Davis-Rea Partners Fund

Unaudited Financial Statements

For the Periods ended June 30, 2015 and 2014

(Expressed in Canadian dollars)

NOTICE TO READER:
These interim financial statements and related notes for the six-month period ended June 30, 2015 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

DAVIS-REA PARTNERS FUND
Unaudited Statements of Financial Position
As at June 30, 2015 and December 31, 2014
(Expressed in Canadian Dollars)

		June 30, 2015		December 31, 2014
Assets				
Investments at fair value	**$**	**52,615,777**	$	27,551,448
Subscriptions receivable		**-**		45,000
Accrued interest receivable		**3,759**		-
Accrued dividends receivable		**28,448**		-
Other assets		**3,112**		-
Total assets		**52,651,096**		27,596,448
Liabilities				
Short positions at fair value		**5,819,638**		3,422,924
Bank overdraft		**24,272,311**		4,241,963
Payable for investments purchased		**1,770,010**		-
Redemptions payable		**28,458**		800
Accrued management fees (Note 8)		**132,572**		138,298
Other accrued expenses		**17,651**		22,406
Accrued dividend income payable		**-**		37,690
Total liabilities		**32,040,640**		7,864,081
Net assets attributable to holders of redeemable units	**$**	**20,610,456**	$	19,732,367
Net assets attributable to holders of redeemable units per class				
CLASS O	**$**	**17**	$	15
CLASS F	**$**	**6**	$	238,677
CLASS A	**$**	**20,346,908**	$	19,254,373
CLASS B	**$**	**263,525**	$	239,302
Net assets attributable to holders of redeemable units per unit				
CLASS O	**$**	**16.47**	$	14.80
CLASS F	**$**	**6.23**	$	5.58
CLASS A	**$**	**8.02**	$	7.27
CLASS B	**$**	**6.14**	$	5.57

DAVIS-REA PARTNERS FUND
Unaudited Statements of Comprehensive Income
For the six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

		2015		2014
Income				
Interest for distribution purposes	$	**5,082**	$	(20,628)
Dividend income		**59,455**		50,626
Securities lending income		**-**		(43,159)
Net Gain (Loss) on Investments				
Net realized gain (loss)		**(439,602)**		6,336,752
Net foreign exchange gain (loss)		**1,271,050**		59,509
Net other gain (loss)		**32,042**		116,692
Change in unrealized appreciation (depreciation)		**2,679,393**		2,794,931
		3,607,420		9,294,723
Expenses				
Management fees±		**217,136**		169,434
Audit fees		**6,447**		8,543
Custodial and administrative fees		**1,240**		8,499
Legal fees		**395**		530
Registration and other filing fees		**645**		-
Trustee fees		**1,240**		1,174
Unitholder communication fees		**2,630**		1,361
Fund administration expense		**8,679**		-
Transaction costs		**758,770**		889,349
Harmonized sales tax		**30,062**		23,991
Other expenses		**110,444**		26,303
Stock borrow costs		**194,231**		-
Interest expense, short positions		**-**		5,640
Dividend expense, short positions		**154,342**		104,741
	$	**1,486,261**	$	1,239,565
Expenses waived/absorbed by the manager		**-**		-
		1,486,261		1,239,565
Increase (decrease) in net assets attributable to holders of redeemable units	$	**2,121,159**	$	8,055,158
Increase (decrease) in net assets attributable to holders of redeemable units per class				
CLASS O	$	**2**	$	10
CLASS F	$	**19,089**	$	-
CLASS A	$	**2,077,845**	$	8,055,148
CLASS B	$	**24,223**	$	-
Increase (decrease) in net assets attributable to holders of redeemable units per unit				
CLASS O	$	**1.65**	$	10.33
CLASS F	$	**1.40**	$	0.30
CLASS A	$	**0.79**	$	5.94
CLASS B	$	**0.57**	$	0.30

DAVIS-REA PARTNERS FUND
Statements of changes in net assets attributable to holders of redeemable units
For the six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

