

Annual Financial Statements

for the year ended December 31, 2017



JFT Strategies Fund

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JFT Strategies Fund

INDEPENDENT AUDITORS' REPORT

To the Securityholders of **JFT Strategies Fund**,

We have audited the accompanying financial statements of **JFT Strategies Fund** (the "**Fund**"), which comprise the statements of financial position as at December 31, 2017 and 2016, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable securities and cash flows for the years then ended, 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

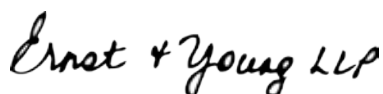
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable 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, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The logo for Ernst & Young LLP is written in a cursive, handwritten-style font.

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
March 26, 2018

JFT Strategies Fund

STATEMENTS OF FINANCIAL POSITION

As at December 31

	2017	2016
	\$	\$
ASSETS		
Current assets		
Investments held long (note 2)	137,334,135	194,077,651
Cash and cash equivalents	87,025,747	164,392,176
Cash on deposit with broker as collateral	71,875,209	12,145,536
Due from broker	852,535	13,201,832
Unrealized gain on forward foreign currency contracts	-	-
Subscriptions receivable	-	-
Dividends receivable	121,400	597,310
Interest receivable	167,510	386,567
	297,376,536	384,801,072
LIABILITIES		
Current liabilities		
Investments sold short	59,107,088	137,936,565
Bank overdraft	-	-
Due to broker	1,022,131	6,714,252
Unrealized loss on forward foreign currency contracts	-	-
Dividends payable on investments sold short	117,751	339,747
Distributions payable to holders of redeemable securities (note 9)	-	-
Management fee payable	98,300	-
Redemptions payable	186,482	-
Performance fee payable	-	3,221,402
Accounts payable and accrued liabilities	504,626	486,014
	61,036,378	148,697,980
Net assets attributable to holders of redeemable securities	236,340,158	236,103,092
Net assets attributable to holders of redeemable securities per class		
Class A	137,854,414	157,313,460
Class F	93,889,823	74,277,952
Private Placement Class	4,595,921	4,511,680
	236,340,158	236,103,092
Net assets attributable to holders of redeemable securities per security		
Class A	14.33	14.39
Class F	14.92	14.92
Private Placement Class	18.57	18.23

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31

(in \$ except for number of securities)

	2017	2016
	\$	\$
INCOME		
Net gains (losses) on investments and derivatives		
Dividends	2,989,359	4,607,225
Interest for distribution purposes	2,094,916	1,808,710
Change in unrealized appreciation (depreciation) of investments	(477,741)	9,077,890
Change in unrealized appreciation (depreciation) on forward foreign currency contracts	-	-
Net realized gain (loss) on sale of investments	4,849,956	10,613,145
Net realized gain (loss) on forward foreign currency contracts	-	-
Net gains (losses) on investments and derivatives ⁽¹⁾	9,456,490	26,106,970
Other income		
Securities lending income ⁽³⁾	-	-
Net realized gain (loss) on foreign exchange	124,019	2,292,700
Change in unrealized appreciation (depreciation) on other assets	(596,283)	(546,990)
Other income	-	-
Total other income	(472,264)	1,745,710
Total income	8,984,226	27,852,680
EXPENSES		
Custodian and fund valuation fees	57,334	59,219
Securityholder reporting costs	138,176	203,355
Performance fees (note 8)	-	3,229,374
Management fee (notes 8 and 12) ⁽²⁾	3,412,187	3,322,330
Dealer service fee (notes 8 and 12) ⁽²⁾	726,008	754,283
Transaction costs (note 8) ⁽⁴⁾	1,911,354	2,436,863
Withholding taxes (note 10)	22,763	17,172
Harmonized Sales Tax	536,032	959,117
Audit fees	23,000	23,580
Legal fees	49,666	76,584
Interest expense	536	275
Independent Review Committee fees (note 12)	7,859	9,793
Dividends paid on investments sold short	2,513,994	3,838,033
Other expenses	-	-
Total expenses	9,398,909	14,929,978
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	(414,683)	12,922,702
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per class		
Class A	(875,144)	8,304,194
Class F	376,220	4,222,872
Private Placement Class	84,241	395,636
	(414,683)	12,922,702
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security (note 2)		
Class A	(0.08)	0.76
Class F	0.07	0.86
Private Placement Class	0.34	1.60
Weighted average number of securities		
Class A	10,456,743	10,947,258
Class F	5,401,288	4,933,191
Private Placement Class	247,500	247,500

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF COMPREHENSIVE INCOME (cont'd)

Years ended December 31

⁽¹⁾ Comprised of:

	2017	2016
	\$	\$
Financial assets and liabilities designated at FVTPL	9,456,490	26,106,970
Financial assets and liabilities classified as held for trading	-	-
	9,456,490	26,106,970

⁽²⁾ Management and dealer service fee rates (notes 8 and 12)

	%
Management fee	
Class A	1.50
Class F	1.50
Private Placement Class	-
Dealer service fee	
Class A	0.50
Class F	-
Private Placement Class	-

⁽³⁾ Securities lending (note 2)

	2017	2016
	\$	\$
Value of securities loaned	-	-
Value of collateral received	-	-
Gross amount generated from the securities lending transactions	-	-
Charges	-	-
Net securities lending income as reported in the Statements of Comprehensive Income	-	-

⁽⁴⁾ Commissions (note 8)

	2017	2016
	\$	\$
Brokerage commissions	938,875	1,470,620
Soft dollar commissions	-	-

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES

Years ended December 31

	2017	2016
	\$	\$
Class A		
Net assets attributable to holders of redeemable securities, beginning of year	157,313,460	144,500,123
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	(875,144)	8,304,194
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	-	-
From capital gains	-	-
Return of capital	-	-
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	-	-
Distributions reinvested	-	-
Agents' fees and expenses of issue	-	-
Redemption of securities	(1,134,449)	(534,145)
Securities converted from Class F to Class A	8,782,378	14,718,954
Securities converted from Class A to Class F	(26,231,831)	(9,675,666)
	(18,583,902)	4,509,143
Net increase (decrease) in net assets attributable to holders of redeemable securities	(19,459,046)	12,813,337
Net assets attributable to holders of redeemable securities, end of year	137,854,414	157,313,460
Class F		
Net assets attributable to holders of redeemable securities, beginning of year	74,277,952	69,587,551
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	376,220	4,222,872
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	-	-
From capital gains	-	-
Return of capital	-	-
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	6,222,772	5,832,110
Distributions reinvested	-	-
Agents' fees and expenses of issue	-	(58,051)
Redemption of securities	(4,436,574)	(263,242)
Securities converted from Class F to Class A	(8,782,378)	(14,718,954)
Securities converted from Class A to Class F	26,231,831	9,675,666
	19,235,651	467,529
Net increase (decrease) in net assets attributable to holders of redeemable securities	19,611,871	4,690,401
Net assets attributable to holders of redeemable securities, end of year	93,889,823	74,277,952

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

	2017	2016
	\$	\$
Private Placement Class		
Net assets attributable to holders of redeemable securities, beginning of year	4,511,680	4,116,044
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	84,241	395,636
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	-	-
From capital gains	-	-
Return of capital	-	-
	-	-
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	-	-
Distributions reinvested	-	-
Agents' fees and expenses of issue	-	-
Redemption of securities	-	-
Securities converted from Class F to Class A	-	-
Securities converted from Class A to Class F	-	-
	-	-
Net increase (decrease) in net assets attributable to holders of redeemable securities	84,241	395,636
Net assets attributable to holders of redeemable securities, end of year	4,595,921	4,511,680
The Fund		
Net assets attributable to holders of redeemable securities, beginning of year	236,103,092	218,203,718
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	(414,683)	12,922,702
Distributions to holders of redeemable securities (note 9) ⁽¹⁾		
From net investment income	-	-
From capital gains	-	-
Return of capital	-	-
	-	-
Redeemable securities transactions (note 7) ⁽²⁾		
Issuance of securities	6,222,772	5,832,110
Distributions reinvested	-	-
Agents' fees and expenses of issue	-	(58,051)
Redemption of securities	(5,571,023)	(797,387)
Securities converted from Class F to Class A	-	-
Securities converted from Class A to Class F	-	-
	651,749	4,976,672
Net increase (decrease) in net assets attributable to holders of redeemable securities	237,066	17,899,374
Net assets attributable to holders of redeemable securities, end of year	236,340,158	236,103,092

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SECURITIES (cont'd)

Years ended December 31

⁽¹⁾ Capital and non-capital losses (note 10)

As at December 31, 2017, capital and non-capital losses for income tax purposes available to be carried forward are as follows:

	\$
Capital losses	-
Non-capital losses	
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	745,447
2037	3,459,411
Total	4,204,858

⁽²⁾ Redeemable securities issued and outstanding

	2017 #	2016 #
Class A		
Securities outstanding, beginning of year	10,932,778	10,597,854
Issuance of securities	-	-
Distributions satisfied through issuance of securities	-	-
Consolidation of securities	-	-
Redemption of securities	(80,056)	(40,115)
Securities converted from Class F to Class A	616,146	1,073,060
Securities converted from Class A to Class F	(1,851,421)	(698,021)
Securities outstanding, end of year	9,617,447	10,932,778
Class F		
Securities outstanding, beginning of year	4,980,040	4,944,241
Issuance of securities	417,000	418,040
Distributions satisfied through issuance of securities	-	-
Consolidation of securities	-	-
Redemption of securities	(291,841)	(18,917)
Securities converted from Class F to Class A	(593,034)	(1,037,596)
Securities converted from Class A to Class F	1,780,077	674,272
Securities outstanding, end of year	6,292,242	4,980,040
Private Placement Class		
Securities outstanding, beginning of year	247,500	247,500
Issuance of securities	-	-
Distributions satisfied through issuance of securities	-	-
Consolidation of securities	-	-
Redemption of securities	-	-
Securities converted from Class F to Class A	-	-
Securities converted from Class A to Class F	-	-
Securities outstanding, end of year	247,500	247,500

See accompanying notes to financial statements.

