

Semi-Annual Financial Statements of

AVENTINE CANADIAN EQUITY FUND

June 30, 2016
(Unaudited)

AVENTINE CANADIAN EQUITY FUND

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AVENTINE CANADIAN EQUITY FUND
STATEMENTS OF FINANCIAL POSITION
AS AT

	June 30 2016 (unaudited) \$	December 31 2015 (audited) \$
ASSETS		
Current assets		
Cash and cash equivalents	620,843	4,243,452
Investment portfolio	23,325,676	16,695,506
Dividend receivable	63,297	25,770
Subscriptions receivable	<u>284,952</u>	<u>218,091</u>
	<u>24,294,768</u>	<u>21,182,819</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	34,469	-
Management fees payable	20,124	16,450
Performance fees payable	3,570	14,246
Dividends payable	540	450
Redemptions payable	50,268	149,188
Securities sold short	<u>127,764</u>	<u>607,130</u>
	<u>236,735</u>	<u>787,464</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	<u>24,058,033</u>	<u>20,395,355</u>
CLASS NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		
Class A	304,456	223,393
Class F	5,101,267	4,442,670
Class I	14,806,412	12,552,909
Class O	3,845,898	3,176,383
	<u>24,058,033</u>	<u>20,395,355</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT		
Class A	110.03	118.26
Class F	114.14	119.76
Class I	116.90	124.17
Class O	113.14	122.21

Approved on behalf of the Manager

"Andrew Shortreid"
Director

"James Telfser"
Director

AVENTINE CANADIAN EQUITY FUND
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED JUNE 30

	2016	2016
	(unaudited)	(unaudited)
	\$	\$
INVESTMENT INCOME		
Dividends	216,675	78,503
Foreign exchange (loss) gain	(47,587)	28,094
Interest income	7,639	5,434
Other changes in fair value of investments		
Net realized gain	357,624	9,687
Net change in unrealized (depreciation) appreciate	<u>(724,816)</u>	<u>1,516,147</u>
	<u>(190,465)</u>	<u>1,637,865</u>
EXPENSES		
Bank charges and interest	10,646	7,801
Commission expense	75,086	43,575
Dividend expense	4,513	2,506
Management fees	34,046	23,598
Performance fees	3,268	56,268
Trailer fees	1,503	-
Operating costs	55,214	39,411
Custodial fees	3,087	2,235
HST Expense	<u>9,153</u>	<u>9,890</u>
	<u>196,516</u>	<u>185,284</u>
(DECREASE) INCREASE (DECREASE) IN NET ASSETS		
ATTRIBUTABLE TO HOLDERS OF REDEEMABLE		
UNITS	<u>(386,981)</u>	<u>1,452,581</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS		
OF REDEEMABLE UNITS		
Class A	1,189	4,186
Class F	(93,384)	250,516
Class I	(214,569)	950,783
Class O	<u>(80,217)</u>	<u>247,096</u>
	<u>(386,981)</u>	<u>1,452,581</u>
INCREASE IN NET ASSETS ATTRIBUTABLE TO		
HOLDERS OF REDEEMABLE UNITS PER UNIT		
Class A	0.59	7.30
Class F	(2.24)	8.55
Class I	(1.89)	11.06
Class O	(2.79)	9.62

