

**COUNSEL | PORTFOLIO SERVICES**

# Counsel Money Market

ANNUAL FINANCIAL STATEMENTS

For the year ended March 31, 2018

## COUNSEL | PORTFOLIO SERVICES

# Management's *Responsibility for Financial Reporting*

To the securityholders of:

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

(collectively, “the Funds”)

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

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

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

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



**Chris Reynolds**  
Director



**Frank Gawlina**  
Chief Financial Officer

June 7, 2018

## Independent Auditor's Report

To the Securityholders of

Counsel All Equity Portfolio	Counsel Conservative Portfolio Class	Counsel Income Portfolio
Counsel All Equity Portfolio Class	Counsel Defensive Global Equity	Counsel International Growth
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Counsel Balanced Portfolio	Counsel Global Dividend	Counsel Money Market
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(collectively "the Funds")

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### **Opinion**

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

/s/ Deloitte LLP

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

**STATEMENTS OF FINANCIAL POSITION**

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

	Mar. 31 2018	Mar. 31 2017
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	22,202	26,326
Cash	1	-
Accrued interest receivable	63	19
Dividends receivable	-	-
Accounts receivable for investments sold	-	-
Accounts receivable for securities issued	52	3
Accounts receivable from the Manager	-	1
Margin on derivative contracts	-	-
Derivative assets	-	-
Other assets	-	-
	22,318	26,349
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	22,318	26,349
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	-	-
Accounts payable for securities redeemed	-	-
Dividends payable	8	6
Accrued expenses and miscellaneous payables	1	-
Dividends payable on investments sold short	-	-
Derivative liabilities	-	-
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	9	6
<b>Net assets attributable to securityholders</b>	22,309	26,343

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2018	2017
<b>Income:</b>		
Dividends	-	-
Interest income	257	190
Net realized gain (loss)	-	-
Net unrealized gain (loss)	-	-
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	-	-
Trust income	-	-
<b>Total income</b>	257	190
<b>Expenses:</b>		
Management fees	222	223
Management fee rebates	-	-
Administration fees	40	40
Commissions and other portfolio transaction costs	-	-
Independent Review Committee costs	-	1
Interest and other charges	-	2
<b>Expenses before amounts absorbed by Manager</b>	262	266
Expenses absorbed by Manager	(71)	(123)
<b>Net expenses</b>	191	143
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	66	47
Foreign withholding tax expense (recovery)	-	-
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations</b>	66	47

	Net assets attributable to securityholders			
	per security		per series	
	Mar. 31 2018	Mar. 31 2017	Mar. 31 2018	Mar. 31 2017
Series A	10.00	10.00	16,194	20,295
Series C	10.00	10.00	850	292
Series F	10.00	10.00	857	1,686
Series I	10.00	10.00	1,434	1,980
Series O	10.00	10.00	2,974	2,090
			22,309	26,343

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2018	2017	2018	2017
Series A	0.01	0.01	24	26
Series C	0.02	0.02	1	1
Series F	0.02	0.02	3	1
Series I	0.08	0.06	11	7
Series O	0.10	0.08	27	12
			66	47

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

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

	TOTAL		SERIES A		SERIES C		SERIES F	
	2018	2017	2018	2017	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	26,343	25,992	20,295	22,008	292	304	1,686	831
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	66	47	24	26	1	1	3	1
<b>Distributions:</b>								
Income	(66)	(47)	(24)	(27)	(1)	-	(3)	(2)
Capital gains	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-	-	-
<b>Total distributions</b>	(66)	(47)	(24)	(27)	(1)	-	(3)	(2)
<b>Security transactions:</b>								
Proceeds from sale of securities	46,363	54,551	23,867	32,251	13,258	13,465	5,655	4,556
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	66	45	24	26	1	-	3	2
Payment on redemption of securities	(50,463)	(54,245)	(27,992)	(33,989)	(12,701)	(13,478)	(6,487)	(3,702)
<b>Total security transactions</b>	(4,034)	351	(4,101)	(1,712)	558	(13)	(829)	856
<b>Increase (decrease) in assets attributable to securityholders</b>	(4,034)	351	(4,101)	(1,713)	558	(12)	(829)	855
<b>Net assets attributable to securityholders, end of period</b>	22,309	26,343	16,194	20,295	850	292	857	1,686
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			2,029.5	2,200.8	29.2	30.4	168.6	83.1
Add (deduct):								
Securities sold			2,386.8	3,225.1	1,325.8	1,346.5	565.5	455.6
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			2.3	2.5	0.1	-	0.4	0.2
Securities redeemed			(2,799.2)	(3,398.9)	(1,270.1)	(1,347.7)	(648.7)	(370.2)
<b>Securities outstanding, end of period</b>			1,619.4	2,029.5	85.0	29.2	85.8	168.7