JFT Strategies Fund

STATEMENTS OF CASH FLOWS

Years ended December 31

	2017	2016
	\$	\$
OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions)	(414,683)	12,922,702
Adjustments to reconcile cash flows from (used in) operating activities		
Proceeds from sale of investments	533,454,741	645,573,902
Purchases of investments	(551,168,487)	(626,566,907)
Change in due to/from broker	6,657,176	(756,998)
Change in other assets and liabilities	(3,227,802)	1,765,574
Change in foreign exchange on currency	-	(462,353)
Change in unrealized (appreciation) depreciation of investments	477,741	(9,077,890)
Change in unrealized (appreciation) depreciation on forward foreign currency contracts	-	-
Change in unrealized (appreciation) depreciation on other assets	596,283	546,990
Net realized (gain) loss on sale of investments	(4,849,956)	(10,613,145)
Change in cash on deposit with broker as collateral	(59,729,673)	142,754
Cash flows from (used in) operating activities	(78,204,660)	13,474,629
FINANCING ACTIVITIES		
Subscriptions received	6,222,772	5,832,110
Distributions to securityholders	-	-
Redemption of securities	(5,384,541)	(797,387)
Agents' fees and expenses of issue	-	(58,051)
Cash flows from (used in) financing activities	838,231	4,976,672
Net increase (decrease) in cash and cash equivalents during the year	(77,366,429)	18,451,301
Cash and cash equivalents (bank overdraft), beginning of year	164,392,176	145,940,875
Cash and cash equivalents (bank overdraft), end of year	87,025,747	164,392,176
Supplementary Information:		
Dividends received, net of withholding tax	3,442,506	4,492,665
Interest received, net of withholding tax	2,313,973	1,590,750
Dividends paid	(2,735,990)	(3,714,383)
Interest paid	(536)	(275)

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LONG POSITIONS					
EQUITIES					
Consumer Discretionary					
USD	19,500	Beazer Homes USA Inc.	248,851	470,866	
USD	4,380	CalAtlantic Group Inc.	199,148	310,464	
USD	14,500	CarMax Inc.	1,255,948	1,168,865	
USD	15,123	Century Communities Inc.	331,646	591,199	
USD	6,700	Comcast Corp., Class 'A'	339,122	337,297	
USD	83,759	Command Center Inc.	591,395	621,184	
	2,028,013	Diversified Royalty Corp.	5,451,383	7,016,925	
USD	10,400	Five Below Inc.	684,351	866,988	
	15,600	Great Canadian Gaming Corp.	530,992	527,124	
	40,600	Hardwoods Distribution Inc.	618,566	820,120	
	435,200	Imvescor Restaurant Group Inc.	833,551	1,884,416	
	21,200	Kew Media Group Inc., Class 'A', Warrants, 2022/03/20	2,120	29,150	
USD	7,200	Lennar Corp., Class 'A'	460,187	572,347	
USD	5,400	McDonald's Corp.	1,113,667	1,168,316	
USD	14,000	PulteGroup Inc.	393,037	585,133	
	61,850	QYOU Media Inc., Warrants, 2019/03/10	-	-	
USD	13,700	RCI Hospitality Holdings Inc.	403,129	481,841	
USD	13,500	Starbucks Corp.	988,085	974,558	
	19,800	Stingray Digital Group Inc.	157,816	196,416	
USD	4,300	Toll Brothers Inc.	176,091	259,553	
	70,200	Uni-Select Inc.	1,737,126	1,994,382	
			16,516,211	20,877,144	8.84%
Consumer Staples					
	45,300	Neptune Technologies & Bioresources Inc.	102,385	134,088	
USD	20,885	Rocky Brands Inc.	366,171	496,171	
	6,800	Saputo Inc.	302,371	307,224	
	132,800	Village Farms International Inc.	553,966	1,014,593	
			1,324,893	1,952,076	0.83%
Energy					
	161,900	Advantage Oil & Gas Ltd.	853,959	874,260	
USD	20,100	AltaGas Ltd., Preferred, Series 'C', Variable Rate, Perpetual	529,607	653,118	
	89,400	Birchcliff Energy Ltd.	386,391	393,360	
USD	144,480	Enbridge Inc., Preferred, Series '1', Variable Rate, Callable, Perpetual	4,946,440	4,391,363	
USD	92,800	Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	2,439,541	2,790,258	
	13,700	Enbridge Income Fund Holdings Inc.	380,860	408,397	
	19,800	Enerflex Ltd.	339,093	303,732	
	362,250	Essential Energy Services Trust	240,850	260,820	
	67,100	Freehold Royalties Ltd.	840,354	942,755	
	416,050	Jourdan Resources Inc., Warrants, 2018/04/10	-	-	
USD	29,035	Just Energy Group Inc., Preferred, Series 'A', Variable Rate, Perpetual	944,545	907,680	
	23,200	Kinder Morgan Canada Ltd.	401,341	394,632	
	57,900	Kinder Morgan Canada Ltd., Preferred, Series '1', Variable Rate, Perpetual	1,447,500	1,490,925	
	347,300	Macro Enterprises Inc.	567,652	746,695	
	294,000	Neulion Inc.	161,901	152,880	
USD	65,100	Oasis Petroleum Inc.	710,410	688,196	
	208,100	Parex Resources Inc.	3,093,769	3,779,097	
	6,800	Pembina Pipeline Corp., Preferred, Series '21', Variable Rate, Perpetual	170,000	170,884	
	53,000	PHX Energy Services Corp.	99,791	124,550	
	48,300	Questor Technology Inc.	86,517	130,410	
	45,000	Raging River Exploration Inc.	356,449	360,000	
	44,700	Secure Energy Services Inc.	373,834	391,572	
			19,370,804	20,355,584	8.61%

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LONG POSITIONS (cont'd)					
EQUITIES (cont'd)					
Financials Services					
	31,100	AcuityAds Holdings Inc.	73,963	51,315	
	22,300	AGF Management Ltd., Class 'B'	164,483	182,414	
	20,200	Alaris Royalty Corp.	401,044	417,534	
	317,000	Alignvest Acquisition II Corp., Class 'A'	3,138,300	3,106,600	
	158,500	Alignvest Acquisition II Corp., Class 'A', Warrants, 2018/05/25	31,700	110,950	
	30,600	Brookfield Asset Management Inc., Class 'A'	1,568,508	1,674,432	
	4,100	Brookfield Asset Management Inc., Preferred, Series '46', Variable Rate, Perpetual	102,500	107,912	
	5,800	Canaccord Genuity Group Inc.	28,036	33,640	
	90,600	Chartwell Retirement Residences	1,372,995	1,473,156	
	2,549,500	CryptoStar Inc., Restricted	1,274,750	1,274,750	
	9,000	ECN Capital Corp., Preferred, Series 'A', Variable Rate, Perpetual	216,000	225,090	
	4,411	Element Fleet Management Corp., Preferred, Series 'G', Variable Rate, Perpetual	109,912	110,275	
	90,363	IBI Group Inc.	456,315	736,458	
	191,000	Immunovaccine Inc.	248,300	448,850	
USD	12,700	Visa Inc., Class 'A'	1,722,916	1,820,204	
			10,909,722	11,773,580	4.98%
Health Care					
	164,900	CannTrust Holdings Inc.	691,878	1,493,293	
	223,500	Cannabis Strategies Acquisition Corp.	2,235,000	2,221,590	
	375,000	Ceapro Inc., Warrants, 2018/07/08	-	-	
	164,850	Harvest One Cannabis Inc., Warrants, 2020/04/26	-	46,158	
	125,200	Hydrothechary Corp. (The)	357,154	512,068	
	71,959	Hydrothechary Corp. (The), Warrants, 2019/11/17	-	78,435	
	69,700	Knight Therapeutics Inc.	543,073	579,207	
	980,400	Patient Home Monitoring Corp., Restricted, Warrants, 2018/05/04	4	1	
	41,630	Sienna Senior Living Inc.	697,498	758,499	
			4,524,607	5,689,251	2.41%
Industrials					
	6,800	AG Growth International Inc.	358,569	362,712	
	417,000	Axios Mobile Assets Corp., Warrants, 2018/12/21	-	-	
	239,000	CanWel Building Materials Group Ltd., Subscription Receipt	1,398,150	1,739,418	
	67,700	Cervus Equipment Corp.	876,848	1,018,208	
USD	16,700	Hudson Technologies Inc.	188,882	127,421	
	613	James E. Wagner Cultivation Ltd.	58,235	107,275	
	102,600	Omni-Lite Industries Canada Inc.	184,971	166,212	
	43,600	Russel Metals Inc.	1,121,519	1,271,812	
	26,200	TFI International Inc.	832,244	860,932	
			5,019,418	5,653,990	2.39%
Information Technology					
	19,400	5N Plus Inc.	33,174	58,200	
	72,500	BTL Group Ltd., Restricted	355,250	900,182	
	36,250	BTL Group Ltd., Warrants, 2018/11/23	-	213,875	
	32,000	CGI Group Inc., Class 'A'	2,114,952	2,185,600	
USD	7,500	Control4 Corp.	144,205	280,562	
	24,500	Cortex Business Solutions Inc.	59,047	107,800	
	68,800	CryptoGlobal Inc.	58,480	58,480	
USD	130,000	CryptoGlobal Inc.	65,751	110,500	
	60,463	DATA Communications Management Corp.	158,727	67,114	
	915,478	Engagement Labs Inc., Warrants, 2018/05/24	-	1	
	19,100	Hammond Manufacturing Co., Class 'A'	46,595	42,402	
	203,700	HIVE Blockchain Technologies Ltd.	335,710	680,239	

