

# Next Edge Bio-Tech Plus Fund

Annual Financial Statements – 2016  
As at and for the year ended December 31, 2016



NEXTEGE  
CAPITAL

# Next Edge Bio-Tech Plus Fund

Annual financial statements

December 31, 2016

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## Next Edge Bio-Tech Plus Fund

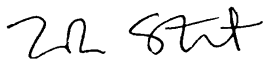
### Management's responsibility for financial reporting

Next Edge Capital Corp. (the "Manager") is responsible for the accompanying financial statements and all the information in this report. These financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and, where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal controls that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Manager recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,



Toreigh N. Stuart  
Chief Executive Officer



David Scobie  
Chief Operating Officer

Next Edge Capital Corp.  
March 31, 2017

## INDEPENDENT AUDITORS' REPORT

To the unitholders of Next Edge Bio-Tech Plus Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, which comprise the statements of financial position as at December 31, 2016 and 2015, 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, 2016 and 2015, 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.

### **Auditors' 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 auditors' 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 auditors consider 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 the Fund as at December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with International Financial Reporting Standards.

Toronto, Canada  
March 31, 2017

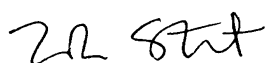
*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Next Edge Bio-Tech Plus Fund  
Statements of financial position

As at December 31,	Notes	2016	2015
<b>ASSETS</b>			
<b>Current assets</b>			
Investments			
Equities and bond	5,6	7,862,484	5,262,467
Purchased options	5,6	185,119	84,066
Cash		842,418	150,398
Subscriptions receivable		2,740	7,000
Receivable for investments sold		107,298	159,057
Interest receivable and other receivables		1,259	-
Dividends receivable		1,120	920
		<b>9,002,438</b>	<b>5,663,908</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Written options	5,6	-	2,076
Redemptions payable		-	10,287
Payable for investments purchased		355,524	145,941
Management fees payable	9,10	4,760	1,194
Accrued expenses		66,316	38,240
		<b>426,600</b>	<b>197,738</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>8,575,838</b>	<b>5,466,170</b>
<b>Net assets attributable to holders of redeemable units per class</b>			
Class A		1,996,614	704,891
Class A1		2,246,458	3,166,150
Class F		2,591,255	340,915
Class F1		1,741,511	1,254,214
		<b>8,575,838</b>	<b>5,466,170</b>
<b>Number of redeemable units outstanding per class</b>			
Class A	7	222,317	71,474
Class A1	7	233,650	303,529
Class F	7	271,119	32,773
Class F1	7	177,567	119,014
<b>Net assets attributable to holders of redeemable units per unit</b>			
Class A		8.98	9.86
Class A1		9.61	10.43
Class F		9.56	10.40
Class F1		9.81	10.54

Approved by Next Edge Capital Corp.




Toreigh N. Stuart  
Chief Executive Officer

David Scobie

Chief Operating Officer

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

Next Edge Bio-Tech Plus Fund  
Statements of comprehensive income (loss)

For the years ended December 31,	Notes	2016	2015
<b>Income</b>			
Interest income for distribution purposes		13,981	318
Dividends		15,633	8,448
Foreign currency loss on cash and other net assets		3,614	9,340
Other changes in fair value of investments and derivatives			
Net realized gain on sale of investments		278,696	36,945
Net change in unrealized appreciation / depreciation on investments	6	67,939	359,412
Net gains on investments		346,635	396,357
<b>Total income</b>		<b>379,863</b>	<b>414,463</b>
<b>Expenses</b>			
Management fees	9,10	73,888	30,057
Performance fees	10	-	76
Administrative fees		62,706	59,858
Unitholder reporting costs		13,902	2,661
Audit fees		15,900	22,920
Custodian fees		7,365	13,828
Legal fees		53,397	8,990
Independent Review Committee fees	10	3,850	1,246
Harmonized sales tax		16,828	19,431
Withholding tax		-	388
Transaction costs		137,172	80,851
<b>Total expenses</b>		<b>385,008</b>	<b>240,306</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units</b>		<b>(5,145)</b>	<b>174,157</b>
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per class</b>			
Class A		81,655	14,183
Class A1		(290,339)	121,685
Class F		255,750	5,915
Class F1		(52,211)	32,374
		(5,145)	174,157
<b>Average number of units outstanding</b>			
Class A		160,605	14,841
Class A1		282,987	290,765
Class F		185,458	9,619
Class F1		135,358	96,632
<b>Increase (Decrease) in net assets attributable to holders of redeemable units per unit</b>			
Class A <sup>1</sup>		0.51	0.96
Class A1 <sup>2</sup>		(1.03)	0.42
Class F <sup>2</sup>		1.38	0.62
Class F1 <sup>2</sup>		(0.39)	0.34

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

## Next Edge Bio-Tech Plus Fund

### Statements of changes in net assets attributable to holders of redeemable units

For the years ended December 31,	2016	2015
<u>Class A</u>		
Beginning of year	704,891	10
Increase in net assets attributable to holders of redeemable units		
from operations	81,655	14,183
Proceeds from issuance of units	1,865,127	999,735
Consideration paid for redemption of units	(655,059)	(309,037)
End of year	1,996,614	704,891
<u>Class A1<sup>1</sup></u>		
Beginning of year	3,166,150	-
Increase (decrease) in net assets attributable to holders of redeemable units		
from operations	(290,339)	121,685
Proceeds from issuance of units	1,505	3,255,468
Consideration paid for redemption of units	(630,858)	(211,003)
End of year	2,246,458	3,166,150
<u>Class F<sup>1</sup></u>		
Beginning of year	340,915	-
Increase in net assets attributable to holders of redeemable units		
from operations	255,750	5,915
Proceeds from issuance of units	2,477,660	335,000
Consideration paid for redemption of units	(483,070)	-
End of year	2,591,255	340,915
<u>Class F1<sup>1</sup></u>		
Beginning of year	1,254,214	-
Increase (decrease) in net assets attributable to holders of redeemable units		
from operations	(52,211)	32,374
Proceeds from issuance of units	544,647	1,226,358
Consideration paid for redemption of units	(5,139)	(4,518)
End of year	1,741,511	1,254,214

1. The first issuance of Class A1 and Class F1 units was on January 21, 2015. The first issuance of Class F units was on January 23, 2015.

