

COUNSEL | PORTFOLIO SERVICES

Counsel Canadian Core Fixed Income

ANNUAL FINANCIAL STATEMENTS

For the year ended March 31, 2018

COUNSEL | PORTFOLIO SERVICES

Management's *Responsibility for Financial Reporting*

To the securityholders of:

Counsel All Equity Portfolio	Counsel Conservative Portfolio Class	Counsel Income Portfolio
Counsel All Equity Portfolio Class	Counsel Defensive Global Equity	Counsel International Growth
Counsel Balanced Growth Portfolio	Counsel Fixed Income	Counsel International Value
Counsel Balanced Portfolio	Counsel Global Dividend	Counsel Money Market
Counsel Balanced Portfolio Class	Counsel Global Fixed Income	Counsel Monthly Income Portfolio
Counsel Canadian Core Fixed Income	Counsel Global Low Volatility Equity	Counsel North American High Yield Bond
Counsel Canadian Dividend	Counsel Global Real Estate	Counsel Retirement Accumulation Portfolio
Counsel Canadian Dividend Class	Counsel Global Small Cap	Counsel Retirement Foundation Portfolio
Counsel Canadian Growth	Counsel Global Trend Strategy	Counsel Retirement Income Portfolio
Counsel Canadian Growth Class	Counsel Growth Portfolio	Counsel Retirement Preservation Portfolio
Counsel Canadian Value	Counsel Growth Portfolio Class	Counsel Short Term Bond
Counsel Canadian Value Class	Counsel High Income Portfolio	Counsel U.S. Growth
Counsel Conservative Portfolio	Counsel High Yield Fixed Income	Counsel U.S. Value

(collectively, “the Funds”)

The accompanying financial statements have been prepared by Counsel Portfolio Services Inc. (“Counsel”), as manager of the Funds. The statements have been approved by the Board of Directors of Counsel (the “Board”). Management is responsible for the information and representations contained in these financial statements.

Counsel maintains internal controls over the financial reporting process to ensure that relevant and reliable financial information is provided. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Funds, are described in note 3 to the financial statements.

The Board is responsible for reviewing and approving the financial statements and overseeing the Manager’s performance of its financial reporting responsibilities. The Board is assisted in discharging this responsibility by an Audit Committee, which reviews the financial statements and recommends them for approval by the Board. The Audit Committee also meets regularly with the Manager, internal auditors and external auditors to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues.

Deloitte LLP are the external auditors of the Funds. They are appointed by the Board. The external auditors have audited the financial statements in accordance with generally accepted auditing standards to enable them to express to securityholders their opinion on the financial statements.



Chris Reynolds
Director



Frank Gawlina
Chief Financial Officer

June 7, 2018

Independent Auditor's Report

To the Securityholders of

Counsel All Equity Portfolio	Counsel Conservative Portfolio Class	Counsel Income Portfolio
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(collectively "the Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position, statements of comprehensive income, statements of changes in financial position and statements of cash flows as at and for the periods indicated in note 1, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Funds' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds, their financial performance and their cash flows as at and for the periods indicated in note 1 in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
June 7, 2018

STATEMENTS OF FINANCIAL POSITION

at March 31, 2018 with comparative figures at March 31, 2017
(in \$ 000 except per security amounts)

	Mar. 31 2018	Mar. 31 2017
Assets		
Current assets:		
Investments at fair value	267,061	32,376
Cash and cash equivalents	29,087	2,393
Accrued interest receivable	1,674	176
Dividends receivable	-	-
Accounts receivable for investments sold	345	1,478
Accounts receivable for securities issued	181	94
Accounts receivable from the Manager	-	-
Margin with broker	403	65
Derivative assets	107	10
Other assets	-	-
	298,858	36,592
Non-current assets:		
Taxes recoverable	-	-
Other assets	-	-
	-	-
Total assets	298,858	36,592
Liabilities		
Current liabilities:		
Bank indebtedness	-	-
Accounts payable for investments purchased	22,991	3,578
Accounts payable for securities redeemed	591	13
Distributions payable	-	-
Accrued expenses and miscellaneous payables	-	-
Dividends payable on investments sold short	-	-
Derivative liabilities	263	1
Taxes payable	-	-
Other liabilities	-	-
Total liabilities	23,845	3,592
Net assets attributable to securityholders	275,013	33,000

	Net assets attributable to securityholders			
	per security		per series	
	Mar. 31 2018	Mar. 31 2017	Mar. 31 2018	Mar. 31 2017
Series O	10.01	10.11	275,012	32,999
Series R	10.01	10.12	1	1
			275,013	33,000

STATEMENTS OF COMPREHENSIVE INCOME

for the periods ended March 31
(in \$ 000 except per security amounts)

	2018	2017
Income:		
Dividends	-	-
Interest and other income	1,988	455
Net realized gain (loss)	(855)	(251)
Net unrealized gain (loss)	1	90
Income (loss) from derivatives	885	12
Income (loss) from short selling	-	-
Securities lending income	2	1
Trust income	-	-
Total income	2,021	307
Expenses:		
Management fees	-	-
Management fee rebates	-	-
Administration fees	-	-
Commissions and other portfolio transaction costs	3	-
Independent Review Committee costs	-	-
Interest and other charges	1	-
Expenses before amounts absorbed by Manager	4	-
Expenses absorbed by Manager	-	-
Net expenses	4	-
Increase (decrease) in net assets attributable to securityholders from operations before tax	2,017	307
Foreign withholding tax expense (recovery)	5	1
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
Increase (decrease) in net assets attributable to securityholders from operations	2,012	306

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2018	2017	2018	2017
Series O	0.17	0.26	2,012	306
Series R	0.17	0.26	-	-
			2,012	306

STATEMENTS OF CHANGES IN FINANCIAL POSITION

for the periods ended March 31 (in \$ 000 except when stated)

