

**COUNSEL | PORTFOLIO SERVICES**

*Counsel Retirement Preservation portfolio*

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 All Equity Portfolio Class

Counsel Balanced Growth Portfolio

Counsel Balanced Portfolio

Counsel Balanced Portfolio Class

Counsel Canadian Core Fixed Income

Counsel Canadian Dividend

Counsel Canadian Dividend Class

Counsel Canadian Growth

Counsel Canadian Growth Class

Counsel Canadian Value

Counsel Canadian Value Class

Counsel Conservative Portfolio

Counsel Conservative Portfolio Class

Counsel Defensive Global Equity

Counsel Fixed Income

Counsel Global Dividend

Counsel Global Fixed Income

Counsel Global Low Volatility Equity

Counsel Global Real Estate

Counsel Global Small Cap

Counsel Global Trend Strategy

Counsel Growth Portfolio

Counsel Growth Portfolio Class

Counsel High Income Portfolio

Counsel High Yield Fixed Income

Counsel Income Portfolio

Counsel International Growth

Counsel International Value

Counsel Money Market

Counsel Monthly Income Portfolio

Counsel North American High Yield Bond

Counsel Retirement Accumulation Portfolio

Counsel Retirement Foundation Portfolio

Counsel Retirement Income Portfolio

Counsel Retirement Preservation Portfolio

Counsel Short Term Bond

Counsel U.S. Growth

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
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")

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
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	59,229	42,906
Cash and cash equivalents	377	51
Accrued interest receivable	-	-
Dividends receivable	-	-
Accounts receivable for investments sold	-	3
Accounts receivable for securities issued	105	39
Accounts receivable from the Manager	-	1
Margin with broker	-	-
Derivative assets	-	-
Other assets	-	-
	59,711	43,000
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	<b>59,711</b>	<b>43,000</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	371	45
Accounts payable for securities redeemed	56	8
Distributions payable	-	-
Accrued expenses and miscellaneous payables	4	-
Dividends payable on investments sold short	-	-
Derivative liabilities	352	-
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	<b>783</b>	<b>53</b>
<b>Net assets attributable to securityholders</b>	<b>58,928</b>	<b>42,947</b>

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2018	2017
<b>Income:</b>		
Dividends	94	5
Interest and other income	1,307	648
Net realized gain (loss)	2,144	(119)
Net unrealized gain (loss)	(715)	1,092
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	31	7
Trust income	-	-
<b>Total income</b>	<b>2,861</b>	<b>1,633</b>
<b>Expenses:</b>		
Management fees	564	343
Management fee rebates	(1)	-
Administration fees	107	64
Commissions and other portfolio transaction costs	1	3
Independent Review Committee costs	1	1
Interest and other charges	1	1
<b>Expenses before amounts absorbed by Manager</b>	<b>673</b>	<b>412</b>
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	<b>673</b>	<b>412</b>
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>		
	2,188	1,221
Foreign withholding tax expense (recovery)	1	3
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	<b>2,187</b>	<b>1,218</b>

**Net assets attributable to securityholders**

	per security		per series	
	Mar. 31 2018	Mar. 31 2017	Mar. 31 2018	Mar. 31 2017
	Series A	10.60	10.51	20,332
Series F	10.63	10.55	16,272	12,973
Series I	10.64	10.56	9,287	4,126
Series Private Wealth	10.65	10.57	10,570	7,474
Series Private Wealth I	9.80	n/a	2,467	n/a
			58,928	42,947

**Increase (decrease) in net assets attributable to securityholders from operations**

	per security		per series	
	2018	2017	2018	2017
	Series A	0.35	0.33	660
Series F	0.49	0.47	639	415
Series I	0.60	0.58	398	155
Series Private Wealth	0.60	0.57	453	257
Series Private Wealth I	0.20	n/a	37	n/a
			2,187	1,218