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

## Next Edge Bio-Tech Plus Fund

### Statements of cash flows

For the years ended December 31,	2016	2015
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(5,145)	174,157
<b>Adjustments to reconcile increase in net assets attributable to holders to net cash from operating activities</b>		
Proceeds from sale of investments	13,697,148	6,137,577
Purchase of investments	(15,792,317)	(11,098,793)
Foreign currency gain on cash and other net assets	(3,614)	(9,340)
Change in unrealized appreciation / depreciation of investments and derivatives	(67,939)	(359,412)
Net realized gain on sale of investments	(278,696)	(36,945)
Increase in interest receivable and other receivables	(1,259)	-
Increase in dividends receivable	(200)	(920)
Increase in other payables and accrued liabilities	31,642	39,434
<b>Net cash used in operating activities</b>	<b>(2,420,380)</b>	<b>(5,154,242)</b>
<b>Cash flows from financing activities</b>		
Proceeds from redeemable units issued	4,893,199	5,809,561
Amount paid on redemption of redeemable units	(1,784,413)	(514,271)
<b>Net cash provided by financing activities</b>	<b>3,108,786</b>	<b>5,295,290</b>
Foreign currency loss on cash and other net assets	3,614	9,340
Net increase in cash	688,406	141,048
Cash, beginning of year	150,398	10
<b>Cash, end of year</b>	<b>842,418</b>	<b>150,398</b>
Cash comprises:		
Cash at bank	842,418	150,398
Interest received	12,722	318
Dividends received, net of withholding taxes	15,433	7,140

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



## Next Edge Bio-Tech Plus Fund

### Schedule of investments

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Long Positions (93.8%)</b>		
	<b>Canadian Equities (31.7%)</b>		
	<b>Biotechnology (5.0%)</b>		
7,000	RepliCel Life Sciences Inc. Unit	6,328	6,650
288,000	RepliCel Life Sciences Inc. Rights March 01, 2017 - Strike Price \$0.85	149,760	273,600
20,000	RepliCel Life Sciences Inc. Warrants June 25, 2018 - Strike Price \$0.51	-	11,162
288,000	RepliCel Life Sciences Inc. Warrants October 28, 2018 - Strike Price \$0.85	-	136,054
	<b>Biotechnology Total</b>	<b>156,088</b>	<b>427,466</b>
	<b>Healthcare Equipment &amp; Services (12.6%)</b>		
670,000	Antibe Therapeutics Inc.	100,500	110,550
335,000	Antibe Therapeutics Inc. Warrants December 15, 2018 - Strike Price \$0.22	-	19,101
380,000	Aurora Spine Corp.	123,660	72,200
267,000	Centric Health Corp.	87,300	157,530
28,000	Extendicare Inc.	228,809	276,640
19,000	Nuvo Pharmaceuticals Inc.	134,622	107,350
450,000	Patient Home Monitoring Corp.	86,572	78,750
337,000	Theralase Technologies Inc. Warrants March 3, 2020 - Strike Price \$0.54	15,000	18,855
60,000	TSO3 Inc.	113,603	169,800
140,000	Vigil Health Solutions Inc.	74,994	72,450
	<b>Healthcare Equipment &amp; Services Total</b>	<b>965,060</b>	<b>1,083,226</b>
	<b>Pharmaceuticals &amp; Biotechnology (14.1%)</b>		
25,000	Cardiome Pharma Corporation	125,372	93,750
65,000	Ceapro Inc.	68,900	113,750
47,500	Ceapro Inc. Warrants July 08, 2018 - Strike Price \$1.50	-	11,875
33,000	Cipher Pharmaceuticals Inc.	188,975	161,700
18,000	Essa Pharma Inc.	66,423	53,100
30,600	Fennec Pharmaceuticals Inc.	92,100	79,866
255,000	Immunotec Inc.	101,477	91,800
675,000	Microbix Biosystems Inc.	287,755	172,125
200,000	Microbix Biosystems Inc. Warrants October 9, 2020 - Strike Price \$0.55	-	18,387
294,000	NeutriSci International Inc.	53,128	44,100
1,424,500	Promis Neurosciences Inc.	92,775	227,920
52,000	Theratechnologies Inc.	104,683	142,480
	<b>Pharmaceuticals &amp; Biotechnology Total</b>	<b>1,181,588</b>	<b>1,210,853</b>
	<b>Total Canadian Equities</b>	<b>2,302,736</b>	<b>2,721,545</b>

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

Next Edge Bio-Tech Plus Fund  
Schedule of investments (continued)