	TOTAL		SERIES O		SERIES R	
	2018	2017	2018	2017	2018	2017
Net assets attributable to securityholders, beginning of period	33,000	5,034	32,999	5,033	1	1
Increase (decrease) in net assets attributable to securityholders resulting from:						
Operations	2,012	306	2,012	306	-	-
Distributions:						
Income	(2,806)	(476)	(2,806)	(476)	-	-
Capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-
Total distributions	(2,806)	(476)	(2,806)	(476)	-	-
Security transactions:						
Proceeds from sale of securities	251,142	30,313	251,142	30,313	-	-
Proceeds from securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	2,806	476	2,806	476	-	-
Payment on redemption of securities	(11,141)	(2,653)	(11,141)	(2,653)	-	-
Total security transactions	242,807	28,136	242,807	28,136	-	-
Increase (decrease) in assets attributable to securityholders	242,013	27,966	242,013	27,966	-	-
Net assets attributable to securityholders, end of period	275,013	33,000	275,012	32,999	1	1
Increase (decrease) in securities (in thousands):						
Securities outstanding, beginning of period			3,262.5	498.6	0.1	0.1
Add (deduct):						
Securities sold			25,029.7	2,979.3	-	-
Securities issued on merger			-	-	-	-
Reinvested from distributions			280.3	47.0	-	-
Securities redeemed			(1,108.6)	(262.4)	-	-
Securities outstanding, end of period			27,463.9	3,262.5	0.1	0.1

STATEMENTS OF CASH FLOWS

for the periods ended March 31 (in \$ 000)

	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets attributable to securityholders from operations	2,012	306
Less non-cash impact of:		
Net realized loss (gain) on investments	855	251
Change in net unrealized loss (gain) on investments	(1)	(90)
Distributions received from Underlying Funds	-	-
Adjustments for:		
Proceeds from sale and maturity of investments	101,115	38,443
Purchases of investments	(315,943)	(64,705)
(Increase) decrease in accounts receivable and other assets	(1,836)	(213)
Increase (decrease) in accounts receivable and other liabilities	-	(1)
Net cash provided by (used in) operating activities	(213,798)	(26,009)
Cash flows from financing activities:		
Proceeds from securities issued	251,055	30,841
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(10,563)	(2,640)
Distributions paid net of reinvestments	-	-
Net cash provided by (used in) financing activities	240,492	28,201
Increase (decrease) in cash and cash equivalents	26,694	2,192
Cash and cash equivalents at beginning of period	2,393	200
Effect of exchange rate fluctuations on cash and cash equivalents	-	1
Cash and cash equivalents, end of period	29,087	2,393
Cash	502	541
Cash equivalents	28,585	1,852
Bank indebtedness	-	-
	29,087	2,393

Supplementary disclosures on cash flow from operating activities:

Dividends received net of withholding taxes	-	-
Interest received net of withholding taxes	485	306
Interest paid	1	-
Income taxes paid (recovered)	-	-