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

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

	TOTAL		SERIES A		SERIES F		SERIES I	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	42,947	10,483	18,374	4,035	12,973	4,705	4,126	737
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	2,187	1,218	660	391	639	415	398	155
<b>Distributions:</b>								
Income	(630)	(208)	(164)	-	(178)	(87)	(131)	(44)
Capital gains	(1,374)	(116)	(357)	-	(389)	(45)	(285)	(26)
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	(1)	-	-	-	(1)	-	-	-
<b>Total distributions</b>	(2,005)	(324)	(521)	-	(568)	(132)	(416)	(70)
<b>Security transactions:</b>								
Proceeds from sale of securities	26,955	42,592	5,573	18,585	7,703	11,352	6,027	4,659
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	1,946	303	520	-	524	111	414	70
Payment on redemption of securities	(13,102)	(11,325)	(4,274)	(4,637)	(4,999)	(3,478)	(1,262)	(1,425)
<b>Total security transactions</b>	15,799	31,570	1,819	13,948	3,228	7,985	5,179	3,304
<b>Increase (decrease) in assets attributable to securityholders</b>	15,981	32,464	1,958	14,339	3,299	8,268	5,161	3,389
<b>Net assets attributable to securityholders, end of period</b>	58,928	42,947	20,332	18,374	16,272	12,973	9,287	4,126
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			1,747.6	396.1	1,229.5	460.7	390.6	72.2
Add (deduct):								
Securities sold			524.0	1,801.6	717.0	1,094.6	560.2	448.6
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			49.1	-	49.5	10.7	39.1	6.5
Securities redeemed			(402.3)	(450.1)	(465.5)	(336.5)	(117.1)	(136.7)
<b>Securities outstanding, end of period</b>			1,918.4	1,747.6	1,530.5	1,229.5	872.8	390.6

	SERIES PRIVATE WEALTH		SERIES PRIVATE WEALTH I	
	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	7,474	1,006	-	-
Increase (decrease) in net assets attributable to securityholders resulting from:				
<b>Operations</b>	453	257	37	-
<b>Distributions:</b>				
Income	(135)	(77)	(22)	-
Capital gains	(295)	(45)	(48)	-
Return of capital	-	-	-	-
Management fee rebates	-	-	-	-
<b>Total distributions</b>	(430)	(122)	(70)	-
<b>Security transactions:</b>				
Proceeds from sale of securities	5,190	7,996	2,462	-
Proceeds from securities issued on merger	-	-	-	-
Reinvested from distributions	430	122	58	-
Payment on redemption of securities	(2,547)	(1,785)	(20)	-
<b>Total security transactions</b>	3,073	6,333	2,500	-
<b>Increase (decrease) in assets attributable to securityholders</b>	3,096	6,468	2,467	-
<b>Net assets attributable to securityholders, end of period</b>	10,570	7,474	2,467	-
<b>Increase (decrease) in securities (in thousands):</b>				
<b>Securities outstanding, beginning of period</b>	706.9	98.3	-	-
Add (deduct):				
Securities sold	481.3	769.1	247.6	-
Securities issued on merger	-	-	-	-
Reinvested from distributions	40.6	11.2	6.0	-
Securities redeemed	(236.3)	(171.7)	(2.0)	-
<b>Securities outstanding, end of period</b>	992.5	706.9	251.6	-

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

**STATEMENTS OF CASH FLOWS**

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

	2018	2017
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	2,187	1,218
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(1,059)	260
Change in net unrealized loss (gain) on investments	715	(1,092)
Distributions received from Underlying Funds	(2,451)	(765)
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	11,050	6,018
Purchases of investments	(23,897)	(38,515)
(Increase) decrease in accounts receivable and other assets	1	2
Increase (decrease) in accounts payable and other liabilities	4	-
<b>Net cash provided by (used in) operating activities</b>	<b>(13,450)</b>	<b>(32,874)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	26,889	43,790
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(13,054)	(11,405)
Distributions paid net of reinvestments	(59)	(21)
<b>Net cash provided by (used in) financing activities</b>	<b>13,776</b>	<b>32,364</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>326</b>	<b>(510)</b>
Cash and cash equivalents at beginning of period	51	561
Effect of exchange rate fluctuations on cash and cash equivalents	-	-
<b>Cash and cash equivalents, end of period</b>	<b>377</b>	<b>51</b>
Cash	377	51
Cash equivalents	-	-
Bank indebtedness	-	-
	<b>377</b>	<b>51</b>

**Supplementary disclosures on cash flow from operating activities:**

Dividends received net of withholding taxes	-	-
Interest received net of withholding taxes	35	28
Interest paid	1	1
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at March 31, 2018