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>United States Equities (54.1%)</b>		
	<b>Biotechnology (9.1%)</b>		
4,500	Acorda Therapeutics Inc.	143,059	113,453
14,000	Halozyme Therapeutics Inc.	203,172	185,495
910,000	Neurotrope Inc.	405,261	286,785
500,000	Neurotrope Inc. Warrants November 18, 2021 - Strike Price \$0.40	-	119,989
428,571	Portage Biotech Inc.	75,297	74,716
	<b>Biotechnology Total</b>	<b>826,789</b>	<b>780,438</b>
	<b>Pharmaceuticals (43.2%)</b>		
7,700	Acadia Pharmaceuticals Inc.	295,770	297,806
7,200	Adamas Pharmaceuticals Inc.	135,942	163,180
5,500	Akebia Therapeutics Inc.	65,379	76,782
3,000	Alder Biopharmaceuticals Inc.	83,954	83,682
5,000	Aquinox Pharmaceuticals Inc.	64,565	110,704
17,500	Axovant Sciences Limited	298,685	291,479
13,000	Concert Pharmaceuticals Inc.	213,282	179,393
2,900	Dermira Inc.	122,733	117,956
6,000	FibroGen Inc.	157,876	172,192
6,000	Forward Pharma AS ADR	156,244	120,776
40,000	Infinity Pharmaceuticals Inc.	81,213	72,417
10,900	Innoviva Inc.	159,381	156,408
9,000	Inotek Pharmaceuticals Corporation	98,374	73,624
35,000	Intellipharmaceuticals International Inc.	85,281	132,650
1,600	Intercept Pharmaceuticals Inc.	268,774	233,129
9,000	Intra-Cellular Therapies Inc.	172,131	182,129
4,000	Neurocrine Biosciences Inc.	249,490	207,596
6,800	Portola Pharmaceuticals Inc.	165,457	204,635
2,900	Sage Therapeutics Inc.	150,067	198,576
1,700	Spark Therapeutics Inc.	115,488	113,762
29,000	Synergy Pharmaceuticals Inc.	213,834	236,844
7,000	Voyager Therapeutics Inc.	131,098	119,596
25,000	VTV Therapeutics Inc.	187,737	161,933
	<b>Pharmaceuticals Total</b>	<b>3,672,755</b>	<b>3,707,249</b>
	<b>Pharmaceuticals &amp; Biotechnology (1.8%)</b>		
14,500	Xenon Pharmaceuticals Inc.	145,465	149,729
	<b>Pharmaceuticals &amp; Biotechnology Total</b>	<b>145,465</b>	<b>149,729</b>
	<b>Total United States Equities</b>	<b>4,645,009</b>	<b>4,637,416</b>

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

Next Edge Bio-Tech Plus Fund  
Schedule of investments (continued)

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>International Equities (5.9%)</b>		
	<b>Biotechnology (2.1%)</b>		
6,000	NeuroDerm Limited	130,852	178,629
	<b>Biotechnology Total</b>	<b>130,852</b>	<b>178,629</b>
	<b>Healthcare (3.8%)</b>		
20,000	Adaptimmune Therapeutics Plc	126,499	108,626
1,400	Galapagos NV	111,955	120,516
8,500	Syneron Medical Limited	86,548	95,752
	<b>Healthcare Total</b>	<b>325,002</b>	<b>324,894</b>
	<b>Total International Equities</b>	<b>455,854</b>	<b>503,523</b>
	<b>Total Equities</b>	<b>7,403,599</b>	<b>7,862,484</b>
	<b>Options (2.2%)</b>		
	Purchased Options (See Options Detail)	240,118	185,119
	<b>Total Long Position</b>	<b>7,651,964</b>	<b>8,047,603</b>
	Transaction Costs	(25,082)	-
	<b>Total Investment Portfolio and Options (93.8%)</b>	<b>7,626,882</b>	<b>8,047,603</b>
	Cash (9.8%)		842,418
	Other net liabilities (-3.7%)		(314,183)
	<b>Total net assets (100.0%)</b>		<b>8,575,838</b>

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

Next Edge Bio-Tech Plus Fund  
Schedule of investments (continued)

Options Details

Underlying Interest	Option Type	Number of Options	Strike Price (\$)	Expiry Date	Average Cost (\$)	Fair Value (\$)
Chartwell Retirement Trust	Call	100	15	Jan 2017	3,000	1,100
Chartwell Retirement Trust	Call	50	16	Jan 2017	2,000	7
Chartwell Retirement Trust	Call	100	16	Jan 2017	5,000	15
Chartwell Retirement Trust	Call	100	16	Jan 2017	4,500	15
Acceleron Pharma Inc.	Call	25	25	Jan 2017	10,045	5,532
Axovant Sciences Ltd.	Call	50	17.5	Feb 2017	8,382	3,185
Axovant Sciences Ltd.	Call	50	17.5	Feb 2017	8,489	3,185
Axovant Sciences Ltd.	Call	50	17.5	Feb 2017	5,699	3,185
Intercept Pharmaceuticals Inc.	Call	20	140	Jan 2017	1,877	6,504
Intercept Pharmaceuticals Inc.	Call	25	140	Jan 2017	3,353	8,130
Intercept Pharmaceuticals Inc.	Call	25	140	Jan 2017	7,040	8,130
Intercept Pharmaceuticals Inc.	Call	5	140	Jan 2017	1,475	1,626
Intercept Pharmaceuticals Inc.	Call	25	140	Jan 2017	7,872	8,131
Neurocrine Biosciences Inc.	Call	30	50	Jan 2017	7,242	704
Neurocrine Biosciences Inc.	Call	30	50	Jan 2017	3,714	469
Sarepta Therapeutics Inc.	Call	25	27	Jan 2017	11,734	8,046
Spark Therapeutics Inc.	Call	20	65	Jan 2017	3,352	1,315
Spark Therapeutics Inc.	Call	40	65	Jan 2017	11,801	2,631
Synergy Pharmaceutical Inc.	Call	150	7	Jan 2017	11,064	4,023
Currencyshares Canadian	Call	300	75	Jan 2017	22,135	5,029
<b>Total Call Options</b>					<b>139,774</b>	<b>70,962</b>
iShares NASDAQ Biotech	Put	40	250	Jan 2017	21,993	10,192
iShares NASDAQ Biotech	Put	5	250	Jan 2017	1,676	1,274
iShares NASDAQ Biotech	Put	30	250	Jan 2017	11,466	7,644
iShares NASDAQ Biotech	Put	25	250	Jan 2017	6,873	6,370
iShares NASDAQ Biotech	Put	50	250	Jan 2017	9,374	12,740
SPDR S&P 500 Trust	Put	200	223	Jan 2017	39,441	60,750
SPDR S&P 500 Trust	Put	50	223	Jan 2017	9,521	15,187
<b>Total Put Options</b>					<b>100,344</b>	<b>114,157</b>
<b>Total Options</b>					<b>240,118</b>	<b>185,119</b>

