

**COUNSEL | PORTFOLIO SERVICES**

# Counsel U.S. Value

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	194,215	181,380
Cash and cash equivalents	1,083	719
Accrued interest receivable	-	-
Dividends receivable	306	242
Accounts receivable for investments sold	73,366	-
Accounts receivable for securities issued	160	44
Accounts receivable from the Manager	2	1
Margin on derivative contracts	-	-
Derivative assets	-	-
Other assets	-	-
	269,132	182,386
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	269,132	182,386
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	73,339	70
Accounts payable for securities redeemed	110	129
Distributions payable	-	-
Accrued expenses and miscellaneous payables	3	-
Dividends payable on investments sold short	-	-
Derivative liabilities	3,176	-
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	76,628	199
<b>Net assets attributable to securityholders</b>	192,504	182,187

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2018	2017
<b>Income:</b>		
Dividends	8,322	6,020
Interest and other income	3	-
Net realized gain (loss)	25,193	12,967
Net unrealized gain (loss)	7,913	6,179
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	28	83
Trust income	-	-
<b>Total income</b>	41,459	25,249
<b>Expenses:</b>		
Management fees	515	615
Management fee rebates	(1)	-
Administration fees	94	106
Commissions and other portfolio transaction costs	64	76
Independent Review Committee costs	1	1
Interest and other charges	1	1
<b>Expenses before amounts absorbed by Manager</b>	674	799
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	674	799
<b>Increase (decrease) in net assets attributable to securityholders from operations before tax</b>	40,785	24,450
Foreign withholding tax expense (recovery)	722	903
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders from operations</b>	40,063	23,547

	Net assets attributable to securityholders			
	per security		per series	
	Mar. 31 2018	Mar. 31 2017	Mar. 31 2018	Mar. 31 2017
Series A	18.29	16.45	15,181	16,389
Series E	18.67	16.80	7,099	8,825
Series F	18.82	16.95	4,721	3,742
Series I	19.07	17.19	1,563	1,406
Series O	18.59	16.77	157,209	146,856
Series Private Wealth	19.04	17.16	6,731	4,969
			192,504	182,187

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2018	2017	2018	2017
Series A	3.16	1.60	2,746	1,629
Series E	3.28	1.69	1,394	1,010
Series F	3.50	1.84	897	406
Series I	3.74	2.08	305	159
Series O	3.67	2.03	33,521	19,806
Series Private Wealth	3.74	2.07	1,200	537
			40,063	23,547

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

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

	TOTAL		SERIES A		SERIES E		SERIES F	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	182,187	181,772	16,389	18,642	8,825	13,119	3,742	4,139
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	40,063	23,547	2,746	1,629	1,394	1,010	897	406
<b>Distributions:</b>								
Income	(7,179)	(4,390)	(404)	(80)	(204)	(82)	(156)	(54)
Capital gains	(12,011)	(882)	(678)	(16)	(342)	(16)	(262)	(11)
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	(1)	-	-	-	-	-	(1)	-
<b>Total distributions</b>	(19,191)	(5,272)	(1,082)	(96)	(546)	(98)	(419)	(65)
<b>Security transactions:</b>								
Proceeds from sale of securities	30,045	26,412	2,590	2,973	-	499	2,868	1,164
Proceeds from securities issued on merger	-	413	-	320	-	-	-	93
Reinvested from distributions	19,135	5,262	1,073	95	546	98	373	57
Payment on redemption of securities	(59,735)	(49,947)	(6,535)	(7,174)	(3,120)	(5,803)	(2,740)	(2,052)
<b>Total security transactions</b>	(10,555)	(17,860)	(2,872)	(3,786)	(2,574)	(5,206)	501	(738)
<b>Increase (decrease) in assets attributable to securityholders</b>	10,317	415	(1,208)	(2,253)	(1,726)	(4,294)	979	(397)
<b>Net assets attributable to securityholders, end of period</b>	192,504	182,187	15,181	16,389	7,099	8,825	4,721	3,742
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			996.4	1,246.8	525.3	858.7	220.7	268.7
Add (deduct):								
Securities sold			145.2	186.2	-	33.6	158.0	72.7
Securities issued on merger			-	19.9	-	-	-	5.6
Reinvested from distributions			60.2	5.7	30.0	5.7	20.4	3.3
Securities redeemed			(371.5)	(462.2)	(175.1)	(372.7)	(148.3)	(129.6)
<b>Securities outstanding, end of period</b>			830.3	996.4	380.2	525.3	250.8	220.7

