

**COUNSEL | PORTFOLIO SERVICES**

# *Counsel Retirement Accumulation portfolio*

INTERIM UNAUDITED FINANCIAL STATEMENTS

For the period ended September 30, 2019

**STATEMENTS OF FINANCIAL POSITION**

at September 30, 2019 (unaudited) with comparative figures at March 31, 2019 (audited)  
(in \$ 000 except per security amounts)

	Sept. 30 2019	Mar. 31 2019
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	103,655	94,418
Cash and cash equivalents	188	235
Accrued interest receivable	-	-
Dividends receivable	-	-
Accounts receivable for investments sold	62	-
Accounts receivable for securities issued	5	504
Accounts receivable from the Manager	-	-
Margin with broker	-	-
Derivative assets	50	52
Other assets	-	-
	103,960	95,209
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	<b>103,960</b>	<b>95,209</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	189	165
Accounts payable for securities redeemed	1	116
Distributions payable	-	-
Accrued expenses and miscellaneous payables	-	6
Dividends payable on investments sold short	-	-
Derivative liabilities	34	-
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	<b>224</b>	<b>287</b>
<b>Net assets attributable to securityholders</b>	<b>103,736</b>	<b>94,922</b>

	Net assets attributable to securityholders			
	per security		per series	
	Sept. 30 2019	Mar. 31 2019	Sept. 30 2019	Mar. 31 2019
Series A	12.04	11.87	40,929	41,530
Series F	12.12	11.87	32,441	28,607
Series I	12.23	11.91	15,683	13,078
Series Private Wealth	12.20	11.88	8,112	6,646
Series Private Wealth I	10.09	9.88	6,571	5,061
			103,736	94,922

**STATEMENTS OF COMPREHENSIVE INCOME**

for the periods ended September 30 (unaudited)  
(in \$ 000 except per security amounts)

	2019	2018
<b>Income:</b>		
Dividends	83	53
Interest and other income	1,734	842
Net realized gain (loss)	219	(522)
Net unrealized gain (loss)	626	3,015
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	1	11
Trust income	-	-
<b>Total income</b>	<b>2,663</b>	<b>3,399</b>
<b>Expenses:</b>		
Management fees	655	594
Management fee rebates	(3)	(3)
Administration fees	106	91
Commissions and other portfolio transaction costs	-	-
Independent Review Committee costs	1	1
Interest and other charges	1	1
<b>Expenses before amounts absorbed by Manager</b>	<b>760</b>	<b>684</b>
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	<b>760</b>	<b>684</b>
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	<b>1,903</b>	<b>2,715</b>
Foreign withholding tax expense (recovery)	7	4
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations</b>	<b>1,896</b>	<b>2,711</b>

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2019	2018	2019	2018
Series A	0.17	0.34	601	1,147
Series F	0.25	0.42	645	888
Series I	0.31	0.49	349	402
Series Private Wealth	0.31	0.48	194	179
Series Private Wealth I	0.20	0.35	107	95
			1,896	2,711

**STATEMENTS OF CHANGES IN FINANCIAL POSITION**

for the periods ended September 30 (unaudited) (in \$ 000 except when stated)

	TOTAL		SERIES A		SERIES F		SERIES I	
	2019	2018	2019	2018	2019	2018	2019	2018
<b>Net assets attributable to securityholders, beginning of period</b>	94,922	73,407	41,530	36,838	28,607	22,192	13,078	8,144
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	1,896	2,711	601	1,147	645	888	349	402
<b>Distributions:</b>								
Income	-	-	-	-	-	-	-	-
Capital gains	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	(3)	(3)	-	-	(3)	(3)	-	-
<b>Total distributions</b>	(3)	(3)	-	-	(3)	(3)	-	-
<b>Security transactions:</b>								
Proceeds from sale of securities	16,969	21,763	5,217	7,117	4,615	6,836	4,159	3,703
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	3	3	-	-	3	3	-	-
Payment on redemption of securities	(10,051)	(8,313)	(6,419)	(3,806)	(1,426)	(3,319)	(1,903)	(693)
<b>Total security transactions</b>	6,921	13,453	(1,202)	3,311	3,192	3,520	2,256	3,010
<b>Increase (decrease) in assets attributable to securityholders</b>	8,814	16,161	(601)	4,458	3,834	4,405	2,605	3,412
<b>Net assets attributable to securityholders, end of period</b>	103,736	89,568	40,929	41,296	32,441	26,597	15,683	11,556
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			3,498	3,148	2,410	1,892	1,098	691
Add (deduct):								
Securities sold			436	596	386	570	342	307
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			-	-	-	-	-	-
Securities redeemed			(536)	(316)	(119)	(274)	(158)	(57)
<b>Securities outstanding, end of period</b>			3,398	3,428	2,677	2,188	1,282	941