SCHEDULE OF INVESTMENTS

as at March 31, 2018

	Country	Sector	Currency*	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
BONDS						
407 International Inc. 3.43% 06-01-2033 MTN	Canada	Corporate		950,000	972	971
407 International Inc. 3.60% 05-21-2047 Callable	Canada	Corporate		1,020,000	1,034	1,033
AerCap Ireland Capital Designated Activity Co. 3.30% 01-23-2023 Callable 2022	Netherlands	Corporate	USD	200,000	248	251
AIMCo Realty Investors LP 2.27% 06-26-2024 Callable 2024	Canada	Corporate		130,000	128	126
AIMCo Realty Investors LP 3.04% 06-01-2028 Callable 2028	Canada	Corporate		50,000	50	50
Algonquin Power & Utilities Corp. 5.50% 07-25-2018 Callable	Canada	Corporate		195,000	206	197
Algonquin Power & Utilities Corp. 4.65% 02-15-2022	Canada	Corporate		710,000	757	751
Algonquin Power & Utilities Corp. 4.09% 02-17-2027 Callable	Canada	Corporate		550,000	562	565
Allied Properties Real Estate Investment Trust 3.93% 11-14-2022 Series B	Canada	Corporate		180,000	182	183
Allied Properties Real Estate Investment Trust 3.64% 04-21-2025 Callable 2025	Canada	Corporate		80,000	80	78
AltaGas Ltd. 3.72% 09-28-2021 Callable	Canada	Corporate		140,000	148	143
AltaGas Ltd. 3.98% 10-04-2027 Callable 2027	Canada	Corporate		1,050,000	1,069	1,060
AltaLink LP 3.72% 12-03-2046 Callable MTN	Canada	Corporate		1,117,000	1,158	1,159
Anheuser-Busch InBev Finance Inc. 3.30% 02-01-2023 Callable 2022	Belgium	Corporate	USD	220,000	291	284
Anheuser-Busch InBev Finance Inc. 2.60% 05-15-2024 Callable 2024	Belgium	Corporate		790,000	772	769
APT Pipelines Ltd. 4.25% 07-24-2019	Australia	Corporate		140,000	147	143
APT Pipelines Ltd. 4.20% 03-23-2025 Callable 2024 144A	Australia	Corporate	USD	1,000,000	1,284	1,303
Artis Real Estate Investment Trust 3.75% 03-27-2019	Canada	Corporate		60,000	60	61
AT&T Inc. 3.83% 11-25-2020 Series MPLE	United States	Corporate		1,740,000	1,805	1,793
Aviva PLC 4.50% 05-10-2021	United Kingdom	Corporate		100,000	106	104
Bank of America Corp. 3.23% 06-22-2022 Series MPLE	United States	Corporate		310,000	314	315
Bank of America Corp. F/R 03-15-2023 Callable 2022	United States	Corporate		880,000	874	869
Bank of America Corp. F/R 09-20-2025 Callable 2024	United States	Corporate		1,400,000	1,413	1,409
Bank of Montreal 2.27% 07-11-2022 DPNT	Canada	Corporate		2,620,000	2,587	2,578
Bank of Montreal 2.70% 09-11-2024 DPNT	Canada	Corporate		1,610,000	1,598	1,596
Bank of Montreal 3.32% 06-01-2026	Canada	Corporate		120,000	122	121
Bank of Montreal F/R 12-15-2032 Callable 2027	Canada	Corporate	USD	80,000	103	98
The Bank of Nova Scotia 1.90% 12-02-2021 DPNT	Canada	Corporate		150,000	149	146
The Bank of Nova Scotia 1.83% 04-27-2022	Canada	Corporate		2,380,000	2,315	2,303
The Bank of Nova Scotia 2.36% 11-08-2022	Canada	Corporate		2,700,000	2,667	2,660
The Bank of Nova Scotia 2.29% 06-28-2024	Canada	Corporate		1,800,000	1,749	1,744
The Bank of Nova Scotia F/R 04-12-2066 Callable 2022	Canada	Corporate	USD	175,000	217	214
bcIMC Realty Corp. 3.00% 03-31-2027 Callable 2026	Canada	Corporate		230,000	233	230
Bell Canada 3.35% 06-18-2019	Canada	Corporate		1,040,000	1,055	1,054
Bell Canada 2.70% 02-27-2024 Callable	Canada	Corporate		1,170,000	1,150	1,143
Bell Canada 3.60% 09-29-2027 Callable MTN	Canada	Corporate		1,300,000	1,307	1,312
Bell Canada 4.45% 02-27-2047 Callable	Canada	Corporate		650,000	667	657
Brookfield Renewable Energy Partners ULC 3.75% 06-02-2025 Callable 2025	Canada	Corporate		1,510,000	1,541	1,538
Brookfield Renewable Energy Partners ULC 3.63% 01-15-2027 Callable 2026	Canada	Corporate		730,000	729	726
Bruce Power LP 2.84% 06-23-2021	Canada	Corporate		1,250,000	1,262	1,251
Bruce Power LP 3.00% 06-21-2024 Callable 2024	Canada	Corporate		760,000	759	753
Bruce Power LP 3.97% 06-23-2026	Canada	Corporate		340,000	350	354
Canada Housing Trust No. 1 F/R 09-15-2022	Canada	Federal Government		2,600,000	2,623	2,621
Canada Housing Trust No. 1 F/R 03-15-2023	Canada	Federal Government		9,500,000	9,532	9,538
Canada Housing Trust No. 1 2.35% 06-15-2023	Canada	Federal Government		2,760,000	2,758	2,766
Canada Housing Trust No. 1 2.65% 03-15-2028	Canada	Federal Government		190,000	189	192
Canadian Credit Card Trust II 1.83% 03-24-2020	Canada	Corporate		1,200,000	1,193	1,188
Canadian Imperial Bank of Commerce 2.30% 07-11-2022 DPNT	Canada	Corporate		400,000	400	394
Canadian Imperial Bank of Commerce 2.47% 12-05-2022	Canada	Corporate		4,670,000	4,636	4,626
Canadian Imperial Bank of Commerce 3.00% 10-28-2024 Callable 2019	Canada	Corporate		1,060,000	1,071	1,067
Canadian Imperial Bank of Commerce 3.42% 01-26-2026 Callable 2021	Canada	Corporate		1,440,000	1,467	1,458
Canadian Imperial Bank of Commerce F/R 04-04-2028 Callable 2023	Canada	Corporate		430,000	430	432
Canadian National Railway Co. 3.60% 08-01-2047 Callable 2047	Canada	Corporate		1,010,000	1,020	1,016
Canadian Real Estate Investment Trust 2.95% 01-18-2023 Callable 2022	Canada	Corporate		60,000	60	59
Canadian Western Bank 2.74% 06-16-2022 DPNT	Canada	Corporate		40,000	40	40
Canadian Western Bank 2.92% 12-15-2022	Canada	Corporate		380,000	377	378
Capital Power Corp. 4.28% 09-18-2024 Callable 2024	Canada	Corporate		1,650,000	1,674	1,672
Cards II Trust 2.16% 10-15-2020	Canada	Corporate		1,200,000	1,201	1,192
Central 1 Credit Union F/R 02-05-2021	Canada	Corporate		160,000	160	160
Central 1 Credit Union 2.60% 11-07-2022	Canada	Corporate		60,000	60	59
Chartwell Retirement Residences 3.79% 12-11-2023 Callable 2023	Canada	Corporate		100,000	100	100
CHIP Mortgage Trust 2.98% 11-15-2021	Canada	Corporate		20,000	20	20
Choice Properties Real Estate Investment Trust 3.01% 03-21-2022 Callable 2022	Canada	Corporate		530,000	530	530
Choice Properties Real Estate Investment Trust 3.56% 09-09-2024 Callable 2024	Canada	Corporate		120,000	120	121
Choice Properties Real Estate Investment Trust 3.55% 01-10-2025 Callable 2024	Canada	Corporate		60,000	60	60
Choice Properties Real Estate Investment Trust 4.06% 11-24-2025 Callable	Canada	Corporate		1,110,000	1,144	1,138
Choice Properties Real Estate Investment Trust 4.18% 03-08-2028 Callable 2027	Canada	Corporate		480,000	480	487
Citigroup Inc. 3.39% 11-18-2021	United States	Corporate		1,200,000	1,236	1,227
Citigroup Inc. 4.09% 06-09-2025 Series MPLE	United States	Corporate		770,000	790	792
CU Inc. 3.96% 07-27-2045 Callable	Canada	Corporate		20,000	22	21
CU Inc. 3.76% 11-19-2046 Callable 2046	Canada	Corporate		40,000	40	42
Eagle Credit Card Trust 2.15% 09-17-2020	Canada	Corporate		200,000	204	198
Eagle Credit Card Trust 2.63% 10-17-2022	Canada	Corporate		1,930,000	1,925	1,920
Enbridge Gas Distribution Inc. 3.51% 11-29-2047 Callable 2047	Canada	Corporate		1,100,000	1,102	1,092
Enbridge Inc. 3.20% 06-08-2027 Callable 2027	Canada	Corporate		1,350,000	1,296	1,295
Enbridge Inc. 4.57% 03-11-2044	Canada	Corporate		1,430,000	1,434	1,433

*Par value of bonds is stated in Canadian dollars unless otherwise noted.