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

# Next Edge Bio-Tech Plus Fund

## Notes to the financial statements

December 31, 2016

### 1. FUND INFORMATION

Next Edge Bio-Tech Plus Fund (the “Fund”) is a mutual fund established as a trust under the laws of the Province of Ontario by a declaration of trust dated December 1, 2014 made by Next Edge Capital Corp., as trustee. The Fund is divided into units of participation (“Units”) representing an interest in the Fund held by unitholders. The Fund has four classes of Units: Class A Units, Class A1 Units, Class F Units and Class F1 Units.

This Fund seeks short and long-term capital appreciation through the ownership of small and mid-capitalization biotechnology and healthcare companies based in Canada and the United States. The Fund started investing according to its investment objective on February 17, 2015.

The Fund is managed by Next Edge Capital Corp. (the “Manager”). The custodian, registrar, transfer agent and valuation agent of the Fund is RBC Investor & Treasury Services beginning May 9, 2016 and CIBC Mellon Trust Company as custodian and Citigroup Fund Services Canada Inc. as registrar, transfer agent and valuation agent prior to May 9, 2016. The registered office of the Fund is located at 1 Toronto Street, Suite 200, Toronto, Ontario, Canada, M5C 2V6.

The financial statements were approved by the Board of Directors of the Manager on March 31, 2017.

### 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund’s accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value (“NAV”) for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The financial statements have been presented in Canadian dollars, which is the Fund’s functional currency.

#### **Classification and recognition of financial instruments**

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund’s investments are designated as fair value through profit or loss upon initial recognition and are measured at fair value through profit or loss (“FVTPL”). Derivative assets and liabilities are classified as held for trading and measured at FVTPL. The Fund’s obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate.

#### **Fair value and subsequent measurement of financial instruments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements (continued)

December 31, 2016

between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted securities are determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures and other debt instruments, including short-term investments, are valued at the quotation from recognized investment dealers.

The Fund may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the Fund: whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for the short positions are potentially unlimited until closed or expired.

The premium paid for purchasing an option is recorded as an asset in the Statements of financial position. The premium is valued on each Valuation Date at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as "Net change in unrealized appreciation (depreciation) on investments" in the Statements of comprehensive income. When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

The premium received from writing a call or put option is recorded as a liability in the Statements of financial position. When a written option expires, the Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received will be subtracted from the cost of the underlying investment the Fund had purchased. The gain or loss that the Fund realizes when a purchased or written option is expired or closed is recorded as "Net realized gain (loss) on sale of investments" in the Statements of comprehensive income.

All unlisted warrants have been calculated using the Black-Scholes model, including written options valued subsequent to initial purchase.

#### **Net assets attributable to holders of redeemable units**

Net assets attributable to holders of redeemable units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's Net Asset Value per unit ("NAV per Unit") at the time of redemption. The amounts are continuously measured at their redemption value.

The NAV measured as at the close of business on every business day, or, if not a business day, on the following business day and on any other day as the Manager determines (a "Valuation Date"), will be obtained by the valuation agent by taking the then fair value of the assets of the Fund less the aggregate amount of its liabilities excluding those attributable to holders of redeemable units. The NAV per unit of any class of units of the Fund for a Valuation Date will be obtained by dividing the then fair value of the assets of the Fund less the aggregate amount of its liabilities (excluding those attributable to holders of redeemable units) in each case attributable to that class of units, by the total number of units of the class outstanding at the time the calculation is made on the Valuation Date and adjusting the result to a maximum of four decimal places.

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements (continued)

December 31, 2016

For each Fund unit sold, the Fund receives an amount equal to the NAV per Unit, on the date of the transaction. Units are redeemable at the option of the unitholders at their NAV per Unit on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the net assets attributable to holders of redeemable units are reduced by the related NAV on the date of redemption.

The calculation of the value of net assets attributable to holders of redeemable units ("Net Assets") for financial statement purposes in accordance with IFRS is consistent with the calculation of the NAV for transactional purposes.

#### **Investment transactions and income recognition**

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Interest income for distribution purposes is recorded as it is earned.

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statements of comprehensive income.

"Interest income for distribution purposes" shown on the Statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis.

Realized gains and losses from security transactions are calculated using the average cost basis.

The period-over-period change in the difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) on investments.

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities by the Fund are charged to net income in the period.

