

March 28, 2016

IRC Annual Report to Securityholders

Dear Securityholder:

As Chair of the Independent Review Committee (the “IRC”) for the Canoe Group of Funds (the “Funds”) listed in Appendix I, and as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*, I am pleased to present the 2015 IRC Annual Report to Securityholders. All investment funds in Canada are required to have an independent committee to advise the manager of the Funds regarding conflicts of interest that arise in investment fund management.

The mandate of the IRC is to review the conflict of interest matters identified and referred to the IRC by Canoe Financial LP (the “Manager”) and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. A “conflict of interest matter” (“COI”) is a situation where a reasonable person would consider that the Manager of a Fund, or an entity related to the Manager, to have an interest that may conflict with the Manager’s ability to act in good faith and in the best interest of the Funds. When a conflict of interest matter is brought to the attention of the IRC, after deliberation of both the pros and cons, the IRC recommends actions that the IRC believes will achieve a fair and reasonable result for the Funds.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the Manager’s policies and procedures relating to conflict of interest matters, and conducts a self-assessment of the IRC’s independence, compensation and effectiveness. During calendar 2015, the IRC’s assessment of the Manager’s COI policies and procedures resulted in some amendments to those policies. The IRC is completely satisfied with the frank communication and open disclosure between the Manager, and the IRC and is grateful for the continual educational opportunities afforded it over the year by management.

We are proud to continue to serve the best interest of the Funds and the investors who place their trust in the integrity and professional expertise of Canoe Financial.

This report is available on the Funds’ website at [www.canoefinancial.com](http://www.canoefinancial.com) or you may request a copy, at no cost to you, by contacting Canoe Financial toll-free at 1-877-434-2796, or by writing to Canoe, Suite 3900, 350 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3N9. This document and additional information about the Funds are available at [www.sedar.com](http://www.sedar.com).



**Allen B. Clarke**  
Chair of the Independent Review Committee

## **MEMBERSHIP**

The IRC became operational on November 1, 2007. Allen B. Clarke and William Byrne were appointed to the IRC in 2007, and Mark Brown joined the IRC as a result of a single membership change in 2010. All members of the IRC were reappointed to the IRC in 2013 and there were no changes to IRC membership in 2014.

Members of the IRC are:

<b><u>Name</u></b>	<b><u>Residence</u></b>	<b><u>Commencement of Service</u></b>
Allen B. Clarke*	Toronto, Ontario	May 1, 2007
William Byrne	Edmonton, Alberta	May 1, 2007
Mark Brown	Calgary, Alberta	October 1, 2010

### ***\*Chair of the IRC***

Mr. Clarke is a veteran of the investment business with considerable experience in Trusts, Managed Products and Mutual Funds.

Mr. Byrne was an Assistant Deputy Minister and Deputy Minister in the Alberta Government for many years and brings a broad range of management and governance experience.

Mr. Brown has held senior positions with the TSX Venture Exchange, the Alberta Stock Exchange, and the Alberta Securities Commission, and brings a strong securities background as well as private enterprise experience.

Mr. Clarke sits on, without conflict, the IRCs of BMO Investments Inc. and Ridgewood Capital Asset Management. Mr. Brown sits on, without conflict, the IRC of BMO Investments Inc. Mr. Byrne does not sit on any other IRCs.

There are no subcommittees of the IRC.

## **OWNERSHIP OF SECURITIES BY IRC MEMBERS**

### **Funds**

As at December 31, 2015, the percentage of securities of the Funds beneficially owned, directly or indirectly, in aggregate by all members of the IRC did not exceed 10%.

### **Canoe Financial L.P.**

As at December 31, 2015, no member of the IRC beneficially owned, directly or indirectly, any voting or equity securities of the Manager.

### **Service Providers**

As at December 31, 2015, no member of the IRC beneficially owned, directly or indirectly, more than 1.0% of any class or series of voting or equity securities of a person or company providing services to the Funds or the Manager with respect to fund business.