SCHEDULE OF INVESTMENTS (continued)

as at March 31, 2018

	Country	Sector	Currency*	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
BONDS (continued)						
Enbridge Inc. 5.37% 09-27-2077 Callable 2027	Canada	Corporate		1,340,000	1,329	1,292
EnerCare Solutions Inc. 3.38% 02-21-2022 Callable 2022	Canada	Corporate		510,000	514	515
EnerCare Solutions Inc. 3.99% 02-21-2024 Callable 2023	Canada	Corporate		50,000	50	51
EPCOR Utilities Inc. 3.55% 11-27-2047 Callable 2047	Canada	Corporate		110,000	110	110
The Fédération des Caisses Desjardins du Québec 2.39% 08-25-2022	Canada	Corporate		150,000	150	148
Fairfax Financial Holdings Ltd. 5.84% 10-14-2022	Canada	Corporate		890,000	981	979
Fairfax Financial Holdings Ltd. 4.50% 03-22-2023	Canada	Corporate		850,000	883	886
Fairfax Financial Holdings Ltd. 4.70% 12-16-2026 Callable 2026	Canada	Corporate		60,000	60	62
Fairfax Financial Holdings Ltd. 4.25% 12-06-2027 Callable 2027	Canada	Corporate		750,000	741	744
Federation des Caisses Desjardins du Quebec 2.09% 01-17-2022	Canada	Corporate		3,365,000	3,321	3,298
Fortified Trust 2.16% 10-23-2020	Canada	Corporate		170,000	170	169
Fortified Trust 1.67% 07-23-2021	Canada	Corporate		2,540,000	2,476	2,467
FortisAlberta Inc. 3.67% 09-09-2047 Callable 2047	Canada	Corporate		10,000	10	10
Gaz Metro Inc. 1.52% 05-25-2020	Canada	Corporate		160,000	160	158
General Electric Capital Corp. 4.60% 01-26-2022	United States	Corporate		150,000	173	159
General Motors Financial of Canada Ltd. 2.60% 06-01-2022	United States	Corporate		70,000	70	68
Genesis Trust II 2.43% 05-15-2019	Canada	Corporate		2,080,000	2,087	2,087
Genesis Trust II 1.70% 04-15-2020	Canada	Corporate		450,000	449	444
Glacier Credit Card Trust 2.05% 09-20-2022	Canada	Corporate		220,000	217	214
The Goldman Sachs Group Inc. 2.43% 04-26-2023 Callable	United States	Corporate		1,430,000	1,402	1,395
The Goldman Sachs Group Inc. 3.31% F/R 10-31-2025 Callable 2024	United States	Corporate		300,000	299	298
Government of Canada 3.25% 06-01-2021	Canada	Federal Government		120,000	125	125
Government of Canada 1.00% 09-01-2022	Canada	Federal Government		50,000	48	48
Government of Canada 1.50% 06-01-2023	Canada	Federal Government		90,000	89	88
Government of Canada 2.50% 06-01-2024	Canada	Federal Government		2,030,000	2,076	2,086
Government of Canada 2.25% 06-01-2025	Canada	Federal Government		100,000	100	101
Government of Canada 2.00% 06-01-2028	Canada	Federal Government		27,100,000	26,596	26,831
Government of Canada 1.25% 12-01-2047 Real Return	Canada	Federal Government		3,876,000	4,834	4,966
Government of Canada 2.75% 12-01-2048	Canada	Federal Government		6,840,000	7,375	7,632
Granite REIT Holdings LP 3.87% 11-30-2023 Callable 2023	Canada	Corporate		30,000	30	30
H&R Real Estate Investment Trust 2.92% 05-06-2022	Canada	Corporate		1,050,000	1,036	1,034
H&R Real Estate Investment Trust 3.42% 01-23-2023 Callable 2022	Canada	Corporate		160,000	160	160
H&R Real Estate Investment Trust 3.37% 01-30-2024 Callable 2023	Canada	Corporate		1,150,000	1,138	1,137
HCN Canadian Holdings-1 LP 3.35% 11-25-2020	United States	Corporate		120,000	125	122
Heathrow Funding Ltd. 3.25% 05-21-2025	United Kingdom	Corporate		1,440,000	1,456	1,459
Heathrow Funding Ltd. 3.40% 03-08-2028	United Kingdom	Corporate		440,000	439	446
Hollis Receivables Term Trust II 1.79% 02-26-2020	Canada	Corporate		4,690,000	4,648	4,643
HSBC Bank Canada 2.17% 06-29-2022	Canada	Corporate		920,000	906	897
HSBC Bank Canada 2.54% 01-31-2023	Canada	Corporate		1,950,000	1,929	1,921
HSBC Holdings PLC 3.20% 12-05-2023	United Kingdom	Corporate		150,000	150	151
Hydro One Inc. 3.72% 11-18-2047	Canada	Corporate		1,770,000	1,813	1,809
Inter Pipeline Ltd. 2.73% 04-18-2024 Callable 2024	Canada	Corporate		200,000	202	193
Inter Pipeline Ltd. 3.17% 03-24-2025 Callable 2024 MTN	Canada	Corporate		570,000	563	558
Inter Pipeline Ltd. 3.48% 12-16-2026 Callable 2026	Canada	Corporate		1,400,000	1,384	1,376
JPMorgan Chase & Co. 3.19% 03-05-2021	United States	Corporate		1,130,000	1,158	1,149
Laurentian Bank of Canada F/R 10-22-2019	Canada	Corporate		330,000	330	330
Laurentian Bank of Canada 3.00% 09-12-2022	Canada	Corporate		870,000	865	862
The Manufacturers Life Insurance Co. 2.81% 02-21-2024 Callable 2019	Canada	Corporate		1,290,000	1,296	1,297
The Manufacturers Life Insurance Co. 2.39% 01-05-2026 Callable 2021	Canada	Corporate		1,310,000	1,305	1,300
Manulife Bank of Canada 1.92% 09-01-2021 DPNT	Canada	Corporate		240,000	239	234
Manulife Bank of Canada 2.08% 05-26-2022	Canada	Corporate		190,000	188	185
Manulife Bank of Canada 2.84% 01-12-2023	Canada	Corporate		1,310,000	1,316	1,311
Manulife Financial Corp. F/R 08-20-2029 Callable 2024	Canada	Corporate		770,000	762	759
McDonald's Corp. 3.13% 03-04-2025 Callable 2025	United States	Corporate		1,060,000	1,062	1,058
Metro Inc. 2.68% 12-05-2022 Callable 2022	Canada	Corporate		530,000	528	525
Metro Inc. 3.39% 12-06-2027 Callable 2027	Canada	Corporate		570,000	563	562
Molson Coors International LP 2.84% 07-15-2023 Callable 2023	United States	Corporate		480,000	473	470
Mondelez International Inc. 3.25% 03-07-2025 Callable 2025	United States	Corporate		390,000	388	389
Morgan Stanley 3.00% 02-07-2024 Series MPLE	United States	Corporate		1,200,000	1,194	1,186
National Bank of Canada 1.96% 06-30-2022	Canada	Corporate		5,520,000	5,380	5,362
NAV Canada 3.29% 03-30-2048 Callable 2047	Canada	Corporate		310,000	310	316
Newell Brands Inc. 4.20% 04-01-2026 Callable 2026	United States	Corporate	USD	1,170,000	1,496	1,496
North West Redwater Partnership 2.80% 06-01-2027 Callable 2027	Canada	Corporate		1,200,000	1,165	1,157
North West Redwater Partnership 3.65% 06-01-2035 Callable 2034	Canada	Corporate		150,000	151	151
OMERS Realty Corp. 3.24% 10-04-2027 Callable 2027	Canada	Corporate		1,600,000	1,605	1,625
Ontario Electricity Financial Corp. 0% 11-27-2020	Canada	Provincial Governments		40,000	37	38
Ontario Power Generation Inc. 3.32% 10-04-2027 Callable 2027	Canada	Corporate		1,270,000	1,286	1,285
OPB Finance Trust 2.98% 01-25-2027	Canada	Provincial Governments		1,050,000	1,057	1,056
Pembina Pipeline Corp. 2.99% 01-22-2024 Callable 2023	Canada	Corporate		1,116,000	1,099	1,099
Pembina Pipeline Corp. 4.02% 03-27-2028 Callable 2027	Canada	Corporate		400,000	400	405
Province of Newfoundland 3.70% 10-17-2048	Canada	Provincial Governments		1,550,000	1,675	1,675
Province of Ontario F/R 06-27-2022	Canada	Provincial Governments		10,000,000	10,073	10,064
Province of Ontario 2.60% 09-08-2023	Canada	Provincial Governments		2,690,000	2,690	2,708
Province of Ontario 2.60% 06-02-2027	Canada	Provincial Governments		19,320,000	19,151	19,089
Province of Ontario 4.60% 06-02-2039	Canada	Provincial Governments		1,870,000	2,296	2,335
Province of Ontario 2.90% 12-02-2046	Canada	Provincial Governments		240,000	233	234