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LONG POSITIONS (cont'd)					
EQUITIES (cont'd)					
Information Technology (cont'd)					
	23,200	HIVE Blockchain Technologies Ltd., Restricted, Warrants, 2019/11/14	-	-	
	4,700	Maxar Technologies Ltd.	326,960	380,324	
	14,900	Mediagrif Interactive Technologies Inc.	241,730	164,645	
USD	18,000	Open Text Corp.	793,000	805,645	
	2,226,100	Photon Control Inc.	1,718,239	4,073,763	
	256,682	Pivot Technology Solutions Inc.	539,813	564,700	
	112,400	Posera Ltd.	33,365	31,472	
	214,620	Vecima Networks Inc.	2,004,057	2,038,890	
			9,029,055	12,764,394	5.40%
Materials					
	284,500	Aim Explorations Ltd.	227,600	227,600	
	102,400	Bluestone Resources Inc.	153,600	112,640	
	114,600	Chemtrade Logistics Income Fund	2,200,897	2,223,240	
	364,200	DelphX Corp., Subscription Receipt	127,470	127,470	
	2,664,200	Fortune Minerals Ltd.	452,914	746,774	
	1,332,100	Fortune Minerals Ltd., Warrants, 2019/12/08	-	59,945	
	56,200	Geodrill Ltd.	130,166	116,896	
	91,100	Hut 8 Mining Corp., Restricted	227,750	227,750	
	548,500	Jemi Fibre Corp., Warrants, 2018/03/24	-	1	
	203,800	Jourdan Resources Inc.	15,285	9,171	
	728,500	Nubeva Inc., Subscription Receipt	437,100	437,100	
	20,600	Richards Packaging Income Fund	496,333	642,102	
	698,400	Superior Gold Inc.	704,236	747,288	
	54,300	Supremex Inc.	219,618	244,893	
	106,400	US Cobalt Inc., Restricted	56,392	61,446	
	53,200	US Cobalt Inc., Restricted, Warrants, 2019/05/08	-	-	
			5,449,361	5,984,316	2.53%
Real Estate					
	4,500	Altus Group Ltd.	141,054	166,185	
USD	61,800	Artis REIT, Preferred, Series 'C', Variable Rate, Perpetual	1,512,768	1,942,065	
	42,800	Brookfield Office Properties Inc., 6.15%, Preferred, Class 'AAA', Series 'N', Callable, Perpetual	742,629	885,960	
	22,700	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Callable, Perpetual	431,406	505,756	
USD	15,800	CBRE Group Inc., Class 'A'	612,892	860,163	
	26,700	Dream Global REIT	270,348	326,274	
	121,078	Inovalis REIT	1,075,998	1,207,148	
	16,800	Morguard North American Residential REIT	172,436	252,504	
	140,800	Slate Office REIT	1,048,324	1,146,112	
USD	69,060	WPT Industrial REIT	998,001	1,104,203	
			7,005,856	8,396,370	3.55%
Telecommunication Services					
	38,200	BCE Inc., Preferred, Series 'AK', Variable Rate, Callable, Perpetual	553,922	708,610	
	10,100	BCE Inc., Preferred, Series 'AM', Perpetual	142,612	196,546	
			696,534	905,156	0.38%
Utilities					
	4,400	Innergex Renewable Energy Inc., Preferred, Variable Rate, Perpetual	55,396	77,044	
	38,696	Northland Power Inc.	894,509	903,552	
			949,905	980,596	0.41%
Total Equities			80,796,366	95,332,457	40.33%

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
LONG POSITIONS (cont'd)					
BONDS					
Canada					
	342,300	AutoCanada Inc., 5.63%, May 25, 2021	342,300	351,428	
	317,000	Hydrotheatrical Corp. (The), 7.00%, June 30, 2019	317,000	589,332	
	345,700	Parkland Fuel Corp., 5.50%, May 28, 2021	345,700	358,664	
			1,005,000	1,299,424	0.55%
Government of Canada & Guaranteed					
	9,323,000	Government of Canada, 0.75%, March 1, 2021	9,379,792	9,032,001	
	13,657,900	Government of Canada, 1.25%, November 1, 2019	13,598,607	13,551,634	
			22,978,399	22,583,635	9.56%
United States					
USD	3,493,000	United States Treasury Bond, 2.00%, December 31, 2021	4,706,419	4,369,005	
USD	176,000	Wells Enterprises Inc., 6.75%, February 1, 2020	173,122	225,656	
			4,879,541	4,594,661	1.94%
Total Bonds			28,862,940	28,477,720	12.05%
CONVERTIBLE DEBENTURES					
	2,264,900	AG Growth International Inc., 5.25%, December 31, 2019	2,264,900	2,360,705	
	2,131,300	Chemtrade Logistics Income Fund, 5.00%, August 31, 2023	2,140,884	2,179,254	
	1,245,500	Diversified Royalty Corp., 5.25%, December 31, 2022	1,247,601	1,254,841	
USD	2,264,200	Dorel Industries Inc., 5.50%, November 30, 2019	2,520,306	2,874,560	
	1,099,000	Fiera Capital Corp., 5.00%, June 30, 2023	1,099,000	1,121,530	
	318,800	goeasy Ltd., 5.75%, July 31, 2022	318,800	331,552	
	1,501,900	IBI Group Inc., 7.00%, June 30, 2019	635,855	1,551,764	
	226,100	Liquor Stores NA Ltd., 4.70%, January 31, 2022	226,243	237,405	
	720,100	Osisko Gold Royalties Ltd., 4.00%, December 31, 2022	720,100	752,505	
	267,300	Stuart Olson Inc., 6.00%, December 31, 2019	251,143	272,980	
USD	415,000	Tricon Capital Group Inc., 5.75%, March 31, 2022	557,926	586,862	
Total Convertible Debentures			11,982,758	13,523,958	5.72%
Total Long Positions			121,642,064	137,334,135	58.10%
SHORT POSITIONS					
EQUITIES					
Consumer Discretionary					
USD	(11,300)	Abercrombie & Fitch Co., Class 'A'	(167,418)	(247,577)	
USD	(22,500)	Ascena Retail Group Inc.	(58,253)	(66,464)	
USD	(11,200)	Barnes & Noble Inc.	(106,753)	(94,325)	
	(6,800)	Canada Goose Holdings Inc.	(173,937)	(270,028)	
	(8,100)	Cineplex Inc.	(355,978)	(302,373)	
USD	(4,500)	Dillard's Inc., Class 'A'	(302,402)	(339,673)	
	(59,100)	Dirtt Environmental Solutions Ltd.	(341,059)	(398,334)	
	(1,100)	Dollarama Inc.	(156,706)	(172,755)	
	(14,500)	Dorel Industries Inc., Class 'B'	(497,709)	(450,950)	
USD	(6,700)	Ethan Allen Interiors Inc.	(257,240)	(240,866)	
USD	(3,600)	Foot Locker Inc.	(218,511)	(212,141)	
USD	(17,300)	Ford Motor Co.	(275,041)	(271,609)	
USD	(10,400)	Gap Inc. (The)	(381,449)	(445,260)	
USD	(10,800)	Gentex Corp.	(245,381)	(284,409)	
USD	(2,300)	Genuine Parts Co.	(280,440)	(274,683)	
USD	(7,000)	Harley-Davidson Inc.	(448,823)	(447,693)	
USD	(6,800)	IMAX Corp.	(216,025)	(197,877)	
USD	(5,400)	Kohl's Corp.	(284,959)	(368,102)	

