This annual management report of fund performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund.

You may obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling toll-free 1-877-434-2796, by writing to Canoe Financial LP, Suite 2750, 421 – 7th Avenue SW, Calgary, Alberta, T2P 4K9, or by visiting our website at www.canoefinancial.com or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods to request a copy of the investment fund's interim or annual financial report, proxy voting policies and procedures, proxy voting record or quarterly portfolio disclosure.

The annual financial statements of the investment fund can be found attached to the management report of fund performance.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Canoe Financial LP ("Canoe", the "Manager" or the "Portfolio Manager"), a partnership established under the laws of the Province of Alberta, is the manager of the Fund. CIBC Mellon Trust Company has been appointed as the custodian of the Fund.

INVESTMENT OBJECTIVES AND STRATEGIES

The investment objectives of Canoe EIT Income Fund (the "Fund") are to maximize monthly distributions relative to risk and maximize net asset value while maintaining a diversified investment portfolio. To achieve this objective, the Fund employs an investment strategy that strives to maximize return while controlling the risk profile of the Fund. The net asset value of the Fund is maximized through active management of portfolio assets, purchasing securities considered to be undervalued and selling securities considered to be fully valued. The Fund seeks to maximize monthly distributions primarily through investing in income-generating securities. The Portfolio Manager continues to focus on total return when assessing distribution sustainability and consideration is given to all sources of income including realized and unrealized capital gains.

The Portfolio Manager follows a thorough, disciplined and repeatable investment process in order to find mispriced securities in the marketplace. A bottom up fundamental approach is utilized to analyze securities with a particular focus on companies with quality and growth characteristics that trade at reasonable valuations. This investment approach currently places a greater reliance on total return to deliver investment performance to unitholders.

In-depth research is performed on companies to evaluate qualitative and quantitative attributes including an evaluation of management, the competitive landscape, asset quality, growth and risk. Financial forecasts are performed to assess an organization's revenues, earnings and cash flows. Stock prices are then evaluated to determine whether growth, quality and risk are being properly reflected in the value of the security.

Through rigorous analysis of company fundamentals and strong risk management controls, the investment process yields a diversified, but focused portfolio of securities.

RISK

The risks of investing in the Fund remain as outlined in the Fund's most recent Annual Information Form, filed on www.sedar.com or on our website at www.canoefinancial.com.

From time to time, the Fund may invest in illiquid securities. The Manager actively monitors the individual illiquid positions in the Fund as well as their percentage of the Fund's portfolio and NAV.

RESULT OF OPERATIONS

The Fund generated a total return of -2.5% on a market price basis and -6.2% on a net asset value basis for the year ended December 31, 2018, compared to the S&P/TSX Composite Total Return Index (the "S&P/TSX") (the"Benchmark") which posted a total return of -8.9%.

The Fund was positively impacted by its allocation to U.S. equities, which outperformed their Canadian counterparts during the period. Relative weakness in resource stocks negatively impacted Canadian markets, with the S&P/TSX down -8.9% during the period compared to the S&P500 Total Return Index (the S&P 500) down -4.4% (up approximately 3.9% in CAD terms).

Relative to the Benchmark, positive contribution to the Fund's performance during the period was derived from good stock selection within the health care, technology and financial sectors, while stock selection in the energy and materials sectors detracted from performance.

The Fund was positively impacted by strong stock selection in the health care sector as names including **Anthem Inc.**, **Danaher Corp.** and **Medtronic PLC** were up strongly in the period. Technology stocks held by the Fund were another positive contributor to performance including **Microsoft Corp.** and **MasterCard Inc.**, both up significantly during the period. Within the financial sector, being underexposed to Canadian banks and life insurance companies was a positive contributor as these stocks underperformed.

Non-resource small and mid-cap stocks held by the Fund were another positive contributor, including **Parkland Fuel Corp.** and **Badger Daylighting Ltd.**, which outperformed during the period.

Relative to the Benchmark, the Fund was negatively impacted by stock selection within the energy sector as small-cap and mid-cap oil and gas producers held by the Fund including **Arc Resources Ltd.**, **Tourmaline Oil Corp.** and **Storm Resources Ltd.** underperformed large-cap peers during the period. Stock selection in the materials sector was also a negative contributor as **Goldcorp Inc.** underperformed due to lower commodity prices and company-specific challenges.

The Fund was positively impacted by strength in the US dollar versus the Canadian dollar, as the Fund was overexposed to the US dollar relative to the Benchmark. However, this was offset somewhat by the Fund's US dollar borrowings.

From a sector allocation perspective, the Fund's overweight position in technology was a positive contributor to performance, while the overweight position in energy was a negative contributor.

Financial Performance

Investment revenues for the year, comprised of dividend income and interest for distribution purposes, were down $0.3 million compared to the prior year ended December 31, 2017, primarily attributable to a decrease in dividend income.

Expenses increased by $3.0 million over the prior year, mainly due to the distributions to preferred redeemable units which was classified as an expense in accordance with International Financial Reporting Standards ("IFRS"). For the year ended December 31, 2018, total expenses were $33.4 million (year ended December 31, 2017 - $30.4 million) of which $12.1 million (year ended December 31, 2017 - $13.9 million) related to management fees, accounting for 36% (year ended December 31, 2017 - 46%) of total expenses and $3.3 million (year ended December 31, 2017 - $3.3 million) related to the fixed rate Administration Fee. Approximately $2.0 million was incurred in brokerage commissions (year ended December 31, 2017 - $2.4 million).

The Fund had net realized gains on investments and derivatives of $53.4 million (year ended December 31, 2017 - $77.8 million) and the net change in unrealized depreciation of investments and derivatives was $125.7 million (year ended December 31, 2017 - $18.0 million). The aforementioned investment revenues, expenses, realized and unrealized gains and losses result in an overall decrease in net assets attributable to holders of common redeemable units of $67.9 million for the year (year ended December 31, 2017 - $61.1 million increase).

One unique element of the Fund's investment strategy is the use of leverage. The Fund's Declaration of Trust allows borrowing of up to 20% of the value of total assets after giving effect to the borrowing. The Fund has a revolving credit facility with a Canadian financial institution expiring October 2019. The credit facility allows the Fund to borrow in either Canadian or U.S. funds up to a maximum of $200 million Canadian equivalent. Advances under the amended and restated credit facility can be made by way of prime or base rate loans, bankers' acceptances, LIBOR, or any combination thereof. Canadian dollar denominated loans will bear interest at a rate per annum equal to prime, and/or the Canadian bankers' acceptance rates plus an applicable margin. U.S. dollar denominated loans will bear interest at a rate per annum equal to the U.S. base rate, and/or U.S. LIBOR rates plus an applicable margin. The credit facility is secured by the underlying portfolio investments and the amounts available to be drawn under the credit facility are limited to an applicable percentage of total assets. The maximum amount borrowed during the year ended December 31, 2018 was $99.0 million (year ended December 31, 2017 - $99.7 million) while the minimum amount drawn was $88.9 million (year ended December 31, 2017 - $87.8 million). As at December 31, 2018, $98.9 million (year ended December 31, 2017 - $91.1 million) of the credit facility was utilized, which represented 9.3% (December 31, 2017 - 8.5%) of net assets attributable to holders of common redeemable units.

During March 2017, the Fund issued 5.6 million units of series 1 preferred redeemable units at a price of $25.00 per unit, for gross proceeds of $140.9 million. The series 1 preferred units are entitled to cash distributions of $1.20 (4.8%) per unit per annum, payable on the 15th day of March, June, September, and December. The first distribution was payable on June 15, 2017 for $1.7 million ($0.3058 per unit).

During April 2018, the Fund issued 3.2 million units of series 2 preferred redeemable units at a price of $25.00 per unit, for gross proceeds of $80.5 million. The series 2 preferred units are entitled to cash distributions of $1.20 (4.8%) per unit per annum, payable on the 15th day of March, June, September, and December. The first distribution was payable on June 15, 2018 for $0.6 million ($0.1940 per unit).

Payments to preferred unitholders are in priority to all other classes of units. Preferred units are not entitled to any additional distributions above the fixed distribution rate. Paid and accrued distributions on preferred redeemable units are expensed on the Statement of Comprehensive Income as the preferred redeemable units have been classified as a liability in accordance with IFRS.

During November 2018, the Fund issued 6.3 million units of common redeemable units at a price of $11.18 per unit, for gross proceeds of $70.0 million.

Cash Distributions

The Fund distributed $1.20 per common redeemable unit for the year ended December 31, 2018 (year ended December 31, 2017 - $1.20 per unit).

The Fund also paid and accrued distributions of $1.25 per series 1 preferred redeemable unit (year ended December 31, 2017 - $0.96 per unit) and $0.85 per series 2 preferred redeemable unit for the year ended December 31, 2018.

Each year, the Fund is required to distribute to unitholders 100% of taxable income. In determining the Fund's distribution, the Manager considers:

- The objective of a stable distribution while minimizing changes to payout level;
- The long-term viability and sustainability of the Fund; and
- The need to maximize investment returns while minimizing risk

As a result of the change in tax rules in respect of trust taxation on January 1, 2011 (i.e. Specified Investment Flow-Through rules) and as a result of recent market conditions, there are fewer high yielding equity investment opportunities available for the Fund. Since inception, the Fund has determined the distribution amount and assessed its sustainability based on the return generated from a variety of investment sources, including portfolio income and capital gains (both realized and unrealized). In recent years, given the changing investment landscape for available yielding products, the Fund has become more reliant on total capital gains to fund the distributions. Due to the cyclical nature of equity markets, excess capital gains in one period may be used to support distributions in a subsequent weaker period, while maintaining a sustainable distribution and protecting net asset value. Timing differences between the realization of capital gains and actual distribution payments result in a certain portion of the distribution being classified as return of capital.