	SERIES I		SERIES O		SERIES PRIVATE WEALTH	
	2018	2017	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	1,406	1,226	146,856	141,594	4,969	3,052
Increase (decrease) in net assets attributable to securityholders resulting from:						
<b>Operations</b>	305	159	33,521	19,806	1,200	537
<b>Distributions:</b>						
Income	(55)	(30)	(6,135)	(4,034)	(225)	(110)
Capital gains	(93)	(6)	(10,260)	(811)	(376)	(22)
Return of capital	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-
<b>Total distributions</b>	(148)	(36)	(16,395)	(4,845)	(601)	(132)
<b>Security transactions:</b>						
Proceeds from sale of securities	592	512	22,331	18,680	1,664	2,584
Proceeds from securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	148	36	16,395	4,844	600	132
Payment on redemption of securities	(740)	(491)	(45,499)	(33,223)	(1,101)	(1,204)
<b>Total security transactions</b>	-	57	(6,773)	(9,699)	1,163	1,512
<b>Increase (decrease) in assets attributable to securityholders</b>	157	180	10,353	5,262	1,762	1,917
<b>Net assets attributable to securityholders, end of period</b>	1,563	1,406	157,209	146,856	6,731	4,969
<b>Increase (decrease) in securities (in thousands):</b>						
<b>Securities outstanding, beginning of period</b>	81.8	78.4	8,759.4	9,282.9	289.6	195.5
Add (deduct):						
Securities sold	32.3	31.6	1,244.5	1,217.3	90.4	162.6
Securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	8.0	2.1	911.1	286.5	32.6	7.6
Securities redeemed	(40.2)	(30.3)	(2,460.5)	(2,027.3)	(59.0)	(76.1)
<b>Securities outstanding, end of period</b>	81.9	81.8	8,454.5	8,759.4	353.6	289.6

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	40,063	23,547
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(25,193)	(12,967)
Change in net unrealized loss (gain) on investments	(7,913)	(6,179)
Distributions received from Underlying Funds	-	-
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	115,560	207,281
Purchases of investments	(92,211)	(188,564)
(Increase) decrease in accounts receivable and other assets	(65)	37
Increase (decrease) in accounts payable and other liabilities	3	(6)
<b>Net cash provided by (used in) operating activities</b>	<b>30,244</b>	<b>23,149</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	29,929	26,544
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(59,754)	(49,609)
Distributions paid net of reinvestments	(56)	(10)
<b>Net cash provided by (used in) financing activities</b>	<b>(29,881)</b>	<b>(23,075)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>363</b>	<b>74</b>
Cash and cash equivalents at beginning of period	719	644
Effect of exchange rate fluctuations on cash and cash equivalents	1	1
<b>Cash and cash equivalents, end of period</b>	<b>1,083</b>	<b>719</b>
Cash	1,083	719
Cash equivalents	-	-
Bank indebtedness	-	-
	1,083	719

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

Dividends received net of withholding taxes	7,536	5,155
Interest received net of withholding taxes	3	-
Interest paid	1	1
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at March 31, 2018

