

**COUNSEL | PORTFOLIO SERVICES**

# Counsel U.S. Value

ANNUAL FINANCIAL STATEMENTS

For the year ended March 31, 2020

## COUNSEL | PORTFOLIO SERVICES

# Management's *Responsibility for Financial Reporting*

To the securityholders of:

Counsel All Equity Portfolio

Counsel Balanced Portfolio

Counsel Canadian Core Fixed Income

Counsel Canadian Dividend

Counsel Canadian Growth

Counsel Canadian Value

Counsel Conservative Portfolio

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 High Income Portfolio

Counsel High Yield Fixed Income

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

IPC Multi-Factor Canadian Equity

IPC Multi-Factor International Equity

IPC Multi-Factor U.S. Equity

(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

July 13, 2020



**Paulette Jervis**  
Chief Financial Officer

July 13, 2020

## Independent Auditor's Report

To the Securityholders of:

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

(the "Funds" and each individually, the "Fund")

### Opinion

We have audited the financial statements of each of the Funds, which comprise the statements of financial position as at March 31, 2020 and 2019, and the statements of comprehensive income, changes in financial position and cash flows for the periods then ended, as indicated in note 1, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of each of the Funds as at March 31, 2020 and 2019, as applicable, and its financial performance and its cash flows for the periods then ended, as indicated in note 1, in accordance with International Financial Reporting Standards ("IFRS").

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Other Information**

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

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

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

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
July 13, 2020

**STATEMENTS OF FINANCIAL POSITION**

at March 31, 2020 with comparative figures at March 31, 2019  
(in \$ 000 except per security amounts)

	2020	2019
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	135,920	182,539
Cash and cash equivalents	716	970
Accrued interest receivable	-	-
Dividends receivable	378	393
Accounts receivable for investments sold	-	90,617
Accounts receivable for securities issued	20	150
Accounts receivable from the Manager	3	-
Margin on derivative contracts	-	-
Derivative assets	-	200
Other assets	-	-
	137,037	274,869
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	137,037	274,869
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	173	90,734
Accounts payable for securities redeemed	82	82
Distributions payable	-	-
Accrued expenses and miscellaneous payables	1	3
Dividends payable on investments sold short	-	-
Derivative liabilities	5,034	-
Taxes payable	-	-
Other liabilities	-	1
<b>Total liabilities</b>	5,290	90,820
<b>Net assets attributable to securityholders</b>	131,747	184,049

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2020	2019
<b>Income:</b>		
Dividends	5,323	7,283
Interest and other income	9	14
Net realized gain (loss)	1,023	3,691
Net unrealized gain (loss)	(55,353)	(22,459)
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	10	27
Trust income	-	-
<b>Total income</b>	(48,988)	(11,444)
<b>Expenses:</b>		
Management fees	347	480
Management fee rebates	(1)	(1)
Administration fees	71	93
Commissions and other portfolio transaction costs	51	115
Independent Review Committee costs	1	1
Interest and other charges	-	1
<b>Expenses before amounts absorbed by Manager</b>	469	689
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	469	689
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	(49,457)	(12,133)
Foreign withholding tax expense (recovery)	797	1,076
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	(50,254)	(13,209)

	Net assets attributable to securityholders			
	per security		per series	
	2020	2019	2020	2019
Series A	9.53	14.11	4,920	9,872
Series E	9.73	14.40	3,313	7,141
Series F	9.77	14.49	3,711	7,385
Series I	9.85	14.65	1,453	2,199
Series O	9.59	14.14	113,585	150,387
Series Private Wealth	9.83	14.62	4,765	7,065
			131,747	184,049

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2020	2019	2020	2019
Series A	(4.43)	(1.95)	(2,258)	(826)
Series E	(4.50)	(1.97)	(1,524)	(1,016)
Series F	(4.35)	(1.81)	(1,581)	(811)
Series I	(4.22)	(1.68)	(601)	(717)
Series O	(4.12)	(1.63)	(41,440)	(9,069)
Series Private Wealth	(4.20)	(1.68)	(2,850)	(770)
			(50,254)	(13,209)