The return of capital on an accounting or economic basis is different than that calculated on a tax basis. From time to time, on a tax basis unitholders may benefit from the use of capital loss carry forwards resulting in the return of capital on a tax basis being higher than on an accounting or economic basis. The Statements of Changes in Net Assets Attributable to Holders of Common Redeemable Units reflects the allocation of the distribution on an economic basis, while the table under Financial Highlights reflects the distribution allocation on a tax basis. A higher return of capital on a tax basis is generally a benefit for taxable investors. The accounting or economic return of capital is generally important to all investors.

Subsequent Event

During February 2019, the Fund issued 6.2 million units of common redeemable units at a price of $11.30 per unit for gross proceeds of $70.1 million.

Trading Volume

During the period, the daily average trading volume of the Fund's common units on the Toronto Stock Exchange was 145,717, an increase of 26.1% over the prior year. During the years ended December 31, 2018 and 2017, the Fund did not make any purchases under its normal course issuer bid. With a market capitalization of approximately $1,067 million at December 31, 2018, the Fund is one of the largest and most liquid closed-end funds in Canada, providing investors with the ability to easily move in and out of the market without a discernible effect on the market price of the Fund's units.

RECENT DEVELOPMENTS

The Portfolio Manager believes that the market is in the latter stages of the bull market, which began in 2009. Recessionary risks tend to build in the mature phase of the business cycle as central banks move from accommodative to restrictive policy. The risk of recession will be dependent on the strength of the global economy to tightening financial conditions including higher interest rates, currency movements, and inflationary pressures. With global central banks at various stages of stimulus removal, there is a risk of a policy mistake, which could put the current expansion in jeopardy.

Global growth has slowed in a number of countries, which has put pressure on many global stock markets. At this point, it is difficult to determine whether the weakness is a short-term cooling period related to trade concerns, or a more severe slowdown driven by tighter financial conditions.

The U.S. economy has been a beneficiary of tax reform, which provided a short-term boost to 2018 economic growth. However, with tax reform now behind it, the U.S. could be more exposed to slowing global growth and tighter financial conditions.

Inflationary pressures continue to build and pose a risk to record corporate profit margins. The combination of slower growth and lower profit margins could increase the risk of negative earnings surprises for companies in 2019, which may further pressure stock prices.

Geopolitical risks remain a key concern going forward. Tensions in the Middle East, the nuclear threat from North Korea, deflationary pressures in Europe, the risk of a euro zone breakup, high debt levels in China, and currency devaluation are all risks that could derail the current global economic recovery.

Accommodative central banks around the world continue to support equity markets via low rates. The Portfolio Manager recognizes that there is a growing complacency toward low rates, which is reflected in stock valuations, and that the unwinding of low interest rate expectations could be a challenge for the stock market and future stock returns. As a result, stock picking and sector rotation will become increasingly important to future returns.

RELATED PARTY TRANSACTIONS

Management Fees

Pursuant to a management agreement, as amended, the Manager provides management and investment services to the Fund for which the Manager is paid a management fee which is calculated daily in part as 1.5% on the first $250 million of the daily total asset value ("TAV") and 1.0% on amounts in excess of that, payable monthly, in arrears. The TAV of the Fund shall be the net asset value of the Fund (calculated in accordance with the Declaration of Trust) plus the amount representing any outstanding preferred equity securities of the Fund if they are deducted from the assets of the Fund in calculating the net asset value of the Fund. The portion of the fee calculated on TAV is reflected as management fees on the Statements of Comprehensive Income and amounted to $12.1 million (year ended December 31, 2017 - $13.9 million) for the year ended December 31, 2018 and were recorded at the exchange amount.

Administration Fees

Pursuant to a management agreement, as amended, the Fund also pays a fixed rate Administration Fee. Administration fees amounted to $3.3 million for the year ended December 31, 2018 (year ended December 31, 2017 - $3.3 million) and were recorded at the exchange amount.

The fixed Administration Fee is equal to a percentage of the TAV, calculated and paid in the same manner as the management fee. The Administration Fee is subject to GST, HST and other applicable taxes. The rate of the Administration Fee is tiered: 0.35% on the first $750 million of daily TAV, 0.13% on the portion of the daily TAV that is in excess of $750 million but less than or equal to $1.5 billion, and 0.11% on the portion of the daily TAV that is in excess of $1.5 billion.

The Manager shall be responsible to pay all of the expenses associated with the operation and administration of the Fund (the "Operating Expense") except those expenses specifically excluded as outlined below. Expenses that are the responsibility of the Manager include, without limitation, fees payable to the Trustee under the Declaration of Trust; fees payable to the Trustee for the performance of any extraordinary services on behalf of the Fund; fees payable to the transfer agent and registrar with respect to the Units; fees payable to the custodian and the auditors of the Fund; operating and administrative costs and expenses; costs and expenses of financial and other reports; costs and expenses relating to complying with all applicable laws and regulations; and the expenses of any action, suit or other proceedings in which or in relation to which the Manager is adjudged to be in breach of any duty or responsibility or standard of care to the Fund.

The Fund shall reimburse the Manager for the following expenses incurred by the Manager on the Fund's behalf in connection with the operation and administration of the Fund: all taxes (including, without limitation, HST, GST, capital taxes, income taxes, withholding taxes); borrowing and interest costs; unitholder meeting costs; costs and expenses relating to the issuance of units of the Fund; the fees and expenses of the Independent Review Committee ("IRC") of the Fund; the cost of compliance with any new governmental and regulatory requirements imposed on or after August 30, 2013 (including relating to Operating Expenses) or with any material change to existing governmental and regulatory requirements imposed on or after August 30, 2013 (including increases to regulatory filing fees); any new types of costs, expenses or fees not incurred prior to August 30, 2013, including arising from new government or regulatory requirements relating to the Operating Expenses or related to those external services that were not commonly charged in the Canadian investment fund industry as of August 30, 2013; operating expenses that would have been outside the normal course of business of the Fund prior to August 30, 2013; expenditures incurred upon the termination or conversion of the Fund; and brokerage commissions and other security transaction expenses, including costs of derivatives and foreign exchange transactions.

Independent Review Committee

National Instrument 81-107 *Independent Review Committee for Investment Funds* ("NI 81-107") requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Allen B. Clarke, William Byrne and Mark Brown.

Other Related Party Transactions

Pursuant to applicable securities legislation, the Fund relies on standing instructions from the Fund's IRC with respect to inter-fund trading, where securities may be purchased or sold, from or to another Fund managed by Canoe. The Fund did not enter into inter-fund security trades during this period.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help investors understand the Fund's financial performance for the past five years.

The Fund's Net Assets per Unit[(1)(4)]

	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
Net assets, beginning of year	**12.47**	**13.13**	**12.46**	**14.12**	**14.06**
Increase (decrease) from operations[(2)]:					
Total revenue	0.36	0.37	0.36	0.40	0.40
Net expenses	(0.36)	(0.33)	(0.25)	(0.27)	(0.30)
Net realized gains (losses)	0.64	0.83	0.79	0.96	1.42
Net unrealized gains (losses)	(1.38)	(0.20)	1.18	(1.39)	0.27
Total increase (decrease) from operations[(2)]:	**(0.74)**	**0.67**	**2.08**	**(0.30)**	**1.79**
Distributions[(2)(3)]:					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	(0.06)	(0.06)	(0.11)	(0.11)	(0.07)
From capital gains	(0.58)	(0.59)	(0.64)	(0.73)	(0.74)
Return of capital[(5)]	(0.56)	(0.55)	(0.45)	(0.36)	(0.43)
Total distributions[(5)]:	**(1.20)**	**(1.20)**	**(1.20)**	**(1.20)**	**(1.24)**
Net assets, end of year	**10.49**	**12.47**	**13.13**	**12.46**	**14.12**
Ratios and Supplemental Data					
Total net asset value ($000s) - Common Redeemable Units[(6)]	$1,067,459	$1,072,887	$1,151,205	$1,111,614	$1,292,125
Total net asset value ($000s) - Series 1 Preferred Redeemable Units[(6)]	$140,875	$140,875	—	—	—
Total net asset value ($000s) - Series 2 Preferred Redeemable Units[(6)]	$80,500	—	—	—	—
Number of units outstanding (000s) - Common Redeemable Units[(6)]	101,729	86,037	87,674	89,225	91,541
Number of units outstanding (000s) - Series 1 Preferred Redeemable Units[(6)]	5,635	5,635	—	—	—
Number of units outstanding (000s) - Series 2 Preferred Redeemable Units[(6)]	3,220	—	—	—	—
Management expense ratio excluding issue costs, interest, and distributions to preferred redeemable units[(7)]	1.57%	1.63%	1.50%	1.49%	1.50%
Management expense ratio including issue costs, interest, and distributions to preferred redeemable units[(7)]	2.80%	2.31%	1.64%	1.59%	1.65%
Trading expense ratio[(8)]	0.18%	0.20%	0.20%	0.26%	0.27%
Portfolio turnover rate[(9)]	76.02%	98.22%	99.07%	151.69%	119.85%
Net asset value per unit - Common Redeemable Units[(6)]	$10.49	$12.47	$13.13	$12.46	$14.12
Net asset value per unit - Series 1 Preferred Redeemable Units[(6)]	$25.00	$25.00	—	—	—
Net asset value per unit - Series 2 Preferred Redeemable Units[(6)]	$25.00	—	—	—	—
Closing market price - Common Redeemable Units[(6)]	$10.33	$11.81	$11.93	$11.20	$12.14
Closing market price - Series 1 Preferred Redeemable Units[(6)]	$24.79	$25.50	—	—	—
Closing market price - Series 2 Preferred Redeemable Units[(6)]	$24.75	—	—	—	—

(1) This information is derived from the Fund's audited annual financial statements at December 31 of the years shown. Net assets per unit is the difference between the aggregate value of the assets of the Fund and the aggregate value of the liabilities on that date.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash, reinvested in additional units of the Fund, or both. The allocation of distributions reflects the tax basis.

(4) This schedule is not a reconciliation of net assets since it does not reflect unitholder transactions as shown on the Statements of Changes in Net Assets. Therefore, columns may not add.

