

**COUNSEL | PORTFOLIO SERVICES**

Counsel Growth *portfolio*

ANNUAL FINANCIAL STATEMENTS

For the year ended March 31, 2017

## COUNSEL | PORTFOLIO SERVICES

# Management's *Responsibility for Financial Reporting*

To the securityholders of:

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

(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 appropriate processes to ensure that relevant and reliable financial information is produced. 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 6, 2017

## Independent Auditor's Report

To the Securityholders of

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

(collectively "the Funds")

We have audited the accompanying financial statements of the Funds, which comprise the statements of financial position as at March 31, 2017 and March 31, 2016 (as applicable), and the statements of comprehensive income, statements of changes in financial position and statements of cash flows for the periods then ended, as 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 as at March 31, 2017 and March 31, 2016 (as applicable), and their financial performance and their cash flows for the periods then ended, as indicated in note 1, in accordance with International Financial Reporting Standards.

/s/ Deloitte LLP

Chartered Professional Accountants  
Licensed Public Accountants  
Toronto, Ontario  
June 6, 2017

**STATEMENTS OF FINANCIAL POSITION**

at March 31, 2017 with comparative figures at March 31, 2016  
(in \$ 000 except per security amounts)

	Mar. 31 2017	Mar. 31 2016
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	386,961	363,940
Cash	781	358
Accrued interest receivable	-	-
Dividends receivable	-	-
Accounts receivable for investments sold	448	621
Accounts receivable for securities issued	427	314
Accounts receivable from the Manager	-	1
Other assets	-	-
	388,617	365,234
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	388,617	365,234
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	63	19
Accounts payable for securities redeemed	593	274
Distributions payable	-	-
Accrued expenses and miscellaneous payables	-	-
Dividends payable on investments sold short	-	-
Taxes payable	-	-
Other liabilities	6	-
<b>Total liabilities</b>	662	293
<b>Net assets attributable to securityholders</b>	387,955	364,941

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2017	2016
<b>Income:</b>		
Dividends	1,328	1,581
Interest and other income	6,843	6,356
Net realized gain (loss)	10,671	20,934
Net unrealized gain (loss)	17,343	(28,930)
Trust income	-	-
<b>Total income</b>	36,185	(59)
<b>Expenses:</b>		
Management fees	7,558	7,951
Management fee rebates	-	-
Administration fees	1,185	1,185
Independent Review Committee costs	11	12
Interest and other charges	1	3
<b>Expenses before amounts absorbed by Manager</b>	8,755	9,151
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	8,755	9,151
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	27,430	(9,210)
Provision for (recovery of) income taxes	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>	27,430	(9,210)
<b>from operations</b>	27,430	(9,210)

**Net assets attributable to securityholders**

	per security		per series	
	Mar. 31	Mar. 31	Mar. 31	Mar. 31
	2017	2016	2017	2016
Series A	15.30	14.30	289,067	187,070
Series D	17.05	15.72	46,094	36,955
Series E	n/a	14.69	n/a	107,961
Series I	18.09	16.46	41,794	26,921
Series Private Wealth	11.14	10.14	11,000	6,034
			387,955	364,941

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

	per security		per series	
	2017	2016	2017	2016
	Series A	0.99	(0.43)	18,298
Series D	1.34	(0.25)	3,481	(219)
Series E	0.21	(0.40)	1,663	(2,847)
Series F	n/a	(0.12)	n/a	(58)
Series I	1.62	(0.03)	3,128	(29)
Series Private Wealth	1.00	(0.01)	860	45
			27,430	(9,210)

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

	TOTAL		SERIES A		SERIES D		SERIES E	
	2017	2016	2017	2016	2017	2016	2017	2016
<b>Net assets attributable to securityholders, beginning of period</b>	364,941	364,617	187,070	211,040	36,955	18,695	107,961	107,840
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	27,430	(9,210)	18,298	(6,102)	3,481	(219)	1,663	(2,847)
<b>Distributions:</b>								
Income	(1)	(1,592)	-	(568)	(1)	(240)	-	(420)
Capital gains	(469)	(3,204)	-	(1,142)	(139)	(484)	-	(844)
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-	-	-
<b>Total distributions</b>	(470)	(4,796)	-	(1,710)	(140)	(724)	-	(1,264)
<b>Security transactions:</b>								
Proceeds from sale of securities	193,275	106,012	141,065	32,787	17,645	25,441	7,282	29,732
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	470	4,603	-	1,691	140	629	-	1,263
Payment on redemption of securities	(197,691)	(96,285)	(57,366)	(50,636)	(11,987)	(6,867)	(116,906)	(26,763)
<b>Total security transactions</b>	(3,946)	14,330	83,699	(16,158)	5,798	19,203	(109,624)	4,232
<b>Increase (decrease) in assets attributable to securityholders</b>	23,014	324	101,997	(23,970)	9,139	18,260	(107,961)	121
<b>Net assets attributable to securityholders, end of period</b>	387,955	364,941	289,067	187,070	46,094	36,955	-	107,961
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			13,085	14,199	2,351	1,145	7,351	7,063
Add (deduct):								
Securities sold			9,702	2,267	1,086	1,598	490	2,004
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			-	114	-	39	-	83
Securities redeemed			(3,893)	(3,495)	(734)	(431)	(7,841)	(1,799)
<b>Securities outstanding, end of period</b>			18,894	13,085	2,703	2,351	-	7,351