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
SHORT POSITIONS (cont'd)					
EQUITIES (cont'd)					
Consumer Discretionary (cont'd)					
USD	(3,100)	Macy's Inc.	(87,752)	(98,158)	
	(4,500)	Magna International Inc.	(316,435)	(320,580)	
USD	(2,100)	Mattel Inc.	(86,668)	(40,599)	
	(6,800)	MTY Food Group Inc.	(311,088)	(381,480)	
USD	(4,100)	Nike Inc., Class 'B'	(275,757)	(322,364)	
USD	(3,600)	Nordstrom Inc.	(208,909)	(214,404)	
USD	(2,600)	Omnicom Group Inc.	(286,844)	(238,023)	
USD	(900)	O'Reilly Automotive Inc.	(232,849)	(272,123)	
USD	(3,600)	Party City Holdco Inc.	(60,695)	(63,127)	
	(7,500)	Pizza Pizza Royalty Corp.	(121,745)	(121,500)	
USD	(8,900)	SeaWorld Entertainment Inc.	(191,208)	(151,812)	
USD	(11,700)	Sonic Corp.	(350,134)	(404,146)	
	(3,600)	Spin Master Corp.	(179,326)	(194,472)	
USD	(4,000)	Target Corp.	(291,477)	(328,077)	
USD	(1,435)	Tesla Motors Inc.	(593,360)	(561,612)	
USD	(12,700)	TripAdvisor Inc.	(640,961)	(550,118)	
USD	(3,600)	V.F. Corp.	(266,219)	(334,865)	
USD	(3,100)	Weight Watchers International Inc.	(114,021)	(172,546)	
	(45,900)	Yellow Pages Ltd.	(344,076)	(386,019)	
			(9,727,608)	(10,241,144)	(4.33)%
Consumer Staples					
	(4,300)	A&W Revenue Royalties Income Fund	(152,036)	(144,867)	
USD	(13,000)	Acushnet Holdings Corp.	(336,979)	(344,468)	
	(12,900)	AGT Food and Ingredients Inc.	(465,967)	(259,419)	
	(4,500)	Alimentation Couche-Tard Inc., Class 'B'	(258,749)	(295,155)	
USD	(11,300)	Bloomin' Brands Inc.	(248,518)	(303,115)	
	(12,300)	Boston Pizza Royalties Income Fund	(247,464)	(269,493)	
USD	(2,700)	Casey's General Stores Inc.	(352,744)	(379,913)	
USD	(4,000)	Conagra Brands Inc.	(168,920)	(189,405)	
	(8,200)	Empire Co. Ltd., Class 'A'	(163,870)	(200,818)	
USD	(2,700)	J.M. Smucker Co. (The)	(392,835)	(421,658)	
USD	(2,900)	Kellogg Co.	(259,794)	(247,807)	
USD	(4,600)	Kroger Co. (The)	(157,536)	(158,721)	
USD	(5,400)	L Brands Inc.	(298,195)	(408,761)	
	(5,200)	Loblaw Cos. Ltd.	(386,955)	(354,744)	
USD	(6,800)	Mondelez International Inc., Class 'A'	(357,470)	(365,837)	
	(6,800)	North West Co. Inc. (The)	(220,164)	(204,476)	
USD	(4,000)	Shake Shack Inc., Class 'A'	(166,331)	(217,210)	
USD	(9,100)	SUPERVALU Inc.	(200,322)	(247,076)	
USD	(3,200)	Wal-Mart Stores Inc.	(320,555)	(397,212)	
USD	(9,100)	Wendy's Co. (The)	(164,137)	(187,823)	
			(5,319,541)	(5,597,978)	(2.37)%
Energy					
USD	(6,800)	Chevron Corp.	(1,014,923)	(1,070,074)	
	(8,100)	Enbridge Inc.	(398,848)	(398,196)	
	(9,300)	Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	(149,311)	(195,858)	
	(15,700)	Enbridge Inc., 4.00%, Preferred, Series 'H', Perpetual	(220,125)	(296,730)	
	(62,300)	Ensign Energy Services Inc.	(457,059)	(403,081)	
	(9,000)	Inter Pipeline Ltd.	(233,258)	(234,270)	
	(77,700)	NexGen Energy Ltd.	(159,373)	(249,417)	
	(20,600)	Pason Systems Inc.	(389,323)	(374,714)	

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
SHORT POSITIONS (cont'd)					
EQUITIES (cont'd)					
Energy (cont'd)					
	(35,800)	PrairieSky Royalty Ltd.	(1,079,675)	(1,147,748)	
	(11,300)	Suncor Energy Inc.	(492,475)	(521,495)	
	(20,300)	Total Energy Services Inc.	(297,479)	(301,658)	
			(4,891,849)	(5,193,241)	(2.20)%
Financials Services					
	(4,500)	Brookfield Asset Management Inc., Preferred, Series '44', Variable Rate, Perpetual	(119,898)	(118,890)	
	(9,100)	Canadian Western Bank	(306,542)	(357,175)	
	(27,400)	CI Financial Corp.	(760,287)	(815,698)	
	(6,800)	Element Fleet Management Corp.	(85,678)	(64,600)	
	(440)	Fairfax Financial Holdings Ltd.	(270,678)	(294,510)	
	(11,200)	Genworth MI Canada Inc.	(485,702)	(487,200)	
	(5,500)	IGM Financial Inc.	(205,243)	(242,825)	
	(9,000)	Labrador Iron Ore Royalty Corp.	(244,573)	(244,800)	
	(11,300)	National Bank of Canada	(682,521)	(708,736)	
	(4,500)	TMX Group Ltd.	(323,265)	(316,980)	
			(3,484,387)	(3,651,414)	(1.54)%
Health Care					
	(85,400)	Aurora Cannabis Inc.	(624,262)	(819,840)	
	(31,500)	Canopy Growth Corp.	(884,394)	(936,810)	
USD	(2,200)	Dentsply Sirona Inc.	(156,753)	(182,046)	
	(15,700)	Jamieson Wellness Inc.	(282,375)	(350,738)	
	(46,300)	ProMetic Life Sciences Inc.	(109,760)	(60,190)	
	(9,000)	Valeant Pharmaceuticals International Inc.	(162,168)	(235,800)	
			(2,219,712)	(2,585,424)	(1.09)%
Industrials					
	(14,400)	ATS Automation Tooling Systems Inc.	(207,642)	(223,920)	
	(79,300)	Bombardier Inc., Class 'B'	(244,196)	(240,279)	
USD	(1,700)	Dun & Bradstreet Corp. (The)	(238,374)	(253,030)	
	(10,000)	Exchange Income Corp.	(341,787)	(356,400)	
USD	(2,300)	Fastenal Co.	(132,758)	(158,114)	
	(15,400)	GDI Integrated Facility Services Inc.	(235,158)	(255,640)	
USD	(4,500)	HD Supply Holdings Inc.	(173,225)	(226,430)	
USD	(2,700)	Jacobs Engineering Group Inc.	(190,699)	(223,862)	
	(6,200)	K-Bro Linen Inc.	(268,227)	(256,184)	
	(18,000)	Magellan Aerospace Corp.	(337,635)	(378,180)	
	(3,000)	New Flyer Industries Inc.	(165,741)	(162,000)	
	(8,900)	Ritchie Bros. Auctioneers Inc.	(315,418)	(334,996)	
	(4,100)	Stantec Inc.	(143,378)	(144,156)	
	(33,000)	Tree Island Steel Ltd.	(158,433)	(88,110)	
	(11,800)	WestJet Airlines Ltd.	(256,942)	(311,048)	
			(3,409,613)	(3,612,349)	(1.53)%
Information Technology					
USD	(1,300)	Apple Inc.	(279,946)	(276,539)	
	(23,800)	Computer Modelling Group Ltd.	(239,753)	(228,480)	
	(3,880)	Kinaxis Inc.	(304,152)	(297,945)	
	(8,200)	Lite Access Technologies Inc.	(19,598)	(11,890)	
	(8,400)	Mitel Networks Corp.	(84,381)	(87,192)	
	(27,200)	Real Matters Inc.	(266,448)	(274,176)	
	(3,600)	Sierra Wireless Inc.	(133,617)	(92,520)	
	(28,100)	Solium Capital Inc.	(215,284)	(306,571)	
	(3,500)	TECSYS Inc.	(32,186)	(58,730)	
			(1,575,365)	(1,634,043)	(0.69)%

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

	Number of Shares, Units and Par Value	Description	Average Cost \$	Fair Value \$	% of Net Assets
SHORT POSITIONS (cont'd)					
EQUITIES (cont'd)					
Investment Funds					
	(112,400)	Horizons BetaPro NYMEX Crude Oil Bull Plus ETF, Class 'A'	(666,491)	(939,664)	
USD	(16,900)	iShares iBoxx \$ High Yield Corporate Bond ETF	(1,895,552)	(1,853,690)	
USD	(10,900)	iShares J.P. Morgan USD Emerging Markets Bond ETF	(1,541,629)	(1,590,721)	
USD	(23,700)	iShares MSCI Emerging Markets Index Fund	(1,231,375)	(1,403,747)	
USD	(14,400)	iShares MSCI South Africa Index Fund	(1,231,003)	(1,266,875)	
USD	(12,200)	iShares MSCI Turkey Investable Market Index Fund	(548,945)	(666,476)	
	(327,900)	iShares S&P/TSX 60 Index ETF	(7,346,527)	(7,918,785)	
	(11,400)	iShares S&P/TSX Capped REIT Index ETF	(186,077)	(189,924)	
USD	(13,650)	SPDR S&P 500 ETF Trust	(4,672,109)	(4,578,797)	
			(19,319,708)	(20,408,679)	(8.63)%
Materials					
	(6,800)	Cameco Corp.	(79,356)	(78,948)	
	(5,400)	CCL Industries Inc., Class 'B'	(318,589)	(313,632)	
	(27,000)	First Majestic Silver Corp.	(257,878)	(228,960)	
	(13,000)	First Quantum Minerals Ltd.	(167,705)	(228,930)	
	(22,500)	New Gold Inc.	(94,003)	(92,925)	
	(4,100)	Stella-Jones Inc.	(196,655)	(207,050)	
	(5,200)	Winpak Ltd.	(278,696)	(243,360)	
			(1,392,882)	(1,393,805)	(0.59)%
Real Estate					
	(11,100)	Agellan Commercial REIT	(124,969)	(132,534)	
	(3,600)	CREIT	(168,640)	(166,680)	
	(11,200)	First Capital Realty Inc.	(221,671)	(232,064)	
	(29,409)	NorthWest Healthcare Properties REIT	(280,945)	(334,380)	
	(14,600)	RioCan REIT	(383,035)	(355,656)	
	(14,700)	SmartCentres REIT	(462,612)	(454,377)	
	(55,000)	StorageVault Canada Inc.	(132,755)	(144,650)	
	(31,700)	Tricon Capital Group Inc.	(335,539)	(366,135)	
			(2,110,166)	(2,186,476)	(0.93)%
Telecommunication Services					
	(17,900)	BCE Inc.	(1,104,561)	(1,080,802)	
	(4,500)	Rogers Communications Inc., Class 'B'	(309,668)	(288,225)	
	(4,500)	TELUS Corp.	(219,158)	(214,290)	
			(1,633,387)	(1,583,317)	(0.67)%
Utilities					
	(4,200)	ATCO Ltd., Class 'I'	(212,444)	(189,000)	
	(18,100)	Crius Energy Trust	(159,958)	(164,348)	
	(9,000)	Fortis Inc.	(429,798)	(414,990)	
	(11,200)	Hydro One Ltd.	(265,380)	(250,880)	
			(1,067,580)	(1,019,218)	(0.43)%
Total Equities			(56,151,798)	(59,107,088)	(25.00)%
Total Short Positions			(56,151,798)	(59,107,088)	(25.00)%
Adjustment for transaction costs			(45,217)		
Total Investments			65,445,049	78,227,047	33.10%
Other assets, net of liabilities				158,113,111	66.90%
Net Assets Attributable to Holders of Redeemable Securities				236,340,158	100.00%

See accompanying notes to financial statements.