(5) For the year ended December 31, 2014, return of capital distributions have been presented to include a value for warrants distributed to unitholders. The portion of return of capital for the year ended December 31, 2014 related to warrants was $0.04.

(6) This information is provided as at December 31 of the years shown. The value for the Common Redeemable Units NAV excludes the liability for issued and outstanding warrants and the Preferred Redeemable Units, as applicable. The NAV for the Preferred Redeemable Units represents the gross amount before issuing costs.

(7) Management expense ratio ("MER") (calculated in accordance with section 15.1 of NI 81-106) is based on total expenses (excluding warrant distribution, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. MER excluding issue costs, interest, and distributions to Preferred Redeemable Units has been presented separately as it reflects only the ongoing management and administrative expenses of the Fund as a percentage of net asset value. Issue costs are one-time costs incurred on capital offerings, and the inclusion of interest expense and distributions to Preferred Redeemable Units does not consider the additional earnings that have been generated from the investment leverage.

(8) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(9) The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(10) Net expenses for the year ended December 31, 2018 include the distributions paid and accrued related to the preferred redeemable units. Of the $1.2000 per Series 1 Preferred Redeemable Unit distribution paid during the year ended December 31, 2018, the pro-rata allocation between net investment income (excluding dividends), dividends, capital gains, and return of capital, is the same as the pro-rata allocation for the common redeemable units. Allocations for the distributions paid per unit for the year ended December 31, 2018 are as follows: Dividends - ($0.0558); Capital Gains - ($0.5846); Return of Capital - ($0.5596). Of the $0.7940 per Series 2 Preferred Redeemable Unit distribution paid during the year ended December 31, 2018, the pro-rata allocation between net investment income (excluding dividends), dividends, capital gains, and return of capital, is the same as the pro-rata allocation for the common redeemable units. Allocations for the distributions paid per unit for the year ended December 31, 2018 are as follows: Dividends - ($0.0370); Capital Gains - ($0.3868); Return of Capital - ($0.3702).

Management Fees

Pursuant to a management agreement, the Manager provides management and investment services to the Fund for which the Manager is paid an annual management fee which is calculated in part as 1.5% on the first $250 million of the daily average TAV and 1.0% on amounts in excess of that, plus applicable taxes, payable monthly, in arrears as detailed in the section "Related Party Transactions - Management Fees and Administration Fees." Total management fees received are used to pay investment management, administration and other fees.

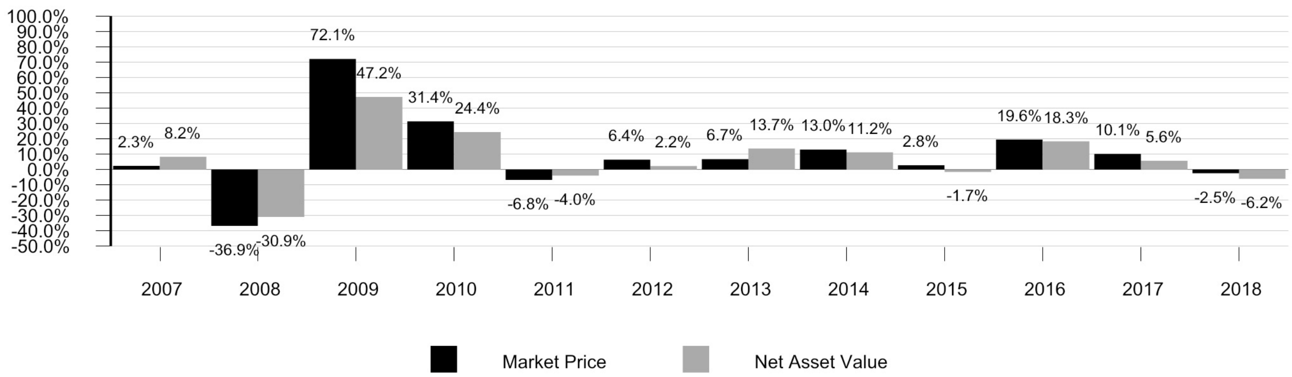
PAST PERFORMANCE

The performance data provided assumes that all distributions, if any, made by the Fund in the periods shown were reinvested in additional units of the Fund and does not take into account sales, distribution or other optional charges that may be borne by the investor and would have reduced returns or performance. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart below shows the Fund's annualized performance for each of the years shown and illustrates how the Fund's performance has changed from period to period. This bar chart shows, in percentage terms, how much an investment made on January 1 of each year would have grown or decreased by December 31 of the same year.

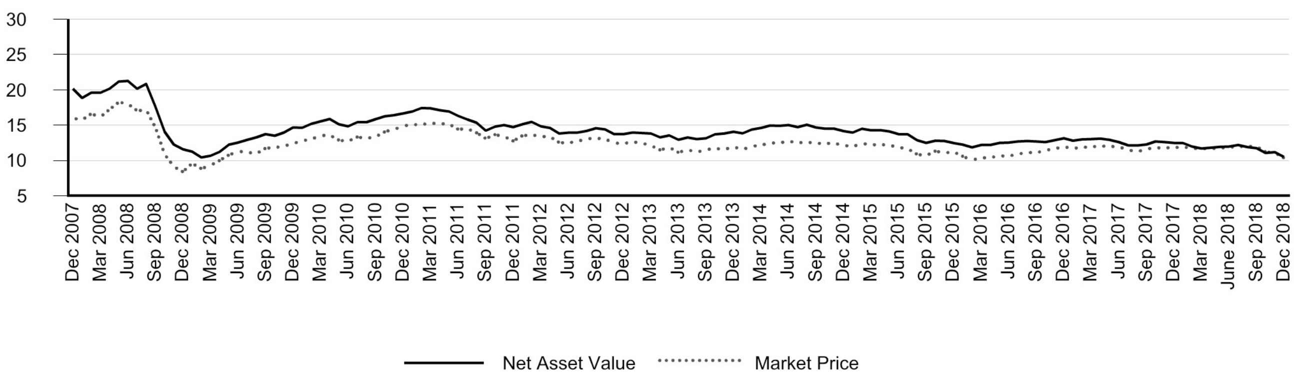
Fund's Annual Performance



Market Price vs. Net Asset Value per Unit

This line graph shows the market price of the Fund's units for the past 10 years compared to its net asset value per unit.

Market Price vs Net Asset Value per Unit



Annual Compound Returns

The table below shows compound total returns for the year ended December 31, 2018 for the Fund based on market price and net asset value and compared to the S&P/TSX Composite Total Return Index.

	One Year	**Three Years**	**Five Years**	**Ten Years**
Returns Based on Market Price - Common Redeemable Units	(2.5)%	8.7%	8.3%	13.6%
Returns Based on Net Asset Value - Common Redeemable Units	(6.2)%	5.5%	5.1%	10.1%
Returns Based on Net Asset Value - Series 1 Preferred Redeemable Units	—	—	—	—
Returns Based on Net Asset Value - Series 2 Preferred Redeemable Units	—	—	—	—
S&P/TSX Composite Total Return Index(1)	(8.9)%	6.4%	4.1%	7.9%

(1) The S&P/TSX Composite Total Return Index is the headline index and the principal broad market measure for the Canadian equity markets. It includes common stock and income trust units and tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange.

SUMMARY OF INVESTMENT PORTFOLIO

Portfolio Allocation	**% of Net Asset Value**
Cash	33.6 %
Financials	29.0 %
Health care	18.5 %
Energy	16.5 %
Materials	9.4 %
Industrials	5.1 %
Information technology	4.8 %
Consumer staples	4.5 %
Utilities	4.1 %
Telecommunication services	2.7 %
Real Estate Investment Trust (REITs)	1.8 %
Corporate bonds	0.4 %
Total Portfolio Assets	**130.4 %**
Other net assets (liabilities)	(30.4)%
Net Asset Value	**100.0 %**

Top 25 Holdings	**% of Net Asset Value**
Cash	33.6%
Berkshire Hathaway Inc., Class 'B'	6.8%
Anthem Inc.	6.2%
Franco-Nevada Corp.	5.2%
Brookfield Asset Management Inc., Class 'A'	5.1%
Coca-Cola Co. (The)	4.5%
Medtronic PLC	4.1%
Wells Fargo & Co.	4.0%
Johnson & Johnson	3.8%
Microsoft Corp.	3.7%
Canadian Natural Resources Ltd.	3.4%
Intact Financial Corp.	3.3%
Royal Bank of Canada	3.3%
Parkland Fuel Corp.	3.2%
ARC Resources Ltd.	3.2%
Danaher Corp.	2.9%
Fortis Inc.	2.9%
Tourmaline Oil Corp.	2.7%
Shaw Communications Inc., Class 'B'	2.7%
Waste Connections Inc.	2.1%
Nutrien Ltd.	2.0%
PNC Financial Services Group Inc.	2.0%
Allied Properties REIT	1.8%
Badger Daylighting Ltd.	1.8%
Enerflex Ltd.	1.6%

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. This quarterly update is available on our website at www.canoefinancial.com or can be requested by calling 1-877-434-2796 or writing to Canoe Financial LP, Suite 2750, 421 - 7th Avenue SW, Calgary, Alberta, T2P 4K9.

Forward-Looking Statements

Some of the statements contained herein including, without limitation, financial and business prospects and financial outlook may be forward-looking statements which reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Words such as "may", "will", "should", "could", "anticipate", "believe", "expect", "intend", "plan", "potential", "continue" and similar expressions have been used to identify these forward-looking statements. These statements reflect management's current beliefs and are based on information currently available to management. Forward-looking statements involve significant risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements including, but not limited to, changes in general economic and market conditions and other risk factors. Although the forward-looking statements contained herein are based on what management believes to be reasonable assumptions, we cannot assure that actual results will be consistent with these forward-looking statements. Investors should not place undue reliance on forward-looking statements. These forward-looking statements are made as of the date hereof and we assume no obligation to update or revise them to reflect new events or circumstances.