*Par value of bonds is stated in Canadian dollars unless otherwise noted.

SCHEDULE OF INVESTMENTS (continued)

as at March 31, 2018

	Country	Sector	Currency*	No. of Units, Shares, or Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)	
BONDS (continued)							
Province of Ontario 2.80% 06-02-2048	Canada	Provincial Governments		7,060,000	6,689	6,749	
Province of Quebec 2.50% 09-01-2026	Canada	Provincial Governments		1,070,000	1,055	1,058	
Province of Quebec 2.75% 09-01-2027	Canada	Provincial Governments		14,870,000	14,969	14,928	
Province of Quebec 3.50% 12-01-2045	Canada	Provincial Governments		50,000	53	55	
Province of Quebec 3.50% 12-01-2048	Canada	Provincial Governments		2,070,000	2,275	2,286	
Reliance LP 3.84% 03-15-2025 Callable 2025	Canada	Corporate		570,000	570	568	
Royal Bank of Canada 2.00% 03-21-2022	Canada	Corporate		3,400,000	3,335	3,320	
Royal Bank of Canada 2.36% 12-05-2022	Canada	Corporate		70,000	70	69	
Royal Bank of Canada 2.33% 12-05-2023 DPNT	Canada	Corporate		220,000	220	215	
Royal Bank of Canada 4.65% 01-27-2026 GMTN	Canada	Corporate	USD	110,000	156	147	
SmartCentres Real Estate Investment Trust 3.83% 12-21-2027 Callable 2027	Canada	Corporate		20,000	20	20	
SNC-Lavalin Group Inc. 2.69% 11-24-2020	Canada	Corporate		20,000	20	20	
SNC-Lavalin Group Inc. 3.24% 03-02-2023 Callable 2023	Canada	Corporate		400,000	401	402	
Sprint Spectrum Co. LLC 4.74% 03-20-2025 144A	United States	Corporate	USD	200,000	259	259	
Sun Life Financial Inc. F/R 02-19-2026 Callable 2021	Canada	Corporate		125,000	129	126	
Sun Life Financial Inc. F/R 11-23-2027 Callable 2022	Canada	Corporate		60,000	60	59	
Sun Life Financial Inc. F/R 09-19-2028 Callable 2023	Canada	Corporate		2,450,000	2,452	2,450	
Sydney Airport Finance Co. Pty. Ltd. 3.63% 04-28-2026 Callable 2026	Australia	Corporate	USD	140,000	183	176	
Sydney Airport Finance Co. Pty. Ltd. 3.63% 04-28-2026 Callable 2026 144A	Australia	Corporate	USD	1,000,000	1,243	1,260	
TD Capital Trust IV F/R 06-30-2108 Callable 2021	Canada	Corporate		580,000	644	644	
TELUS Corp. 3.35% 04-01-2024 Callable MTN	Canada	Corporate		1,060,000	1,078	1,074	
TELUS Corp. 3.63% 03-01-2028 Callable 2027	Canada	Corporate		740,000	742	744	
TELUS Corp. 4.70% 03-06-2048 Callable 2047	Canada	Corporate		1,090,000	1,131	1,128	
Thomson Reuters Corp. 3.31% 11-12-2021 Callable	Canada	Corporate		670,000	684	682	
TMX Group Ltd. 4.46% 10-03-2023 Callable 2023	Canada	Corporate		80,000	91	86	
TMX Group Ltd. 2.30% 12-11-2024 Callable 2024	Canada	Corporate		1,670,000	1,656	1,657	
The Toronto-Dominion Bank 1.91% 07-18-2023 DPNT	Canada	Corporate		3,050,000	2,950	2,930	
The Toronto-Dominion Bank F/R 07-25-2029 Callable 2024	Canada	Corporate		650,000	650	643	
TransCanada Pipelines Ltd. 3.39% 03-15-2028 Callable 2027	Canada	Corporate		200,000	200	202	
TransCanada Trust F/R 05-18-2077 Callable 2027	Canada	Corporate		1,110,000	1,105	1,097	
Transurban Finance Co. Pty Ltd. 3.37% 03-06-2019	Australia	Corporate		760,000	773	770	
Union Gas Ltd. 3.59% 11-22-2047 Callable 2047	Canada	Corporate		125,000	125	125	
United States Treasury 2.75% 02-15-2028	United States	Foreign Governments	USD	100,000	127	129	
United States Treasury Inflation Indexed Bonds 0.89% 02-15-2047	United States	Foreign Governments	USD	3,020,000	3,876	3,963	
United States Treasury 3.00% 05-15-2047	United States	Foreign Governments	USD	3,120,000	4,090	4,037	
Ventas Canada Finance Ltd. 2.55% 03-15-2023 Callable 2023	United States	Corporate		90,000	90	88	
Ventas Realty LP 4.00% 03-01-2028 Callable 2027	United States	Corporate	USD	210,000	261	267	
Verizon Communications Inc. 2.63% 08-15-2026 Callable 2026	United States	Corporate	USD	1,160,000	1,362	1,365	
VW Credit Canada Inc. 3.25% 03-29-2023	Germany	Corporate		250,000	250	252	
Wells Fargo & Co. 2.22% 03-15-2021	United States	Corporate		1,110,000	1,101	1,095	
Wells Fargo & Co. 2.98% 05-19-2026 Series MPL	United States	Corporate		1,400,000	1,355	1,354	
Westcoast Energy Inc. 4.79% 10-28-2041	Canada	Corporate		40,000	42	44	
					266,791	267,061	
COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS						(2)	-
TOTAL INVESTMENTS						<u>266,789</u>	<u>267,061</u>
Net Assets							
Total investments						267,061	
Cash and cash equivalents						29,087	
Derivative assets (see schedule of derivative instruments)						107	
Derivative liabilities (see schedule of derivative instruments)						(263)	
Other net assets (liabilities)						(20,979)	
						<u>275,013</u>	