	SERIES F		SERIES I		SERIES PRIVATE WEALTH	
	2017	2016	2017	2016	2017	2016
<b>Net assets attributable to securityholders, beginning of period</b>	-	7,307	26,921	17,736	6,034	1,999
Increase (decrease) in net assets attributable to securityholders resulting from:						
<b>Operations</b>	-	(58)	3,128	(29)	860	45
<b>Distributions:</b>						
Income	-	-	-	(317)	-	(47)
Capital gains	-	-	(257)	(639)	(73)	(95)
Return of capital	-	-	-	-	-	-
Management fee rebates	-	-	-	-	-	-
<b>Total distributions</b>	-	-	(257)	(956)	(73)	(142)
<b>Security transactions:</b>						
Proceeds from sale of securities	-	349	20,648	12,838	6,635	4,865
Proceeds from securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	-	-	257	878	73	142
Payment on redemption of securities	-	(7,598)	(8,903)	(3,546)	(2,529)	(875)
<b>Total security transactions</b>	-	(7,249)	12,002	10,170	4,179	4,132
<b>Increase (decrease) in assets attributable to securityholders</b>	-	(7,307)	14,873	9,185	4,966	4,035
<b>Net assets attributable to securityholders, end of period</b>	-	-	41,794	26,921	11,000	6,034
<b>Increase (decrease) in securities (in thousands):</b>						
<b>Securities outstanding, beginning of period</b>	-	457	1,635	1,036	595	190
Add (deduct):						
Securities sold	-	22	1,190	764	630	476
Securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	-	-	-	52	-	14
Securities redeemed	-	(479)	(515)	(217)	(238)	(85)
<b>Securities outstanding, end of period</b>	-	-	2,310	1,635	987	595

See accompanying notes to annual financial statements.

**STATEMENTS OF CASH FLOWS**

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

	2017	2016
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	27,430	(9,210)
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(4,738)	(7,352)
Change in net unrealized loss (gain) on investments	(17,343)	28,930
Distributions received from Underlying Funds	(14,104)	(21,517)
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	38,795	65,866
Purchases of investments	(25,414)	(66,305)
(Increase) decrease in accounts receivable and other assets	1	(1)
Increase (decrease) in accounts payable and other liabilities	6	(2)
<b>Net cash provided by (used in) operating activities</b>	<b>4,633</b>	<b>(9,591)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	88,137	99,866
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(92,347)	(90,229)
Distributions paid net of reinvestments	-	(193)
<b>Net cash provided by (used in) financing activities</b>	<b>(4,210)</b>	<b>9,444</b>
<b>Increase (decrease) in cash</b>	<b>423</b>	<b>(147)</b>
Cash (Bank indebtedness) at beginning of period	358	505
Effect of exchange rate fluctuations on cash	-	-
<b>Cash (Bank indebtedness), end of period</b>	<b>781</b>	<b>358</b>

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

Income taxes paid (recovered)	-	-
Interest received	1	2
Interest paid	1	1

**SCHEDULE OF INVESTMENTS**

as at March 31, 2017

	No. of Units	Average Cost (\$000)	Fair Value (\$000)	Indirect Exposure to Financial Instrument Risks (note 8):			
				Currency Risk	Interest Rate Risk	Equity and Other Price Risk	Credit Risk
<b>MUTUAL FUNDS</b>							
Counsel Canadian Growth Series O	1,303,669	16,347	18,781	✓		✓	
Counsel Canadian Value Series O	1,182,877	15,718	19,480			✓	
Counsel Fixed Income Series O	5,409,978	69,234	69,950	✓	✓		✓
Counsel Global Real Estate Series O	1,620,204	20,406	20,715	✓		✓	✓
Counsel Global Small Cap Series O	3,432,111	41,855	56,415	✓		✓	
Counsel Global Trend Strategy Series O	4,116,361	42,957	45,908	✓	✓	✓	✓
Counsel International Growth Series O	2,188,227	36,627	48,101	✓		✓	
Counsel International Value Series O	3,302,978	42,128	48,071	✓		✓	
Counsel Short Term Bond Series O	577,964	5,702	5,572		✓		✓
Counsel U.S. Growth Series O	1,269,166	19,963	27,704	✓		✓	
Counsel U.S. Value Series O	1,566,535	23,853	26,264	✓		✓	
<b>TOTAL INVESTMENTS</b>		<u>334,790</u>	<u>386,961</u>				
<b>Net Assets</b>							
Total investments			386,961				
Cash			781				
Other net assets (liabilities)			213				
			<u>387,955</u>				