MANAGEMENT'S RESPONSIBILITY STATEMENT

For the Year Ended December 31, 2018 **March 11, 2019**

The accompanying financial statements of Canoe EIT Income Fund (the “Fund”) and all the information in this annual report are the responsibility of the management of Canoe Financial LP (the “Manager”) and approved by the board of directors of Canoe Financial Corp., the General Partner of Canoe Financial LP.

The financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2018.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and external auditors to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to obtain a report on the audit of the financial statements and review the external auditor’s report. PricewaterhouseCoopers LLP, the Fund’s independent auditor, has full and unrestricted access to the Board, with or without the presence of management, in order to discuss their audit and related findings.

Darcy Hulston
President and Chief Executive Officer
Canoe Financial LP by its General
Partner Canoe Financial Corp.

Renata Colic
Chief Financial Officer
Canoe Financial LP by its General
Partner Canoe Financial Corp.

March 11, 2019

Independent auditor's report

To the Unitholders and Trustee of Canoe EIT Income Fund (the Fund)

Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018 and 2017 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board (IFRS).

What we have audited
The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of common redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Other information

Management is responsible for the other information of the Fund. The other information comprises the Management Report of Fund Performance of the Fund.

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Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Peter Harris.

PricewaterhouseCoopers LLP

Chartered Professional Accountants

Calgary, Alberta
March 11, 2019

STATEMENTS OF FINANCIAL POSITION

As at,

(thousands except per unit amounts)	**December 31, 2018**	December 31, 2017
ASSETS		
Investments (Note 5)	**$ 1,032,760**	$ 1,299,824
Cash	**359,112**	9,009
Dividends receivable	**2,108**	2,240
Interest receivable	**17**	9
Other assets	**4**	—
	1,394,001	1,311,082
LIABILITIES		
Accounts payable and accrued liabilities (Note 10)	**1,896**	1,761
Preferred redeemable unit distributions payable (Note 9)	**457**	291
Common redeemable unit distributions payable (Note 6)	**10,173**	8,604
Interest expense payable	**197**	137
Credit facility (Notes 5 and 7)	**98,905**	91,066
Preferred redeemable units (Note 9)	**214,914**	136,336
	326,542	238,195
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS	**$ 1,067,459**	$ 1,072,887
COMMON REDEEMABLE UNITS ISSUED AND OUTSTANDING (Note 8)	**101,729**	86,037
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS PER UNIT	**$ 10.49**	$ 12.47

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

Approved by the Board of Canoe Financial Corp., General Partner of Canoe Financial LP, as Manager.

David Rain
Director

Darcy Hulston
Director

STATEMENTS OF COMPREHENSIVE INCOME

For the Years Ended December 31,

(thousands except per unit amounts)	2018	2017
INCOME		
NET GAINS (LOSSES) ON INVESTMENTS AND DERIVATIVES		
Dividend income	**$ 28,606**	$ 32,122
Interest income for distribution purposes	**4,347**	1,084
Net realized gain (loss) on sale of investments and derivatives	**53,444**	77,825
Net change in unrealized appreciation (depreciation) of investments and derivatives	**(125,722)**	(17,971)
Net gains (losses) on investments and derivatives	**(39,325)**	93,060
OTHER INCOME (LOSS)		
Foreign exchange gain (loss) on cash	**4,839**	(1,560)
Other income (loss)	**4,839**	(1,560)
Total income (loss)	**(34,486)**	91,500
EXPENSES		
Management fees (Note 10)	**12,091**	13,892
Administration fees (Note 10)	**3,303**	3,293
Distributions on preferred redeemable units (Note 9)	**9,485**	5,395
Brokerage commissions and other portfolio transaction costs (Note 11)	**1,965**	2,351
Foreign withholding taxes	**1,371**	1,469
Interest and related expenses (Note 7)	**2,782**	1,945
Sales tax	**1,445**	1,439
Independent Review Committee fees and expenses	**44**	47
Other fund costs	**918**	543
Total expenses	**33,404**	30,374
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS	**$ (67,890)**	$ 61,126
WEIGHTED AVERAGE COMMON REDEEMABLE UNITS OUTSTANDING (Note 12)	**91,193**	90,925
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS PER UNIT (Note 12)	**$ (0.74)**	$ 0.67

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

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS
For the Years Ended December 31,

(thousands)	2018	2017
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS, BEGINNING OF YEAR	**$ 1,072,887**	$ 1,151,205
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS	**(67,890)**	61,126
DISTRIBUTIONS TO HOLDERS OF COMMON REDEEMABLE UNITS (Note 6)		
- from net investment income (excluding dividends)	**—**	—
- from dividends	**(51,904)**	(30,654)
- from realized gains on sale of portfolio assets	**(58,152)**	(76,263)
- return of capital	**—**	(2,314)
	(110,056)	(109,231)
COMMON REDEEMABLE UNITHOLDER TRANSACTIONS (Note 8)		
Common redeemable units issued	**67,425**	—
Proceeds on distribution reinvestment	**107,895**	87,886
Amounts paid for redemption of units	**(2,802)**	(118,099)
NET INCREASE (DECREASE) FROM COMMON REDEEMABLE UNIT TRANSACTIONS	**172,518**	(30,213)
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS	**(5,428)**	(78,318)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS, END OF YEAR	**$ 1,067,459**	$ 1,072,887

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

STATEMENTS OF CASH FLOWS
For the Years Ended December 31,

(thousands)	2018	2017
CASH FLOW FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets attributable to holders of common redeemable units	**$ (67,890)**	$ 61,126
Adjustments for:		
Foreign exchange (gain) loss on cash	**(4,839)**	1,560
Net realized (gain) loss on sale of investments and derivatives	**(53,621)**	(77,972)
Net change in unrealized (appreciation) depreciation of investments and derivatives	**125,722**	17,971
Proceeds on disposition of portfolio assets	**1,308,050**	1,331,162
Purchase of portfolio assets	**(1,105,247)**	(1,403,699)
Net change in non-cash items	**480**	27
	202,655	(69,825)
CASH FLOW FROM FINANCING ACTIVITIES		
Redemption of units (Note 8)	**(2,802)**	(118,099)
Net proceeds from issuance of preferred redeemable units (Note 9)	**77,685**	135,824
Net proceeds on issuance of units	**67,425**	—
Proceeds from Optional Cash Purchase Plan	**18,006**	—
Cash distributions to common redeemable unitholders (Note 6)	**(18,598)**	(21,508)
Net change in non-cash items	**893**	511
	142,609	(3,272)
Foreign exchange gain (loss) on cash	**4,839**	(1,560)
NET INCREASE (DECREASE) IN CASH	**350,103**	(74,657)
CASH, BEGINNING OF YEAR	**9,009**	83,666
CASH, END OF YEAR	**$ 359,112**	$ 9,009
SUPPLEMENTARY INFORMATION		
Interest received*	**$ 4,339**	$ 1,077
Interest paid*	**$ 2,722**	$ 1,932
Dividends received*	**$ 27,367**	$ 30,229

**These cash flows are from operating activities.*

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

($ thousands except for units/shares/face value of bonds)	Units/ Shares/ Face Value	Cost $	Fair Value $
EQUITY— 96.4%			
Canadian Equity — 51.5%			
Energy — 15.5%			
Canadian Natural Resources Ltd.	1,114,614	45,906	36,715
Parkland Fuel Corp.	970,354	23,541	34,292
ARC Resources Ltd.	4,181,958	65,638	33,874
Tourmaline Oil Corp.	1,685,787	44,626	28,625
Enerflex Ltd.	1,083,348	15,177	17,312
Storm Resources Ltd.	6,331,334	23,726	11,016
Secure Energy Services Inc.	556,207	7,600	3,899
		226,214	**165,733**
Financials — 13.5%			
Brookfield Asset Management Inc., Class 'A'	1,047,210	49,086	54,790
Intact Financial Corp.	356,942	28,206	35,405
Royal Bank of Canada	374,867	37,631	35,028
Tricon Capital Group Inc.	1,426,581	15,010	13,823
Fiera Capital Corp.	443,032	4,769	5,002
		134,702	**144,048**
Materials — 8.8%			
Franco-Nevada Corp.	579,657	47,688	55,491
Nutrien Ltd.	335,267	21,781	21,497
Goldcorp Inc.	1,252,746	20,891	16,749
		90,360	**93,737**
Industrials — 5.1%			
Waste Connections Inc.	219,185	11,336	22,210
Badger Daylighting Ltd.	581,049	14,826	18,739
Canadian National Railway Co.	132,924	13,380	13,440
		39,542	**54,389**
Utilities — 4.1%			
Fortis Inc..	689,700	28,303	31,388
Northland Power Inc.	556,258	9,572	12,071
		37,875	**43,459**
Telecommunication Services — 2.7%			
Shaw Communications Inc., Class 'B'	1,148,311	30,296	28,375
		30,296	**28,375**
Real Estate Investment Trust (REITs) — 1.8%			
Allied Properties REIT	441,376	13,844	19,562
		13,844	**19,562**
Total Canadian Equity — 51.5%		**572,833**	**549,303**