	No. of Units	Average Cost (\$ 000)	Fair Value (\$ 000)	Indirect Exposure to Financial Instrument Risks (note 8):			
				Currency Risk	Interest Rate Risk	Equity and other price risk	Credit Risk
<b>MUTUAL FUNDS</b>							
Counsel Canadian Core Fixed Income Series O	2,040,738	20,650	20,432		✓		✓
Counsel Defensive Global Equity Series O	1,297,583	14,080	14,977	✓		✓	
Counsel Global Low Volatility Equity Series O	776,676	7,898	8,122	✓		✓	
Counsel Global Real Estate Series O	240,467	3,186	2,952	✓		✓	✓
Counsel Money Market Fund Series O	297,388	2,974	2,974				✓
Counsel North American High Yield Bond Series O	201,709	2,057	1,977	✓	✓	✓	✓
		<u>50,845</u>	<u>51,434</u>				
<b>EXCHANGE TRADED FUNDS</b>							
iShares Core U.S. Treasury Bond ETF	72,982	2,407	2,321	✓	✓		✓
iShares J.P. Morgan EM Local Currency Bond ETF	23,885	1,406	1,549	✓	✓		✓
iShares S&P International Bond Index Fund	59,031	3,705	3,925	✓	✓		✓
		<u>7,518</u>	<u>7,795</u>				
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>							
		<u>(3)</u>	<u>-</u>				
<b>TOTAL INVESTMENTS</b>		<u>58,360</u>	<u>59,229</u>				
<b>Net Assets</b>							
Total investments			59,229				
Cash and cash equivalents			377				
Derivative liabilities (see schedule of derivative instruments)			(352)				
Other net assets (liabilities)			(326)				
			<u>58,928</u>				

**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
<b>BY ASSET TYPE</b>	
Canadian Fixed Income Funds	39.7
International Equity Funds	39.2
Exchange Traded Funds	13.2
Global Real Estate	5.0
International Fixed Income Funds	3.4
Cash and cash equivalents	0.6
Other	(1.1)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Government Bonds	29.7
Corporate Bonds	23.1
Financials	6.3
Information Technology	5.7
Health Care	5.5
Real Estate	5.4
Consumer Discretionary	4.6
Consumer Staples	4.1
Industrials	3.7
Energy	2.5
Materials	1.7
Utilities	1.4
Telecommunication Services	1.2
Cash and cash equivalents	0.6
Other	4.5
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

Canada	42.1
United States	31.8
Europe ex U.K.	11.6
Japan	5.2
Pacific ex Japan	4.4
United Kingdom	2.8
Latin America	1.2
Middle East and Africa	0.3
Cash and cash equivalents	0.6
	<b>100.0</b>

at March 31, 2017

	% of net assets
<b>BY ASSET TYPE</b>	
International Equity Funds	41.8
Canadian Fixed Income Funds	36.4
Exchange Traded Funds	11.9
International Fixed Income Funds	5.1
Global Real Estate	4.7
Cash and cash equivalents	0.1
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Government Bonds	28.7
Corporate Bonds	21.7
Financials	7.0
Health Care	6.4
Information Technology	5.5
Real Estate	5.4
Consumer Staples	5.1
Consumer Discretionary	4.5
Industrials	3.8
Energy	2.9
Materials	1.9
Utilities	1.8
Telecommunication Services	1.5
Cash and cash equivalents	0.1
Other	3.7
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

Canada	37.6
United States	36.1
Europe ex U.K.	11.7
Japan	5.2
Pacific ex Japan	4.9
United Kingdom	3.4
Latin America	0.8
Middle East and Africa	0.2
Cash and cash equivalents	0.1
	<b>100.0</b>



**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	05-08-2018	4,260 USD	5,521	5,521 CAD	5,485	-	(36)	
AA	05-08-2018	5,324 CAD	5,324	4,260 USD	5,485	-	(160)	
AA	05-08-2018	5,329 CAD	5,329	4,260 USD	5,485	-	(156)	
						-	(352)	
<b>TOTAL DERIVATIVE ASSETS</b>							-	
<b>TOTAL DERIVATIVE LIABILITIES</b>								(352)

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

The information provided in these financial statements and notes thereto is for the year ended or as at March 31, 2018 and 2017, as applicable. 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, Ontario, 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, open-ended investment funds, 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) Investments in underlying mutual funds**

The Fund accounts for its holdings in underlying mutual funds at FVTPL. Counsel has concluded that the unlisted open-ended investment funds in which the Fund invests, do not meet the definition of structured entities.