JFT Strategies Fund

SCHEDULE OF INVESTMENT PORTFOLIO (cont'd)

As at December 31, 2017

PORTFOLIO CONCENTRATION

For Portfolio Concentration as at December 31, 2017, refer to the Schedule of Investment Portfolio disclosed above.

	% of Net Assets
	December 31, 2016
<hr/>	
LONG POSITIONS	
Equities	
Canada	65.78
Chile	0.17
United States	4.40
Bonds	
Canada	4.64
United States	0.10
Convertible Debentures	7.11
Total Long Positions	82.20
<hr/>	
SHORT POSITIONS	
Equities	
Canada	(36.27)
United States	(22.15)
Total Short Positions	(58.42)
<hr/>	
Other assets, net of liabilities	76.22
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See accompanying notes to financial statements.

JFT Strategies Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS

December 31, 2017

(A) THE FUND

JFT Strategies Fund (the "Fund") was formed as an investment trust under the laws of the Province of Ontario on April 23, 2012.

The Fund's investment objective is to maximize return on investment to holders of units while seeking to mitigate market risk and volatility by investing in an actively managed portfolio of long and short positions in any one or a combination of equities, debt securities or other securities.

The Manager and Trustee of the Fund is First Asset Investment Management Inc. ("First Asset").

Timelo Investment Management Inc. is the Portfolio Manager of the Fund.

On May 8, 2017, the Fund completed a private placement of 417,000 Class F securities of the Fund for total gross proceeds of \$6.3 million.

On February 8, 2016, the Fund completed a private placement of 418,040 Class F securities of the Fund for total gross proceeds of \$5.8 million.

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following tables show the fair value hierarchy classification of financial instruments measured or disclosed at their fair value.

As at December 31, 2017

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	85,695,864	7,065,668	2,570,925	95,332,457
Bonds	-	28,477,720	-	28,477,720
Convertible debentures	-	13,523,958	-	13,523,958
Total	85,695,864	49,067,346	2,570,925	137,334,135
Financial liabilities				
Equities	59,107,088	-	-	59,107,088
Total	59,107,088	-	-	59,107,088

As at December 31, 2016

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
Equities	164,583,387	1,454,825	51,618	166,089,830
Bonds	-	11,185,073	-	11,185,073
Convertible debentures	-	16,802,748	-	16,802,748
Total	164,583,387	29,442,646	51,618	194,077,651
Financial liabilities				
Equities	137,936,565	-	-	137,936,565
Total	137,936,565	-	-	137,936,565

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2017 and 2016.

See accompanying notes to financial statements.

JFT Strategies Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(B) FAIR VALUE OF FINANCIAL INSTRUMENTS (cont'd)

During the year ended December 31, 2017, the reconciliation of Level 3 investments measured using non-observable inputs is presented as follows:

	\$
Beginning balance	51,618
Purchases	2,521,885
Sales	(51,618)
Net transfers (out of) Level 3	-
Net transfers (in to) Level 3	-
Realized gains (losses)	-
Change in unrealized appreciation (depreciation)	49,040
Ending balance	2,570,925

The following section discusses the significant unobservable inputs for individually material Level 3 positions and quantitatively outlines the inputs used to calculate fair value in accordance with IFRS 13, *Fair Value Measurement*.

As at December 31, 2017

Recent Transaction Prices

Recent trade prices are commonly used to value financial instruments traded in grey markets, which are unobservable inputs for Level 3 financial instruments. The recent trade prices are prices obtained from broker networks for the most recent trades made within these grey markets.

	Fair Value \$	Valuation Techniques	Significant Unobservable Inputs
CryptoStar Inc., Restricted	1,274,750	Recent Transaction Prices	Recent Transaction Prices
James E. Wagner Cultivation Ltd.	107,275	Recent Transaction Prices	Recent Transaction Prices
CryptoGlobal Inc.	168,980	Recent Transaction Prices	Recent Transaction Prices
Aim Explorations Ltd.	227,600	Recent Transaction Prices	Recent Transaction Prices
DelphX Corp., Subscription Receipt	127,470	Recent Transaction Prices	Recent Transaction Prices
Hut 8 Mining Corp., Restricted	227,750	Recent Transaction Prices	Recent Transaction Prices
Nubeav Inc., Subscription Receipt	437,100	Recent Transaction Prices	Recent Transaction Prices

Sensitivity Analysis of Level 3 Financial Assets and Liabilities

Since recent transaction prices was used to value financial assets as at December 31, 2017 that are classified in Level 3 of the fair value hierarchy, a sensitivity analysis to show the potential effect of using reasonably possible alternative assumptions not applicable.

(C) MANAGEMENT OF FINANCIAL RISKS

Credit risk

Credit Rating	% of Net Assets	
	December 31, 2017	December 31, 2016
AAA	11.40	3.90
AA	0.25	-
BB	0.39	-
BB-	-	0.25
B	0.15	0.15
B-	-	0.44
Not Rated	5.58	7.11

See accompanying notes to financial statements.

JFT Strategies Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Interest rate risk

	Fair Value	
	December 31, 2017	December 31, 2016
	\$	\$
Less than 1 year	-	2,580,836
1 - 3 years	21,426,630	8,273,587
3 - 5 years	17,274,264	13,872,645
Greater than 5 years	3,300,784	3,260,753

As at December 31, 2017, if the prevailing interest rates had been raised or lowered by 1%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$1,162,950 or 0.49% of net assets (December 31, 2016 - \$744,676 or 0.32%).

Currency risk

The tables below indicate the foreign currencies to which the Fund has significant exposure in Canadian dollar terms, including any underlying principal amount of forward foreign currency contracts. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable securities of the Fund, all other variables held constant, as a result of a 5% change in these currencies relative to the Canadian dollar.

As at December 31, 2017

Currency	Investments	Cash	Other	Forward Foreign	Total	Impact on
				Currency Contracts		Net Assets
	\$	\$	\$	\$	\$	\$
British pound	-	842,600	-	-	842,600	42,130
Euro	-	-	701	-	701	35
United States dollar	8,079,434	19,490,610	296,663	-	27,866,707	1,393,335
Total	8,079,434	20,333,210	297,364	-	28,710,008	1,435,500
As a % of Net Assets	3.4	8.6	0.1	-	12.1	0.6

As at December 31, 2016

Currency	Investments	Cash	Other	Forward Foreign	Total	Impact on
				Currency Contracts		Net Assets
	\$	\$	\$	\$	\$	\$
Australian dollar	-	2,378	-	-	2,378	119
British pound	-	821,512	-	-	821,512	41,076
Euro	-	-	(7,658)	-	(7,658)	(383)
United States dollar	(20,198,499)	42,500,658	5,533,371	-	27,835,530	1,391,776
Total	(20,198,499)	43,324,548	5,525,713	-	28,651,762	1,432,588
As a % of Net Assets	(8.6)	18.4	2.3	-	12.1	0.6

Short selling risk

Short selling risk is the risk of loss related to short selling transactions. There is no assurance that securities will decline in value during the period of the short sale and make a profit for the Funds, and securities sold short may instead appreciate in value, resulting in a loss to the Fund. The Fund may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender may also recall the borrowed securities at any time. The lender may go bankrupt and the Fund may lose the collateral they have deposited with the lender. The Fund mitigates such risk by depositing collateral only with regulated financial institutions or dealers. Short exposure of the portfolio will not exceed 75% of the net asset value of the Fund.

See accompanying notes to financial statements.

JFT Strategies Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(C) MANAGEMENT OF FINANCIAL RISKS (cont'd)

Other price risk

The table below indicates how net assets attributable to holders of redeemable securities would have increased or decreased had the value of the Fund's benchmark(s) increased or decreased by 10%. This change is estimated based on the historical correlation between the return of the Fund's securities as compared to the return of the benchmark(s), as at year end, with all other variables held constant. The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets attributable to holders of redeemable securities could be different.

Benchmark	Impact on Net Assets Attributable to Redeemable Securities	
	December 31, 2017	December 31, 2016
	\$	\$
S&P/TSX Composite Total Return Index	1,382,894	859,959

(D) REDEEMABLE SECURITIES

The Fund is authorized to issue an unlimited number of units of three classes, Class A units, Class F units and Private Placement units. The beneficial interests in the net assets and net income of the Fund are divided into these classes.

The Class F units are designed for fee-based and/or institutional accounts and differ from the Class A units in the following ways: (i) the Class F units are not listed on a stock exchange; (ii) the agents' fees paid on the issuance of Class F units are lower than those paid on the issuance of Class A units; and (iii) the management fee payable in respect of Class F units is lower than the management fee payable in respect of the Class A units by an amount equal to the service fee. Accordingly, the NAV per unit of each class will not be the same as a result of the different fees allocable to each class of units.

Commencing in 2014, securityholders are entitled to redeem their units outstanding on the Annual Redemption Date, the second last business day in January of each year. Securityholders are entitled to receive a redemption price equal to 100% of the NAV per Class A unit or Class F unit, as applicable, as determined on the Annual Redemption Date, less any costs and expenses incurred by the Fund in order to fund such redemption.