The accompanying notes are an integral part of these financial statements

AVENTINE CANADIAN EQUITY FUND
STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS
FOR THE SIX MONTHS ENDED JUNE 30

	Class A		Class F		Class I		Class O		Total	
	2016 (unaudited) \$	2015 (unaudited) \$	2016 (unaudited) \$	2015 (unaudited) \$	2016 (unaudited) \$	2015 (unaudited) \$	2016 (unaudited) \$	2015 (unaudited) \$	2016 (unaudited) \$	2015 (unaudited) \$
NET ASSETS AT BEGINNING OF PERIOD	<u>223,393</u>	<u>106</u>	<u>4,442,670</u>	<u>2,880,977</u>	<u>12,552,909</u>	<u>8,362,532</u>	<u>3,176,383</u>	<u>1,874,220</u>	<u>20,395,355</u>	<u>13,117,835</u>
INCREASE IN NET ASSETS FROM OPERATIONS	<u>1,189</u>	<u>4,186</u>	<u>(93,384)</u>	<u>250,516</u>	<u>(214,569)</u>	<u>950,783</u>	<u>(80,217)</u>	<u>247,096</u>	<u>(386,981)</u>	<u>1,452,581</u>
CAPITAL TRANSACTIONS										
Proceeds from units issued	187,820	109,000	841,138	1,039,453	2,556,682	1,585,000	800,000	1,162,500	4,385,640	3,895,953
Amounts paid on redemption of units	<u>(107,946)</u>	<u>-</u>	<u>(89,157)</u>	<u>(225,288)</u>	<u>(88,610)</u>	<u>(45,000)</u>	<u>(50,268)</u>	<u>(59,555)</u>	<u>(335,981)</u>	<u>(329,843)</u>
NET CAPITAL TRANSACTIONS	<u>79,874</u>	<u>109,000</u>	<u>751,981</u>	<u>814,165</u>	<u>2,468,072</u>	<u>1,540,000</u>	<u>749,732</u>	<u>1,102,945</u>	<u>4,049,659</u>	<u>3,566,110</u>
INCREASE IN NET ASSETS	<u>81,063</u>	<u>113,186</u>	<u>658,597</u>	<u>1,064,681</u>	<u>2,253,503</u>	<u>2,490,783</u>	<u>669,515</u>	<u>1,350,041</u>	<u>3,662,678</u>	<u>5,018,691</u>
NET ASSETS END OF PERIOD	<u>304,456</u>	<u>113,292</u>	<u>5,101,267</u>	<u>3,945,658</u>	<u>14,806,412</u>	<u>10,853,315</u>	<u>3,845,898</u>	<u>3,224,261</u>	<u>24,058,033</u>	<u>18,136,526</u>

The accompanying notes are an integral part of these financial statements

AVENTINE CANADIAN EQUITY FUND
STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30

	2016	2015
	(unaudited)	(unaudited)
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable units	(386,981)	1,452,581
Adjustments for:		
Net realized gain	(357,624)	(9,687)
Net change in unrealized (depreciation) appreciation	724,816	(1,516,147)
Purchase of investments	(24,306,398)	(12,165,753)
Proceeds from sale of investments	16,829,669	10,763,015
(Increase) decrease in subscriptions receivable	(66,861)	72,064
(Increase) decrease in dividend receivable	(37,527)	4,777
Increase (decrease) in accrued liabilities	34,471	(16,093)
Increase (decrease) in dividends payable	90	-
(Decrease) in redemptions payable	(98,920)	(86,021)
Increase in management fees payable	3,673	4,660
(Decrease) increase in performance fees payable	(10,676)	56,970
Cash flows from operating activities	<u>(7,672,268)</u>	<u>(1,439,634)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from redeemable units issued	4,385,640	3,895,953
Amounts paid on redemption of redeemable units	<u>(335,981)</u>	<u>(329,843)</u>
Cash flows from financing activities	<u>4,049,659</u>	<u>3,566,110</u>
NET (DECREASE) INCREASE IN CASH DURING THE PERIOD	(3,622,609)	2,126,476
CASH AT BEGINNING OF PERIOD	<u>4,243,452</u>	<u>79,524</u>
CASH AT END OF PERIOD	<u><u>620,843</u></u>	<u><u>2,206,000</u></u>

The accompanying notes are an integral part of these financial statements

AVENTINE CANADIAN EQUITY FUND
SCHEDULE OF INVESTMENT PORTFOLIO
AS AT JUNE 30, 2016
(unaudited)