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

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

	TOTAL		SERIES A		SERIES E		SERIES F	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net assets attributable to securityholders, beginning of period</b>	184,049	192,504	9,872	15,181	7,141	7,099	7,385	4,721
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	(50,254)	(13,209)	(2,258)	(826)	(1,524)	(1,016)	(1,581)	(811)
<b>Distributions:</b>								
Income	(4,340)	(6,365)	(80)	(91)	(68)	(84)	(141)	(146)
Capital gains	-	(21,845)	-	(1,327)	-	(968)	-	(911)
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	(1)	(1)	-	-	-	-	(1)	(1)
<b>Total distributions</b>	(4,341)	(28,211)	(80)	(1,418)	(68)	(1,052)	(142)	(1,058)
<b>Security transactions:</b>								
Proceeds from sale of securities	84,406	54,626	1,013	3,474	-	3,101	1,906	5,782
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	4,337	28,124	80	1,417	68	1,051	138	975
Payment on redemption of securities	(86,450)	(49,785)	(3,707)	(7,956)	(2,304)	(2,042)	(3,995)	(2,224)
<b>Total security transactions</b>	2,293	32,965	(2,614)	(3,065)	(2,236)	2,110	(1,951)	4,533
<b>Increase (decrease) in assets attributable to securityholders</b>	(52,302)	(8,455)	(4,952)	(5,309)	(3,828)	42	(3,674)	2,664
<b>Net assets attributable to securityholders, end of period</b>	131,747	184,049	4,920	9,872	3,313	7,141	3,711	7,385
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			700	830	496	380	510	251
Add (deduct):								
Securities sold			76	200	-	152	141	314
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			6	110	5	80	9	74
Securities redeemed			(266)	(440)	(160)	(116)	(280)	(129)
<b>Securities outstanding, end of period</b>			516	700	341	496	380	510

	SERIES I		SERIES O		SERIES PRIVATE WEALTH	
	2020	2019	2020	2019	2020	2019
<b>Net assets attributable to securityholders, beginning of period</b>	2,199	1,563	150,387	157,209	7,065	6,731
Increase (decrease) in net assets attributable to securityholders resulting from:						
<b>Operations</b>	(601)	(717)	(41,440)	(9,069)	(2,850)	(770)
<b>Distributions:</b>						
Income	(72)	(64)	(3,697)	(5,797)	(282)	(183)
Capital gains	-	(272)	-	(17,590)	-	(777)
Return of capital	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-
<b>Total distributions</b>	(72)	(336)	(3,697)	(23,387)	(282)	(960)
<b>Security transactions:</b>						
Proceeds from sale of securities	1,142	5,302	75,562	29,897	4,783	7,070
Proceeds from securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	72	336	3,697	23,387	282	958
Payment on redemption of securities	(1,287)	(3,949)	(70,924)	(27,650)	(4,233)	(5,964)
<b>Total security transactions</b>	(73)	1,689	8,335	25,634	832	2,064
<b>Increase (decrease) in assets attributable to securityholders</b>	(746)	636	(36,802)	(6,822)	(2,300)	334
<b>Net assets attributable to securityholders, end of period</b>	1,453	2,199	113,585	150,387	4,765	7,065
<b>Increase (decrease) in securities (in thousands):</b>						
<b>Securities outstanding, beginning of period</b>	150	82	10,634	8,455	483	354
Add (deduct):						
Securities sold	81	274	5,878	1,849	332	413
Securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	5	25	278	1,787	19	72
Securities redeemed	(88)	(231)	(4,952)	(1,457)	(349)	(356)
<b>Securities outstanding, end of period</b>	148	150	11,838	10,634	485	483

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

**STATEMENTS OF CASH FLOWS**

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

	2020	2019
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	(50,254)	(13,209)
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(1,023)	(3,691)
Change in net unrealized loss (gain) on investments	55,353	22,459
Distributions received from Underlying Funds	-	-
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	247,249	307,042
Purchases of investments	(249,671)	(317,364)
(Increase) decrease in accounts receivable and other assets	12	(85)
Increase (decrease) in accounts payable and other liabilities	(3)	1
<b>Net cash provided by (used in) operating activities</b>	<b>1,663</b>	<b>(4,847)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	84,536	54,636
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(86,450)	(49,813)
Distributions paid net of reinvestments	(4)	(87)
<b>Net cash provided by (used in) financing activities</b>	<b>(1,918)</b>	<b>4,736</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>(255)</b>	<b>(111)</b>
Cash and cash equivalents at beginning of period	970	1,083
Effect of exchange rate fluctuations on cash and cash equivalents	1	(2)
<b>Cash and cash equivalents, end of period</b>	<b>716</b>	<b>970</b>
Cash	716	970
Cash equivalents	-	-
Bank indebtedness	-	-
	716	970
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	4,541	6,120
Interest received net of withholding taxes	9	14
Interest paid	-	1
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at March 31, 2020