#### **Functional and presentation currency**

The Fund's functional and presentation currency is the Canadian dollar ("CAD"), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in CAD. Therefore, the CAD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's subscriptions and redemptions are denominated in CAD.

The fair value of foreign-currency-denominated portfolio investments, foreign currency holdings and other assets and liabilities denominated in a foreign currency are translated into the Fund's reporting currency using the closing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into the Fund's reporting currency at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) relating to cash, receivables and payables are presented as "Foreign currency gain (loss) on cash and other net assets" and those relating to financial instruments classified as held for trading and FVTPL are presented within "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) on investments" in the Statements of comprehensive income.

#### **Cash**

Cash is comprised of deposits with financial institutions.

# Next Edge Bio-Tech Plus Fund

## Notes to the financial statements (continued)

### December 31, 2016

#### **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 is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units of the class by the weighted average number of units outstanding of the class during the period.

#### **Income and expense allocation**

The realized and unrealized gains or losses, income, and expenses (other than class-specific operating expenses and management fees) of the Fund are allocated on each Valuation Date to the redeemable participating unitholders in proportion to the respective prior day's NAV, which includes redeemable participating unitholder trades dated for that day, of each class at the date on which the allocation is made. Class-specific operating expenses and management fees do not require allocation. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

#### **Taxation**

The Fund intends to qualify as a mutual fund trust under the Income Tax Act (Canada) (the "Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of financial position as a deferred income tax asset.

See Note 8 Income Taxes.

### **3. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The 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.

#### **IFRS 9, Financial Instruments - Classification and Measurement**

In July 2014, the IASB issued the final version of IFRS 9, Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39, Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instrument project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Fund plans to adopt the new standard on the required effective date. The Fund is in the process of performing a high-level impact assessment of all three aspects of IFRS 9.



#### 4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

##### **Fair value measurement of investments and derivatives not quoted in active market**

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. The fair value of private securities is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), 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.

#### 5. FINANCIAL INSTRUMENTS RISK

The Fund's activities expose it to a variety of risks as follows: portfolio concentration risk, biotechnology industry risk, credit risk, liquidity risk and market risk (including price risk, foreign exchange risk, and interest rate risk).

The portfolio manager intends to generate long-term appreciation for the Fund by way of Alpha by active stock selection within the sector, rather than relying on passive Beta and movement of the sector. The portfolio manager focuses on companies in the later stages of clinical development or early commercialization that meet specific proprietary criteria and whose data has been subjected to peer reviewed analysis. In general, the Fund invests in equities of companies that are of smaller capitalization than those that make up the S&P/TSX Capped Health Care Index and the NASDAQ Biotechnology Index. The equities that the Fund invests in tend to offer more potential upside, and are generally more volatile than those that comprise the indices cited above. The Fund also employs derivatives to hedge against downside risk of the overall sector and its larger positions (see the Schedule of investments).

##### **Portfolio concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, asset type, industry sector or counterparty. As the Fund's mandate is to invest predominantly in the biotechnology and healthcare sectors in Canada and the United States, the Fund is exposed to risks specific to the biotechnology and healthcare sectors, which are discussed below. Please refer to the Schedule of investments for a listing of the Fund's portfolio.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

The following tables summarize the investment concentration risks that are relevant for the Fund based on its investment objective. The investment portfolio may change due to ongoing portfolio transactions.

<b>Portfolio by Asset Mix</b>	<b>% of Net Asset Value</b>	
	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
United States Equity	54.1%	54.6%
Canadian Equity	31.7%	36.9%
Cash and Cash Equivalents	9.8%	2.8%
International Equity	5.9%	2.9%
Equity Index Options	1.3%	0.1%
Equity Options	0.8%	1.0%
Canadian Bond	-%	1.9%
Currency Options	-%	0.4%
Total investments	103.6%	100.6%
Other net liabilities	(3.6%)	(0.6%)
Total net asset value	<b>100%</b>	<b>100%</b>

<b>Portfolio by Industry</b>	<b>% of Net Asset Value</b>	
	<b>Dec 31, 2016</b>	<b>Dec 31, 2015</b>
Pharmaceuticals	43.3%	26.8%
Pharmaceuticals and Biotechnology	15.9%	24.9%
Biotechnology	16.1%	26.5%
Healthcare equipment and services	12.6%	10.8%
Cash and Cash Equivalents	9.8%	2.8%
Healthcare	3.8%	4.3%
Equity Index Options	1.3%	0.1%
Equity Options	0.8%	1.0%
Corporate Bond	-%	1.9%
Energy – alternated sources	-%	1.1%
Currency Options	-%	0.4%
Total investments	103.6%	100.6%
Other net liabilities	(3.6%)	(0.6%)
Total net asset value	<b>100%</b>	<b>100%</b>

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
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Portfolio by Country	% of Net Asset Value	
	Dec 31, 2016	Dec 31, 2015
United States	56.2%	56.1%
Canada	31.7%	38.8%
Cash and Cash Equivalents	9.8%	2.8%
Israel	3.2%	2.9%
Belgium	1.4%	-%
United Kingdom	1.3%	-%
Total investments	103.6%	100.6%
Other net liabilities	(3.6%)	(0.6%)
Total net asset value	100%	100%

### Biotechnology industry risk

Companies within the biotechnology industry invest heavily in research and development, which may not necessarily lead to commercially successful products. This industry is also subject to increased governmental regulation which may delay or inhibit the release of new products. Many biotechnology companies are dependent upon their ability to use and enforce intellectual property rights and patents. Any impairment of such rights may have adverse financial consequences. Biotechnology companies can be characterized by competition and rapid technological developments, which may make a company's products or services obsolete in a short period of time. The industry is also characterized by product liability lawsuits and consequential high insurance costs. The market values of investments in the biotechnology industry are often based upon speculation and expectations about future products, research progress, and new product filings with regulatory authorities. Biotechnology stocks, especially those of smaller, less-seasoned companies, also tend to be more volatile than the overall market.

### Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration for the credit worthiness of the debt issuer. The carrying amount of debt instruments as shown on the Schedule of investments represents the credit risk exposure of the Fund. Credit risk exposure for derivative instruments is based on the Fund's unrealized gain on the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of the Fund's other assets is represented by their carrying amount as disclosed in the Statements of financial position.

As at December 31, 2016, the Fund has no exposure to debt instruments. The table below analyses the Fund's exposure of debt assets held by rating agency category as at December 31, 2015.

Counterparty	Credit Rating	December 31, 2015 CAD	Underlying Fund's net assets %
Diagnos Inc.	Unrated	104,457	1.9
		104,457	1.9

The counterparty to all of the Fund's options transactions is the Bank of Montreal, which has an S&P credit rating of A-1 on its short-term debt.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
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**Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions. The Fund's policy is to have a majority of its portfolio investments in securities traded on exchanges that are liquid (i.e. investments that can be readily disposed of through market facilities).

The Fund may invest in derivatives, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

**December 31, 2016**

<b>Financial liabilities</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>Total</b>
Payable for investments purchased	355,524	-	355,524
Management and performance fees payable	-	4,760	4,760
Accrued expenses	-	66,316	66,316
	<u>355,524</u>	<u>71,076</u>	<u>426,600</u>

**December 31, 2015**

<b>Financial liabilities</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>Total</b>
Derivative liabilities	2,076	-	2,076
Redemptions payable	10,287	-	10,287
Payable for investments purchased	145,941	-	145,941
Management and performance fees payable	-	1,194	1,194
Accrued expenses	-	38,240	38,240
	<u>158,304</u>	<u>39,434</u>	<u>197,738</u>

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

**Market risk**

The Fund's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency risk

The Fund invests in financial instruments denominated in currencies other than CAD. These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund uses options on currency exchange traded funds to reduce its foreign currency exposure.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

The table below indicates the foreign currencies to which the Fund had significant exposure as at December 31, 2016 and 2015 in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

December 31, 2016		Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary	Total	
United States Dollar	620,891	5,013,241	5,634,132	31,045	250,662	281,707	
% of net assets attributable to holders of redeemable units	7.2%	58.5%	65.7%	(0.4%)	2.9%	3.3%	

December 31, 2015		Exposure			Impact on net assets attributable to holders of redeemable units		
Currency	Monetary	Non-monetary	Total	Monetary	Non-monetary	Total	
United States Dollar	(31,040)	3,225,553	3,194,513	(1,552)	161,278	159,726	
% of net assets attributable to holders of redeemable units	(0.6%)	59.0%	58.4%	(0.0%)	3.0%	3.0%	

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at December 31, 2016 and 2015, the Fund held debt instruments by maturity date as follows:

Debt Instruments by Maturity Date	December 31, 2016	December 31, 2015
3 to 5 years	-	104,457

(c) Other price risk

Other price risk is the risk that the value of portfolio investments will fluctuate as a result of changes in market prices, other than those arising from interest rate or currency risk, whether caused by factors specific to an individual portfolio investment or all factors affecting all investments traded in a market or market segment. All portfolio investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. Please refer to the Schedule of investments for a breakdown of the NAV of the Fund by security and geographic allocation.

The Fund's benchmark is (i) 40% of the percentage gain or loss of the S&P/TSX Capped Health Care Index; plus (ii) 60% of the percentage gain or loss of the NASDAQ Biotechnology Index (re-weighted daily). If the benchmark had increased or decreased by 10% on December 31, 2016, with all other variables held constant, the net assets attributable to holders of redeemable units of the Fund would have increased or decreased by approximately \$609,963, or 7.1% (December 31, 2015 - \$390,690, or 7.2%). This change is estimated using the Fund's beta, which is calculated based on the historical correlation between the return of the Fund compared to the return of the benchmark. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

**Fair value measurement**

The table below presents financial instruments measured at fair value in the Statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

As at December 31, 2016 and 2015, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

December 31, 2016	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	6,781,408	1,081,076	-	7,862,484
Purchased options	185,119	-	-	185,119
	6,966,527	1,081,076	-	8,047,603
December 31, 2015	Level 1 CAD	Level 2 CAD	Level 3 CAD	Total CAD
Equities – long	4,967,966	190,044	-	5,158,010
Bonds – long	-	-	104,457	104,457
Purchased options	84,066	-	-	84,066
Written options	(2,076)	-	-	(2,076)
	5,054,108	190,044	104,457	5,344,457

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units are measured at amortized cost. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. There were no transfers between Levels 1 and 2 of the fair value hierarchy during the years ended December 31, 2016 and 2015.

a) Bonds - long

The inputs that are significant to the valuation of bonds are unobservable as these bonds are not traded in an active market and therefore the Fund's investment in bonds has been classified as Level 3.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

The following table presents the movement in Level 3 positions for the year ended December 31, 2016:

	<b>Bonds</b>
Beginning balance, January 1, 2016	104,457
Purchases	-
Sales or dispositions	(104,457)
<b>Ending balance, December 31, 2016</b>	<b>-</b>

The following table presents the movement in Level 3 positions for the year ended December 31, 2015:

	<b>Bonds</b>
Beginning balance, January 1, 2015	-
Purchases	100,000
Unrealized gains (losses)	4,457
<b>Ending balance, December 31, 2015</b>	<b>104,457</b>

Quantitative information regarding the unobservable inputs for Level 3 positions is given below:

<b>Description</b>	<b>Fair value as at December 31, 2015</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
Diagnos Inc.	104,457	Amortized cost	Credit risk

## 6. FINANCIAL INSTRUMENTS BY CATEGORY

The Fund's equity investments are designated as fair value through profit or loss upon initial recognition and are measured at FVTPL. The Fund's derivative assets and derivative liabilities are classified as held for trading ("HFT") and are measured at FVTPL. All other financial assets and liabilities are measured at amortized cost.