*Par value of bonds is stated in Canadian dollars unless otherwise noted.

Schedule of Asset Composition

The effective allocation shows the regional or sector exposure of the Fund calculated by including the Fund's proportionate share of its holdings in index participation units and derivatives.

at March 31, 2018

	% of net assets
BY ASSET TYPE	
Corporate Bonds	50.8
Provincial Bonds	22.7
Federal Bonds	20.7
Foreign Government Bonds	(4.5)
Cash and cash equivalents	10.6
Other	(0.3)
Total	100.0

EFFECTIVE REGIONAL ALLOCATION

Canada	84.4
United States	2.3
Pacific ex Japan	1.3
United Kingdom	0.8
Europe ex U.K.	0.6
Cash and cash equivalents	10.6
Total	100.0

at March 31, 2017

	% of net assets
BY ASSET TYPE	
Corporate Bonds	47.7
Provincial Bonds	34.9
Federal Bonds	3.7
Foreign Government Bonds	2.6
Mortgage Backed	2.2
Cash and cash equivalents	7.2
Other	1.7
Total	100.0

EFFECTIVE REGIONAL ALLOCATION

Canada	85.4
United States	2.6
United Kingdom	1.7
Pacific ex Japan	1.5
Europe ex U.K.	1.0
Japan	0.6
Cash and cash equivalents	7.2
Total	100.0

Schedule of Derivative Instruments

as at March 31, 2018

Schedule of Forward Currency Contracts

Counterparty credit rating	Settlement date	Currency to be received (000)	Contract costs (CAD\$ 000)	Currency to be delivered (000)	Current fair value (CAD\$ 000)	Unrealized gains (CAD\$ 000)	Unrealized losses (CAD\$ 000)
AA	04-20-2018	873 CAD	873	698 USD	899	-	(25)
AA	06-22-2018	617 CAD	617	480 USD	617	-	(1)
AA	06-22-2018	2,414 CAD	2,414	1,850 USD	2,380	34	-
AA	06-22-2018	6,244 CAD	6,244	4,847 USD	6,235	9	-
AA	06-29-2018	5,543 CAD	5,543	4,260 USD	5,479	64	-
						107	(26)

Schedule of Futures Contracts

Type of contract	No. of contracts	Expiration date	Average rate of contracts	Notional value (CAD\$ 000)	Unrealized gains (CAD\$ 000)	Unrealized losses (CAD\$ 000)
CBOT U.S. 10 Year Treasury Note	(131)	June 2018	119.74 USD	(20,444)	-	(237)
					-	(237)

TOTAL DERIVATIVE ASSETS

107

TOTAL DERIVATIVE LIABILITIES

(263)

NOTES TO ANNUAL FINANCIAL STATEMENTS**1. FISCAL PERIODS AND GENERAL INFORMATION**

The information provided in these financial statements and notes thereto is for the period from inception to March 31, 2018 and 2017. In the year a series is established, 'period' represents the period from inception to the period end of that fiscal period. Refer to Note 10 for series inception dates.

The Fund is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the Fund's registered office is 5015 Spectrum Way, Suite 300, Mississauga, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus and/or exempt distribution options.

Counsel Portfolio Services Inc. (the "Manager" or "Counsel") acts as the Fund's manager and trustee.

2. BASIS OF PREPARATION AND PRESENTATION

These annual financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). A summary of the Fund's significant accounting policies under IFRS is presented in Note 3.

These financial statements are presented in Canadian dollars, which is the Fund's functional currency, and rounded to the nearest thousand unless otherwise indicated. These financial statements are prepared on a going concern basis using the historical cost basis, except for financial assets and liabilities that have been measured at fair value.

These financial statements were authorized for issue by Counsel's Board of Directors on June 7, 2018.

3. SIGNIFICANT ACCOUNTING POLICIES**(a) Financial Instruments**

Financial instruments include financial assets and liabilities such as debt and equity securities and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"). Upon initial recognition, financial instruments are classified as fair value through profit or loss ("FVTPL"). All financial instruments are recognized in the Statements of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

Investments are designated on initial recognition as FVTPL with changes in fair value recognized in the Statement of Comprehensive Income – Net unrealized gain (loss).

The Fund's redeemable securities contain multiple contractual obligations and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to securityholders is presented at the redemption amount.

Realized and unrealized gains and losses on investments are calculated based on average cost of investments and exclude commissions and other portfolio transaction costs, which are separately reported in the Statement of Comprehensive Income – Commissions and other portfolio transaction costs.