	Country	Sector	No. of Units/ Shares	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>EQUITIES</b>					
The Allstate Corp.	United States	Financials	14,226	1,590	1,737
Ametek Inc.	United States	Industrials	19,705	1,906	1,928
Amphenol Corp. Class A	United States	Information Technology	15,453	1,538	1,715
Andeavor	United States	Energy	58,964	6,770	7,639
Best Buy Co. Inc.	United States	Consumer Discretionary	96,070	5,018	8,662
The Boeing Co.	United States	Industrials	5,048	1,406	2,132
CenturyLink Inc.	United States	Telecommunication Services	366,839	7,700	7,764
Constellation Brands Inc. Class A	United States	Consumer Staples	6,771	1,915	1,988
Everest Re Group Ltd.	United States	Financials	22,772	6,376	7,534
Ford Motor Co.	United States	Consumer Discretionary	999,917	14,290	14,273
The Gap Inc.	United States	Consumer Discretionary	186,477	6,577	7,495
Harris Corp.	United States	Industrials	9,850	1,611	2,047
Kohl's Corp.	United States	Consumer Discretionary	210,564	14,644	17,770
Lincoln National Corp.	United States	Financials	71,354	6,438	6,716
Macy's Inc.	United States	Consumer Discretionary	461,266	14,708	17,672
Marathon Petroleum Corp.	United States	Energy	82,125	5,735	7,735
Mastercard Inc. Class A	United States	Information Technology	9,060	1,597	2,044
McDonald's Corp.	United States	Consumer Discretionary	8,154	1,606	1,643
Moody's Corp.	United States	Financials	9,272	1,898	1,927
Navient Corp.	United States	Financials	374,075	6,723	6,323
Phillips 66	United States	Energy	61,823	7,643	7,639
The Progressive Corp.	United States	Financials	51,964	3,544	4,079
Prudential Financial Inc.	United States	Financials	57,708	7,650	7,698
Republic Services Inc.	United States	Industrials	19,563	1,435	1,669
Roper Technologies Inc.	United States	Industrials	10,544	3,501	3,813
UnitedHealth Group Inc.	United States	Health Care	6,599	1,546	1,819
Unum Group	United States	Financials	103,225	4,822	6,331
Valero Energy Corp.	United States	Energy	64,883	5,995	7,754
VeriSign Inc.	United States	Information Technology	12,591	1,906	1,923
Verisk Analytics Inc.	United States	Industrials	14,551	1,916	1,949
Visa Inc. Class A	United States	Information Technology	12,600	1,912	1,942
Westrock Co.	United States	Materials	93,279	7,651	7,711
XL Group PLC	Bermuda	Financials	130,493	6,321	9,290
Xylem Inc.	United States	Industrials	19,381	1,912	1,920
Yum! Brands Inc.	United States	Consumer Discretionary	17,635	1,930	1,934
				169,730	194,215
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>				(30)	–
<b>TOTAL INVESTMENTS</b>				169,700	194,215
<b>Net Assets</b>					
Total investments					194,215
Cash and cash equivalents					1,083
Derivative liabilities (see schedule of derivative instruments)					(3,176)
Other net assets (liabilities)					382
					192,504



**Schedule of Asset Composition**

at March 31, 2018

	% of net assets
<b>BY ASSET TYPE</b>	
Equities	100.9
Cash and cash equivalents	0.6
Other	(1.5)
<b>Total</b>	<b>100.0</b>
<b>BY COUNTRY</b>	
United States	94.6
Bermuda	4.8
Cash and cash equivalents	0.6
	<b>100.0</b>
<b>BY SECTOR</b>	
Consumer Discretionary	36.1
Financials	26.8
Energy	16.0
Industrials	8.0
Information Technology	4.0
Materials	4.0
Telecommunication Services	4.0
Consumer Staples	1.0
Health Care	1.0
Cash and cash equivalents	0.6
Other	(1.5)
	<b>100.0</b>

at March 31, 2017

	% of net assets
<b>BY ASSET TYPE</b>	
Equities	99.6
Cash and cash equivalents	0.4
<b>Total</b>	<b>100.0</b>
<b>BY COUNTRY</b>	
United States	99.6
Cash and cash equivalents	0.4
	<b>100.0</b>
<b>BY SECTOR</b>	
Financials	33.2
Consumer Discretionary	20.4
Information Technology	15.2
Energy	11.6
Industrials	8.9
Consumer Staples	5.3
Telecommunication Services	3.1
Health Care	1.9
Cash and cash equivalents	0.4
	<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	48,032 CAD	48,032	38,431 USD	49,478	-	(1,446)	
AA	05-08-2018	48,074 CAD	48,074	38,431 USD	49,478	-	(1,404)	
AA	05-08-2018	38,431 USD	49,804	49,804 CAD	49,478	-	(326)	
						-	(3,176)	
<b>TOTAL DERIVATIVE ASSETS</b>							-	
<b>TOTAL DERIVATIVE LIABILITIES</b>								(3,176)

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

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

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

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

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

**(b) Fair Value Measurement**

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

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

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

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

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

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

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

**(c) Income recognition**

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

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

**(d) Commissions and other portfolio transaction costs**

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

**(e) Securities lending, repurchase and reverse repurchase transactions**

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

**(f) Foreign currency**

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

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

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

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

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

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

**(h) Net assets attributable to securityholders per security**

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

**(i) Net asset value per security**

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

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

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

**(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.

**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 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, 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.