	Country	Sector	No. of Units/ Shares	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>EQUITIES</b>					
American Tower Corp. Class A	United States	Real Estate	13,787	4,073	4,232
AvalonBay Communities Inc.	United States	Real Estate	7,101	1,938	1,473
Cardinal Health Inc.	United States	Health Care	126,961	8,499	8,581
Chevron Corp.	United States	Energy	46,862	6,971	4,787
Cincinnati Financial Corp.	United States	Financials	12,655	1,856	1,346
Citigroup Inc.	United States	Financials	91,716	7,866	5,446
Crown Castle International Corp.	United States	Real Estate	10,436	2,025	2,124
Delta Air Lines Inc.	United States	Industrials	213,497	14,749	8,587
Eli Lilly and Co.	United States	Health Care	10,956	1,974	2,143
Equity Residential	United States	Real Estate	17,208	1,901	1,497
Extra Space Storage Inc.	United States	Real Estate	12,592	1,868	1,700
The Gap Inc.	United States	Consumer Discretionary	222,790	6,315	2,211
General Motors Co.	United States	Consumer Discretionary	155,866	7,119	4,566
Genuine Parts Co.	United States	Consumer Discretionary	12,870	1,768	1,222
Healthpeak Properties Inc.	United States	Real Estate	45,525	1,951	1,531
The Hershey Co.	United States	Consumer Staples	9,551	1,940	1,784
Lincoln National Corp.	United States	Financials	98,257	7,254	3,646
McDonald's Corp.	United States	Consumer Discretionary	6,949	1,904	1,620
Merck & Co. Inc.	United States	Health Care	17,191	1,880	1,865
MetLife Inc.	United States	Financials	126,158	7,752	5,437
Mid-America Apartment Communities Inc.	United States	Real Estate	11,336	1,988	1,646
Mondelez International Inc.	United States	Consumer Staples	26,589	1,965	1,877
Nucor Corp.	United States	Materials	99,305	6,908	5,043
Paychex Inc.	United States	Information Technology	17,988	1,931	1,596
Phillips 66	United States	Energy	56,769	6,394	4,294
The Procter & Gamble Co.	United States	Consumer Staples	13,688	2,054	2,123
Prudential Financial Inc.	United States	Financials	66,446	7,562	4,884
Realty Income Corp.	United States	Real Estate	19,518	1,877	1,372
SBA Communications Corp. Class A	United States	Real Estate	5,943	2,015	2,262
Seagate Technology	United States	Information Technology	110,420	7,803	7,597
Synchrony Financial	United States	Financials	353,647	14,486	8,022
UDR Inc.	United States	Real Estate	31,307	1,933	1,613
Walgreens Boots Alliance Inc.	United States	Consumer Staples	91,478	7,170	5,900
Western Digital Corp.	United States	Information Technology	124,335	8,689	7,295
Whirlpool Corp.	United States	Consumer Discretionary	38,299	7,382	4,633
Xerox Holding Corp.	United States	Information Technology	373,197	15,625	9,965
				187,385	135,920
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>				(26)	-
<b>TOTAL INVESTMENTS</b>				187,359	135,920
<b>Net Assets</b>					
Total investments					135,920
Cash and cash equivalents					716
Derivative liabilities (see schedule of forward currency contracts)					(5,034)
Other net assets (liabilities)					145
					131,747



**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, 2020 and 2019, 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 (a) 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 July 10, 2020.

**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. 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.

**(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.

**NOTES TO ANNUAL FINANCIAL STATEMENTS**

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.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(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 sums of the increase (decrease) in net assets attributable to securityholders from operations for each month, divided by the weighted average number of securities outstanding during each month.

**(k) Mergers**

The Fund applies the acquisition method of accounting for Fund mergers. Under this method, one of the Funds in each merger is identified as the acquiring Fund, and is referred to as the Continuing Fund, and the other Fund involved in the merger is referred to as the Terminated Fund. This identification is based on the comparison of the relative net asset values of the Funds as well as consideration of the continuation of such aspects of the Continuing Fund as: investment advisors; investment objectives and practices; type of portfolio securities; and management fees and expenses.

**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.

The outbreak of the novel coronavirus (COVID-19) developed rapidly over the first three months of 2020, with the World Health Organization declaring it a pandemic on March 11, 2020, and governments around the world enacting emergency measures that resulted in business disruptions, volatility in markets and a global economic slowdown.

The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at March 31, 2020.

The duration and impact of the COVID-19 pandemic on businesses and markets, and the extent of economic relief measures provided by governments and central banks, are unknown at the reporting date and it is therefore not possible to reliably estimate the impact on the financial results and position of the Fund in future periods.