($ thousands except for units/shares/face value of bonds)	Units/ Shares/ Face Value	Cost $	Fair Value $
U.S. Equity — 39.3%			
Health Care — 14.4%			
Anthem Inc.	184,622	50,928	66,195
Johnson & Johnson	229,875	37,027	40,499
Danaher Corp.	223,204	25,595	31,422
Baxter International Inc.	168,642	14,521	15,154
		128,071	**153,270**
Financials — 14.0%			
Berkshire Hathaway Inc., Class 'B'	259,397	67,714	72,306
Wells Fargo & Co.	675,320	45,529	42,483
PNC Financial Services Group Inc.	130,896	24,524	20,892
Brookfield Property Partners L.P.	645,362	16,885	14,211
		154,652	**149,892**
Information Technology — 4.8%			
Microsoft Corp.	286,759	27,782	39,763
MasterCard Inc., Class 'A'	42,291	8,479	10,892
		36,261	**50,655**
Consumer Staples — 4.5%			
Coca-Cola Co. (The)	743,137	42,661	48,038
		42,661	**48,038**
Energy — 1.0%			
Schlumberger Ltd.	225,937	19,337	11,129
		19,337	**11,129**
Materials — 0.6%			
DowDuPont Inc.	94,380	8,461	6,891
		8,461	**6,891**
Total U.S. Equity — 39.3%		**389,443**	**419,875**
International Equity — 5.6%			
Health Care — 4.1%			
Medtronic PLC	355,168	40,358	44,104
		40,358	**44,104**
Financials — 1.5%			
Chubb Ltd.	86,818	14,110	15,311
		14,110	**15,311**
Total International Equity — 5.6%		**54,468**	**59,415**
TOTAL EQUITY — 96.4%		**1,016,744**	**1,028,593**
FIXED INCOME — 0.4%			
International Fixed Income — 0.4%			
Corporate Bonds — 0.4%			
Bio City Development Co. BV, Convertible, 8.00%, 2020/07/06	17,400,000	16,987	4,167
		16,987	**4,167**
Total International Fixed Income — 0.4%		**16,987**	**4,167**
TOTAL FIXED INCOME — 0.4%		**16,987**	**4,167**
		1,033,731	**1,032,760**

($ thousands except for units/shares/face value of bonds)	Units/ Shares/ Face Value	Cost $	Fair Value $
Brokerage commissions and other portfolio transaction costs		**(773)**	**—**
Total investment portfolio — 96.8%		**1,032,958**	**1,032,760**
Cash - 33.6%			**359,112**
Other net assets (liabilities) - (30.4)%			**(324,413)**
Net assets attributable to holders of common redeemable units - 100.0%			**1,067,459**

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

1. ORGANIZATION

Canoe EIT Income Fund (the "Fund") is a closed-end investment trust established under the laws of Alberta pursuant to a Declaration of Trust dated August 5, 1997, as amended and restated from time to time. The Fund commenced operations on August 7, 1997. Canoe Financial LP (the "Manager" or "Canoe"), a partnership established under the laws of the Province of Alberta, has been the Manager of the Fund since November 1, 2010. Alliance Trust Company is the trustee.

The term of the Fund continues until the year 2050, unless extended pursuant to the terms of the Declaration of Trust. The investment objectives of the Fund are to maximize monthly distributions relative to risk and maximize net asset value ("NAV") while maintaining and expanding a diversified portfolio.

The Fund's common and preferred units are publicly listed and trade on the Toronto Stock Exchange (EIT.UN, EIT.PR.A, and EIT.PR.B).

The Fund's principal office is located at Suite 2750, 421 - 7th Avenue SW, Calgary, Alberta, T2P 4K9.

2. BASIS OF PRESENTATION

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

These financial statements were authorized for issue by the Manager on March 11, 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies.

Investments and financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date and any realized or unrealized gains and losses from such transactions are calculated on an average cost basis. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss ("FVTPL"), including certain investments in debt securities which have been designated as FVTPL.

All derivative financial instruments are generally classified as FVTPL. The Fund may write call or put options in respect of some or all of the equity securities in the investment portfolio for which premiums are received. Call options are written only in respect of equity securities that are in the investment portfolio and as a result are covered at all times. Premiums received on written covered call options are recorded as liabilities and are subsequently adjusted to the fair value of the options that would have the effect of closing the position. Listed and actively traded options are valued at fair values as published on the recognized exchange on which the options and underlying position is listed or principally traded. Any difference resulting from revaluation is recorded in "Net change in unrealized gain (loss) on derivatives". Premiums received from written options that expire are treated as realized gains and are included in "Net realized gain (loss) on derivatives". Premiums received from written options that are closed prior to the expiration date, or exercised prior to or on the expiration date, are included in "Net realized gain (loss) on derivatives".

The Fund's units contain multiple contractual obligations in addition to the ongoing redemption obligation and therefore, have been classified as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation* ("IAS 32") and measured assuming redemption at net asset value.

All other financial instruments are subsequently measured at amortized cost.

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. Dividend income is recorded on the ex-distribution date and income is accrued as earned.

Brokerage commissions incurred for portfolio transactions are included as an expense in the Statements of Comprehensive Income.

A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Fund has transferred substantially all of the risks and rewards of ownership of the asset. Financial assets and liabilities are offset and the net amount reported 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. Financial liabilities are classified as current liabilities if payment is due within 12 months. Otherwise, they are presented as non-current liabilities.

IFRS 9, Financial Instruments ("IFRS 9"), was issued in November 2009 and amended in October 2010, November 2013, and July 2014. It addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 replaces the provisions of IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39") that relate to the recognition, classification and measurement of financial assets and financial liabilities and the derecognition of financial instruments.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of the financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

This new guidance was effective January 1, 2018, and did not have a material impact on the Fund's financial statements. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

IFRS 7, Financial Instruments: Disclosure has also been amended for disclosures in respect of the transition from IAS 39 to IFRS 9.

Fair value measurement

Fair value is the price 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 within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market is determined based on a private company valuation policy established by the Manager. Under this policy, the Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each NAV date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, the most recent NAV calculation of the investment, discounted cash flow analysis, option pricing models and others commonly used by market participants which make the maximum use of observable inputs.

The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the beginning of the reporting period during which an event or change in circumstances gives rise to the transfer.

Cash
Cash consists of cash on hand and balances with banks. From time to time the custodian will allow the Fund to enter into an overdraft position without set limitation while awaiting settlement of trades and securityholder transactions. Such amounts are collateralized by the Fund's portfolio holdings.

Return of capital
Distributions from investments that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investments.

Income taxes
The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and is therefore subject to tax on any net income for tax purposes which is not paid or payable to unitholders during the year. The trust indenture of the Fund requires it to distribute all of its net income for tax purposes so that it will not be subject to income taxes, other than applicable foreign withholding taxes. On this basis, the Fund does not record income taxes.

Foreign currency translation
The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also the functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Realized gains or losses on purchase, sales, settlement of investment transactions, or other assets and liabilities are recorded in the Statements of Comprehensive Income in the period in which they occur under "Net realized gain (loss) on sale of investments". Realized and unrealized foreign exchange gains or losses on portfolio investments are calculated on the original cost of investments and debt denominated in a foreign currency based on the disposition or period end exchange rate changes from period to period.

Foreign currency denominated investments, and other assets and liabilities held at period end, if any, are translated into Canadian dollars at the prevailing exchange rates on each valuation date with related unrealized foreign exchange gains or losses included in the Statements of Comprehensive Income (Loss) under, "Net change in unrealized appreciation (depreciation) of investments".

Foreign exchange gains and losses relating to cash are included in the Statements of Comprehensive Income (Loss) under, "Foreign exchange gain (loss) on cash".

Foreign currency exchange contracts
Foreign exchange contracts represent agreements between two parties (the Fund and a counterparty) to exchange payments of fixed quantities of currencies at an agreed upon future date. The Fund may use foreign currency exchange contracts to mitigate the risk of transactions in foreign-denominated securities and to manage the Fund's currency exposure.

The changes in value of foreign currency exchange contracts are due to movements in the forward exchange rate of the underlying currencies. These changes are recorded in "Derivative assets" and "Derivative liabilities" in the Statements of Financial Position and "Net change in unrealized gain (loss) on investments and derivatives" in the Statements of Comprehensive Income. When foreign exchange contracts are settled, any gain or loss is recorded in "Net realized gain (loss) on investments and derivatives".

Preferred units
The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contract. The Fund has two series of preferred redeemable units (series 1 and 2). The preferred units have priority over the common units with respect to the payment of distributions, the returns of capital, and the distribution of assets in the event of liquidation. The preferred redeemable units provide investors with the right to require redemption for cash at values and dates as set out in Note 9. The preferred units are classified as a liability and carried at amortized cost using the effective interest rate method.

Comprehensive income
Comprehensive income represents the change in net assets attributable to holders of common redeemable units of an enterprise during a period resulting from transactions and other events arising from non-owner sources, including changes in the fair value of the effective portion of cash flow hedging instruments or change in fair value of warrants.

Increase (decrease) in net assets attributable to holders of common redeemable units per unit
The increase (decrease) in net assets attributable to holders of common redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of common redeemable units by the weighted average number of units outstanding during the period. Refer to Note 12.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known during the reporting periods. The Funds' most significant estimates involve the measurement of investments and derivatives at fair value as described in Notes 3 and 5. The following discusses the most significant accounting judgments that the Funds have made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option
In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments. In addition, significant judgments are also made in determining if certain investment types should be classified separately from the total return managed portfolio, for the purposes of financial reporting, and are classified as FVTPL (e.g. including derivatives, and investments that are acquired with an intention to resell before maturity or within a short time period).

Investment entity
Qualification as an 'investment entity' under IFRS requires that the Fund meets certain criteria. In determining if the Fund meets these criteria, judgment was applied in assessing that the objectives and business purposes of the Fund are to generate investment income, and that fair value is the primary measurement attribute to measure and evaluate the performance of substantially all of the Fund's investments.

5. RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

The Fund's investment objectives are to maximize monthly distributions relative to risk and maximize net asset value while maintaining and expanding a diversified investment portfolio. The Fund manages its exposure to concentration risk, the risk of being invested in one, or a limited number, of particular asset classes, through diversification of its investments. Additionally, the Manager minimizes price risk by investing in dividend paying common stocks, preferred shares and debentures which represent a strong reward to risk profile. The Manager purchases and holds securities and determines the timing to transition the Fund's portfolio into other sectors and investment vehicles to enhance the portfolio's performance and/or limit risk. Continuous monitoring of the portfolio ensures alignment with the Fund's objectives as well as compliance with internal processes and procedures and external regulations.

(Amounts in thousands except per unit amounts)

Market risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices and is comprised of interest rate risk, foreign currency risk and other price risk. The Fund is exposed to such risks primarily through its portfolio of investments and written covered call options, as applicable, which are subject to the market risk inherent in investment in capital markets. The Fund invests with a medium- to long-term outlook, while focusing on quality businesses that consistently deliver strong returns for common unitholders.