Description	No. of Shares	\$Cost	\$Fair Value
CANADIAN EQUITY- Long			
Aecon Group Inc	50,700	757,894	891,306
Airboss Of America Corp	89,800	1,408,567	1,267,078
Bellatrix Exploration Ltd	145,000	191,103	184,150
CGI Group Inc	17,300	911,703	954,787
Clearwater Seafoods Income Fund	95,000	994,225	1,328,100
Concordia International Corp	42,325	1,588,138	1,177,905
Cott Corp	49,700	757,433	897,582
easyhome Ltd	74,300	1,394,468	1,366,377
Element Financial Corp	54,000	843,032	739,800
FirstService Corp	16,500	591,889	974,985
Heroux-Devtek Inc	80,800	1,204,328	1,212,000
Horizon North Logistics Inc	270,400	332,755	438,048
Linamar Corp	28,800	1,513,703	1,325,376
Lundin Mining Corp	180,000	752,007	784,800
New Flyer Industries Inc	31,000	557,665	1,247,130
Newalta Corp	565,600	941,920	1,216,040
Premium Brands Holdings Corp	19,700	984,134	1,071,680
RDM Corp	114,200	499,492	496,770
Sandvine Corp	260,000	796,241	691,600
Tricon Capital Group Inc	126,350	1,138,828	1,099,245
Winpak Ltd	25,200	1,034,945	1,196,244
ZCL Composites Inc	116,900	831,930	1,048,593
TOTAL CANADIAN EQUITY- Long		20,026,398	21,609,596
CANADIAN EQUITY- Short			
Alliance Grain Traders Inc	(3,600)	(126,395)	(127,764)
TOTAL CANADIAN EQUITY-Short		(126,395)	(127,764)
FOREIGN EQUITY			
AerCap Holdings NV	15,750	769,418	688,231
Onemain Holdings Inc	27,633	921,349	820,328
ProShares Ultrapro Short S&P 500	3,500	126,175	119,475
TOTAL FOREIGN EQUITY		1,816,942	1,628,034

The accompanying notes are an integral part of these financial statements

OPTIONS

Fly US 08/19/16 C15	80,000	49,368	10,407
SPY US 09/16/16 P200	10,000	73,801	41,239
XGD CN 09/16/16 C16	35,000	23,251	36,400
TOTAL OPTIONS		146,420	88,046

Total Investment Portfolio		21,863,365	23,197,912
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Other Net Assets Attributable to Holders of Redeemable Units			860,122
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Net Assets Attributable to Holders of Redeemable units			24,058,033
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AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

1. Reporting entity:

Aventine Canadian Equity Fund. (the "Fund") is an open ended investment trust which was formed on March 31, 2014 under the laws of Ontario. The Fund is governed by the Amended and Restated Master Declaration of Trust, dated March 31, 2014. Aventine Management Group Inc. (the "Manager") has received exemptive relief to act as both the trustee and the manager of the Fund. The address of the Fund's registered office is at 2 Bloor Street West, Suite 3400, Toronto, Ontario.

Pursuant to Section 2.11 of National Instrument 81-106 - *Investment Fund Continuous Disclosure*, the Manager is relying on a filing exemption available to mutual funds who are not reporting issuers and will not be filing financial statements with respect to the Fund with the Ontario Securities Commission.

The Fund's primary objective is to provide long-term capital growth through the selection and management of a concentrated basket of primarily Canadian equity securities.

2. Basis of preparation:

(a) Statement of compliance:

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Manager on August 11, 2016.

(b) Basis of measurement:

The financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

(d) Use of estimates and judgment:

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held-for-trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has not classified any of its financial instruments as available-for-sale or assets held-to-maturity.

(ii) Held-for-trading and fair value through profit and loss:

Financial instruments classified as held-for-trading or FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Fund's derivative financial assets and derivative financial liabilities are classified as held-for-trading. The Fund's investments in securities and its securities sold short are designated as FVTPL.