In addition to the annual redemption, units may be surrendered at any time for a monthly redemption by the Fund but will be redeemed only on a Monthly Redemption Date which is the second last business day of each month (other than the Annual Redemption Date). Holders surrendering a Class A unit for redemption are entitled to receive the amount per Class A unit equal to the lesser of (i) 95% of the weighted average trading price of the Class A units on the principal exchange or market on which the Class A units are quoted for trading for the 10 business days immediately preceding the applicable Monthly Redemption Date and (ii) 100% of the closing market price on the applicable Monthly Redemption Date, less, in each case, any costs and expenses associated with the redemption including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such redemption ("Monthly Redemption Amount"). Holders surrendering the Class F units for redemption are entitled to receive an amount equal to the product of (i) the Monthly Redemption Amount, and (ii) a fraction, the numerator of which is the most recently calculated NAV per Class F unit and the denominator of which is the most recently calculated NAV per Class A unit.

A holder of Class F units may convert Class F units into Class A units in accordance with the Declaration of Trust and it is expected that liquidity for the Class F units is largely obtained by means of conversion into Class A units and the sale of those Class A units through the facilities of the TSX. For each Class F unit so converted, a holder receives that number of Class A units that is equal to the NAV per Class F unit as of the close of trading on the Conversion Date, the second last business day of such month, divided by the NAV per Class A unit as of the close of trading on the Conversion Date. No fractions of Class A units will be issued upon any conversion of Class F units. Any remaining fraction of a Class F unit will be redeemed at its NAV.

Commencing on October 1, 2012, a holder of Class A units may convert Class A units into Class F units, in accordance with the Declaration of Trust. For each Class A unit so converted, a holder will receive that number of Class F units equal to the NAV per Class A unit as of the close of trading on the relevant Conversion Date divided by the NAV per Class F unit as of the close of trading on such Conversion Date. No fractions of Class F units will be issued upon conversion of Class A units. Any remaining fraction of a Class A unit will be redeemed at its NAV.

The Private Placement units are redeemable on the Annual Redemption Date at the NAV per Private Placement unit and on the Monthly Redemption Date at a price equal to the product of (i) the Monthly Redemption Amount, and (ii) a fraction, the numerator of which shall be the most recently calculated NAV per Private Placement unit and the denominator of which shall be the most recently calculated NAV per Class A unit. Private Placement units may be converted on a Conversion Date into Class A units and may be issued from time to time. No management fee, performance fee or other fee is paid in respect of the Private Placement units. The Private Placement units will be non-voting except in circumstances in which amendments may disproportionately affect the rights of the holders of the Private Placement units as a class.

See accompanying notes to financial statements.

JFT Strategies Fund

FUND SPECIFIC NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

(E) RELATED PARTY TRANSACTIONS

Concurrent with the offering of Class A and Class F units of the Fund, First Asset and the Portfolio Manager and/or their directors and officers acquired 262,500 Private Placement units on a private placement basis. These units were purchased at the same issue price of \$10.00 as the Class A and Class F units, for total subscription proceeds of \$2,625,000. The transaction was measured at the exchange amount of \$10.00 per Private Placement unit, which was equivalent to the closing NAV of the Fund on the days of the transactions. During 2015, 15,000 Private Placement units were tendered for redemption through the annual redemption privilege.

During the year ended December 31, 2017, the Fund engaged in trading securities of CI Financial Corp. (referred to as "Related Issuer Trades"), which indirectly owns and controls First Asset. The Related Issuer Trades were executed by an unrelated broker and through the facilities of the TSX at prevailing market prices on the days of the transaction. No related parties received any fees in connection with the trades. The trades were executed in reliance on a standing instruction issued by the Fund's Independent Review Committee. As at December 31, 2017, the Fund held a short position of 27,400 (2016 - 45,300) shares of CI Financial Corp., with a fair value of \$815,698 (2016 - \$1,307,811) and representing 0.3% (2016 - 0.6%) of the Fund's net assets.

(F) PERFORMANCE FEE

The Portfolio Manager is entitled to an annual performance fee (the "Performance Fee"), payable on December 31 (the "Determination Date") of each year, equal to 20% of the appreciation in the net asset value of the units in that calendar year. For this purpose, the Performance Fee is calculated separately for each of the Class A units and the Class F units. The appreciation in the net asset value of each class of units is calculated by subtracting the High Water Mark for the applicable class of units from the Adjusted NAV per unit for that class of units on the relevant Determination Date and multiplying the result by the number of units of that class outstanding on such Determination Date (before giving effect to any redemption of units of such class on such date). The "High Water Mark" of each class of units on any date is the greater of: (i) \$10.00; and (ii) the net asset value per unit of that class as of the last Determination Date on which a Performance Fee was paid in respect of such class (after giving effect to the Performance Fee paid on such date). The High Water Mark for units of a class will be appropriately adjusted in the event of a consolidation or subdivision of units of that class. The "Adjusted NAV per unit" of a class of units is the net asset value per unit of that class on the relevant Determination Date, excluding any accrual for the Performance Fee that would otherwise be included in the net asset value per unit calculation on such date, plus the amount of any distribution declared by the Fund to the holder of that unit since the date as of which the High Water Mark was set. The Performance Fee, plus applicable taxes, shall be calculated and accrued daily and payable annually on December 31, if earned.

Notwithstanding the foregoing, if any units are redeemed in a calendar year prior to the relevant Determination Date, the amount of any accrued Performance Fee in respect of such redeemed units will be paid to the Portfolio Manager immediately following such redemption as if the date on which the units are redeemed was a Determination Date in respect of such units.

If Class A units are converted into Class F units or Class F units into Class A units, and the amount of any accrued Performance Fee per unit of the converting units is greater than or less than the accrued Performance Fee per unit of the class into which such units are converting, then the Portfolio Manager will receive an amount equal to such difference times the number of units being converted or the Performance Fee expense is adjusted such that the amount of the Performance Fee accrued per unit of both classes is unchanged.

As at December 31, 2017, the Performance Fee payable is nil (December 31, 2016 - \$3,221,402).

NOTES TO FINANCIAL STATEMENTS

December 31, 2017

1. GENERAL INFORMATION

These notes are an integral part of these financial statements, and contain important information about the following First Asset closed-end investment funds (individually, a "Fund", and collectively, the "Funds"):

Trusts

First Asset Canadian Convertibles Fund
First Asset Diversified Convertible Debenture Fund
First Asset Morningstar U.S. Consumer Defensive Index Fund
First Asset North American Convertibles Fund
JFT Strategies Fund

Refer to the Fund Specific Notes for details of the organization of the Funds, investment objectives and strategies and inception dates of each Fund.

The manager of each Fund is First Asset Investment Management Inc. ("First Asset"). First Asset is a subsidiary of CI Financial Corp. (Toronto Stock Exchange ("TSX"): CIX). State Street Bank was the custodian of the Funds until October 9, 2017. Effective October 10, 2017, CIBC Mellon Trust Company is the custodian (the "Custodian") of the Funds.

Each Fund's registered office is at 2 Queen Street East, Suite 1200, Toronto, Canada.

The Schedule of Investment Portfolio for each Fund is as at December 31, 2017. The Statements of Financial Position for each Fund are as at December 31, 2017 and December 31, 2016, where applicable. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Securities and Statements of Cash Flows for each Fund are for the years ended December 31, 2017 and 2016.

These annual financial statements of the Funds for the year ended December 31, 2017 were approved and authorized for issuance by the Board of Directors of First Asset on March 6, 2018.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Funds have been prepared in accordance 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, except for financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL"). The Funds' accounting policies for measuring fair value of investments and derivatives are consistent with those used in measuring the net asset value ("NAV") for transactions with securityholders.

Functional and presentation currency

The financial statements are presented in Canadian dollars, which is the currency of the primary economic environment in which the Funds operate and is considered the functional currency of the Funds. The values presented in financial statements are rounded to the nearest dollar.

Financial instruments

(i) Classification and recognition of financial instruments

The Funds classify financial assets and financial liabilities at initial recognition into the following categories, in accordance with, *Financial Instruments: Recognition and Measurement* ("IAS 39").

Financial assets and liabilities at fair value through profit or loss

The category of financial assets and liabilities at FVTPL is sub-divided into:

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets and liabilities held for trading: Financial assets are classified as held for trading if they are acquired for the purpose of selling and/or repurchasing in the near term. All derivatives and securities sold short held by the Funds are classified as held for trading unless they are designated as effective hedging instruments as defined by IAS 39. The Funds' policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: All investments held by the Funds, excluding derivatives and securities sold short, are designated as FVTPL upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Funds, as set out in each Fund's prospectus. Regular way purchases and sales of financial assets and liabilities are recognized at their trade date.

Loans and receivables

All other financial assets not measured at FVTPL are measured at amortized cost. Included in this category are subscriptions receivable, dividends receivable, interest receivable, and accrued income, receivable from counterparty under forward agreement and due from broker. Financial assets are shown at the amount required to be received, discounted, when appropriate, at the contract's effective interest rate.

Other financial liabilities

All other financial liabilities not measured at FVTPL are measured at amortized cost. Included in this category are due to broker, accounts payable and accrued liabilities, management fee payable, performance fee payable, dividends payable on investments sold short, redemptions payable and distributions payable to holders of redeemable securities. Financial liabilities are shown at the amount required to be paid, discounted, when appropriate, at the contract's effective interest rate.

(ii) Valuation of financial instruments

Financial assets and financial liabilities at FVTPL are recorded in the Statements of Financial Position at fair value upon initial recognition. All transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, for such instruments, as well as fees incurred in conjunction with any forward agreement(s), are recognized directly in profit or loss. All other financial assets and liabilities (other than those classified as FVTPL) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue. For financial assets and liabilities where the fair value at initial recognition does not equal the transaction price, the Funds recognize the difference in the Statements of Comprehensive Income, unless specified otherwise.

After initial measurement, the Funds measure financial instruments that are classified as FVTPL at fair value. Subsequent changes in the fair value of those financial instruments are recorded as unrealized appreciation (depreciation) on investments in the Statements of Comprehensive Income. Net realized gain (loss) on sale of investments and unrealized appreciation (depreciation) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities, with the exception of zero coupon bonds.