### **IRC COMPENSATION AND INDEMNITIES**

The members of the IRC are entitled to be compensated by the Funds and to be indemnified by the Funds in appropriate circumstances.

As required by NI 81-107, on an annual basis the IRC reviews its compensation in a manner consistent with good governance practices, giving consideration to the best interests of the Funds, the number and complexity of the Funds, the nature and extent of the workload including the commitment of time and energy required of each IRC member, industry best practices, including surveys of compensation of comparable IRCs, and the IRC's self-assessment. The IRC also considers input from the Manager. The IRC performed this evaluation and assessment and determined that no increase or decrease should be made to the annual retainer fees payable to each IRC member from those paid in the prior year.. The IRC did not make any revisions to the IRC Charter in 2015.

Aggregate compensation, including expenses, paid by the Funds to the members of the IRC for the year ended December 31, 2014 was \$154,803 This amount was allocated across the Funds in an equitable and reasonable manner.

During the year ended December 31, 2015, no indemnities were paid to the IRC by any of the Funds.

### **CONFLICT OF INTEREST MATTERS**

National Instrument 81-107 requires the IRC to review all conflict of interest matters identified and referred to the IRC by the Manager and to give an approval or a recommendation, depending on the nature of the conflict of interest matter. In certain cases, the IRC may also issue standing instructions to the Manager in conjunction with an approval or recommendation to enable the Manager to act in the particular conflict of interest matter on a continuing basis.

Where a standing instruction has been issued in respect of a conflict of interest matter, the Manager must present the standing instructions and its written policies and procedures on the conflict of interest matter, to the IRC for the IRC's review and affirmation on an annual basis.

Below is a brief summary of the IRC approvals and recommendations that the Manager relied upon during the year ending December 31, 2015:

#### **Approvals and Standing Instructions**

The Manager relied upon the following approvals and standing instructions in relation to the below activities. In each case, the standing instruction requires the Manager to comply with its related policy and procedure and to report periodically to the IRC.

1. Allowing the Funds to purchase or hold securities of related issuers.
2. Allowing the Funds to purchase securities from, or sell securities to, another Fund (referred to as inter-fund trades or cross-trades)

Positive Recommendations and Standing Instructions

The Manager received positive recommendations and relied on standing instructions with respect to the conflict of interest matters addressed by the below policies. In each case, the standing instruction required the Manager to comply with its related policy and procedure and to report periodically to the IRC.

1. Code of Ethics/Personal Trading Policy, which restricts the personal trading of individuals employed by the Manager, but allows those individuals to trade in certain securities for their own account subject to controls
2. Fund Valuation Policy, which governs how a Fund's securities will be valued in order to obtain a fair and accurate net asset value for the Fund
3. Net Asset Value Error Correction Policy, which directs the circumstances and manner in which the Manager will correct purchases and redemptions of Fund units or shares made based on an incorrect net asset value, including making payments to the Fund to make the Fund whole and adjusting securityholder accounts
4. Trade Allocation Policy, which requires the Manager to allocate trades fairly among clients, including the Funds, particularly where demand for a security exceeds supply
5. Proxy Voting Policy, which requires the Manager to always act in the best interest of the Fund when voting the Fund's proxies
6. Client Brokerage Commission Policy, which allows the Manager to obtain order execution for the Funds as well as certain additional goods and services (generally, research) for the benefit of its clients, including the Funds, using brokerage commissions paid by the Funds
7. Trade Error Policy, which governs how gains and losses resulting from trade errors are managed, to help ensure clients are not disadvantaged by the error
8. Short-term Trading Policy, which sets out the steps the Manager will take to monitor, detect and deter excessive trading by securityholders in units or shares of the Funds
9. Business Gifts and Entertainment Policy, which sets out the steps that the Manager and its employees will take to monitor and limit attempts to influence those employees, while allowing them to accept some gifts or entertainment offered in the spirit of business courtesy or relationship management
10. Expense Accrual and Allocation Policy, which governs how the Manager is to charge expenses to the Funds, to allocate expenses between the Manager and the Funds and to allocate expenses among the Funds including expenses charge by related parties for services provided to the Manager and the Funds
11. Seed Capital Withdrawal Policy, which governs the manner in which seed capital of a Fund may be redeemed by the Manager