**Schedule of Asset Composition**

The effective allocation shows the regional or sector exposure of the Fund calculated by including the Fund's proportionate share of its holdings in Underlying Funds.

at March 31, 2017

	% of net assets
<b>UNDERLYING FUND TYPE</b>	
International Equity Funds	51.2
Income Funds	19.4
U.S. Equity Funds	14.0
Canadian Equity Funds	9.8
Global Real Estate	5.3
Cash	0.2
Other	0.1
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Financials	14.9
Information Technology	10.5
Corporate Bonds	9.8
Government Bonds	9.2
Industrials	8.9
Consumer Discretionary	8.3
Real Estate	6.2
Energy	5.7
Health Care	5.5
Materials	5.2
Consumer Staples	4.9
Telecommunication Services	2.2
Utilities	1.2
Cash	0.2
Other	7.3
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

Canada	31.8
United States	26.5
Europe ex U.K.	16.9
Pacific ex Japan	9.3
United Kingdom	6.4
Japan	5.2
Latin America	2.6
Middle East and Africa	1.1
Cash	0.2
	<b>100.0</b>

at March 31, 2016

	% of net assets
<b>UNDERLYING FUND TYPE</b>	
International Equity Funds	50.4
Income Funds	19.8
U.S. Equity Funds	13.9
Canadian Equity Funds	10.0
Global Real Estate	5.6
Cash	0.1
Other	0.2
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Financials	17.8
Government Bonds	14.7
Consumer Discretionary	11.0
Corporate Bonds	10.2
Information Technology	8.1
Industrials	6.9
Consumer Staples	6.6
Energy	5.2
Health Care	4.3
Materials	4.3
Telecommunication Services	1.4
Utilities	1.1
Cash	0.1
Other	8.3
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

Canada	35.0
United States	33.0
Europe ex U.K.	12.6
Pacific ex Japan	8.1
United Kingdom	5.1
Japan	3.9
Latin America	1.8
Middle East	0.4
Cash	0.1
	<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, 2017 and 2016, 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 6, 2017.

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

Financial instruments include financial assets and liabilities such as open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments (as issued in 2014) ("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.

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

**(b) Investments in underlying mutual funds**

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

**(c) Fair Value Measurement**

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

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

The Fund may use forward contracts to hedge against losses caused by changes in 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.

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).

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, 2017 and March 31, 2016, all investments were classified as Level 1. All derivative assets or liabilities, if any, are classified as Level 2. There were no significant transfers between Level 1 and Level 2 during the periods.

**(d) Income recognition**

Distributions from underlying mutual funds are recorded on the declaration date. Distributions of Canadian dividends are included in dividend income. Capital gains distributions from underlying funds are included in Net realized gains (losses). Other distributions are included in interest and other income. Realized gains or losses on the sale of investments are calculated on an average cost basis.

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

**(e) 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) 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.

**(g) 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.

**(h) 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, 2017 and March 31, 2016, there were no such differences.

**(i) 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.

**(j) IASB Disclosure Initiative**

Amendments to IAS 1, *Presentation of Financial Statements* became effective for annual periods beginning on or after January 1, 2016. Counsel has determined that there are no implications to the Fund's financial statements from the amendments.



**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.

*Structured entities*

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

**5. INCOME TAXES**

The Fund qualifies as a mutual fund trust under the provisions of the *Income Tax Act* (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its securityholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. The Fund's taxation year end is December 15.

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

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

**6. MANAGEMENT FEES AND OPERATING EXPENSES**

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

Each series of the Fund is charged a fixed rate annual administration fee ("Administration Fee"), as applicable, and in return, Counsel bears all of the operating expenses of the Fund, other than certain specified fund costs. Other fund costs include taxes (including, but not limited to GST/HST and income tax), interest and borrowing costs, all fees and expenses of the Counsel Funds' Independent Review Committee, costs of complying with the regulatory requirement to produce Fund Facts, any new fees related to external services that were not commonly charged in the Canadian mutual fund industry and introduced after October 28, 2016 and the costs of complying with any new regulatory requirements, including, without limitation, any new fees introduced after October 28, 2016.