**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 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 (d) 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, excluding series O, 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, any new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after October 29, 2019 (the date of the Fund's last Simplified Prospectus).

The management fee and Administration Fee are calculated for each series of securities of the Fund as an annualized percentage of the daily net asset value of the series. Refer to Note 10 (a) for the management 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, 2020 and 2019 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 (b).

**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 (b) 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 order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against pre-determined minimum liquidity percentages, established for different time periods. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. In order to comply with securities regulations, the Fund must maintain at least 85% of its assets in liquid investments (i.e. investments that can be readily sold).

Other investment funds managed by Counsel ("Top Funds") may invest in Series O securities offered by the Fund on a prospectus-exempt basis in accordance with the investment objectives of those funds. Series Private Wealth securities may also be issued 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 O and/or 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 into which it has entered 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.

Note 10 (c) 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. Note 10 (c) 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. Note 10 (c) 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. Note 10 (c) summarizes the Fund's exposure to other price risk, including indirect exposure through underlying investment 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 policies and 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, 2009	1,000	1.90	0.29
Series E <sup>2,8</sup>	January 7, 2009	75,000	1.71	0.29
Series F <sup>2,3,4</sup>	January 7, 2009	1,000	0.90	0.15
Series I <sup>2,3,7</sup>	January 7, 2009	1,000	-	0.15
Series O <sup>3,5</sup>	January 7, 2009	-	-	-
Series Private Wealth <sup>3,6</sup>	January 7, 2009	-	-	0.15

<sup>1</sup> 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; new securities are not available under these purchase options but may be acquired through switching from other Counsel funds. Effective April 1, 2020, 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>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> Securities of this series are not subject to sales charges or redemption charges.

<sup>4</sup> The management fee for this series is 0.90% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>5</sup> 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. This series may pay monthly distributions of net income to minimize risks associated with large redemption by other Counsel funds.

<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.

<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 not available for purchase.

**(b) Investment Objectives and Strategies**

The Fund invests in companies that are believed by its sub-advisor to be undervalued and to exhibit strong fundamentals. It seeks fundamentally strong companies and avoids speculative stocks in a variety of sectors.

**(c) Risks Associated with Financial Instruments**

## i. Currency Risk

The table below indicates the foreign currencies, to which the Fund had significant exposure as at period end in Canadian dollar terms, including the underlying principal amount of forward currency contracts.

March 31, 2020				
Currency	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
United States dollars	135,920	268	-	136,188
Total	135,920	268	-	136,188
As percent of net assets (%)				103.4

  

March 31, 2019				
Currency	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
United States dollars	182,539	369	(46,295)	136,613
Total	182,539	369	(46,295)	136,613
As percent of net assets (%)				74.2

As at March 31, 2020, 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 \$6,809 or 5.2% of total net assets (March 31, 2019 – \$6,831 or 3.7% 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, 2020 and March 31, 2019, the Fund did not have a significant exposure to interest rate risk related to fixed income investments.

## iii. Other Price Risk

The Fund's most significant exposure to other price risk arises from its investment in equity securities. As at March 31, 2020, had the prices on the respective stock exchanges for these securities raised or lowered by 10.0%, with all other variables held constant, net assets would have increased or decreased by \$13,592 or 10.3% of total net assets (March 31, 2019 – \$18,254 or 9.9% of total net assets). In practice, the actual trading results may differ and the difference could be material.

## iv. Credit Risk

As at March 31, 2020 and March 31, 2019, the Fund did not have a significant exposure to credit risk related to fixed income investments.

**(d) Loss Carryforwards**

As at the last taxation year-end, \$824 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, 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, 2020	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Equities	135,920	-	-	135,920
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	(5,034)	-	(5,034)
Total	135,920	(5,034)	-	130,886

  

as at March 31, 2019	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Equities	182,539	-	-	182,539
Cash equivalents	-	-	-	-
Derivative assets	-	200	-	200
Derivative liabilities	-	-	-	-
Total	182,539	200	-	182,739

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, 2020	13,399	14,246
March 31, 2019	33,564	35,299

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, 2020 and 2019 is presented below:

for the year ended March 31	Amount (\$)		Percentage of Total Amount (%)	
	2020	2019	2020	2019
Gross Securities Lending Income	14	37	100.0	100.0
Securities Lending Agent fees	(3)	(9)	(21.4)	(24.3)
Securities Lending Income to the Fund before Withholdings Taxes	11	28	78.6	75.7
Withholding Taxes	(1)	(1)	(7.1)	(2.7)
Securities Lending Income	10	27	71.4	73.0



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