The credit facility and the preferred units exposes common unitholders to leverage such that any increase or decrease in the asset value of the investment portfolio will result in a greater proportionate increase or decrease in the net asset value per unit.

The Manager monitors the investment portfolio and leverage daily to manage market risk.

Interest rate risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuate due to changes in market interest rates. The Fund is exposed to interest rate risk through the credit facility, cash and its fixed income investments.

The credit facility bears interest at a rate per annum approximately equal to prime, and/or bankers' acceptance rate plus an applicable margin, and LIBOR rate plus an applicable margin. Borrowings under the credit facility are primarily made in the form of LIBOR and bankers' acceptances, therefore, cash flows are impacted by changes in these underlying interest rates. An increase in interest rates would adversely affect the amount of interest paid under the credit facility.

The preferred units bear an annual interest rate of 4.8%. This rate does not change and, as a result, the Fund is not subject to signification amounts of interest rate risk relating to the preferred units due to fluctuation in prevailing market interest rates.

The Fund is also exposed to risks related to the effects of fluctuations in the prevailing levels of market interest rates on the fair value of its investments particularly for fixed income securities, which may impact the cash amount realized upon disposition.

The Fund's net exposure to interest rate risk by term to maturity is as follows:

	As at December 31, 2018 $	As at December 31, 2017 $
Less than 1 year	**260,207**	(76,816)
1 – 5 years	**4,167**	13,864
5 – 10 years	**—**	—
Greater than 10 years	**—**	—
Total exposure	**264,374**	(62,952)

The amount owing under the Fund's current credit facility at December 31, 2018 is $98,905 (December 31, 2017 - $91,066). The credit facility matures in October 2019.

The amount owing related to the preferred units as at December 31, 2018 is $221,375 (December 31, 2017 - $140,875). Series 1 preferred units are not redeemable until March 15, 2022. Series 2 preferred units are not redeemable until March 15, 2023.

Based on the above exposure and weighted average duration of investments at December 31, 2018, a 0.5% per annum change in interest rates, assuming a parallel shift in the yield curve, would result in a change of approximately $1,322 (December 31, 2017 - $45) in the Increase (Decrease) in Net Assets Attributable to Holders of Common Redeemable Units, with all other factors held constant.

Foreign currency risk
The Fund's functional currency is the Canadian dollar. The Fund's net exposure to foreign currency risk is reduced as its US dollar denominated investments are partially offset with US dollar borrowings, creating a natural hedge on a portion of the US dollar denominated portfolio. There is further currency rate risk in relation to interest payments made on the US dollar denominated debt, as well as on US dollar denominated fixed income securities as fluctuations in the exchange rate will affect the amounts payable and or receivable.

The Fund's net exposure to foreign currency risk (in Canadian dollars) is comprised of foreign currency portfolio investments and other foreign currency assets net of the US dollar denominated credit facility, as applicable, currency contract and other foreign currency liabilities. The Fund's exposure and impact on Net Assets Attributable to Holders of Common Redeemable Units with a 5% change in the exchange rate, is summarized as follows:

December 31, 2018

	Exposure			
Currency	Monetary	Non-Monetary	Total Exposure	Impact on Net Assets
US Dollar	**7,178**	**465,079**	**472,257**	**23,613**
	$ 7,178	**$ 465,079**	**$ 472,257**	**$ 23,613**
% of Net Assets	**0.7%**	**43.6%**	**44.3%**	**2.2%**

December 31, 2017

	Exposure			
Currency	Monetary	Non-Monetary	Total Exposure	Impact on Net Assets
US Dollar	(84,744)	525,609	440,865	22,043
Euro	—	18,872	18,872	944
Swiss Franc	124	25,387	25,511	1,276
	$ (84,620)	$ 569,868	$ 485,248	$ 24,263
% of Net Assets	(7.9)%	53.1%	45.2%	2.3%

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

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

The Fund is exposed to price risk through the following financial instruments:

(Amounts in thousands except per unit amounts)

	As at December 31, 2018 $	As at December 31, 2017 $
Equities	**1,028,593**	1,280,720
Net exposure	**1,028,593**	1,280,720

As at December 31, 2018, approximately 96.4% (December 31, 2017 - 119.4%) of the Fund's net assets attributable to holders of common redeemable units were exposed to other price risk. If prices of these instruments had decreased or increased by 5%, with all other variables held constant, net assets attributable to holders of common redeemable units would have decreased or increased, respectively, by approximately $51,430 (December 31, 2017 - $64,036). In practice, actual results will differ from this sensitivity analysis and the difference could be material.

As a portion of the Fund's investments are in the energy sector or other sectors that are impacted by the price of crude oil and natural gas or other commodities, the Fund is also susceptible to price risk associated with commodities. This risk cannot be reasonably quantified.

Liquidity risk
Liquidity risk is the risk that the Fund will encounter difficulties in meeting its financial obligations. The majority of the Fund's assets are investments traded in an active market and can be easily disposed of at market prices. There is no assurance that an adequate market for securities owned by the Fund will continue to exist due to fluctuations in trading volumes and market prices. The ability to dispose of securities on a timely basis could be constrained by limited trading volumes. The Fund's objective is to have sufficient liquidity to meet these requirements when due. The Fund monitors its cash balances and cash flows generated from operations to meet these requirements. At December 31, 2018 and December 31, 2017, with the exception of the preferred units, all of the Fund's liabilities are callable on demand or have maturity dates of less than one year. Sufficient cash balances are maintained to cover daily operating expenses and monthly distributions and the credit facility can be utilized for investing and operating purposes when timing of cash inflows are not aligned with immediate cash requirements. The preferred units may be redeemed at the option of the unitholder no earlier than March 15, 2024.

The amount available to be drawn on the credit facility is limited by the value of the portfolio investments. Repayments of the credit facility are funded by the sale of securities in the portfolio. The Fund monitors the value of the portfolio investments against the borrowing limitations of the credit facility to ensure that the amount drawn is comfortably within the maximum borrowing limit allowed. This reduces the risk of having to sell investments in a depressed market, at potentially unfavourable prices to fund repayment requirements for the credit facility.

As the Fund is a publicly traded, closed-end fund, it is not exposed to the liquidity risks associated with daily cash redemptions of its units, which could be the case if it were an open-end mutual fund. However, the Fund's unitholders have the right to redeem up to 10% of the then outstanding units of the Fund once each calendar year. This redemption feature requires further cash management during the relevant redemption period to ensure that sufficient funds are available to fund the redemption. The Fund will satisfy such redemptions through the sale of securities within the portfolio. There is sufficient time under the terms of the redemption feature to raise all necessary proceeds to fund the redemption. Refer to Note 8 for further details on the 2018 redemption.

Credit risk
Credit risk is the risk that the counterparty to a financial asset will default resulting in a financial loss. The Fund's cash is held by its custodian or in overnight deposits with a Schedule I bank. The Fund's foreign currency exchange contracts are traded over the counter with major international financial institutions. The Fund's fixed income investments are purchased at reasonable valuations and exposures to non-rated counterparties are continuously monitored. The carrying amount of the cash, receivables, derivatives and fixed income investments represents the maximum credit risk exposure of the Fund. All transactions in listed securities are settled upon delivery using reputable brokers. Securities sold are delivered once payment has been received by the broker and securities purchased are paid for once the securities have been received by the broker, therefore the risk of default is considered minimal. The trade will fail if either party fails to meet its obligation. Given the controls surrounding sales of investments, no allowance has been set up with respect to proceeds receivable on the sale of portfolio assets. In respect of dividends receivable, the Fund invests in securities of entities with strong balance sheets and histories of payment of regular dividends or distributions. Dividends may be received by way of cash or shares and the risk of non-collection is considered minimal as dividends are typically only declared if the entity has the ability to settle.

As at December 31, 2018 and December 31, 2017, the Fund had investments in debt instruments with the following credit ratings:

	As a percentage of Net Assets	
Credit Ratings*	**December 31, 2018**	December 31, 2017
Unrated	**0.4%**	1.8%
Total	**0.4%**	1.8%

*Allocation based on a major credit rating provider or equivalent rating scale.

Concentration risk
Concentrations of risk exist when changes in economic, industry, or geographic factors broadly affect financial instruments with similar characteristics. Concentration risk is higher when aggregate net exposure to these factors that are significant in relation to the Fund's net assets.

Credit risk is concentrated as all cash is held by a single custodian and the credit facility is also held with one Canadian financial institution. The Fund's fixed income portfolio exposure is concentrated in one international bond at 0.4% of net assets attributable to holders of common redeemable units at December 31, 2018 (December 31, 2017 - one international bond and one Canadian bond at 0.5% and 1.3% respectively). The Manager does not anticipate any material losses as a result of these concentrations.

The following is a summary of the Fund's exposure to concentration risk:

	As a percentage of Net Assets	
	December 31, 2018	December 31, 2017
Cash	**33.6%**	0.8 %
Financials	**29.0%**	40.0 %
Health care	**18.5%**	11.5 %
Energy	**16.5%**	25.7 %
Materials	**9.4%**	8.6 %
Industrials	**5.1%**	9.0 %
Information technology	**4.8%**	10.4 %
Consumer staples	**4.5%**	1.8 %
Utilities	**4.1%**	6.7 %
Telecommunication services	**2.7%**	3.1 %
Real Estate Investment Trust (REITs)	**1.8%**	1.6 %
Corporate bonds	**0.4%**	1.8 %
Consumer discretionary	**—%**	1.0 %
Other net assets (liabilities)	**(30.4)%**	(22.0)%
Total	**100.0%**	100.0 %

Offsetting
The Fund may enter into various master netting arrangements or other similar arrangements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be offset at the Manager's discretion or in certain circumstances, such as bankruptcy or termination of the contracts. Where applicable, additional information on foreign currency exchange contacts outstanding at period end can be found on the Schedule of Investment Portfolio. Unrealized

(Amounts in thousands except per unit amounts)

appreciation or depreciation is included in derivative assets or derivative liabilities, as applicable, on the Statements of Financial Position. There were no such contracts outstanding as at December 31, 2018 and December 31, 2017.