**(c) 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. Mutual fund securities of an underlying fund are valued on a business day at the price calculated by the manager of such underlying fund in accordance with the constating documents of such underlying fund.

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. 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.

**(d) Income recognition**

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Distributions from underlying mutual funds are recorded on the declaration date. Distributions of Canadian dividends are included in dividend income. Capital gains distributions from underlying funds are included in Net realized gains (losses). Other distributions are included in interest and other income. 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.

**(e) 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.

**(f) 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.

**(g) 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)****(h) 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.

**(i) 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.

**(j) 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. As at March 31, 2018 and March 31, 2017, there were no material differences.

**(k) 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 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.

**Structured entities**

Counsel is required to make significant judgments in determining whether certain investments meet the definition to be classified as a structured entity. In making this determination Counsel has assessed the characteristics of these underlying investments and has considered the contracts or financing arrangements with these investments, the ability to influence the activities of these underlying investments or the returns it receives from investing in these entities.

**5. INCOME TAXES**

The Fund qualifies as a mutual fund 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. The Fund's taxation year end is December 15.

Losses of the Fund cannot be allocated to securityholders and are retained in the Fund for use in future years. Non-capital losses incurred may be carried forward up to 20 years to reduce taxable income and realized capital gains of future years. Net capital losses may be carried forward indefinitely to reduce future realized capital gains.

Refer to Note 10 for a summary of the Fund's loss carryforwards.

**6. MANAGEMENT FEES AND OPERATING EXPENSES**

Counsel is paid a management fee for arranging for the management of the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements relating to the purchase and sale of the investment portfolio and making arrangements with registered dealers for the purchase and sale of securities of the Fund by securityholders.

Each series of the Fund is charged a fixed rate annual administration fee ("Administration Fee"), as applicable, and in return, Counsel bears all of the operating expenses of the Fund, other than certain specified fund costs. Other fund 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, costs of complying with the regulatory requirement to produce Fund Facts, 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.

The management fee and Administration Fee are calculated for each series of securities of the Fund as a fixed annual percentage of the daily net asset value of the series. Refer to Note 10 for the management fee and Administration Fee rates charged to each series of securities.

At its sole discretion, the Manager may waive management fees or Administration fees otherwise payable by a series.

**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.

Series Private Wealth securities may be issued by the Fund on a prospectus-exempt basis to investors in the IPC Private Wealth program offered by IPC Securities Corporation, an affiliate of Counsel.

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 the period pertaining to Series Private Wealth, please refer to the amounts disclosed 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, including indirect exposure through underlying mutual funds and ETFs.

**(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, including indirect exposure through underlying mutual funds and ETFs.

**(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 Simplified Prospectus, Annual Information Form, Management Report of Fund Performance, Fund Fact Sheets, 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.counsel-services.com](http://www.counsel-services.com) or by visiting [www.sedar.com](http://www.sedar.com).

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

All figures stated in \$000s of Canadian dollars, except for Note 10(a), unless otherwise noted

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

Series	Date of Inception	Minimum Investment (\$)	Management Fee <sup>7</sup> (%)	Administration Fee <sup>7</sup> (%)
Series A <sup>1</sup>	January 7, 2016	1,000	1.90	0.25
Series F <sup>2,4,5,9</sup>	January 7, 2016	1,000	0.85	0.15
Series I <sup>2,3,4,5,7</sup>	January 7, 2016	1,000	-	0.15
Series Private Wealth <sup>5,6</sup>	January 7, 2016	-	-	0.15
Series Private Wealth I <sup>5,8</sup>	May 25, 2017	1,000	0.85	0.15

<sup>1</sup> A1 As described in the Fund's Simplified Prospectus, securities of this series purchased under the sales charge purchase option may be subject to a fee of up to 5%; securities purchased under the redemption charge or low-load purchase options may be subject to a redemption fee of up to 6% or 3% respectively.