The following table presents the carrying amounts of the Fund's financial instruments by category as at December 31, 2016 and 2015:

As at December 31, 2016:

<b>Assets</b>	<b>Financial assets classified as held for trading \$</b>	<b>Financial assets designated at FVTPL \$</b>	<b>Financial assets at amortized cost \$</b>	<b>Total \$</b>
Financial assets at fair value through profit or loss	-	7,862,484	-	7,862,484
Purchased options	185,119	-	-	185,119
Cash	-	-	842,418	842,418
Receivable for investments sold	-	-	107,298	107,298
Interest receivable and other receivables	-	-	3,999	3,999
Dividends receivable	-	-	1,120	1,120
<b>Total</b>	<b>185,119</b>	<b>7,862,484</b>	<b>954,835</b>	<b>9,002,438</b>

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

<b>Liabilities</b>	<b>Financial liabilities classified as held for trading</b>	<b>Financial liabilities designated at FVTPL</b>	<b>Financial liabilities at amortized cost</b>	<b>Total</b>
	\$	\$	\$	\$
Payable for investments purchased	-	-	355,524	355,524
Management fees payable	-	-	4,760	4,760
Accrued expenses	-	-	66,316	66,316
<b>Total</b>	-	-	426,600	426,600

The following table presents the net gains on investments and derivatives by category for the respective year.

	<b>Financial assets classified as held for trading</b>	<b>Financial assets designated at FVTPL</b>	<b>Total</b>
	\$	\$	\$
Net realized gain (loss) on investments and options	(382,657)	661,353	278,696
Change in unrealized appreciation on investments	(11,942)	79,881	67,939
<b>Total</b>	<b>(394,599)</b>	<b>741,234</b>	<b>346,635</b>

As at December 31, 2015:

<b>Assets</b>	<b>Financial assets classified as held for trading</b>	<b>Financial assets designated at FVTPL</b>	<b>Financial assets at amortized cost</b>	<b>Total</b>
	\$	\$	\$	\$
Financial assets at fair value through profit or loss	-	5,262,467	-	5,262,467
Purchased options	84,066	-	-	84,066
Cash	-	-	150,398	150,398
Subscriptions receivable	-	-	7,000	7,000
Receivable for investments sold	-	-	159,057	159,057
Dividends receivable	-	-	920	920
<b>Total</b>	<b>84,066</b>	<b>5,262,467</b>	<b>317,375</b>	<b>5,663,908</b>



Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

Liabilities	Financial liabilities classified as held for trading \$	Financial liabilities designated at FVTPL \$	Financial liabilities at amortized cost \$	Total \$
Written options	2,076	-	-	2,076
Redemptions payable	-	-	10,287	10,287
Payable for investments purchased	-	-	145,941	145,941
Management fees payable	-	-	1,194	1,194
Accrued expenses	-	-	38,240	38,240
<b>Total</b>	<b>2,076</b>	<b>-</b>	<b>195,662</b>	<b>197,738</b>

The following table presents the net gains on investments and derivatives by category for the respective year.

	Financial assets classified as held for trading \$	Financial assets designated at FVTPL \$	Total \$
Net realized gain (loss) on investments and options	(91,866)	128,811	36,945
Change in unrealized appreciation / depreciation on investments	(44,673)	404,085	359,412
<b>Total</b>	<b>(136,539)</b>	<b>532,896</b>	<b>396,357</b>

## 7. REDEEMABLE UNITS

For the years ended December 31, 2016 and 2015, the Fund offered four classes of redeemable units: Class A units, Class A1 units, Class F units, and Class F1 units. The class of units selected affects the commissions that were payable by an investor, the management fees payable by the Fund, and the compensation that a dealer received in respect of the sale of units.

All of the classes have the same investment objective, strategy and restrictions but differ in respect of one or more features, such as the management fee, sales commission, and service commission. The NAV per Unit of each class would not necessarily be the same as a result of the different fees, expenses and distributions allocable to each class of units. The Fund and the Manager do not charge a fee or commission when investors purchase units of the Fund. An authorized broker, dealer or advisor may charge investors an upfront selling commission of up to 3.00% at the time of purchase of Class A units or Class A1 units, which would reduce the amount of money invested in the Class A units or Class A1 units of the Fund.

The number of units issued, redeemed or cancelled during the years ended December 31, 2016 and 2015 for each respective class is summarized in the following tables.