	SERIES I		SERIES O	
	2018	2017	2018	2017
<b>Net assets attributable to securityholders, beginning of period</b>	1,980	2,390	2,090	459
Increase (decrease) in net assets attributable to securityholders resulting from:				
<b>Operations</b>	11	7	27	12
<b>Distributions:</b>				
Income	(11)	(7)	(27)	(11)
Capital gains	-	-	-	-
Return of capital	-	-	-	-
Management fee rebates	-	-	-	-
<b>Total distributions</b>	(11)	(7)	(27)	(11)
<b>Security transactions:</b>				
Proceeds from sale of securities	2,267	2,355	1,316	1,924
Proceeds from securities issued on merger	-	-	-	-
Reinvested from distributions	11	7	27	10
Payment on redemption of securities	(2,824)	(2,772)	(459)	(304)
<b>Total security transactions</b>	(546)	(410)	884	1,630
<b>Increase (decrease) in assets attributable to securityholders</b>	(546)	(410)	884	1,631
<b>Net assets attributable to securityholders, end of period</b>	1,434	1,980	2,974	2,090
<b>Increase (decrease) in securities (in thousands):</b>				
<b>Securities outstanding, beginning of period</b>	198.1	239.0	209.0	45.9
Add (deduct):				
Securities sold	226.7	235.6	131.6	192.4
Securities issued on merger	-	-	-	-
Reinvested from distributions	1.0	0.7	2.6	1.1
Securities redeemed	(282.4)	(277.2)	(45.8)	(30.4)
<b>Securities outstanding, end of period</b>	143.4	198.1	297.4	209.0

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	66	47
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	-	-
Change in net unrealized loss (gain) on investments	-	-
Distributions received from Underlying Funds	-	-
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	273,934	283,441
Purchases of investments	(269,810)	(283,822)
(Increase) decrease in accounts receivable and other assets	(43)	12
Increase (decrease) in accounts payable and other liabilities	1	-
<b>Net cash provided by (used in) operating activities</b>	<b>4,148</b>	<b>(322)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	46,314	54,576
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(50,463)	(54,245)
Distributions paid net of reinvestments	2	-
<b>Net cash provided by (used in) financing activities</b>	<b>(4,147)</b>	<b>331</b>
<b>Increase (decrease) in cash</b>	<b>1</b>	<b>9</b>
Cash (Bank indebtedness) at beginning of period	-	(9)
Effect of exchange rate fluctuations on cash	-	-
<b>Cash, end of period</b>	<b>1</b>	<b>-</b>
Cash	1	-
Bank indebtedness	-	-
	1	-
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	-	-
Interest received	213	202
Interest paid	-	2
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at March 31, 2018

