

The logo for SBEA, consisting of the letters "SBEA" in a white, sans-serif font. Above the letters is a short horizontal orange line. The logo is positioned in the upper left corner of a dark blue header area that features a pattern of vertical bars of varying heights and colors (orange and blue).

# SmartBe Global Value Momentum Trend Index ETF

## SBEA:NEO

*Financial Statements for the period of January 24, 2019  
(commencement of operations) to June 30, 2019*

### SmartBe Global Value Momentum Trend Index ETF

Statement of Financial Position

As at June 30, 2019 (unaudited)

| <b>Assets</b>                                                                            | <b>June 30, 2019</b> |
|------------------------------------------------------------------------------------------|----------------------|
| Current Assets                                                                           |                      |
| Investments (Cost: June 30, 2019 -\$23,445,434)                                          | 23,472,891           |
| Cash                                                                                     | 53,554               |
| Dividends receivable                                                                     | 16,656               |
| Total Assets                                                                             | <u>23,543,101</u>    |
| <b>Liabilities</b>                                                                       |                      |
| Current Liabilities                                                                      |                      |
| Management fees payable                                                                  | 47,590               |
| Total Liabilities (excluding Net Assets attributable to unitholders of redeemable units) | <u>47,590</u>        |
| Net Assets attributable to holders of redeemable units                                   | 23,495,511           |
| Number of redeemable units outstanding (Note 4)                                          | 1,200,000            |
| Net Assets attributable to holders of redeemable units per unit                          | 19.58                |

\*The accompanying notes are an integral part of this statement of financial position.

Approved on behalf of SmartBe Wealth Inc. as Trustee and Manager of SmartBe Global Value Momentum Trend Index ETF

Rod Heard, Chief Executive Officer



Cecilia Chen, Chief Financial Officer

**SmartBe Global Value Momentum Trend Index ETF**

Statement of Comprehensive Income (Loss)

For the period of January 24, 2019 (commencement of operations) to June 30, 2019

| <b>Income</b>                                                             | <b>June 30, 2019</b> |
|---------------------------------------------------------------------------|----------------------|
| <b>Net gain/(loss) on investments</b>                                     |                      |
| Dividend income                                                           | 138,566              |
| Interest income for distribution purposes                                 | 111                  |
| Net realized loss on sale of investments                                  | (304,268)            |
| Net change in unrealized appreciation of investments                      | 27,457               |
| <b>Other Income items</b>                                                 |                      |
| Realized foreign exchange loss on cash                                    | (40,750)             |
| Net change in unrealized depreciation of foreign currency                 | (68)                 |
| <b>Total income (net)</b>                                                 | <u>(178,952)</u>     |
| <b>Expenses</b>                                                           |                      |
| Management fees                                                           | 47,590               |
| Withholding taxes                                                         | 2,031                |
| Transaction costs (Note 2)                                                | 13,416               |
| Independent Review Committee fees                                         | 20,785               |
| <b>Total expenses</b>                                                     | <u>83,822</u>        |
| <b>Expenses waived/absorbed by the Manager</b>                            | <u>(20,785)</u>      |
| <b>Net expenses</b>                                                       | <u>63,037</u>        |
| <b>Decrease in net assets attributable to holders of redeemable units</b> | <u>(241,989)</u>     |
| <b>Average number of units for the period</b>                             | <u>596,795</u>       |
| <b>Decrease in net assets attributable to holders of redeemable units</b> | (0.41)               |

**SmartBe Global Value Momentum Trend Index ETF**

Statement of Changes in Net Assets Attributable to Holders to Redeemable Units  
For the period of January 24, 2019 (commencement of operations) to June 30, 2019

|                                                                               | <b>June 30, 2019</b> |
|-------------------------------------------------------------------------------|----------------------|
| Net assets attributable to holders of redeemable units at beginning of period | -                    |
| Decrease in net assets to holders of redeemable units at beginning of period  | (241,989)            |
| Redeemable unit in transactions                                               |                      |
| Proceeds from redeemable units issued                                         | 23,737,500           |
| Redemption of redeemable units                                                | -                    |
|                                                                               | 23,737,500           |
| Net increase in net assets attributable to holders of redeemable units        | 23,495,511           |
| Net assets attributable to holders of redeemable units at end of period       | 23,495,511           |