Next Edge Bio-Tech Plus Fund  
Notes to the financial statements (continued)  
December 31, 2016

For the years ended	December 31, 2016	December 31, 2015
<b>Class A</b>		
Balance, Beginning	71,474	1
Units issued for cash	231,594	103,560
Units redeemed	(80,751)	(32,087)
Balance, Ending	222,317	71,474
<b>Class A1</b>		
Balance, Beginning	303,529	-
Units issued for cash	174	324,127
Units redeemed	(70,053)	(20,598)
Balance, Ending	233,650	303,529
<b>Class F</b>		
Balance, Beginning	32,773	-
Units issued for cash	293,348	32,773
Units redeemed	(55,002)	-
Balance, Ending	271,119	32,773
<b>Class F1</b>		
Balance, Beginning	119,014	-
Units issued for cash	59,130	119,477
Units redeemed	(577)	(463)
Balance, Ending	177,567	119,014

**Capital Management**

As a result of the ability to issue and redeem redeemable units, the capital of the Fund can vary depending on the demand for redemptions from and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue and redemptions of redeemable units other than those set out in the Prospectus.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Prospectus;
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Fund cost-efficient.

**8. INCOME TAXES**

It is generally assumed that the Fund will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act and that the Fund will validly elect under the Tax Act to be a mutual fund trust from the date it was established.

## Next Edge Bio-Tech Plus Fund

### Notes to the financial statements (continued)

December 31, 2016

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts paid or payable to unitholders (whether in cash or in units) in the year. An amount will be considered to be payable to a unitholder in a taxation year if it is paid in the year by the Fund or the unitholder is entitled in that year to enforce payment of the amount. The Fund intends to make sufficient distributions in each year of its net income and net capital gains for tax purposes, thereby permitting the Fund to deduct sufficient amounts so that the Fund will generally not be liable in such year for non-refundable income tax under Part I of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act to reduce (receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of units during the year (the "Capital Gains Refund"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the disposition of securities in connection with the redemption of units.

If the Fund does have income for tax purposes which is in excess of any distributions paid or made payable to unitholders during the year and the net realized capital gains of the Fund, the tax on which would be recovered by the Fund in the year by reason of the capital gains refund provisions of the Tax Act, in order to ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act.

As at December 31, 2016, the Fund had nil capital (2015: nil) and \$319,141 (2015: \$80,510) non-capital losses for tax purposes of which \$80,510 will expire in 2035, \$238,631 will expire in 2036 and may be carried forward and used to reduce taxable income in future years.

#### **9. FEES AND OPERATING EXPENSES**

For its services to the Fund, the Manager was entitled to receive from the Fund a management fee (the "Management Fee") at (up to) an annual rate of: (i) 2.25% of the portion of its NAV represented by the Class A units, (ii) 1.00% of the portion of its NAV represented by the Class A1 units, (iii) 1.25% of the portion of its NAV represented by the Class F units, and (iv) 0% of the portion of NAV represented by the Class F1 units, calculated daily and paid monthly in arrears, plus applicable taxes.

The Fund pays for all expenses incurred in connection with its operation and administration, which is to be allocated pro rata to each class of units.

These expenses include unitholder reporting costs for preparing, mailing and printing expenses of periodic reports to unitholders; fees payable to any custodian of the assets of the Fund; fees payable to auditors and legal advisors; taxes payable by the Fund or to which the Fund is subject and other general operating expenses.

Administrative expenses include other unitholder communications, fees payable to the valuation agent and the independent pricing service for performing certain valuation services; fees payable to the registrar and transfer agent for performing certain financial, record keeping, reporting and general administrative services; fees payable to accountants; ongoing regulatory fees, licensing fees and other fees; and expenses relating to portfolio transactions.

The Manager may establish an upper limit on the total annual operating expenses of the Fund. The Manager or its affiliates may pay for certain operating expenses of the Fund in order to maintain the Fund's annual operating expenses within any such established limit. The amounts absorbed by the Manager, if any, are shown in the Statements of comprehensive income. The Manager may cease to absorb expenses at any time.

Each class of units is responsible for the expenses specifically related to that class and a proportionate share of the expenses that are common to all classes of units.

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December 31, 2016

**Brokerage commissions and soft dollars**

For the year ended December 31, 2016, \$35,389 (2015: \$9,565) of “soft dollars”, in which a brokerage firm is paid for its services through commission revenue by executing trades at the brokerage, were used to pay for operating expenses of the Fund.

**10. RELATED PARTY TRANSACTIONS**

The Fund’s investment activities are managed by Next Edge Capital Corp.

(a) Management and performance fees

Under the terms of the investment management agreement, the Fund appointed the Manager to provide management services (see Note 9, Fees and Operating Expenses). Total management fees for the year ended December 31, 2016 amounted to \$73,888 (December 31, 2015: \$30,057) and are reported in the Statements of comprehensive income, with \$4,760 in outstanding accrued fees (December 31, 2015: \$1,194) due to the Manager as at December 31, 2016 reported in the Statements of financial position. Performance fees for the year ended December 31, 2016 amounted to nil (2015: \$76) with nil in outstanding accrued fees due to the Manager as at December 31, 2016 (2015: nil).

In order to establish the Fund, the Manager contributed \$10.00 in exchange for 1 Class A unit of the Fund, which was subsequently cancelled upon the first issuance of units to external unitholders on January 21, 2015.

(b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the year ended December 31, 2016 was \$3,850 (December 31, 2015 - \$1,246) and is reported in the Statements of comprehensive income and consisted only of fixed fees. There were no outstanding payables relating to Independent Review Committee fees as at December 31, 2016 and 2015.

# Next Edge Bio-Tech Plus Fund

## General information

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*Effective May 9, 2016:*

RBC Investor & Treasury Services  
155 Wellington Street West  
Toronto, ON M5V 3H6

[www.rbcits.com](http://www.rbcits.com)

*Registrar, Transfer Agent and Valuation Agent until May 8, 2016:*

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Mississauga, ON L5R 0E8

*Custodian until May 8, 2016:*

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