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

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

within that days' bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

(iii) Loans and receivables:

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of loans and receivables is at amortized cost, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Fund classifies cash, dividends receivable and subscriptions receivable as loans and receivables.

(iv) Other financial liabilities:

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. The Fund's other financial liabilities are comprised of accrued liabilities, management fees payable, performance fees payable, dividend payable, and redemptions payable.

(b) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The redeemable units, which are classified as financial liabilities and measured at redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of the Manager.

(c) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of redeemable units by the total number of redeemable units of that particular class outstanding at the end of the period

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the year.

(e) Foreign exchange:

The financial statements of the Fund are denominated in Canadian dollars. Foreign

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and other sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the statement of comprehensive income.

(f) Income recognition:

Interest income is recognized on an accrual basis. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(g) Income taxes:

The fund qualifies as a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes.

(h) New standards and interpretations not yet adopted:

A number of new standards, amendments to standards and interpretations are not yet effective for period ended June 30, 2016, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statement of the Fund, with the possible exception of IFRS 9, *Financial Instruments*.

The IFRS 9 deals with recognition, derecognition, classification and measurement of financial statements and its requirements and represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

This standard becomes effective January 1, 2018, but early adoption is permitted. The Fund's Manager is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Fund's financial assets are currently measured at fair value or amortized cost.

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

4. Related party transactions:

(a) Management Fees

The Manager provides investment and administrative services to the Fund. In consideration for these services the Manager receives the following fees:

Class A: 1/12 of 2.0% (2.0% per annum) of the net asset value ("NAV") of the Class A units of the Fund on each Valuation Day.

Class F: 1/12 of 1.0% (1.0% per annum) of the NAV of the Class F Units of the Fund on each Valuation Day.

Class I: No management fee is payable by the Fund in respect of Class I units.

Class O: 1/12 of 0.5% (0.5% per annum) of the NAV of the Class F Units of the Fund on each Valuation Day.

(b) Performance Fees

The Manager will also be eligible to receive a performance fee in respect of the Class A units, Class F units and Class O units of the Fund. The performance fee in respect of the units will be calculated and accrued as a liability of the Fund on the last business day of each month. Any accrued Performance Fee will become crystallized and payable semi-annually on the last business day of June and December in each year and paid to the Manager from the net assets of the Fund.

In order for the Manager to be eligible to receive a performance fee from the Fund, the NAV per unit for a class series of units on the last business day of June or December in a year must exceed that class series of units "high-water mark", adjusted for any unit distributions, by 3.50% for the semi-annual period or pro-rated portion thereof if the series was not outstanding on the last such performance fee evaluation date. The highest historical NAV per unit for each class series of units on the last business day of June or December in any year establishes the high-water mark for each class series of units.

If the performance fee target is met, the Manager will be eligible to receive a performance fee equal to 20% for Class A and F and 10% for Class O of the amount by which the current class series NAV per unit exceeds the prior all time high class NAV per unit plus the semi-annual performance hurdle threshold, after any adjustments for unit distributions. The performance fee will be payable by the Fund within ten business days of the quarter-end. No performance fee is payable by the Fund in respect of Class I units.

(c) Unit holdings:

Parties related to the Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Manager are measured at the net asset value on the respective transaction date. As at June 30, 2016, 45,207 Class I (December 31, 2015 - 40,135), 8,392 Class F (December 31, 2015 - 6,861), 53 Class A (December 31, 2015 - 1), and 1 Class O (December 31, 2015 - 1) units of the Fund were

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

owned by parties related to the Manager, or its officers and directors.

5. Withholding tax expense

Certain dividend and interest income received by the Fund is subject to withholdings tax imposed in the country of origin. During 2016, the average withholding tax rate was nil (2015 - nil).