Total		2015	2014
Net assets attributable to holders of redeemable units at beginning of period	$	**19,732,367**	$ 12,144,559
Increase (decrease) in net assets attributable to holders of redeemable units		**2,121,159**	8,055,158
Distributions paid or payable to holders of redeemable units			
From net realized capital gains		**-**	(4,917,222)
Total distributions to holders of redeemable units	$	**-**	$ (4,917,222)
Redeemable unit transactions			
Amount received from the issuance of units		**95,440**	7,309,571
Amount received from reinvestment of distributions		**-**	4,917,222
Amount paid on redemptions of units		**(1,338,510)**	(10,024)
Net increase (decrease) from redeemable unit transactions		**(1,243,070)**	12,216,769
Net increase (decrease) in net assets attributable to holders of redeemable units		**878,089**	15,354,705
Net assets attributable to holders of redeemable units at end of period	$	**20,610,456**	$ 27,499,264

CLASS O		2015	2014
Net assets attributable to holders of redeemable units at beginning of period	$	**15**	17
Increase (Decrease) in Net Assets from Operations		**2**	10
Net increase (decrease) in net assets attributable to holders of redeemable units		**2**	10
Net assets attributable to holders of redeemable units at end of period	$	**17**	$ 27

CLASS F		2015	2014
Net assets attributable to holders of redeemable units at beginning of period	$	**238,677**	$ -
Increase (Decrease) in Net Assets from Operations		**19,089**	-
Changes Due to Unitholder Transactions			
Amount received from the issuance of units		**-**	10
Amount received from reinvestment of distributions		**-**	-
Amount paid on redemptions of units		**(257,760)**	-
Net increase (decrease) from redeemable unit transactions		**(257,760)**	10
Net increase (decrease) in net assets attributable to holders of redeemable units		**(238,671)**	10
Net assets attributable to holders of redeemable units at end of period	$	**6**	$ 10

CLASS A		2015	2014
Net assets attributable to holders of redeemable units at beginning of period	$	**19,254,373**	$ 12,144,542
Increase (Decrease) in Net Assets from Operations		**2,077,845**	8,055,148
Distributions Paid or Payable to Unitholders			
From net investment income		**-**	-
From net realized capital gains		**-**	(4,917,222)
Return of capital		**-**	-
Total distributions to holders of redeemable units	$	**-**	$ (4,917,222)
Changes Due to Unitholder Transactions			
Amount received from the issuance of units		**95,440**	7,309,551
Amount received from reinvestment of distributions		**-**	4,917,222
Amount paid on redemptions of units		**(1,080,750)**	(10,024)
Net increase (decrease) from redeemable unit transactions		**(985,310)**	12,216,749
Net increase (decrease) in net assets attributable to holders of redeemable units		**1,092,535**	15,354,675
Net assets attributable to holders of redeemable units at end of period	$	**20,346,908**	$ 27,499,217

CLASS B		2015	2014
Net assets attributable to holders of redeemable units at beginning of period	$	**239,302**	$ -
Increase (Decrease) in Net Assets from Operations		**24,223**	-
Distributions Paid or Payable to Unitholders			
From net investment income		**-**	-
From net realized capital gains		**-**	-
Return of capital		**-**	-
Total distributions to holders of redeemable units	$	**-**	$ -
Changes Due to Unitholder Transactions			
Amount received from the issuance of units		**-**	10
Net increase (decrease) from redeemable unit transactions		**-**	10
Net increase (decrease) in net assets attributable to holders of redeemable units		**24,223**	10
Net assets attributable to holders of redeemable units at end of period	$	**263,525**	$ 10

DAVIS-REA PARTNERS FUND
Statements of Cash Flows
For the six-month periods ended June 30, 2015 and 2014
(Expressed in Canadian Dollars)