**SmartBe Global Value Momentum Trend Index ETF**

Statement of Cash Flows

For the period of January 24, 2019 (commencement of operations) to June 30, 2019

| <b>Cash flows from operating activities</b>                                        | <b>June 30, 2019</b>  |
|------------------------------------------------------------------------------------|-----------------------|
| Decrease in net assets attributable to holders of redeemable units from operations | (241,989)             |
| Adjustments:                                                                       |                       |
| Purchase of investments                                                            | (17,334,416)          |
| Proceeds from disposition of investments                                           | 17,249,746            |
| Transaction costs (Note 2)                                                         | 13,416                |
| Net change in unrealized foreign exchange loss on cash                             | 68                    |
| Net realized loss from investment transactions                                     | 304,268               |
| Net change in unrealized appreciation on investments                               | (27,457)              |
|                                                                                    | <u>(36,364)</u>       |
| Net change in non-cash working capital                                             | 30,934                |
| <b>Net cash used in operating activities</b>                                       | <b><u>(5,430)</u></b> |
| <br><b>Cash flows from financing activities</b>                                    |                       |
| Issuance of units                                                                  | 59,052                |
| Payment on redemption of units                                                     | -                     |
| Distributions paid to holders of redeemable units, net of reinvested distributions | -                     |
| <b>Net cash from financing activities</b>                                          | <b><u>59,052</u></b>  |
| <br>Net increase in cash                                                           | 53,622                |
| Net change in unrealized foreign exchange loss on cash                             | (68)                  |
| Cash at beginning of period                                                        | -                     |
| <b>Cash at end of period</b>                                                       | <b><u>53,554</u></b>  |
| <br>Dividends received, net of withholding taxes                                   | 119,879               |
| Interest received                                                                  | 111                   |

## SmartBe Global Value Momentum Trend Index ETF

Schedule of Investment Portfolio

As at June 30, 2019 (unaudited)

| # of Shares                       | Description                                     | Average Cost | Fair Value | % of Net Assets |
|-----------------------------------|-------------------------------------------------|--------------|------------|-----------------|
| <b>Exchange Traded Fund (ETF)</b> |                                                 |              |            |                 |
| 45,393                            | Alpha Architect US Quantitative Value ETF       | 1,701,249    | 1,663,394  |                 |
| 45,363                            | Alpha Architect US Quantitative Momentum ETF    | 1,812,768    | 1,858,996  |                 |
|                                   |                                                 | 3,514,017    | 3,522,390  | 14.99           |
| 563,788                           | iShares Core Canadian Short Term Bond Index ETF | 15,614,606   | 15,591,558 | 66.35           |
|                                   |                                                 | 19,128,623   | 19,113,948 | 81.34           |
| <b>Energy</b>                     |                                                 |              |            |                 |
| 2,718                             | Enbridge Inc.                                   | 132,043      | 128,561    |                 |
| 3,795                             | Suncor Energy Inc.                              | 153,677      | 155,026    |                 |
| 1,973                             | TC Energy Corp.                                 | 129,722      | 128,087    |                 |
| 12,220                            | Husky Energy Inc.                               | 154,147      | 151,650    |                 |
| 21,528                            | Encana Corp.                                    | 150,115      | 144,668    |                 |
| 4,296                             | Imperial Oil Ltd.                               | 155,441      | 155,773    |                 |
| 7,544                             | Parex Resources Inc.                            | 155,538      | 158,499    |                 |
| 21,566                            | Seven Generations Energy Ltd.                   | 179,726      | 138,454    |                 |
|                                   |                                                 | 1,210,409    | 1,160,718  | 4.94            |
| <b>Materials</b>                  |                                                 |              |            |                 |
| 2,640                             | Kirkland Lake Gold Ltd.                         | 126,199      | 148,949    |                 |
| 4,201                             | Labrador Iron Ore Royalty Corp.                 | 129,969      | 147,119    |                 |
| 2,686                             | Methanex Corp.                                  | 177,295      | 159,683    |                 |
| 5,639                             | Norbord Inc.                                    | 177,520      | 183,042    |                 |
| 5,524                             | Teck Resources Ltd.                             | 160,853      | 166,935    |                 |
|                                   |                                                 | 771,836      | 805,728    | 3.43            |
| <b>Industrials</b>                |                                                 |              |            |                 |
| 3,941                             | Air Canada                                      | 142,479      | 156,418    |                 |
| 4,472                             | NFI Group Inc.                                  | 156,273      | 165,017    |                 |
| 3,794                             | TFI International Inc.                          | 155,129      | 150,356    |                 |
| 1,509                             | Thomson Reuters Corp.                           | 120,293      | 127,480    |                 |
| 1,014                             | Waste Connections Inc.                          | 120,065      | 126,851    |                 |
|                                   |                                                 | 694,239      | 726,122    | 3.09            |