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 that it has entered into with the Fund.

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

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

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

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

**(d) Currency risk**

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

**(e) Interest rate risk**

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

**(f) Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategy. If applicable and significant, Note 10 summarizes the Fund's exposure to other price risk, including indirect exposure through underlying 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 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.counselervices.com](http://www.counselervices.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>9</sup> (%)	Administration Fee <sup>9</sup> (%)
Series A <sup>1,3</sup>	January 7, 2009	1,000	1.90	0.29
Series E <sup>2,4</sup>	January 7, 2009	75,000	1.71	0.29
Series F <sup>2,3,4,5</sup>	January 7, 2009	1,000	0.90	0.15
Series I <sup>2,3,4,6,9</sup>	January 7, 2009	1,000	-	0.15
Series O <sup>4,7</sup>	January 7, 2009	-	-	-
Series Private Wealth <sup>4,8</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.

<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> Effective October 28, 2016, the Series A management fee was reduced from 2.08% to 1.90%; the Series F management fee was reduced from 1.00% to 0.90% and Series F's administration fee was reduced from 0.29% to 0.15%. Additionally, the minimum investment for Series I was reduced from \$150,000 to \$1,000 and Series E was no longer available for sale.

<sup>4</sup> Securities of this series are not subject to sales charges or redemption charges.

<sup>5</sup> Prior to October 27, 2017, this series was called Series D.

<sup>6</sup> The management fee for this series is 0.90% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>7</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.

<sup>8</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>9</sup> Counsel may, at its discretion, waive or lower the management fee (either directly or indirectly) and/or administration fee payable by investors.

**(b) Investment Objectives and Strategies**

The Fund invests in undervalued companies that 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.

Currency	March 31, 2018			
	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
United States dollars	194,215	384	(49,478)	145,121
Total	194,215	384	(49,478)	145,121
As percent of net assets (%)				75.4

Currency	March 31, 2017			
	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
United States dollars	181,380	250	-	181,630
Total	181,380	250	-	181,630
As percent of net assets (%)				99.7

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 \$7,256 or 3.8% of total net assets (March 31, 2017—\$9,082 or 5.0% 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 and March 31, 2017, 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, 2018, 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 approximately \$19,422 or 10.1% of total net assets (March 31, 2017—\$18,138 or 10.0% 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, 2018 and March 31, 2017, the Fund did not have a significant exposure to credit risk related to fixed income investments.

**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)****(d) Loss Carryforwards**

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

**(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	-	-	-	-
Equities	194,215	-	-	194,215
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	(3,176)	-	(3,176)
Total	194,215	(3,176)	-	191,039

as at March 31, 2017	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Equities	181,380	-	-	181,380
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	-	-	-
Total	181,380	-	-	181,380

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	25,965	27,090
March 31, 2017	54,173	57,092

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	38	149	100.0	100.0
Securities Lending Agent fees	(9)	(38)	(23.7)	(25.5)
Securities Lending Income to the Fund before Withholdings Taxes	29	111	76.3	74.5
Withholding Taxes	(1)	(28)	(2.6)	(18.8)
Securities Lending Income	28	83	73.7	55.7

**(g) Fund Merger**

Effective the close of business on January 13, 2017, the Fund merged with Counsel U.S. Value Class (the "Terminating Fund"), a mutual fund managed by Counsel. The merger was approved by the securityholders of the Terminating Fund. The merger was affected by transferring the net assets of the Terminating Fund in exchange for securities of the Fund at fair market value. Counsel paid the expenses incurred to affect the merger.

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