		2015		2014
Cash flows from operating activities				
Increase (decrease) in net assets attributable to holder of redeemable units	**$**	**2,121,159**	$	8,055,158
Adjustments for:				
Foreign exchange gain (loss) on cash		**(1,271,050)**		(59,509)
Net realized gain (loss) on sale of investments		**439,602**		(6,336,752)
Net change in unrealized appreciation (depreciation) of investments		**(2,679,393)**		(3,139,462)
Purchase of investments		**(213,267,929)**		(419,249,563)
Proceeds from the sale of investments		**194,610,114**		410,082,623
Interest receivable		**(3,759)**		2,124
Dividends receivable		**(66,138)**		(31,420)
Other receivables		**(3,112)**		(1,696)
Other liabilities		**(10,481)**		79,097
	$	**(20,130,987)**	$	(10,599,400)
Financing activities				
Amount received from the issuance of units		**140,440**		7,413,571
Amount paid on redemptions of units		**(1,310,851)**		(10,024)
	$	**(1,170,411)**	$	7,403,547
Increase (decrease) in cash during the period		**(21,301,398)**		(3,195,853)
Foreign exchange gain (loss) on cash		**1,271,050**		59,509
Cash at beginning of period		**(4,241,963)**		4,234,672
Cash at end of period	**$**	**(24,272,311)**	$	1,098,328
Interest received		**1,323**		-
Interest expense, short positions		**-**		5,640
Dividends received, net of withholding taxes		**31,007**		19,206
Dividend expense, short positions		**154,342**		104,741

DAVIS-REA PARTNERS FUND
Schedule of Investment Portfolio
As at June 30, 2015 (unaudited)
(Expressed in Canadian Dollars)

	Number of Shares / Par Value	Average Cost* $	Fair Value $
INVESTMENTS - 227.05%			
INVESTMENTS HELD LONG - 255.28%			
Bonds - 9.66%			
Province of Manitoba, 2.45%, 2025/06/02	2,000,000	1,994,720	1,991,366
Total Bonds		**1,994,720**	**1,991,366**
CANADIAN EQUITIES - 245.62%			
Energy - 241.01%			
8193053 Canada Ltd.	250,000	250,000	250,000
Canyon Services Group Inc.	520,500	3,752,072	3,024,105
Crescent Point Energy Corp.	84,500	2,408,250	2,165,735
Crew Energy Inc.	1,337,700	7,196,751	7,638,267
Kelt Exploration Ltd.	1,517,647	18,267,137	12,808,941
Macro Enterprises Inc.	415,900	841,790	1,189,474
Nuvista Energy Ltd.	578,500	4,888,299	3,870,165
PHX Energy Services Corp.	515,000	3,022,876	2,822,200
Spartan Energy Corp.	4,006,334	12,699,010	12,339,509
Striker Exploration Corp.	412,500	825,000	841,500
Tourmaline Oil Corp.	72,615	2,868,302	2,724,515
		57,019,487	**49,674,411**
Health Care - 4.61%			
KRIM Biopharma Inc., Subscription Receipts	593,750	950,010	950,000
		950,010	**950,000**
Total Canadian Equities		**57,969,497**	**50,624,411**
TOTAL INVESTMENTS HELD LONG		**59,964,217**	**52,615,777**
INVESTMENTS SOLD SHORT - (28.23%)			
CANADIAN EQUITIES - (3.86%)			
Energy - (3.86%)			
Painted Pony Petroleum Ltd., Class 'A'	(100,000)	(834,176)	(796,000)
		(834,176)	**(796,000)**
Total Canadian Equities		**(834,176)**	**(796,000)**
U.S. EQUITIES - (24.37%)			
Consumer Staples - (24.37%)			
Tesla Motors Inc.	(15,000)	(3,767,409)	(5,023,638)
		(3,767,409)	**(5,023,638)**
Total U.S. Equities		**(3,767,409)**	**(5,023,638)**
TOTAL INVESTMENTS SOLD SHORT		**(4,601,585)**	**(5,819,638)**
TOTAL COST AND FAIR VALUE OF INVESTMENTS - 227.05%		**55,362,632**	**46,796,139**
TRANSACTION COST INCLUDED IN AVERAGE COST		**(107,706)**	
TOTAL INVESTMENTS - 227.05%		**55,254,926**	**46,796,139**
OTHER ASSETS AND LIABILITIES - (127.05%)			**(26,185,683)**
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REEDEMABLE UNITS - 100.00%			**20,610,456**

*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 were designed exclusively for institutional investors and individual investors that have been approved by the Manager.