## SmartBe Global Value Momentum Trend Index ETF

Schedule of Investment Portfolio

As at June 30, 2019 (unaudited)

| # of Shares                   | Description                          | Average Cost | Fair Value          | % of Net Assets |
|-------------------------------|--------------------------------------|--------------|---------------------|-----------------|
| <b>Consumer Discretionary</b> |                                      |              |                     |                 |
| 3,816                         | BRP Inc.                             | 155,267      | 178,589             |                 |
| 2,685                         | Gildan Activewear Inc.               | 130,404      | 136,076             |                 |
| 3,622                         | Great Canadian Gaming Corp.          | 170,297      | 160,817             |                 |
| 2,637                         | Magna International Inc.             | 169,784      | 171,827             |                 |
|                               |                                      | 625,752      | 647,309             | 2.76            |
| <b>Utilities</b>              |                                      |              |                     |                 |
| 4,280                         | Capital Power Corp.                  | 129,233      | 129,042             |                 |
| 2,471                         | Emera Inc.                           | 130,453      | 132,223             |                 |
| 3,368                         | Canadian Utilities Ltd.              | 128,799      | 124,481             |                 |
| 8,165                         | Algonquin Power & Utilities Corp.    | 129,982      | 129,579             |                 |
|                               |                                      | 518,467      | 515,325             | 2.19            |
| <b>Consumer Staples</b>       |                                      |              |                     |                 |
| 1,855                         | Loblaw Cos Ltd.                      | 125,792      | 124,378             |                 |
| 1,543                         | Alimentation Couche-Tard Inc.        | 129,860      | 127,159             |                 |
|                               |                                      | 255,652      | 251,537             | 1.07            |
| <b>Real Estate</b>            |                                      |              |                     |                 |
| 1,058                         | FirstService Corp.                   | 126,259      | 133,308             | 0.57            |
| <b>Information Technology</b> |                                      |              |                     |                 |
| 2,454                         | Descartes Systems Group Inc.         | 118,539      | 118,896             | 0.51            |
|                               | Transaction Costs (Note 2)           | (4,342)      | -                   |                 |
|                               | <b>Total Investments</b>             | \$23,445,434 | \$23,472,891        | 99.90           |
|                               | <b>Other assets less liabilities</b> |              | 22,620              | 0.10            |
|                               | <b>Total Net Assets</b>              |              | <b>\$23,495,511</b> | <b>100.00</b>   |

## 1. Establishment of the ETF

The SmartBe Global Value Momentum Trend Index ETF (the “ETF”) is established as a trust under the laws of the Province of Ontario. The ETF is established by a declaration of trust dated January 14, 2019, as the same may be amended or restated from time to time. The ETF is managed by SmartBe Wealth Inc. (the “Manager”). The ETF’s registered address is 1900, 520 3rd Avenue SW, Calgary, Alberta, T2P 0R3. RBC Investor Services Trust acts as custodian and administrator of the ETF and SmartBe Wealth Inc. acts as trustee. The ETF commenced operations on January 24, 2019. The Financial Statements were authorized for issuance by the Manager on August 22, 2019.

The ETF is currently offered in Canadian-dollar-denominated units. An unlimited number of units may be issued.

The ETF’s investment objective is to replicate, to the extent possible and before fees and expenses, the performance of the Alpha Architect Value Momentum Trend for Canada Index, or any successor thereto. It invests primarily in Canadian, United States and international equity securities and/or Canadian bonds.

## 2. Significant Accounting Policies

The significant accounting policies adopted by the ETF for the preparation of these financial statements are set out below.