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, 2017 and 2016 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), and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

**(b) Liquidity risk**

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

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

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

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

**(c) Credit Risk**

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

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

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

If applicable and significant, Note 10 summarizes the Fund's exposure to credit risk pertaining through its investments in underlying funds.

**(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, through its investments in underlying funds.

**NOTES TO ANNUAL FINANCIAL STATEMENTS****8. FINANCIAL INSTRUMENTS RISK (continued)****(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. If applicable and significant, Note 10 summarizes the Fund's exposure to interest rate risk, through its investments in underlying funds.

**(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, through its investments in underlying funds.

**9. FURTHER INFORMATION**

A copy of the Fund's current Simplified Prospectus, Annual Information Form, Management Report of Fund Performance, and Fund Fact Sheets 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 unless otherwise noted

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

Series	Date of Inception	Minimum Investment (\$)	Management Fee <sup>a</sup> (%)	Administration Fee <sup>b</sup> (%)
Series A <sup>1,3</sup>	January 15, 2002	1,000	2.06	0.31
Series D <sup>2,3,4</sup>	February 13, 2006	1,000	1.07	0.15
Series E <sup>4,5</sup>	February 13, 2006	75,000	2.06	0.31
Series F <sup>2,4,5</sup>	January 19, 2004	75,000	1.46	0.31
Series I <sup>2,3,4,6,8</sup>	March 1, 2006	1,000	-	0.15
Series Private Wealth <sup>1,7</sup>	February 27, 2014	-	-	0.15
Series Private Wealth I <sup>2,4,9</sup>	May 23, 2017	1,000	1.07	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 2.36% to 2.06% and the Series D administration fee was reduced from 0.31% to 0.15%. Additionally, the minimum investment for Series I was reduced from \$150,000 to \$1,000.

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

<sup>5</sup> On November 4, 2016, Series E securities were redesignated as Series A securities, resulting in a consolidation of the series' assets. On November 6, 2015, Series F securities were redesignated as Series D securities, resulting in a consolidation of the series' assets.

<sup>6</sup> The management fee for this series is 1.07% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>7</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>8</sup> Counsel may, at its discretion, waive or lower the management fee (either directly or indirectly) and/or administration fee payable by investors.

<sup>9</sup> This series is available solely to those investing through a private client service offering from IPC Investment Corporation and IPC Securities Corporation.

**(b) Investment Objectives and Strategies**

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

The Fund invests in securities of a variety of Canadian, U.S. and international equity and fixed income mutual funds. The Fund's asset class weightings will generally be 70 – 85% in equity securities and 15 – 30% in fixed income securities.

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

The Fund's investments in all Underlying Funds are denominated in Canadian dollars. However, the Underlying Funds are exposed to currency risk to the extent that their investments are denominated or traded in a foreign currency. As at March 31, 2017, 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 \$13,023 or 3.4% of total net assets (March 31, 2016 – \$8,960 or 2.5% 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, 2017, had the prevailing interest rates raised or lowered by 1.0%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately \$3,270 or 0.8% of total net assets (March 31, 2016 – \$4,339 or 1.2% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the Underlying Funds' bond portfolios. In practice, the actual trading results may differ and the difference could be material.

**iii. Other Price Risk**

As at March 31, 2017, had the prices on the respective stock exchanges for the equity securities held by the Underlying Funds raised or lowered by 10.0%, with all other variables held constant, net assets would have increased or decreased by approximately \$28,514 or 7.3% of total net assets (March 31, 2016 – \$24,285 or 6.7% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**iv. Credit Risk**

The Fund's greatest indirect concentration of credit risk is in debt securities and derivatives held by underlying funds. For more information regarding the credit risk of underlying funds, refer to the Underlying Funds' financial statements available on the SEDAR website at [www.sedar.com](http://www.sedar.com) or at [www.counsel-services.com](http://www.counsel-services.com).

**(d) Loss Carryforwards**

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

**(e) Re-designation of Series**

Effective November 4, 2016, Series E was re-designated and its net assets transferred to Series A at fair value. The transfer of \$105,025 is included in Proceeds from sale of securities for Series A and in the Payment on redemption of securities for Series E in the Statements of Changes in Financial Position. Securities sold for Series A includes 7,254 securities, and Securities redeemed for Series E includes 7,047 securities related to this transaction.

Effective November 6, 2015, Series F was re-designated and its net assets transferred to Series D at fair value. The transfer of \$6,065 is included in Proceeds from sale of securities for Series D and in the Payment on redemption of securities for Series F in the Statements of Changes in Financial Position. Securities sold for Series D includes 373 securities, and Securities redeemed for Series F includes 382 securities related to this transaction.

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