The financial statements of the Fund for the period ended June 30, 2015 were authorized for issue on August 14, 2015.

2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. 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. The policies applied in these interim financial statements are based on IFRS issued and outstanding as of August 14, 2015, which is the date on which the interim financial statements were authorized for issue by the Manager. Any subsequent changes to IFRS that are given effect in the Fund's annual financial statements for the year ending December 31, 2015 could result in restatement of these interim financial statements.

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 classifies its investments as financial assets 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 simplified prospectus.

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, 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 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 amortised 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.

Valuation of investments

Investments held include equities and bonds. 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 as 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 unit holders 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 unit holders 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 Funds' Manager is open for business ("valuation day') by dividing the net asset value ("Transactional NAV") 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. 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 Statement 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 period divided by the weighted average units outstanding during the period for each class.

Other Assets and Liabilities

Subscriptions receivable, accrued interest receivable, accrued dividends receivable and other assets are recorded at amortized cost. Similarly, redemptions payable, accrued management fees, other accrued expenses and distributions payable to holders of redeemable units 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 (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.

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

When the fund holds financial instruments that are not quoted in active markets, such as derivatives, the 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.

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

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments 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, and O issued redeemable units with no par value. Unitholders 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 disclosed in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the investment strategies and risk management policies outlined in Note 11, 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 units for the period ended June 30, 2015:

	Class A Number of units	Class B Number of units	Class F Number of units	Class O Number of units
Balance, beginning of period	2,647,173	42,933	42,809	1
Units issued	13,332	-	-	-
Units redeemed	(123,473)	-	(42,808)	-
Reinvestments	-	-	-	-
Balance, end of period	**2,537,032**	**42,933**	**1**	**1**

The following table summarizes the changes in the number of units for the year ended December 31, 2014:

	Class A Number of units	Class B Number of units	Class F Number of units	Class O Number of units
Balance, beginning of year	1,162,754	-	-	1
Units issued	1,158,269	42,933	42,809	-
Units redeemed	(33,820)	-	-	-
Reinvestments	359,970	-	-	-
Balance, end of year	**2,647,173**	**42,933**	**42,809**	**1**

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:

	2015	2014
From net realized capital gain	**$ -**	$ 4,917,222

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 Funds 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 for the year ended 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. The management fee is accrued monthly and payable quarterly to the Manager. Class O unitholders pay management fees directly to the Manager.

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.

Other expenses include accounting, record keeping charges, trustee, custodial, printing, and HST.

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

9. ECONOMIC DEPENDENCE

As at June 30, 2015, 46.09% of total Net Assets are collectively held by two unitholders. (2014 – 41.27% of total Net Assets was held by one unitholder.)

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 period ended June 30, 2015 of $9,872 (2014 - $80,634).

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, interest rate risk and currency 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 in which 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 diversifying 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. The fair value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly represents the maximum credit risk exposure of the Fund. The Fund's maximum exposure to credit risk in any one investment relates to the Province of Manitoba Bond in the amount of $1,991,366.

As at June 30, 2015 the Fund invested in debt instruments with the following credit ratings:

Debt securities by credit rating*	2015	2014
AA	9.66%	0.00%
Total	9.66%	0.00%

*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 unitholder. 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 holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Fund's policy requires the Manager to manage this risk by calculating and monitoring the average effective duration of the portfolio of these securities. The Fund also holds a limited amount of cash subject to variable interest rates which exposes the Fund to cash flow interest rate risk.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity as at June 30, 2015 and December 31, 2014.