### Statement of Compliance and Basis of Presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) including International Accounting Standards (“IAS”) 34: Interim Financial Reporting, as published by the International Accounting Standards Board (“IASB”) and as required by Canadian securities legislation and the Canadian Accounting Standards Board. These financial statements are not audited by external auditors.

### Financial Instruments

#### a. Classification and measurement

Classification and measurement categories under Financial Instrument (“IFRS 9”) are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL). To determine the appropriate classification and measurement category, IFRS 9 requires an entity to consider the business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments.

The ETF’s business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets’ fair values and assets are managed to realize these fair values. This business model is aligned with a FVTPL classification and measurement category.

#### b. Impairment

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Specifically, IFRS 9 requires the ETF to recognize a loss allowance for expected credit losses on financial assets measured at amortized cost. The ETF’s credit loss on its financial assets measured at amortized cost is not material.

#### c. Recognition

The ETF’s financial instruments include investments at fair value through profit and loss, cash, dividends receivable and management fees payable. All financial assets and liabilities are recognized in the Statement of Financial Position when the ETF becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the ETF becomes a party to



## 2. Significant Accounting Policies (continued)

the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the ETF has transferred substantially all risks and rewards of ownership.

The ETF recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Investment transactions are accounted for on the trade date. The ETF's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. The ETF's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value ("NAV") for transactions with unitholders, except where the last traded market price is not within the bid-ask spread.

### d. Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the ETF may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts. As of June 30, 2019, no amounts have been offset in the Statement of Financial Position.

### e. Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The ETF uses the close prices for both financial assets and financial liabilities where the close price falls within that day's bid-ask spread. In circumstances where the close 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.

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions at an arm's length basis.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The ETF may use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs. As of June 30, 2019, there are no financial assets and liabilities that are not traded in an active market.

For instruments for which there is no active market, the ETF may use externally provided pricing or internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. As of June 30, 2019, there are no financial assets and liabilities that are not traded in an active market.

The output of the model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the ETF holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

## 2. Significant Accounting Policies (continued)

The fair value of financial instruments other than investments at fair value through profit and loss closely approximates their carrying values, given their short-term maturities.

*Refer to Note 3 for further information about the ETF's fair value measurements.*

### f. Foreign Currency Translation

The ETF's subscriptions, redemptions, and certain elements of performance are denominated in Canadian dollars, which is also its functional and reporting currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Income and expense items are translated at the exchange rates prevailing on the respective dates of such transactions. Realized foreign exchange gain (losses) relating to investments at fair value through profit and loss are presented within "Net realized loss on sale of investments" and those realized gains (losses) relating to cash and other financial assets and liabilities are presented as "Realized foreign exchange loss on cash". Unrealized gains (losses) relating to investments at fair value through profit and loss are presented within "Net change in unrealized appreciation of investments" and those unrealized gains (losses) relating to cash and other financial assets and liabilities are presented as "Net change in unrealized depreciation of foreign currency".

### g. Unit Valuation

Units of the ETF are valued at the NAV per unit on each valuation day. A valuation day is each business day or any other day designated by the Manager on which the NAV and NAV per unit of the ETF is calculated. The NAV per unit is determined by dividing the aggregate fair value of the net asset value by the total number of units outstanding before giving effect to redemptions or subscriptions for units on that day. The ETF's accounting policies for measuring the fair value of its investments are identical to those used in measuring its published NAV except when the trades on the last trading day of the financial reporting period are recorded at prices within the bid-ask spread, whereas for NAV purposes the last traded market prices are used for fair value measurements.

### h. Income Recognition

Dividend income is recorded on the ex-dividend date. Realized gains and losses on the sale of investments and unrealized appreciation or depreciation in the value of investments are calculated with reference to the average cost of the related investments. The interest income for distribution purposes disclosed in the Statement of Comprehensive Income (Loss), represents the interest received by the ETFs and is accounted for on an accrual basis.

### i. Transaction Costs

Transaction costs are expensed and are included in "Transaction costs" in the Statement of Comprehensive Income (Loss). Transaction costs are incremental costs that are directly attributable to the acquisition and issue or disposal of an investment, which includes fees and commission paid to brokers. The embedded transaction costs in the cost of the investment portfolio as at June 30, 2019 are disclosed in the Schedule of Investment Portfolio.