Other financial assets and liabilities (other than those classified as FVTPL) are measured at amortized cost.

The Funds' obligation for net assets attributable to holders of redeemable securities is presented at the residual amount (total assets less total liabilities of each Fund).

The Funds meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* and are required to measure their subsidiaries, if any, at FVTPL rather than consolidate them; therefore, these investments will be recorded at fair value in the same manner as any other investment that meets these criteria. The fair values of each specific type of investment and derivative are determined in the following manner:

Portfolio investments

In the case of publicly traded securities, fair value means the close or last traded price when the price falls within the day's bid-ask spread. For bonds and debentures, fair value means the most recent price provided by independent security pricing services. In the circumstance where the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions, or a different point within the bid-ask spread that First Asset determines to be the best representative of fair value.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Investments held that are not traded in an active market are recorded at estimated fair value as determined by First Asset using appropriate and accepted industry valuation techniques including valuation models. The fair value of a security determined using valuation models requires the use of inputs and assumptions, which, at times, may not be supported by observable market data.

Derivatives

Outstanding option positions are valued at an amount equal to the current fair value that would have the effect of closing the position. Any differences resulting from revaluation and gains or losses realized upon expiration or exercise of the options are recognized in the Statements of Comprehensive Income.

Certain Funds are permitted to invest in forward foreign currency contracts to hedge foreign currency exposure on the investment portfolio. The value of each forward foreign currency contract is recorded as the unrealized gain or loss that would be realized if the position was to be closed out and recorded as unrealized gain (loss) on forward foreign currency contracts in the Statements of Financial Position. Upon maturity of the contracts, the difference between the carrying value and the fair value is included in net realized gain or loss on forward foreign currency contracts in the Statements of Comprehensive Income.

Certain Funds were previously top funds in a dual trust structure and obtained economic exposure to a portfolio of securities by entering into one or more purchase and sales agreements (the "Forward Agreement(s)"). The fair value of a Forward Agreement was an amount equal to the gain or loss that would be realized if the position was to be closed out in accordance with its settlement terms. On settlement, the fair value of the Forward Agreement would equal the difference between the fair value of the Common Share Portfolio (held by the top fund) and the value of the securities held by the bottom funds, net of expenses. As of December 31, 2016, all Forward Agreement(s) were settled according with their terms.

Short sales

When a Fund sells a security short, it will borrow that security from a broker to complete the sale. A Fund will incur a loss as a result of a short sale if the price of the borrowed security increases between the date of the short sale and the date on which a Fund closes out its short position by buying that security. A Fund will realize a gain if the security declines in price between those dates. There can be no assurance that the Funds will be able to close out a short position at an acceptable time or price.

Other financial assets and liabilities

Other assets and liabilities are short-term in nature and are carried at amortized cost.

(iii) Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount presented in the Statements 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.

Income recognition

(i) Interest income for distribution purposes

The interest for distribution purposes shown in the Statements of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds, which are amortized on a straight-line basis. The interest for distribution purposes is the tax basis of calculating the interest received and subject to tax.

(ii) Dividend revenue

Dividend revenue is recognized when the Funds' 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.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(iii) Income from options

Premiums received from written options are included in the Statements of Financial Position as a liability and subsequently adjusted daily to fair value. When a written option expires unexercised, the Funds will realize a gain equal to the premium received. When a written option is closed, the Funds will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received.

(iv) Securities lending

A Funds may enter into a securities lending program with the Bank of New York Mellon, who acts as the securities lending agent. These transactions involve the temporary exchange of securities for collateral with a commitment to re-deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income from securities lending is included in the Statements of Comprehensive Income and is recognized when earned.

The aggregate market value of all securities loaned by a Fund cannot exceed 50% of the assets of that Fund. Collateral received consists of qualified securities and securities that are immediately convertible into, or exchangeable for, securities of the same type, the same term and in the same number as those loaned by each Fund, or cash or letters of credit with market values of at least 102% of the market value of the loaned securities. Each Fund's lending agent is entitled to receive payments out of the gross amount generated from the securities lending transactions of the Funds and bears all operational costs directly related to securities lending as well as the cost of borrowing default indemnification. Aggregate values of securities on loan and related collateral held as well as a reconciliation between gross securities lending revenue received by each Fund as disclosed in the Funds' Statements of Comprehensive Income as at December 31, 2017 and 2016 are disclosed as a footnote to the Statements of Comprehensive Income.

Prior to settlement of its Forward Agreement, the First Asset North American Convertible Fund had a dual trust structure and was subject to a securities lending program.

Investment transactions and expense recognition

If applicable, expenses directly attributable to a class are charged to that class. Other expense, income, realized gains and losses from investment transactions are allocated proportionately to each class based on the relative NAV of each class.

Cash and cash equivalents

Cash and cash equivalents comprise of cash and short-term investments with a term to maturity of less than three months from date of purchase. Cash and cash equivalents are categorized as held for trading and therefore are carried at fair value. Short-term investments are valued at cost plus accrued interest, which approximates fair value.

Redeemable participating securities

Each Fund's redeemable securities are classified as financial liabilities and are redeemable at a securityholder's option.

Foreign currency translation

Transactions during the year, including purchases and sales of securities, income and expenses, are translated at the rate of exchange prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign currency transaction gains (losses) on financial instruments classified as FVTPL are included in the Statements of Comprehensive Income as part of "Net realized and unrealized gain (loss) on sale of investments" and foreign exchange gains and losses relating to cash and other assets and liabilities are presented as "Net realized gain (loss) on foreign exchange".

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Increase (decrease) in net assets attributable to holders of redeemable securities per security

Increase (decrease) in net assets attributable to holders of redeemable securities per security of each class, if applicable, is calculated by dividing the "Increase (decrease) in net assets attributable to holders of redeemable securities from operations (excluding distributions) per security", as disclosed in the Statements of Comprehensive Income, by the weighted average number of securities outstanding during the year of that class.

3. STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

IFRS 9, Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, *Financial Instruments* ("IFRS 9") which reflects all phases of the financial instruments project and replaces IAS 39 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. The new standard is effective for the Funds for their fiscal year beginning January 1, 2018. The Manager has currently determined that the impact to the Funds may require additional disclosures related to changes to the classification of certain financial instruments to align with the classifications under IFRS 9. Adoption of the standard will not impact net assets attributable to holders of redeemable securities. The Manager of the Funds is actively monitoring for any further changes to this accounting standard.

IFRS 15, Revenue from Contracts with Customers

IFRS 15, *Revenue from Contracts with Customers* ("IFRS 15") was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS and is effective for annual periods beginning on or after January 1, 2018, when the IASB finalizes their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. Given that the majority of revenue streams of the Funds, being interest, dividends and realized/unrealized gains, fall outside of the scope of IFRS 15, impact assessments made during 2017 indicate minimal impact arising on the adoption of this standard.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year. Significant judgments and estimates include the valuation of investments and derivatives, classification of redeemable securities and classification of the Funds as investment entities.

First Asset has made an assessment of the Funds' ability to continue as a going concern and is satisfied that the Funds have the resources to continue in business for the foreseeable future. Furthermore, First Asset is not aware of any material uncertainties that may cast significant doubt upon the Funds' ability to continue as a going concern. Therefore, the financial statements of the Funds continue to be prepared on a going concern basis.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in these notes. The Funds based their assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Funds. Such changes are reflected in the assumptions when they occur.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

5. MANAGEMENT OF FINANCIAL RISKS

In the normal course of business, the Funds are exposed to various financial risks, including credit risk, liquidity risk and market risk (consisting of interest rate risk, currency risk and other price risk). The Funds' overall risk management program seeks to minimize potentially adverse effects of these risks on the Funds' financial performance by employing professional, experienced portfolio advisors, by monitoring daily the Funds' positions and market events and by diversifying the investment portfolio within the constraints of the investment guidelines and periodically may use derivatives to hedge certain risk exposure. To assist in managing risk, First Asset maintains a governance structure that oversees the Funds' investment activities and monitors compliance with the Funds' stated investment strategies, investment guidelines and securities regulations. Refer to the Fund Specific Notes for specific risk disclosures related to each Fund.

(i) 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 Funds.

For those Funds that invest in fixed income securities or derivative contracts, the value presented on the Schedule of Investment Portfolio includes consideration of the creditworthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Funds. The Funds' holdings are continually monitored in regards to credit quality and relative value. Generally, the higher the credit rating of a security, the lower the probability of it defaulting on its obligations. In order to mitigate credit risk, First Asset attempts to focus on only highly creditworthy issuers that are less likely to suffer harshly during a downturn in the economic environment. As well, credit risk is managed by selecting Schedule I Banks operating in Canada as counterparties to the forward foreign currency contracts, if applicable, and by regular monitoring of credit exposures. Carrying amounts for accrued income represent minimal credit risk exposure as they will be settled in the short term. Credit ratings are obtained from S&P Global Ratings. Where more than one rating is obtained for a security, the lowest rating has been used. See the Schedule of Investment Portfolio for the credit ratings of counterparties from over-the-counter derivative contracts, where applicable.

Credit ratings can be either long-term or short-term. Short-term credit ratings are generally assigned to those obligations and derivative instruments considered short-term in nature.

The table below provides a cross-reference between the long-term credit ratings disclosed in the Credit Rating table inclusive of the short-term credit ratings disclosed in the derivatives schedules in the Schedule of Investment Portfolio.

Credit Rating as per Credit Risk Table	Credit Rating as per Derivatives Schedules
AAA/Aaa/A++	A-1+
AA/Aa/A+	A-1, A-2, A-3
A	B, B-1
BBB/Baa/B++	B-2
BB/Ba/B+	B-3
B	C
CCC/Caa/C++	-
CC/Ca/C+	-
C and Lower	D
Not Rated	WR

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

(ii) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to meet their obligation on time or at a reasonable price.