	Country	Sector	Par Value	Average Cost (\$ 000)	Fair Value (\$ 000)
<b>BONDS</b>					
Bank of Montreal F/R 03-30-2020	Canada	Corporate	600,000	600	600
The Bank of Nova Scotia F/R 03-22-2019	Canada	Corporate	1,150,000	1,150	1,150
BMW Canada Inc. F/R 06-14-2019	Germany	Corporate	340,000	340	340
Canadian Imperial Bank of Commerce F/R 01-17-2019	Canada	Corporate	1,295,000	1,295	1,295
Central 1 Credit Union F/R 02-05-2021	Canada	Corporate	300,000	300	300
Daimler Canada Finance Inc. F/R 02-24-2020	Germany	Corporate	370,000	370	370
Greater Toronto Airports Authority 5.26% 04-17-2018 Callable	Canada	Corporate	200,000	204	204
Honda Canada Finance Inc. F/R 02-19-2019	Canada	Corporate	300,000	300	300
Honda Canada Finance Inc. F/R 04-17-2020	Canada	Corporate	100,000	100	100
John Deere Canada Funding Inc. F/R 09-21-2020	United States	Corporate	200,000	200	200
National Bank of Canada F/R 06-14-2018 DPNT	Canada	Corporate	1,000,000	1,000	1,000
Province of Ontario F/R 12-03-2018	Canada	Provincial Governments	100,000	100	100
Royal Bank of Canada F/R 11-30-2018	Canada	Corporate	600,000	600	600
The Toronto-Dominion Bank F/R 07-31-2019	Canada	Corporate	300,000	300	300
Toyota Credit Canada Inc. F/R 07-24-2020	Canada	Corporate	150,000	150	150
				<u>7,009</u>	<u>7,009</u>
<b>MONEY MARKET INSTRUMENTS</b>					
Bank of Montreal 1.51% 04-27-2018	Canada	Corporate	200,000	200	200
Bay Street Funding Trust 1.67% 06-19-2018	Canada	Corporate	200,000	199	199
Canadian Imperial Bank of Commerce 1.10% 04-02-2018	Canada	Corporate	238,000	238	238
Caisse Centrale Desjardins du Quebec 1.50% 04-25-2018	Canada	Corporate	100,000	100	100
Government of Canada 0.64% 05-03-2018	Canada	Federal Government	785,000	780	780
Government of Canada 0.66% 05-03-2018	Canada	Federal Government	100,000	99	99
Government of Canada 1.02% 05-03-2018	Canada	Federal Government	5,765,000	5,738	5,738
Inter Pipeline Fund 1.60% 04-17-2018	Canada	Corporate	100,000	100	100
King Street Funding Trust 1.55% 04-16-2018	Canada	Corporate	100,000	100	100
Lower Mattagami Energy LP 1.46% 04-05-2018	Canada	Corporate	200,000	200	200
National Bank of Canada 1.47% 04-06-2018	Canada	Corporate	60,000	60	60
OMERS Finance Trust 1.52% 04-02-2018	Canada	Provincial Governments	75,000	75	75
OMERS Realty Corp. 1.46% 04-02-2018	Canada	Provincial Governments	150,000	149	149
Plaza Trust 1.55% 04-06-2018	Canada	Corporate	200,000	199	199
Province of Ontario 1.27% 04-04-2018	Canada	Provincial Governments	2,025,000	2,019	2,019
Province of Ontario 1.31% 04-04-2018	Canada	Provincial Governments	1,000,000	997	997
Province of Ontario 1.34% 04-11-2018	Canada	Provincial Governments	3,500,000	3,490	3,490
Safe Trust 1.53% 04-24-2018	Canada	Corporate	100,000	100	100
Sound Trust 1.56% 05-14-2018	Canada	Corporate	100,000	100	100
Storm King Funding Trust 1.55% 04-06-2018	Canada	Corporate	50,000	50	50
The Toronto Dominion Bank 1.60% 05-17-2018	Canada	Corporate	100,000	100	100
Zeus Receivables Trust 1.53% 04-27-2018	Canada	Corporate	100,000	100	100
				<u>15,193</u>	<u>15,193</u>
<b>TOTAL INVESTMENTS</b>				<u>22,202</u>	<u>22,202</u>
<b>Net Assets</b>					
Total investments					22,202
Cash					1
Other net assets (liabilities)					106
					<u>22,309</u>

**Schedule of Asset Composition**

at March 31, 2018

at March 31, 2017

	% of net assets
<b>BY ASSET TYPE</b>	
Corporate	40.2
Federal Government	29.7
Provincial Governments	29.6
Other	0.5
<b>Total</b>	<b>100.0</b>

	% of net assets
<b>BY ASSET TYPE</b>	
Federal Government	59.4
Corporate	36.1
Provincial Governments	4.5
<b>Total</b>	<b>100.0</b>



**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 securities. 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 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. If the bid or ask price is not available, investments are valued at cost which, together with accrued interest, approximates fair value. The cost of investments is determined on a weighted average cost basis.