### j. Cash

Cash includes cash with financial institutions.

### k. Other assets and liabilities

Dividends receivable are carried at amortized cost. Management fees payable are measured at amortized cost. Due to their short-term nature, the carrying value of these financial assets and financial liabilities approximates fair value.

### l. Decrease in Net Assets Attributable to Holders of Redeemable Units per Unit

Decrease in net assets attributable to holders of redeemable units per unit represents the decrease in net assets divided by the weighted average number of units outstanding during the period.

## 2. Significant Accounting Policies (continued)

### m. Taxation

The ETF qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the ETF'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 ETF. As a result, the ETF does not record income taxes. Since the ETF does not record income taxes, the tax benefit of capital and noncapital losses has not been reflected in the Statement of Financial Position as a deferred income tax asset.

As at June 30, 2019, the ETF had nil of unused capital losses which have no expiry. The ETF currently 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 (Loss).

### n. Critical Accounting Estimates and Judgments

The preparation of these financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These judgements, estimates and assumptions affect the reported amounts of assets and liabilities, disclosure of contingencies, as well as the reported amounts of investment income and expenses during the year. Actual results could differ from those estimates. The most significant accounting judgements and estimates made in preparing the financial statements include the fair value measurement of financial assets and liabilities in Note 2 (e) and Note 3, the classification of financial assets and liabilities in Note 2 (a) and the functional currency as disclosed in Note 2 (f).

The ETF's redeemable units have been classified as financial liabilities under IAS 32 Financial Instruments: Presentation ("IAS 32"). The judgement related to this classification is described in Note 4.

### o. Investments In Associates, Joint Ventures, Subsidiaries And Structured Entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding, who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Manager has determined that exchange-traded funds held typically by the ETF meet the definition of structured entities. The ETF accounts for their investments in non-consolidated structured entities at FVTPL.

The ETF invests in underlying exchange-traded funds and is subject to the terms and conditions of the respective underlying exchange-traded funds offering documents and is susceptible to market price risk arising from uncertainties about future values of those underlying exchange-traded funds. All of the underlying exchange-traded funds in the investment portfolio are managed by portfolio managers who are compensated by the respective underlying exchange-traded fund for their services. Such compensation generally consists of an asset-based fee and is reflected in the valuation of each of the underlying exchange-traded funds. The underlying exchange-traded funds finance their operations by issuing units that entitle the holders to an equal beneficial interest in a respective underlying exchange-traded fund.

The ETF's investments in underlying exchange-traded funds are accounted for at FVTPL and included in "Investments at fair value through profit and loss" in the Statement of Financial Position. All unrealized gains (losses) arising from these investments are recorded as part of "Net change in unrealized appreciation of investments" in the Statement of Comprehensive Income (Loss) until these investments are sold, at which time the gains (losses) are realized and reflected in the Statement of Comprehensive Income (Loss) in "Net realized gain (loss) on sale of investments".

The ETF's maximum exposure to loss from their interest in underlying exchange-traded funds is equal to the total fair value of their investments in these non-consolidated structured entities. See Note 8 - Interest In Non-consolidated Structured Entities.

## 2. Significant Accounting Policies (continued)

### p. Assessment as an Investment Entity

Entities that meet the definition of an investment entity within IFRS 10 Consolidated Financial Statements are required to measure their subsidiaries at FVTPL rather than consolidate them. The criteria that define an investment entity are as follows:

- an entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- an entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- an entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Manager has concluded that the ETF meets the characteristics of an investment entity, in that it has more than one investment; the ownership interests are in the form of securities similar to equities to which a proportionate share of the net assets of the ETF are attributed and it has more than one investor.

The conclusion will be reassessed on an annual basis, if any of these criteria or characteristics changes.

## 3. Fair Value Disclosure

The ETF's financial assets measured at fair value have been categorized based upon a fair value hierarchy. The ETF has established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are as follows.