12. Directorship Policy, which allows employees of the Manager to serve as Directors of other firms, including other issuers, subject to controls and restriction to manage any potential conflicts of interest which may arise
13. Best Execution Policy, which governs the oversight of the quality of execution of trades of portfolio securities by brokers, including the selection of brokers and commissions paid
14. Selection, Monitoring and Oversight of the Fund's Portfolio Advisors Policy, which governs the oversight of internal and external portfolio managers
15. Large Unitholder Policy, which sets out the steps the Manager will take to manage the impact of large transactions by unitholders or shareholders in units or shares of the Funds.

#### Positive Recommendations

In November 2015 the Manager referred to the IRC a number of proposed transactions including fund mergers (the "Proposed Transactions") relating to the proposed purchase by the Manager of the O'Leary Mutual Funds. These transactions are described in a Management Information Circular dated December 18, 2015.. After due consideration of the pros and cons and aggregate benefits of the Proposed Transactions, the IRC determined that the Proposed Transactions would achieve a fair and reasonable outcome for the Funds and the IRC provided its approval for the Proposed Transactions.

In December 2015, the Manager referred to the IRC a proposal for a change in the portfolio management of certain funds from external managers (Aegon Capital Management Inc. and McElvaine Investment Management Ltd.) to the Manager. The proposed changes impacted the following funds: Canoe Bond Advantage Fund/Class, Canoe Enhanced Income Fund/Class, Canoe Equity Income Fund/Class, Canoe North American Monthly Income Class and Canoe Global Value Class. After due consideration of the pros and cons and aggregate benefits of the changes in portfolio management, the IRC determined that the changes would achieve a fair and reasonable outcome for the impacted funds and the IRC provided its positive recommendation to the Manager..

In December 2015, the Manager referred to the IRC a proposal to rollover/merge the Canoe 2014 Flow-Through LP into the Canoe Energy Class. After due consideration of the pros and cons and aggregate benefits of the transaction, the IRC provided its approval to the Manager.

#### **COMPLIANCE**

The IRC receives periodic compliance reports from the Manager arising from the abovementioned policies and procedures relating to conflict of interest matters for which it has provided standing instructions. The IRC is not aware of any instance in which the Manager acted in a potential conflict of interest matter referred to the IRC for which the IRC did not give a positive recommendation or approval. The IRC is not aware of any instance in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval, recommendation, and/or standing instruction.

**APPENDIX I**

**CANOE GROUP OF FUNDS – as of December 31, 2015**

	<b>Mutual Funds</b>
1.	Canoe Bond Advantage Fund
2.	Canoe Bond Advantage Class
3.	Canoe Enhanced Income Fund
4.	Canoe Enhanced Income Class
5.	Canoe Global Income Fund
6.	Canoe Global Income Class
7.	Canoe Strategic High Yield Fund
8.	Canoe Strategic High Yield Class
9.	Canoe Canadian Monthly Income Class
10.	Canoe Canadian Asset Allocation Class
11.	Canoe North American Monthly Income Class
12.	Canoe Equity Income Class
13.	Canoe Equity Class
14.	Canoe U.S. Equity Income Class
15.	Canoe Global Equity Income Class
16.	Canoe Global Value Class
17.	Canoe Energy Income Class
18.	Canoe Energy Class
19.	EnerVest Natural Resource Fund Ltd.

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	<b>Closed-End Funds</b>
1.	Canoe EIT Income Fund
	<b>Flow-Through Funds</b>
1.	Canoe 2014 Flow-Through LP CEE
2.	Canoe 2014 Flow-Through LP CDE
3.	Canoe 2015 Flow-Through LP CEE
4.	Canoe 2015 Flow-Through LP CDE