The Fund's financial instruments carried at fair value are classified 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 and March 31, 2017, all investments were classified as Level 2. There were no significant transfers between Level 1 and Level 2 during the periods.

**(c) Income recognition**

Interest income from interest bearing investments is recognized using the effective interest method.

Income is allocated daily among the series on a pro-rata basis.

**(d) 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.

**(e) 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.

**(f) 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.

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

Net asset value per security is determined for the purchase and redemption of securities in accordance with the methods disclosed in the Fund's Simplified Prospectus and Annual Information Form. These methods may vary from valuation principles under IFRS. As at March 31, 2018 and March 31, 2017, there were no material differences.

**(h) 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.

**NOTES TO ANNUAL FINANCIAL STATEMENTS****4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

**Use of Judgments***Classification and measurement of investments and application of the fair value option*

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

*Functional currency*

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

**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 31.

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

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

**6. MANAGEMENT FEES AND OPERATING EXPENSES**

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

Each series of the Fund is charged a fixed rate annual administration fee ("Administration Fee"), as applicable, and in return, Counsel bears all of the operating expenses of the Fund, other than certain specified fund costs. Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Counsel Funds' Independent Review Committee, costs of complying with the regulatory requirement to produce Fund Facts, 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.

**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). 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. Investments in money market securities will have terms to maturity of one year or less and the Fund's portfolio will have a dollar-weighted average term to maturity not exceeding 90 days. At least 95.0% of the portfolio will consist of cash and near-cash investments. Currently, the Fund has no intention to invest its assets in foreign securities. 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.

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

For the amounts held by and the changes thereto during, please refer to the amounts disclosed pertaining to Series O 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.

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

**NOTES TO ANNUAL FINANCIAL STATEMENTS****8. FINANCIAL INSTRUMENTS RISK (continued)****(d) Currency risk**

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

**(e) Interest rate risk**

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

**(f) Other price risk**

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

**9. FURTHER INFORMATION**

A copy of the Fund's current 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.counsellservices.com](http://www.counsellservices.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>	February 15, 2000	1,000	0.95	0.16
Series C <sup>1,5</sup>	January 26, 2007	1,000	0.70	0.16
Series F <sup>2,3,8,9</sup>	November 27, 2009	1,000	0.70	0.15
Series I <sup>2,3,4,7,8</sup>	January 21, 2008	1,000	-	0.15
Series O <sup>3,6</sup>	January 13, 2016	-	-	-

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

<sup>4</sup> The management fee for this series is 0.70% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>5</sup> This series is only available to investors utilizing the Counsel Advisor-Directed Rebalancing ("Counsel ADR") service.

<sup>6</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>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> Effective October 28, 2016, the Series F administration fee was reduced from 0.16% to 0.15%. Additionally, the minimum investment investment for Series I was reduced from \$150,000 to \$1,000.

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

**(b) Investment Objectives and Strategies**

The investment portfolio is comprised primarily of high-quality short-term Canadian money market securities and floating rate notes. The Fund's sub-advisor selects investments that include short-term debt issued or guaranteed by federal, provincial or municipal governments, promissory notes, non-government obligations issued by chartered banks and commercial paper issued by corporations.

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

## i. Currency Risk

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

## ii. Interest Rate Risk

As at March 31, 2018 and March 31, 2017, the Fund did not have a significant exposure to interest rate risk as its investments have short terms to maturity.

## iii. Other Price Risk

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

## iv. Credit Risk

The Fund's greatest concentration of credit risk is in short-term debt securities. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer.

As at March 31, 2018, the maximum exposure to any one debt issuer was 5.8% of net assets (March 31, 2017 – 59.4%).

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

March 31, 2018	
R1 (High)	54.3
R1 (Mid)	40.5
R1 (Low)	4.7
Total	99.5
March 31, 2017	
R1 (High)	88.3
R1 (Mid)	10.6
R1 (Low)	0.4
R2 (High)	0.7
Total	100.0

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

**(d) Loss Carryforwards**

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

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