<sup>2</sup> A negotiable advisory or asset-based fee (plus sales taxes) is payable by investors to their dealer(s) in connection with the securities held in this series. The fee may be collected by Counsel from the investor's account through redemption of securities and remitted to the dealer at the investor's request. Alternatively, the dealer may collect it directly from the investor. Investors in this series may be eligible for a management fee reduction subject to meeting certain requirements as discussed in the Fund's Simplified Prospectus.

<sup>3</sup> The management fee for this series is 0.85% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>4</sup> Effective October 28, 2016, the Series F administration fee was reduced from 0.25% to 0.15%. Additionally, the minimum investment investment for Series I was reduced from \$150,000 to \$1,000.

<sup>5</sup> Securities of this series are not subject to sales charges or redemption charges.

<sup>6</sup> There are no management fees for Series Private Wealth. An investor must enter into an agreement to participate in the IPC Private Wealth Program and agree to pay certain asset-based fees. Prior to November 21, 2016, this series was called Series P.

<sup>7</sup> Counsel may, at its discretion, waive or lower the management fee (either directly or indirectly) and/or administration fee payable by investors.

<sup>8</sup> This series is available solely to those investing through a private client service offering from IPC Investment Corporation and IPC Securities Corporation.

<sup>9</sup> Prior to October 27, 2017, this series was called Series D.

**(b) Investment Objectives and Strategies**

The Fund seeks to achieve a balance for retirees and pre-retirees between earning income and capital growth while aiming to preserve capital. The Fund invests in securities of a variety of Canadian, U.S. and international equity and fixed income mutual funds and exchange-traded funds (the "Underlying Funds").

The Fund employs a passive investment strategy whereby investments in securities of Underlying Funds are based on target asset weightings. The target weightings allocated to each Underlying Fund and the selection of Underlying Funds are based on several factors, including impact to the Fund's volatility and asset class diversification.

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

As at March 31, 2018, had the Canadian dollar strengthened or weakened by 5.0% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$1,367 or 2.3% of total net assets. (March 31, 2017—\$1,304 or 3.0% of total net assets) In practice, the actual trading results may differ and the difference could be material.

**ii. Interest Rate Risk**

As at March 31, 2018, had the 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 \$2,150 or 3.6% of total net assets (March 31, 2017—\$1,304 or 3.0% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the Underlying Funds' bond portfolios. In practice, the actual trading results may differ and the difference could be material.

**iii. Other Price Risk**

As at March 31, 2018, had the prices on the respective stock exchanges for the equity securities held by the Underlying Funds raised or lowered by 10.0%, with all other variables held constant, net assets would have increased or decreased by approximately \$2,483 or 4.2% of total net assets (March 31, 2017—\$1,983 or 4.6% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**iv. Credit Risk**

The Fund's greatest indirect concentration of credit risk is in debt securities and derivatives held by underlying funds (including ETFs). Funds with credit risk exposure are identified in the Schedule of Investments.

**(d) Loss Carryforwards**

As at the last taxation year-end, the Fund had no loss carryforwards available to offset future taxable income.

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

All figures stated in \$000s of Canadian dollars, except for Note 10(a), 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	-	-	-	-
Mutual Funds	51,434	-	-	51,434
Equities	7,795	-	-	7,795
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	(352)	-	(352)
Total	59,229	(352)	-	58,877

  

as at March 31, 2017	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Mutual Funds	37,787	-	-	37,787
Equities	5,119	-	-	5,119
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Total	42,906	-	-	42,906

There were no significant transfers between Level 1 and Level 2.

**(f) Securities Lending**

as at	Value of securities loaned	Value of collateral received
March 31, 2018	-	-
March 31, 2017	-	-

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	59	13	100.0	100.0
Securities Lending Agent fees	(10)	(4)	(16.9)	(30.8)
Securities Lending Income to the Fund before Withholdings Taxes	49	9	83.1	69.2
Withholding Taxes	(18)	(2)	(30.5)	(15.4)
Securities Lending Income	31	7	52.5	53.8

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Client Services 180 Queen St. W., Toronto, ON M5V 3K1 • Toll-Free: 1-877-216-4979 • Fax: (416) 922-5660

Sales & Marketing 5015 Spectrum Way, Suite 300, Mississauga ON L4W 0E4 • Toll-Free: 1-877-625-9885 • Fax: 1-844-378-6247