICE OF FILING EXEMPTION

The Fund is considered a non-reporting issuer and as such is exempt from the filing requirements of Section 2.1 of National Instrument 81-106. Consequently, these financial statements have not been filed with the Ontario Securities Commission.

17. COMPARATIVE FIGURES

Certain comparative figures have been reclassified and restated to conform with the current year's presentation.

18. FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective up to the date of issuance of the Funds' financial statements are listed below. The Fund will adopt any applicable standards when they become effective.

Financial Instruments - Classification and Measurement ("IFRS 9")
In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, bringing together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 introduces a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value, such 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 also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Fund is in the process of assessing the impact of IFRS 9.

19. STATEMENT OF PORTFOLIO TRANSACTION

A statement of portfolio transactions for the year ended December 31, 2014 will be provided without charge by writing to:

Davis-Rea Ltd.
Investment Counsel
79 Wellington Street West
Suite 3535, P.O. Box 239

Toronto, Ontario M5K 1J3