**LEVEL 1** - Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

**LEVEL 2** - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

**LEVEL 3** - Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

There were no transfers between levels during the period ended June 30, 2019. The ETF's policy is to recognize transfers in and out and between Levels 1 and 2 as per the value at the end of the reporting period and for transfers in and out of Level 3 as per the value at the date of transfer.

|                                   |                      |
|-----------------------------------|----------------------|
| Total value of LEVEL 1 securities | <u>June 30, 2019</u> |
|                                   | <u>\$23,472,891</u>  |

All fair value measurements above are recurring. The carrying values of cash, dividends receivable approximate their fair values due to their short-term nature. 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. As at June 30, 2019, the ETF has no instruments classified as Level 2 and Level 3.

#### 4. Redeemable Units

The ETF is authorized to issue an unlimited number of units in Canadian-dollar-denominated units.

Units of the ETF are redeemable at the option of the holder on each trading day. Unitholders may redeem units in any number for cash at a redemption price per unit equal to 95% of the closing price for the units on the effective day of the redemption, subject to a maximum redemption price of the applicable NAV per unit. Any gain or loss determined on such redemptions is recorded as a gain or loss on redemption on the Statement of Comprehensive Income (Loss), if any. Such reduced redemption price causes cash flows on redemption which are not substantially based on profit or loss, changes in net assets or changes in fair value of net assets, and thus the redeemable units are classified as financial liabilities.

In accordance with the objectives and the risk management policies outlined in the Financial Risk Management notes (Note 7), the ETF endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being managed by investing the majority of assets in investments that can be readily disposed.

Unit transactions of the ETF for the period ended June 30, 2019 were as follows:

|                                        |           |
|----------------------------------------|-----------|
| Units outstanding, beginning of period | -         |
| Units issued, during the period        | 1,200,000 |
| Units redeemed, during the period      | -         |
| Units reinvested, during the period    | -         |
| Units outstanding, end of period       | 1,200,000 |

#### 5. Expenses

The applicable operating expenses payable by the ETF include: the management fee; brokerage expenses and commissions; the cost of complying with governmental or regulatory requirements introduced after the date of creation of the ETF; the fees under any derivative instrument used by the ETF; the fees and expenses relating to the implementation and ongoing operation of the Independent Review Committee (the “IRC”); any goods and services or harmonized sales taxes on those expenses and any income, withholding or other taxes.

The ETF’s management fee, plus applicable taxes, is payable monthly to the Manager and is calculated and accrued daily at 0.86% of the NAV of the ETF.

#### 6. Capital Risk Management

Units issued and outstanding are considered to be the capital of the ETF. The Manager manages the capital of the ETF in accordance with the ETF’s investment objectives. The ETF does not have any specific externally imposed capital requirements on the subscription of units.

#### 7. Financial Risk Management

The ETF’s activities expose it to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The risks include market risk (including other price risk, currency risk, and interest rate risk), credit risk, liquidity risk and concentration risk. These risks and related risk management practices employed by the ETF are discussed below.

## 7. Financial Risk Management (continued)

### Market Risk

#### a. Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) caused by factors specific to a security, its issuer or all factors affecting a market or a market segment. The investments of the ETF are subject to market fluctuations and the risks inherent in financial markets. The maximum risk resulting from financial instruments held by the ETF is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits and the ETF's other price risk is managed through diversification of the ETF's investments. The Manager monitors the ETF's overall market positions on a daily basis.

As at June 30, 2019 the overall market exposures were as follows:

|                       | June 30, 2019 |                       |
|-----------------------|---------------|-----------------------|
|                       | Fair Value    | % of Total Net Assets |
| Investments           | \$ 23,427,891 | 99.90%                |
| Total market exposure | \$ 23,472,891 | 99.90%                |

If equity prices on the respective stock exchanges for these securities had increased (decreased) by 5% at June 30, 2019, with all other variables held constant, net assets would have increased (decreased) approximately \$1,173,645 (5% of net assets).

In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

#### (b) Currency risk

Currency risk is the risk that the value of financial instruments denominated in currencies, other than the functional currency of the ETF, will fluctuate due to changes in foreign exchange rates. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the ETF's functional currency in determining fair value.

The ETF holds assets and liabilities, including cash and investments in equities that are denominated in currencies other than the Canadian Dollar, the functional currency. It is therefore exposed to currency risk, as the value of the securities denominated in other currencies fluctuate due to changes in exchange rates.