Fair value measurement
The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 Inputs are unobservable for the asset or liability.

If different levels of inputs are used to measure a financial instrument's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the financial instrument.

Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. The effect of changing Level 3 inputs to reasonably possible alternatives would not have a significant impact on the net assets of the Fund as at December 31, 2018 and December 31, 2017.

All fair value measurements are recurring. Financial instruments that are not measured at fair value on the Statements of Financial Position are represented by cash, dividends receivable, interest receivable, accounts payable and accrued liabilities, distributions payable, the credit facility and interest expense payable. Their fair values approximate their carrying values due to their short term nature. Preferred units are recorded at amortized cost using the effective interest rate method.

Equities
The Fund's equity positions are classified as Level 1 when the security is actively traded on a listed exchange and a reliable quote is observable. If certain of the Funds' equity securities do not trade frequently and therefore observable prices may not be available, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer). The equity securities are then classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3. The Fund may also invest in private placements of securities where a temporary hold is placed on the trading of a security following its acquisition. These private placements are fair valued with an illiquidity discount to the quoted price of the freely traded security, this discount being amortized through the temporary hold period, and the equity securities classified as Level 2.

Corporate bonds and convertible debentures
The Fund's corporate bonds are classified as Level 1 when the instrument is actively traded on a listed exchange and a reliable quote is available. Bonds are classified as Level 2 when they are valued using observable inputs, including interest rate curves, credit spreads and volatilities. Corporate bonds for which significant unobservable data is required in determining fair value have been classified as Level 3.

Preferred shares
The Fund's preferred securities positions are classified as Level 1 when the security is actively traded on a listed exchange and a reliable quote is observable. If certain of the Fund's preferred shares do not trade frequently and therefore observable prices may not be available, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer). The preferred security is then classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

Foreign exchange contracts
The Fund may enter into foreign exchange contracts to receive or pay specified values of foreign currencies at specific exchange rates. Foreign exchange contracts are classified as Level 1 when the fair value is based on a quote in an active market and Level 2 when prices are obtained from observable market data and determined in relation to the value of the underlying currencies and period to expiry.

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2018 and December 31, 2017.

Assets at fair value as at December 31, 2018(1)(2)

	Level 1 $	Level 2 $	Level 3 $	Total $
Equities	1,028,593	—	—	1,028,593
Bonds and convertible debentures	—	—	4,167	4,167
Total Investments	**1,028,593**	**—**	**4,167**	**1,032,760**

Assets at fair value as at December 31, 2017(1)(2)

	Level 1 $	Level 2 $	Level 3 $	Total $
Equities	1,280,720	—	—	1,280,720
Bonds and convertible debentures	—	13,864	5,240	19,104
Total Investments	1,280,720	13,864	5,240	1,299,824

(1) The Fund's Level 3 securities consist of portfolio assets that are not traded in an active market. Valuation techniques, including valuation models, are used to determine the fair value of these assets. In limited circumstances, the fair value may be determined using valuation techniques with certain inputs that are not supported by observable market data.
(2) There were no transfers of instrument between Level 1, 2 or 3.

The following is a reconciliation of Level 3 Fair value measurements.

	December 31, 2018 Fair value measurement using Level 3 inputs(1)(2)		December 31, 2017 Fair value measurement using Level 3 inputs(1)(2)	
	Preferred shares	Bonds	Preferred shares	Bonds
Balance at the beginning of the year	**—**	**5,240**	1,644	7,700
Purchases	**—**	**—**	—	—
Redemptions	**—**	**—**	—	—
Transfers in/(out)	**—**	**—**	(2,054)	—
Net realized gain (loss)	**(2,054)**	**—**	—	—
Net change in unrealized appreciation (depreciation)(2)(3)	**2,054**	**(1,073)**	410	(2,460)
Balance at the end of the year	**—**	**4,167**	—	5,240

(1) The unrealized appreciation (depreciation) attributable to Level 3 bonds held at December 31, 2018 was $(12,820) (December 31, 2017 - $(11,747)). The unrealized appreciation (depreciation) attributable to Level 3 preferred shares held at December 31, 2018 was $nil (December 31, 2017 - $(2,054)).
(2) There were no transfers of instruments between Level 1, 2 or 3.
(3) The change in unrealized appreciation (depreciation) attributable to Level 3 investments that were held at December 31, 2018 was $981 (December 31, 2017 - $(2,460)).

The Fund applies the various valuation techniques in determining the fair value of Level 3 securities as detailed below.

"Fundamental analysis" entails reviewing the financial statements of the security issuer as part of a quantitative analysis to determine the estimated enterprise value of the issuer and the issuer's potential future performance to determine fair value. The Fund held one preferred equity position at December 31, 2017 that was priced using fundamental analysis.

"Discounted cash flow models" use future cash flow projections and discount them based on a discount rate to arrive at a present value which is used to approximate fair value. The Fund held one bond as at December 31, 2018 (one bond and one equity - December 31, 2017) priced on a discounted cash flow model. The equity position had a value of $nil as at December 31, 2017 and is not presented in the table below.

The table below sets out the valuation techniques applied to fair value Level 3 securities.

	Fair Value		
	December 31, 2018	December 31, 2017	Unobservable Inputs
Discounted cash flow model	**4,167**	5,240	Discount rate
Total	**4,167**	5,240	

If the discount rate of the Level 3 securities priced on a discounted cash flow model had increased or decreased by 1%, with all other variables held constant, net assets attributable to holders of common redeemable units would have decreased or increased by approximately $41 for the year ended December 31, 2018 (December 31, 2017 - $50).

6. DISTRIBUTIONS TO COMMON UNITHOLDERS

Distributions to the common redeemable units, as declared by the Manager, are made on a monthly basis payable no later than the fifteenth day of the following month. Distributions are declared to unitholders of record on or about the twenty-second day of each month. Pursuant to its Declaration of Trust, the Fund is required to distribute all of its net income for tax purposes each year. The Fund is required to distribute deficiencies, if any, between the monthly distributions paid or payable during the year and the total of its net income for tax purposes for the year then ended, which are payable as distributions on December 31 of each year. Distributions paid or payable in excess of the net income for tax purposes of the Fund represent a return of capital to unitholders.

The allocation of distributions is estimated on an accounting basis for the purposes of presentation in the Statements of Changes in Net Assets Attributable to Holders of Common Redeemable Units.

7. CREDIT FACILITY

Per the Declaration of Trust, borrowings are restricted to 20% of the Fund's total assets, at the time of borrowing, after considering borrowings. On October 9, 2018, the Fund entered into an amended and restated 12-month revolving credit facility with a Canadian financial institution. The credit facility allows the Fund to borrow in either Canadian or U.S. funds up to a maximum of $200 million Canadian equivalent. Advances under the amended and restated credit facility can be made by way of prime loans, bankers' acceptances, base rate loans, LIBOR loans, or any combination thereof. Canadian dollar denominated loans will bear interest at a rate per annum equal to prime, and/or Canadian bankers' acceptance rates plus an applicable margin. US dollar denominated loans will bear interest at a rate per annum equal to the U.S. base rate, and/or U.S. LIBOR rate plus an applicable margin. The credit facility is secured by the underlying portfolio investments. The maximum borrowings during the year ended December 31, 2018 were $98,952 (year ended December 31, 2017 - $99,694) and the minimum amount drawn was $88,889 (year ended December 31, 2017 - $87,799). Of the amount drawn at December 31, 2018, $98,905 (CAD equivalent) was denominated in US dollars (December 31, 2017 - $91,066 CAD equivalent). At December 31, 2018, the credit facility represented 9.3% of net assets (year ended December 31, 2017 - 8.5%). The weighted average annualized interest rate for the year was 3.0% (year ended December 31, 2017 - 2.1%). Due to the short term nature of the credit facility, the carrying value of the credit facility approximates the fair value of the liability.

8. COMMON TRUST UNITS

The authorized capital of the Fund consists of an unlimited number of the Fund's common trust units. A beneficial interest in the net assets of the Fund is divided into transferable units of equal value. All units are of the same class with equal rights and privileges, with each unit being entitled to one vote and equal participation in any distributions made by the Fund. During the year ended December 31, 2018 and the year ended December 31, 2017, units were issued and outstanding as follows:

	Year Ended December 31, 2018	Year Ended December 31, 2017
	Number of Units (000s)	Number of Units (000s)
Beginning of year	**86,037**	87,674
Issued under Premium Distribution™ and Distribution reinvestment plans	**9,684**	7,851
Common trust units issued	**6,261**	—
Redemptions	**(253)**	(9,488)
End of year	**101,729**	86,037

i) Distribution Reinvestment

For the year ended December 31, 2018, 9,684 units (year ended December 31, 2017 - 7,851 units) were issued under the reinvestment plan of regular monthly distributions. Pursuant to the distribution plans, unitholders who are residents of Canada may elect to have all of their cash distributions automatically reinvested in additional units of the Fund. Participants do not pay any costs associated with the distribution reinvestment plan, including brokerage commissions. Reinvestment of cash distributions does not relieve participants of any income tax applicable to such distributions.

ii) Voluntary Annual Redemption

The voluntary annual cash redemption provides the unitholders with a right to receive a cash redemption of their units at 95% of the average NAV of the three trading days preceding the redemption date, less direct costs associated with the sale of a corresponding amount of portfolio securities to fund the redemption. This redemption is subject to a limit of 10% of the outstanding units of the Fund, once each calendar year. The 5% difference between the NAV and 95% of the NAV will be paid to the Manager as outlined in Note 10.