6. Expenses absorbed by Manager:

The Fund is responsible for the payment of all fees and expenses relating to its operation, including management fees, trailer fees, commission expenses, performance fees, taxes and bank charges and interest. The Manager has agreed to absorb certain ongoing operating fees and expenses incurred on behalf of the Fund as specified in the Offering Memorandum, in which case such amounts are shown as a deduction from expenses in the statement of comprehensive income. For the period to June 30, 2016, the Manager absorbed \$nil (2015 - \$nil).

7. Redeemable units:

The Fund's capital consists of its issued and outstanding units. The Fund is authorized to issue an unlimited number of units in one or more classes. The Fund currently has four classes of units: Class A units, Class F units, Class I units and Class O units (2015 - four classes of units: Class A units, Class F units, Class I units and Class O units). Class A units are available to investors who purchase units through authorized brokers or dealers. Class F units are available to investors who have managed or fee-based accounts with their dealer. Class I units are available to investors who are managed account clients of the Manager whose aggregate account value lies above a certain asset threshold or other investors in the discretion of the Manager. Class O units available to institutional investors or other investors in the discretion of the Manager. Units are redeemable at the option of the holder on a monthly basis, subject to adequate notice being received by the Manager.

The unit transactions for the Fund during the period ended June 30, 2016 and year ended December 31, 2015 are as follows:

	Period Ending June 30, 2016				
	Beginning	Issued	Reinvested	Redeemed	End
Class A	1,889	1,878	-	(1,000)	2,767
Class F	37,096	8,411	-	(814)	44,693
Class I	101,095	25,567	-	-	126,662
Class O	25,991	8,000	-	-	33,991

	Year Ending December 31, 2015				
	Beginning	Issued	Reinvested	Redeemed	End
Class A	1	1,888	-	-	1,889
Class F	27,276	13,344	-	(3,524)	37,096
Class I	77,687	25,439	-	(2,031)	101,095
Class O	17,654	11,193	-	(2,856)	25,991

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

8. Capital management:

The redeemable units issued by the Fund represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The Fund's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

9. Financial risk management:

(a) Risk management framework:

The Fund maintains positions in a variety of investments in accordance with their investment management strategies. The investment objective of the fund is to generate a long-term capital growth in excess of the major North American equity indexes.

The Fund's investment activities expose it to a variety of financial risks. The Fund's exposures to financial risks are concentrated in its investment holdings. Significant risks that are relevant to the Fund are discussed below. The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by daily monitoring of the Fund's positions and market events, by diversifying the investment portfolio and periodically may use derivatives to hedge certain risk exposures.

(b) Credit risk:

Credit risk is the risk that counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held. The carrying value of these financial instruments, as recorded in the Fund's schedule of investments portfolio reflects the respective fund's maximum exposure to credit risk.

As the Fund's assets at June 30, 2016 and December 31, 2015, are primarily comprised of exchanged traded equity securities, the Fund does not have significant exposure to credit risk.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's exposure to liquidity risk is concentrated in the monthly cash redemption of units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

The Fund's investments are considered readily realizable and highly liquid. The Fund's redeemable units are due on demand. The Fund's remaining liabilities are due within three months of the year-end of the Fund. Accordingly, the Fund's liquidity risk is considered minimal.

AVENTINE CANADIAN EQUITY FUND
NOTES TO THE UNAUDITED FINANCIAL STATEMENTS
JUNE 30, 2016

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value of the Fund's interest-bearing investments will fluctuate due to changes in prevailing interest rates. The longer the term to maturity, all else being equal, the more sensitive a security is to interest rate risk. As at June 30, 2016, and December 31, 2015, the Fund does not have investments in bonds or short-term discount notes and, as a result, does not have significant exposure to interest rate risk.

(ii) Currency risk:

Currency risk is the risk that the value of investments denominated in currencies other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates. The schedule of investment portfolio identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Canadian dollar, the Fund's functional currency, in determining fair value.