Generally, the Funds invest in securities that are considered readily realizable as they are actively traded on public exchanges. Certain securities may be less liquid than other securities and involve the risk that First Asset may not be able to dispose of them at the current market prices. As such, it may be difficult to significantly alter the composition of a Fund's portfolio in a short period of time.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

5. MANAGEMENT OF FINANCIAL RISKS (cont'd)

The maturities of the Funds' financial liabilities are all between 1 to 3 months, except for the redeemable securities, which are redeemable on demand at the holder's option. First Asset does not expect that this contractual maturity is representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

(iii) 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.

Certain Funds invest in interest-bearing financial instruments. As such, these Funds are exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Prices of longer-term fixed income securities will generally fluctuate more in response to interest rate changes than would shorter-term securities. For portfolios that contain fixed income securities, First Asset reviews the remaining term-to-maturity dates on a regular basis to ensure diverse and balanced exposure, within the limits of the Funds' investment objectives and strategies.

(iv) Currency risk

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

Certain Funds invest in securities that are denominated in currencies other than each Fund's reporting currency. Consequently, these Funds are exposed to currency risk as the value of the portfolio securities denominated in currencies other than the Fund's reporting currency will vary due to changes in foreign currencies exchange rates. Those Funds that are hedged back to the Fund's reporting currency do not have significant exposure to currency risk.

(v) Other price risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

All investments in securities present a risk of loss of capital. The value of the portfolios will be influenced by factors that are not within the control of the Funds including the performance of the portfolio securities, the condition of the equity markets generally and other factors. Market price risk is mitigated through the careful selection and diversification of securities within the limits of the Funds' investment objectives and strategies as well as the daily monitoring of the Funds' investment portfolio by First Asset.

6. FAIR VALUE MEASUREMENT HIERARCHY

The Funds classify financial instruments into three levels based on inputs used to value the financial instruments. Level 1 securities are valued based on quoted prices in active markets for identical securities. Level 2 securities are valued based on significant observable market inputs, such as quoted prices from similar securities and quoted prices in inactive markets or based on observable inputs to models. Level 3 securities are valued based on significant unobservable inputs that reflect First Asset's determination of assumptions that market participants might reasonably use in valuing the securities.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Funds determine whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the beginning of each reporting period.

Refer to the Fund Specific Notes for the relevant disclosure.

7. REDEEMABLE SECURITIES

The Funds are structured as trusts. Details surrounding the securities offered by each Fund are found in the Fund Specific Notes.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

8. EXPENSES

First Asset manages and administers the business, operations and affairs of the Funds. For JFT Strategies Fund, First Asset has retained a portfolio manager to provide the portfolio management services and is responsible for overseeing those portfolio management services. For all other Funds, First Asset is responsible for providing all investment advisory and portfolio management services required by the Funds.

As compensation for the services it provides to the Funds, First Asset is entitled to receive an annual management fee from the Funds calculated as a percentage of the NAV of each class of a Fund, as applicable. This fee is calculated daily and paid monthly in arrears. If applicable, First Asset pays the portfolio manager out of its management fee. In the case of First Asset Diversified Convertible Debenture Fund, First Asset is also entitled to an annual trustee fee based on the NAV of the Fund, calculated daily and paid monthly in arrears. In certain circumstances, First Asset is also entitled to an amount equal to the service fee payable to registered dealers. This fee is calculated daily and paid quarterly in arrears.

Where a Fund invests in securities of other investment funds ("Underlying Funds"), First Asset ensures that there is no duplication of management fees charged by the Fund and any other Underlying Fund for the same service. In cases where the Underlying Fund is managed by First Asset, a Fund will receive on a monthly basis a management fee rebate.

The annual management fee, trustee fee and service fee rates, if applicable, are disclosed in a footnote to the Statements of Comprehensive Income.

The Funds are responsible for all costs relating to their operation and administration.

In addition to covering brokerage services on security transactions, commissions paid to dealers may also cover research services provided to First Asset or the relevant portfolio manager of the Funds. The value of research services included in commissions and other transaction costs during the period (soft dollar commissions) is presented as a footnote to the Statements of Comprehensive Income.

Prior to settlement of the Forward Agreement, the First Asset North American Convertible Fund paid a fee under the Forward Agreement that was included as part of transaction costs in the Statements of Comprehensive Income.

For JFT Strategies Fund, the Portfolio Manager is entitled to an annual performance fee (the "Performance Fee"), payable on December 31 (the "Determination Date") of each year, equal to 20% of the appreciation in the NAV of the units in that calendar year. For this purpose, the Performance Fee is calculated separately for each of the Class A units and the Class F units. The appreciation in the NAV of each class of units is calculated by subtracting the High Water Mark for the applicable class of units from the Adjusted NAV per unit for that class of units on the relevant Determination Date and multiplying the result by the number of units of that class outstanding on such Determination Date (before giving effect to any redemption of units of such class on such date). The "High Water Mark" of each class of units on any date is the greater of: (i) \$10.00; and (ii) the NAV per unit of that class as of the last Determination Date on which a Performance Fee was paid in respect of such class (after giving effect to the Performance Fee paid on such date). The High Water Mark for units of a class will be appropriately adjusted in the event of a consolidation or subdivision of units of that class. The "Adjusted NAV per unit" of a class of units is the NAV per unit of that class on the relevant Determination Date, excluding any accrual for the Performance Fee that would otherwise be included in the NAV per unit calculation on such date, plus the amount of any distribution declared by the Fund to the holder of that unit since the date as of which the High Water Mark was set. The Performance Fee, plus applicable taxes, shall be calculated and accrued daily and payable annually on December 31, if earned.

9. DISTRIBUTIONS

Except for JFT Strategies Fund, each Fund distributes to its securityholders on a monthly or quarterly basis. The amounts of distributions are based on First Asset's assessment of anticipated cash flow of the Funds from time to time.

If, in any year, after such distributions, there would otherwise remain in the Funds additional net income or net realized capital gains, the Funds will make, on or before December 31 of that year, a special distribution of such portion of the remaining net income or net realized capital gains as is necessary to ensure that the Funds will not be liable for income tax under the *Income Tax Act* (Canada) (the "Tax Act"), after taking into account all available deductions, credits and refunds.

NOTES TO FINANCIAL STATEMENTS (cont'd)

December 31, 2017

10. TAXATION

Each Fund qualifies as a mutual fund trust under the provisions of the Tax Act, and is not subject to tax on its net taxable income for the tax year, including net realized capital gains, which are paid or payable to its securityholders as at the end of the tax year. Such distributed income is taxable in the hands of the securityholders. Income tax on net realized capital gains not paid or payable is generally recoverable, as redemptions occur, by virtue of refunding provisions contained in the Tax Act. As a result, no provision for income taxes has been recorded in the accompanying financial statements.

The tax year-end for all Funds is December 31.

The Funds may be subject to withholding taxes, deducted at the source of the income, 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 Statements of Comprehensive Income. For the purpose of the Statements of Cash Flows, cash flows from investments are presented net of withholding taxes.

11. CAPITAL MANAGEMENT

Each Fund manages its capital in accordance with its investment objectives and strategies outlined in the Fund Specific Notes and the risk management practices disclosed in Note 5 while maintaining sufficient liquidity to meet redemptions and distributions, if any. In order to manage their capital structures, the Funds may adjust the amount of any distributions paid to securityholders.

Under a normal course issuer bid, each Fund has the ability to repurchase units up to a maximum of 10% of the public float at the time the bid commenced. Under the bid, units are repurchased at their market price through the facilities of the TSX. Units repurchased pursuant to a normal course issuer bid or a redemption of units are held by certain Funds for recirculation and are not included in the Funds' units outstanding. Repurchased or redeemed units that are not held for recirculation or are not recirculated within 16 months after the date of repurchase or redemption are cancelled. As at December 31, 2017 and 2016, the Funds did not purchase any units under normal course issuer bid.

12. RELATED PARTY TRANSACTIONS

First Asset manages and administers the business operations and affairs of the Funds, and, other than in respect of JFT Strategies Fund, is also responsible for providing all investment advisory and portfolio management services required by the Funds. These services are in the normal course of operations and are recorded at the amount of the consideration agreed to by the parties.

Inter-fund trading occurs when a Fund purchases or sells a security of any issuer from or to another Fund managed by the Manager. These transactions are executed through market Intermediaries and under prevailing market terms and conditions. The Independent Review Committee reviews such transaction during schedule meetings. During the years ended December 31, 2017 and 2016, certain Funds executed inter-fund trades.

An affiliate of First Asset administers the Funds' relationship with the Funds' Independent Review Committee ("IRC") on behalf of First Asset; however, it receives no compensation for doing so. Members of the IRC receive fees from the Funds for services rendered to the Funds, and are reimbursed for out-of-pocket expenses.

The above services are reported in the Statements of Comprehensive Income as management fee, dealer service fees and Independent Review Committee fees, as applicable. Management fee payable is reported in the Statements of Financial Position, and the amounts are payable to First Asset.

The Funds may have direct or indirect holdings in CI Financial Corp., the ultimate parent company of First Asset, or other funds managed by First Asset as identified in the Fund Specific Notes, if applicable.

13. BROKER MARGIN INDEBTEDNESS

For certain Funds, leverage is obtained by way of a prime brokerage arrangement. This arrangement provides the Funds with margin to execute trades and for working capital purposes. The prime broker is also the custodian of the Funds' portfolio, a portion of which is required to be deposited as collateral for amounts borrowed under this arrangement. Interest on amounts borrowed is based on a floating rate. Details of broker margin indebtedness are disclosed in the Fund Specific Notes, if applicable.