Gains and losses arising from changes in the fair value of the investments are included in the Statement of Comprehensive Income for the period in which they arise.

(b) Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments, including exchange traded funds ("ETFs"), listed on a public securities exchange or traded on an over-the-counter market are valued on the basis of the last traded market price where this price falls within the quoted bid-ask spread for the investment. 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. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Counsel's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by the Manager using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data. The cost of investments is determined on a weighted average cost basis.

Cash and cash equivalents which includes cash on deposit with financial institutions and short term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity.

The Fund may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The Fund may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the Manager, provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statements of Comprehensive Income – Other changes in fair value of investments - Net unrealized gain (loss).

Further information on the Fund's fair value measurements may be found in Note 10.

(c) Income recognition

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis.

Income, realized gains (losses) and unrealized gains (losses) are allocated daily among the series on a pro-rata basis.

(d) Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are costs incurred to acquire financial assets or liabilities. They include fees and commissions paid to agents, advisers, brokers and dealers.

(e) Securities lending, repurchase and reverse repurchase transactions

The Fund is permitted to enter into securities lending, repurchase and reverse repurchase transactions as set out in the Fund's Simplified Prospectus. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities on a future date. Securities lending transactions are administered by the Canadian Imperial Bank of Commerce (the "Securities Lending Agent"). The value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned, sold or purchased. Collateral received is comprised of debt obligations of the Government of Canada and other countries, Canadian provincial and municipal governments, and financial institutions. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on cash or securities held as collateral. Income earned from these transactions is included in the Statements of Comprehensive Income – Securities lending income and recognized when earned.

(f) Foreign currency

The functional and presentation currency of the Fund is Canadian dollars. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated to Canadian dollars at the rate of exchange prevailing at the time of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in the Statements of Comprehensive Income – Net realized gain (loss).

The fair value of investments and other assets and liabilities, denominated in foreign currencies, are translated to Canadian dollars at the rate of exchange prevailing on each business day.

NOTES TO ANNUAL FINANCIAL STATEMENTS**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Offsetting**

The Fund only offsets financial assets and liabilities in the Statement of Financial Position when there is a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

Income and expenses are not offset in the statement of comprehensive income unless required or permitted to by an accounting standard, as specifically disclosed in the IFRS policies of the Fund.

(h) Net assets attributable to securityholders per security

Net assets attributable to securityholders per security is computed by dividing the net assets attributable to securityholders of a series of securities on a business day by the total number of securities of the series outstanding on that day.

(i) Net asset value per security

Net asset value per security is determined for the purchase and redemption of securities in accordance with the methods disclosed in the Fund's Simplified Prospectus and Annual Information Form. These methods may vary from valuation principles under IFRS. The fair value of net assets presented in the financial statements is consistent with the net asset values calculated for the purchase and redemption of the Fund's redeemable securities calculated in accordance with securities regulations.

(j) Increase (decrease) in net assets attributable to securityholders from operations per security

Increase (decrease) in net assets attributable to securityholders from operations per security in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to securityholders from operations for the period, divided by the weighted average number of securities outstanding during the period.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of these financial statements requires management to make estimates and assumptions that primarily affect the valuation of investments. Estimates and assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates.

Use of Estimates*Fair value of securities not quoted in an active market*

The Fund holds financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the Fund.

Use of Judgments*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 order to determine the most appropriate classification in accordance with IFRS 9. The Manager has considered the Fund's business model, commitments to securityholders, and the manner in which investments are managed and evaluated as a group and has determined that irrevocable designation of financial instruments as financial assets or financial liabilities at fair value through profit or loss provides the most appropriate measurement and presentation of the Fund's investments and financial instruments.

Functional currency

The Fund's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the Fund's underlying transactions, events and conditions taking into consideration the manner in which securities are issued and redeemed and how returns and performance by the Fund are measured.

5. INCOME TAXES

The Fund is a unit trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the Fund cannot be allocated to investors and are retained in the Fund for use in future years. Non-capital losses may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Capital losses may be carried forward indefinitely to reduce future realized capital gains. Refer to Note 9 for the Fund's loss carryforwards.

6. MANAGEMENT FEES AND OPERATING EXPENSES

No management fee or operating expenses, other than certain specific fund costs, are charged to the Fund

Such costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Counsel Funds' Independent Review Committee, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, any new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after October 27, 2017 and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after October 27, 2017.

7. FUND'S CAPITAL

The capital of the Fund is divided into different series with each series having an unlimited number of securities. The securities outstanding for the Fund as at March 31, 2018 and 2017 and securities issued, reinvested and redeemed for the period are presented in the Statements of Changes in Financial Position. Counsel manages the capital of the Fund in accordance with the investment objectives and strategies as discussed in Note 10.

NOTES TO ANNUAL FINANCIAL STATEMENTS**8. FINANCIAL INSTRUMENTS RISK****(a) Risk exposure and management**

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 Financial Instruments: Disclosures ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, grouped by asset type, with geographic and sector information.

The Manager seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund's investment objectives and strategies (as disclosed in Note 10), and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

(b) Liquidity risk

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In accordance with securities regulations, the Fund must maintain at least 85% of its assets in liquid investments (i.e., investments that can be readily sold). In addition, the Fund retains sufficient cash and short-term investment positions to maintain adequate liquidity. The Fund also has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions.

Other investment funds managed by Counsel ("Top Funds") may invest in Series 0 securities offered by the Fund on a prospectus-exempt basis in accordance with the investment objectives of those funds.

From time to time, these holdings may be rebalanced by either reducing an allocation to the Fund or eliminating such investments in the Fund entirely. In either case, depending on the size of the investment by a large investor, this could cause a significant redemption from the Fund. Meeting such a redemption may require the Fund to sell portfolio holdings. This could result in the Fund selling a particular holding before it has achieved the valuation sought by the Manager thus affecting Fund returns. This could also result in the Fund realizing capital gains on its holdings earlier than planned, which could result in capital gains distributed to investors in the Fund (which could result in income tax payable by the investor) that might not have occurred or might have occurred at a later date.

For the amounts held by and the changes thereto during, please refer to the amounts disclosed pertaining to Series 0 in the Statement of Financial Position and Statement of Changes in Financial Position.