Currency risk is managed by the Manager of the Fund through a careful selection of securities and diversification within each respective Fund. The Manager monitors the Fund's overall market positions and positions are maintained within established ranges. The fund has the ability to enter into foreign currency contracts to better manage the risks associated with its foreign currency exposure.

At the reporting date, the carrying value of the Fund's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows.

If the exchange rate between the Canadian Dollar and the foreign currency that the Fund is exposed to increased or decreased by 1% at June 30, 2016, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$17,646 (2015 - \$17,780). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

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June 30, 2016	Investments	Cash	Investments Sold Short	Other Net Assets	Total	Percentage of net assets
Canadian dollar	\$ 21,645,996	\$ 535,957	\$ (127,764)	\$ 239,278	\$22,293,467	92.7%
US dollar	1,679,680	84,886	-	-	1,764,566	7.3%
	\$ 23,325,676	\$ 620,843	\$ (127,764)	\$ 239,278	\$24,058,033	100.0%

December 31, 2015	Investments	Cash	Investments Sold Short	Other Net Assets	Total	Percentage of net assets
Canadian dollar	\$ 15,259,135	\$ 3,881,935	\$ (587,200)	\$ 63,527	18,617,397	91.3%
US dollar	1,436,371	361,517	(19,930)	-	1,777,958	8.7%
	\$ 16,088,376	\$ 4,243,452	\$ (607,130)	\$ 63,527	20,395,355	100.0%

(iii) Other price risk:

Other price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer, or factors affecting all instruments traded in a market.

The investments of the Fund are subject to the normal market fluctuations and the risks inherent in the equity markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities within specified limits. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges.

As at June 30, 2016, and December 31, 2015, if the following indexes had increased (decreased) by 5%, with all other variables held constant, this would have approximately increased (decreased) net assets as follows:

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

	Change in Equity Price	Effect on Fund Net	Change in Equity Price	Effect on Fund Net
Market Indices	June 30, 2016	June 30, 2016	December 31, 2015	December 31, 2015
S&P/TSX	+/- 5%	\$ 903,290	+/- 5%	\$ 508,250
S&P 500	+/- 5%	804,116	+/- 5%	619,534

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10. Fair value of financial instruments:

(a) Fair value hierarchy:

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs that are unobservable.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward contracts that use only observable market data and requires little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed equity securities, and simple OTC derivatives such as forward contracts. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values.

(b) Fair value hierarchy - financial instruments measured at fair value:

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the statement of financial position.

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	Assets at fair value as at June 30, 2016			
	Level 1	Level 2	Level 3	Total
Securities Held Long	\$ 23,325,676	\$ -	\$ -	\$ 23,325,676
Securities Held Short	\$ (127,764)	\$ -	\$ -	\$ (127,764)
	\$ 23,197,912	\$ -	\$ -	\$ (127,764)

	Assets at fair value as at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Securities Held Long	\$ 16,695,506	\$ -	\$ -	\$ 16,695,506
Securities Held Short	\$ 607,130	\$ -	\$ -	\$ 607,130
	\$ 16,088,376	\$ -	\$ -	\$ 16,088,376

The carrying amount of the Fund's net assets attributable to redeemable units also approximately fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy.

There were no transfers of financial assets between Level 1, Level 2 and Level 3 for the period ended June 30, 2016 and year ended December 31, 2015.

(c) Financial instruments not measured at fair value:

The carrying value of cash, dividends receivable, subscriptions receivable, accrued liabilities, management fees payable, performance fees payable, and redemptions payable approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

11. Income taxes

The Fund has \$nil net realized capital losses available for utilization against net realized capital gains in future years. The Fund has non-capital losses of \$nil available for utilization against net realized capital gains or non-capital gains in future years.

Net capital losses are available to be carried forward indefinitely and applied against future net realized capital gains. Non-capital losses may be carried forward up to 20 years to reduce future taxable income.