	2015	2014
>5 years	$ 1,991,366	$ -
Total	$ 1,991,366	$ -

As at June 30, 2015, 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 $176,276 (2014 - nil). 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 June 30, 2015, a 5% increase or decrease in stock prices would have increased or decreased the Fund's Net Assets by $2,240,239. (December 31, 2014 - $1,206,426) 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 June 30, 2015:

	Cash	Investments	Total
U.S. Dollar	$ 18,543,280	$ (5,023,638)	$ 13,519,642

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

As at June 30, 2015, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately $675,982 (December 31, 2014 - $816,036). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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.

As at June 30, 2015 and December 31, 2014

Portfolio by Category	**Percentage of Net Assets (%)**	
	2015	**2014**
Bonds	9.7	0.0
Energy	241.0	139.6
Health Care	4.6	0.0
Energy	(3.9)	(9.1)
Consumer Discretionary	0.0	(5.0)
Financials	(24.4)	(3.3)
Materials	(127.1)	(22.3)
Other Assets and Liabilities, Net	**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 June 30, 2015:

	Level 1	Level 2	Level 3	Total
Canadian Equities - Long Position	$ 49,424,410	$ -	$1,200,000	$ 50,624,410
Canadian Equities - Short Position	(796,000)	-	-	(796,000)
Canadian Bonds	-	1,991,366	-	1,991,366
U.S. Equities - Short Position	(5,023,638)	-	-	(5,023,638)
	$ 43,604,772	$ 1,991,366	$ 1,200,000	$ 46,796,138

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)
	$ 23,878,524	$ -	$ 250,000	$ 24,128,524

During the periods ended June 30, 2015 and December 31, 2014, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	2015	2014
Beginning Balance	$ 250,000	
Purchases	-	
Sales	-	-
Net transfers into and/or out of Level 3	950,000	-
Realized gains/(losses)	-	-
Change in unrealized appreciation/depreciation	-	-
Ending Balance	$ 1,200,000	-
Total change in unrealized appreciation during the period for assets held at end of period	$ -	

13. FINANCIAL INSTRUMENTS BY CATEGORY

The following tables present the carrying amounts of the Fund’s financial instruments by category as at June 30, 2015:

Assets	Financial assets at FVTPL designated at inception	Total	Financial assets at amortized cost	Total
Investments at fair value	52,615,777	52,615,777	-	52,615,777
Accrued interest receivable	-	-	3,759	3,759
Accrued dividends receivable	-	-	28,448	28,448
Other Assets	-	-	3,112	3,112
Total	**52,615,777**	**52,615,777**	**35,319**	**52,651,096**

Liabilities	Financial liabilities at FVTPL designated at inception	Total	Financial liabilities at amortized cost	Total
Short positions at fair value	5,819,638	5,819,638	-	5,819,638
Bank overdraft	-	-	24,272,311	24,272,311
Payable for investments purchased	-	-	1,770,010	1,770,010
Redemptions payable	-	-	28,458	28,458
Other accrued expenses	-	-	150,223	150,223
Total	**5,819,638**	**5,819,638**	**26,221,002**	**32,040,640**

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 table presents the net gains (losses) on financial instruments at FVTPL by category for the period ended June 30, 2015 and 2014.

	Net gains (losses) 2015	2014
Financial assets at FVTPL		
Designated at inception	$ 3,619,022	$ 9,597,740
	3,619,022	9,597,740
Financial liabilities at FVTPL		
Designated at inception	(1,429,276)	(259,858)
Total	**$ 2,189,746**	**$ 9,337,882**

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. COMPARATIVE FIGURES

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

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. FUTURE ACCOUNTING CHANGES

Standards issued but not yet effective up to the date of issuance of the Fund's 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.

18. STATEMENT OF PORTFOLIO TRANSACTION

A statement of portfolio transactions (unaudited) for the period ended June 30, 2015 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