(c) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

All transactions in listed securities are executed with approved brokers. To minimize the possibility of settlement default, securities are exchanged for payment simultaneously, where market practices permit, through the facilities of a central depository and/or clearing agency where customary.

The carrying amount of investments and other assets represents the maximum credit risk exposure as at the dates of the Statements of Financial Position.

The Fund may enter into securities lending transactions with counterparties and it may also be exposed to credit risk from the counterparties to the derivative instruments it may use. Credit risk associated with these transactions is considered minimal as all counterparties have an approved credit rating equivalent to a Standard & Poor's credit rating of not less than A-1 (low) on their short-term debt and of A on their long-term debt, as applicable.

If significant, Note 10 summarizes the Fund's exposure to credit risk pertaining to fixed income investments and derivatives.

(d) Currency risk

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, fluctuates due to changes in exchange rates. If applicable and significant, Note 10 summarizes the Fund's exposure to currency risk.

(e) Interest rate risk

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Cash and cash equivalents do not expose the Fund to significant amounts of interest rate risk. If applicable and significant, Note 10 summarizes the Fund's exposure to interest rate risk related to fixed income investments.

(f) Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategy. If applicable and significant, Note 10 summarizes the Fund's exposure to other price risk, including indirect exposure through underlying mutual funds and ETFs.

9. FURTHER INFORMATION

A copy of the Fund's current Annual Information Form, Management Report of Fund Performance, quarterly portfolio disclosures and proxy voting disclosures will be provided, without charge, by: calling toll-free 1-877-625-9885, writing to Counsel Portfolio Services Inc., 5015 Spectrum Way, Suite 300, Mississauga, ON, L4W 0E4, by visiting our website at www.counsellservices.com or by visiting www.sedar.com.

NOTES TO ANNUAL FINANCIAL STATEMENTS

All figures stated in \$000s of Canadian dollars unless otherwise noted

10. FUND SPECIFIC INFORMATION**(a) Series information**

Series	Date of Inception	Minimum Investment (\$)	Management Fee (%)	Administration Fee (%)
Series O ^{1,3}	January 7, 2016	-	-	-
Series R ^{2,3}	January 7, 2016	-	-	-

¹ There are no management or administration fees for this series since these securities are designed to facilitate fund-of-fund investing where duplication of management fees is prohibited.

² This series is not available for sale and is held solely by Counsel.

³ Securities of this series are not subject to sales charges or redemption charges.

(b) Investment Objectives and Strategies

The Fund seeks to achieve a steady flow of income by investing, either directly or indirectly through other investment funds, primarily in a diversified portfolio of Canadian government and corporate fixed-income securities. Preservation of capital is an important factor in the selection of investments. The Fund may invest up to 30% of its assets in foreign securities.

The Fund is not available to retail investors and is only available to other institutional investors (primarily other Counsel Funds).

(c) Risks Associated with Financial Instruments**i. Currency Risk**

As at March 31, 2018 and March 31, 2017, the Fund did not have a significant exposure to currency risk.

ii. Interest Rate Risk

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity.

Bonds	Less than 1 year	1 - 5 years	5 - 10 years	> 10 years	Total
March 31, 2018	1,027	85,509	80,512	79,570	246,618
March 31, 2017	101	12,294	6,156	11,505	30,056

As at March 31, 2018, had prevailing interest rates raised or lowered by 1.0%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately \$20,515 or 7.5% of total net assets (March 31, 2017—\$2,128 or 6.4% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio and interest rate swaps. In practice, the actual trading results may differ and the difference could be material.

iii. Other Price Risk

As at March 31, 2018 and March 31, 2017, the Fund did not have a significant exposure to other price risk.

iv. Credit Risk

The Fund's greatest concentration of credit risk is in debt securities, such as bonds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. As at March 31, 2018, the maximum exposure to any one debt issuer was 20.7% of the net assets (March 31, 2017—22.1%).

The table below indicates the Fund's exposure to debt securities by credit rating as a percentage of net assets:

March 31, 2018	
AAA	21.5
AA	29.0
A	21.8
BBB	16.9
less than BBB	0.5
Total	89.7
March 31, 2017	
AAA	16.1
AA	38.6
A	28.4
BBB	14.9
Unrated	0.1
Total	98.1

Credit ratings are based on ratings provided by external ratings agencies.

(d) Loss Carryforwards

As at the last taxation year-end, \$62 of net capital losses and \$nil of non-capital losses were available to offset future taxable income.

NOTES TO ANNUAL FINANCIAL STATEMENTS

All figures stated in \$000s of Canadian dollars unless otherwise noted

10. FUND SPECIFIC INFORMATION (continued)**(e) Fair Value Classification**

The table below summarizes the Fund's financial instruments carried at fair value using the following fair value hierarchy:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

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

Level 3 – Inputs that are not based on observable market data.

as at March 31, 2018	Level 1	Level 2	Level 3	Total
Fixed income	-	267,061	-	267,061
Mutual Funds	-	-	-	-
Equities	-	-	-	-
Cash equivalents	-	28,585	-	28,585
Derivative assets	-	107	-	107
Derivative liabilities	(237)	(26)	-	(263)
Total	(237)	295,727	-	295,490

as at March 31, 2017	Level 1	Level 2	Level 3	Total
Fixed income	-	32,376	-	32,376
Mutual Funds	-	-	-	-
Equities	-	-	-	-
Cash equivalents	-	1,852	-	1,852
Derivative assets	1	9	-	10
Derivative liabilities	-	(1)	-	(1)
Total	1	34,236	-	34,237

There were no significant transfers between Level 1 and Level 2. Cash equivalents classified as level 2 investments are valued based on amortized cost plus accrued interest which closely approximates fair value.

(f) Securities Lending

as at	Value of securities loaned	Value of collateral received
March 31, 2018	30,754	32,312
March 31, 2017	1,457	1,531

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the Fund for the periods ended March 31, 2018 and 2017 is presented below:

for the year ended March 31	Amount (\$)		Percentage of Total Amount (%)	
	2018	2017	2018	2017
Gross Securities Lending Income	3	1	100.0	100.0
Securities Lending Agent fees	(1)	-	(33.3)	0.0
Securities Lending Income to the Fund before Withholdings Taxes	2	1	66.7	100.0
Withholding Taxes	-	-	0.0	0.0
Securities Lending Income	2	1	66.7	100.0

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