The table below summarizes the ETF's exposure to currency risks:

|                      | June 30, 2019     |                       |
|----------------------|-------------------|-----------------------|
|                      | Currency Exposure | % of Total Net Assets |
| Currency type        |                   |                       |
| United States Dollar | \$ 3,528,455      | 15.02%                |
| Total                | \$ 3,528,455      | 15.02%                |

## 7. Financial Risk Management (*continued*)

As at June 30, 2019, if the exchange rate between the Canadian Dollar and the foreign currencies the ETF is exposed to increased or decreased by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$35,285. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

In accordance with the ETF's policy, the Manager monitors currency positions as part of the overall portfolio construction but does not actively manage currency positions and does not hedge currencies.

### (c) 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. Interest rate risk arises when the ETF invests in interest-bearing financial instruments. The ETF is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

The ETF's financial assets and liabilities are non-interest bearing as at June 30, 2019. As a result, the ETF is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates. However, as at June 30, 2019, \$15.6 million of the ETF's net asset value was allocated to a short-term bond ETF according to the Schedule of Investment Portfolio. The ETF is indirectly exposed to interest rate risk of the underlying exchange-traded funds that the ETF holds.

### (d) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the ETF. All transactions in listed securities are settled or paid for upon delivery using approved brokers. The credit risk related to the associated receivables is considered limited, 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 obligations.

As at June 30, 2019 the ETF had no significant investments in debt instruments and/or derivatives; therefore, credit risk is considered minimal. However, as at June 30, 2019, \$15.6 million of the ETF's net asset value was allocated to a short-term bond ETF according to the Schedule of Investment Portfolio. The ETF is indirectly exposed to credit risk of the underlying exchange-traded funds that the ETF holds.

### (e) Liquidity risk

The ETF's main liquidity risk exposure is in meeting redemption and expense requirements on a monthly basis. The ETF's manager monitors cash needs on a regular basis. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed of. In addition, the ETF aims to retain sufficient cash to maintain liquidity. The ETF's investments are considered readily realizable and highly liquid, therefore the ETF's liquidity risk is considered minimal.

As at June 30, 2019 the ETF's liabilities consist of management fees payable, which is expected to be liquidated within 90 days. Redeemable units are redeemable on demand at the holder's option. The ETF's liquid investments are considered to be in excess of the redemption requirements.

### (f) 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. A summary of the ETF's concentration risk by industry sector can be found in the ETF's Schedule of Investment Portfolio.

## 8. Interest In Non-Consolidated Structured Entities

| Non-Consolidated Structured Entities            | Total Net Assets of the Underlying ETFs<br>\$ | Fair value of Investments in ETFs<br>\$ | Percentage of ownership<br>% |
|-------------------------------------------------|-----------------------------------------------|-----------------------------------------|------------------------------|
| Alpha Architect US Quantitative Value ETF       | 119,133,378                                   | 1,663,394                               | 1.4                          |
| Alpha Architect US Quantitative Momentum ETF    | 77,871,923                                    | 1,858,996                               | 2.39                         |
| iShares Core Canadian Short Term Bond Index ETF | 2,117,337,196                                 | 15,591,558                              | 0.74                         |

## 9. Related parties

### (a) Management fees

The ETF's investment activities are managed by SmartBe Wealth Inc. The management fees for the period ended June 30, 2019 amounted to \$47,590, with \$47,590 in outstanding accrued fees due to the Manager at June 30, 2019.

### (b) Unit transactions with related parties

Officers, directors and related entities of the Manager invest in units of the ETF from time to time in the normal course of business on the same basis as arms-length investors. As at June 30, 2019, the Manager, including officers and directors, owned approximately 524,090 units of the ETF.

### (c) Independent Review Committee expenses

The Manager has established an IRC to review all conflicts of interest matters identified and referred to the IRC by the Manager. The IRC reviews and gives its approval or recommendations as to the conflict of interests matters referred to it. Total IRC expenses for the period ended June 30, 2019 amounted to \$20,785. However, these expenses were absorbed by the Manager. The Manager is expected to continue to absorb the IRC expenses until December 31, 2019. The Manager may continue to absorb beyond the expected date and the decision will be reassessed on December 31, 2019.