On October 15, 2018, the Fund gave notice to unitholders that the voluntary annual redemption period would take place between

October 16, 2018 and November 16, 2018, with a redemption date of December 7, 2018. On December 7, 2018, the Fund redeemed 253 units for a cash cost of $2,802 or $11.05 per unit, including the manager's portion and other expenses, and paid on December 19, 2018. The redemption price equaled 95% of the average NAV based on the three business days preceding the redemption date of December 7, 2018, less direct costs associated with the disposition of a corresponding amount of portfolio securities to fund such redemption.

iii) Unit Repurchases

The Fund did not purchase any units in the open market during the years ended December 31, 2018 and 2017.

As at December 31, 2018, the traded price per common redeemable unit was $10.33 (December 31, 2017 - $11.81).

iv) Unit Issuances

During November 2018, the Fund issued 6.3 million units of common redeemable units at a price of $11.18 per unit, for gross proceeds of $70.0 million.

9. PREFERRED REDEEMABLE UNITS

On March 14, 2017, the Fund issued 4,900 units of series 1 preferred redeemable units at a price of $25.00 per unit for gross proceeds of $122,500. On March 21, 2017, the Fund issued an additional 735 units of series 1 preferred redeemable units under the over-allotment option for additional gross proceeds of $18,375. Total proceeds on issuance, net of issuing costs, was $135,824. The preferred units are entitled to cash distributions of $1.20 (4.8%) per unit per annum, payable on the 15th day of March, June, September, and December. The first distribution was payable on June 15, 2017 for an amount of $0.3058 per unit. Payments to preferred unitholders are in priority to all other classes of units. Preferred units are not entitled to any additional distributions above the fixed distribution rate. The total number of series 1 preferred redeemable units as at December 31, 2018 was 5,635 units (December 31, 2017 - 5,635 units).

On or after March 15, 2022, the Fund may redeem all or from time to time any part of the outstanding series 1 preferred units, at the Fund's option, at a price per series 1 preferred unit equal to $25.75 if redeemed on or after March 15, 2022, but before March 15, 2023; $25.50 if redeemed on or after March 15, 2023, but before March 15, 2024; and $25.00 thereafter, together, in each case, with all accrued and unpaid distributions up to but excluding the date fixed for redemption.

On or after March 15, 2024, the series 1 preferred units may be retractable for cash, at the option of the series 1 preferred unitholder, for $25.00 per series 1 preferred unit, together with any accrued and unpaid distributions.

On April 17, 2018, the Fund issued 2,800 units of series 2 preferred redeemable units at a price of $25.00 per unit for gross proceeds of $70,000. On April 23, 2018, the Fund issued an additional 420 units for series 2 preferred redeemable units under the over-allotment option of additional gross proceeds of $10,500. Total proceeds on issuance, net of issuing costs, was $77,685. The preferred units are entitled to cash distributions of $1.20 (4.8%) per unit per annum, payable on the 15th day of March, June, September, and December. The first distribution was payable on June 15, 2018 for an amount of $0.1940 per unit. Payments to preferred unitholders are in priority to all other classes of units. Preferred units are not entitled to any additional distributions above the fixed distribution rate. The total number of series 2 preferred redeemable units as at December 31, 2018 was 3,220 units.

On or after March 15, 2023, the Fund may redeem all or from time to time any part of the outstanding series 2 preferred units, at the Fund's option, at a price per series 2 preferred unit equal to $25.75 if redeemed on or after March 15, 2023, but before March 15, 2024; $25.50 if redeemed on or after March 15, 2024, but before March 15, 2025; and $25.00 thereafter, together, in each case, with all accrued and unpaid distributions up to but excluding the date fixed for redemption.

On or after March 15, 2025, the series 2 preferred units may be retractable for cash, at the option of the series 2 preferred unitholder, for $25.00 per series 2 preferred unit, together with any accrued and unpaid distributions.

The NAV presented on the Statements of Financial Position is calculated using the amortized cost of the preferred redeemable units. As at December 31, 2018, the traded price per series 1 preferred redeemable unit was $24.79 (December 31, 2017 - $25.50) which would result in an aggregate trading unit value of $136,692 (December 31, 2017 - $143,693). As at December 31, 2018, the traded price per series 2 preferred redeemable unit was $24.75 which would result in an aggregate trading unit value of $79,695.

If the NAV per common redeemable unit was calculated using the December 31, 2018 traded fair value of the series 1 and 2 preferred redeemable units, the NAV per share of the common redeemable unitholders as at December 31, 2018 would be lower by $0.04 (December 31, 2017 - $0.09). The Fund cannot redeem the preferred redeemable units prior to March 15, 2022 for series 1 or March 15, 2023 for series 2 and does not intend to redeem based on traded unit values that are higher than $25.00 per preferred redeemable unit.

10. MANAGEMENT FEES AND EXPENSES AND RELATED PARTY EXPENSES

Management fees

Pursuant to a management agreement, as amended, the Manager provides management and investment services to the Fund for which the Manager is paid a management fee which is calculated daily in part as 1.5% on the first $250 million of the daily total asset value ("TAV") and 1.0% on amounts in excess of that, payable monthly, in arrears. The TAV of the Fund shall be the NAV of the Fund calculated in accordance with the Declaration of Trust. The portion of the fee calculated on TAV is reflected as management fees on the Statements of Comprehensive Income and amounted to $12,091 for the year ended December 31, 2018 (year ended December 31, 2017 - $13,892).

Pursuant to the Management agreement, the Manager is entitled to five years of management fees, calculated on a pro-forma basis, based on the then current NAV of the Fund at the time of termination. The 5% difference between NAV and 95% of NAV paid to the Manager in respect of the voluntary annual redemption will be considered a prepayment for the partial surrender of the Manager's right to collect future termination fees as agreed to under the management agreement and is payable and paid by unitholders out of the gross NAV amount.

Administration fee

Pursuant to a management agreement, as amended, the Fund also pays a fixed rate Administration Fee. The fixed administration fee is equal to a percentage of the TAV, calculated and paid in the same manner as the management fee. The administration fee is subject to GST, HST and other applicable taxes. The rate of the administration fee is tiered: 0.35% on the first $750 million of daily TAV, 0.13% on the portion of the daily TAV that is greater than $750 million but less than or equal to $1.5 billion, and 0.11% on the portion of the daily TAV that is in excess of $1.5 billion.

The Manager shall be responsible to pay all of the expenses associated with the operation and administration of the Fund (the "Operating Expenses") except those expenses specifically excluded as outlined below. Expenses that are the responsibility of the Manager include, without limitation, fees payable to the Trustee under the Declaration; fees payable to the Trustee for the performance of any extraordinary services on behalf of the Fund; fees payable to the transfer agent and registrar with respect to the Units; fees payable to the custodian and the auditors of the Fund; operating and administrative costs and expenses; costs and expenses of financial and other reports; costs and expenses relating to complying with all applicable laws and regulations; and the expenses of any action, suit or other proceedings in which or in relation to which the Manager is adjudged to be in breach of any duty or responsibility or standard care to the Fund.

The Fund shall reimburse the Manager for the following expenses incurred on the Fund's behalf by the Manager in connection with the operation and administration of the Fund: all taxes (including, without limitation, HST, GST, capital taxes, income taxes, withholding taxes); borrowing and interest costs; unitholder meeting costs; costs and expenses relating to the issuance of units of the Fund; the fees and expenses of the Independent Review Committee of the Fund; the cost of compliance with any new governmental and regulatory requirements imposed on or after August 30, 2013 (including relating to Operating Expenses) or with any material change to existing governmental and regulatory requirements imposed on or after August 30, 2013 (including increases to regulatory filing fees); any new types of costs, expenses or fees not incurred prior to August 30, 2013, including arising from new government or regulatory requirements relating to the Operating Expenses or related to those external services that were not commonly charged in the Canadian investment fund industry as of August 30, 2013; operating expenses that would have been outside the normal course of business of the Fund prior to August 30, 2013; expenditures incurred upon the termination or conversion of the Fund; and brokerage commissions and other security transaction expenses, including costs of derivatives and foreign exchange transactions.

All transactions are in the normal course of operations and are recorded at the exchange amount. By virtue of providing management services, the Manager is considered a related party.

Included in accounts payable and accrued liabilities at December 31, 2018 is $1,568 (December 31, 2017 - $1,513) owed to the Manager for the above items.

11. BROKERAGE COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS

Brokerage commissions paid on securities transactions are considered to be part of operating expenses and are not included in the cost of purchasing securities. Further, they are not netted against the proceeds from selling securities. Of total brokerage commissions paid, a portion may have been directed to cover payment of order execution or investment research goods and services provided to the Portfolio Advisor and/or Manager. For the year ended December 31, 2018 this portion was approximately $62 (year ended December 31, 2017 - $148).

12. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF COMMON REDEEMABLE UNITS PER UNIT

The Increase (Decrease) in Net Assets Attributable to Holders of Common Redeemable Units per unit is calculated using the Increase (Decrease) in Net Assets Attributable to Holders of Common Redeemable Units and the weighted average number of units outstanding during the year. For the year ended December 31, 2018 the weighted average number of units outstanding was 91,193 (year ended December 31, 2017 - 90,925). The Fund uses the treasury stock method for this calculation.

13. CAPITAL MANAGEMENT

The Fund's capital structure consists of its credit facility, preferred redeemable units, and the net assets attributable to holders of common redeemable units. The Manager has policies and procedures in place to manage the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in its Declaration of Trust. Changes in the Fund's capital during the year ended December 31, 2018 and December 31, 2017 are reflected in the Statements of Changes in Net Assets Attributable to Holders of Common Redeemable Units. The Fund has no specific external capital requirements except as needed to meet certain restrictions under the credit facility relating to NAV. The Fund is in compliance with these restrictions at year end. The Fund's distributions, credit facility, common redeemable units and preferred redeemable units are detailed in Notes 6, 7, 8, 9.

14. SUBSEQUENT EVENT

During February 2019, the Fund issued 6.2 million units of common redeemable units at a price of $11.30 per unit for gross proceeds of $70.1 million.

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Stock Exchange Listing
Toronto Stock Exchange

Symbol
EIT.UN (Common units)
EIT.PR.A (Preferred units, Series 1)
EIT.PR.B (Preferred units, Series 2)