	SERIES PRIVATE WEALTH		SERIES PRIVATE WEALTH I	
	2019	2018	2019	2018
<b>Net assets attributable to securityholders, beginning of period</b>	6,646	4,316	5,061	1,917
Increase (decrease) in net assets attributable to securityholders resulting from:				
<b>Operations</b>	194	179	107	95
<b>Distributions:</b>				
Income	-	-	-	-
Capital gains	-	-	-	-
Return of capital	-	-	-	-
Management fee rebates	-	-	-	-
<b>Total distributions</b>	-	-	-	-
<b>Security transactions:</b>				
Proceeds from sale of securities	1,477	2,377	1,501	1,730
Proceeds from securities issued on merger	-	-	-	-
Reinvested from distributions	-	-	-	-
Payment on redemption of securities	(205)	(328)	(98)	(167)
<b>Total security transactions</b>	1,272	2,049	1,403	1,563
<b>Increase (decrease) in assets attributable to securityholders</b>	1,466	2,228	1,510	1,658
<b>Net assets attributable to securityholders, end of period</b>	8,112	6,544	6,571	3,575
<b>Increase (decrease) in securities (in thousands):</b>				
<b>Securities outstanding, beginning of period</b>	559	367	512	196
Add (deduct):				
Securities sold	123	195	149	174
Securities issued on merger	-	-	-	-
Reinvested from distributions	-	-	-	-
Securities redeemed	(17)	(28)	(10)	(17)
<b>Securities outstanding, end of period</b>	665	534	651	353

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

**STATEMENTS OF CASH FLOWS**

for the periods ended September 30 (unaudited) (in \$ 000)

	2019	2018
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	1,896	2,711
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	(219)	522
Change in net unrealized loss (gain) on investments	(626)	(3,015)
Distributions received from Underlying Funds	(1,768)	(862)
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	3,357	2,140
Purchases of investments	(9,983)	(13,454)
(Increase) decrease in accounts receivable and other assets	-	-
Increase (decrease) in accounts payable and other liabilities	(6)	(1)
<b>Net cash provided by (used in) operating activities</b>	<b>(7,349)</b>	<b>(11,959)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	17,468	21,605
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(10,166)	(8,374)
Distributions paid net of reinvestments	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>7,302</b>	<b>13,231</b>
<b>Increase (decrease) in cash</b>	<b>(47)</b>	<b>1,272</b>
Cash (Bank indebtedness) at beginning of period	235	19
Effect of exchange rate fluctuations on cash	-	-
<b>Cash (Bank indebtedness), end of period</b>	<b>188</b>	<b>1,291</b>
Cash	188	1,291
Cash equivalents	-	-
Bank indebtedness	-	-
	188	1,291
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	40	26
Interest received net of withholding taxes	2	3
Interest paid	1	1
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at September 30, 2019 (unaudited)

	No. of Units	Average Cost (\$ 000)	Fair Value (\$ 000)	Indirect Exposure to Financial Instrument Risks (note 8):			
				Currency Risk	Interest Rate Risk	Other Price Risk	Credit Risk
<b>MUTUAL FUNDS</b>							
Counsel Canadian Core Fixed Income Series O	1,273,614	12,833	13,406	✓	✓		✓
Counsel Defensive Global Equity Series O	4,257,350	48,531	51,201	✓		✓	
Counsel Global Low Volatility Equity Series O	1,898,666	19,764	20,254	✓		✓	
Counsel Global Real Estate Series O	416,246	5,398	5,832	✓		✓	✓
Counsel North American High Yield Bond Series O	529,316	5,335	5,249	✓	✓	✓	✓
		<u>91,861</u>	<u>95,942</u>				
<b>EXCHANGE TRADED FUNDS</b>							
iShares Core MSCI Emerging Markets ETF	79,154	5,089	5,136	✓		✓	
iShares J.P. Morgan EM Local Currency Bond ETF	44,044	2,610	2,577	✓	✓		✓
		<u>7,699</u>	<u>7,713</u>				
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>							
<b>TOTAL INVESTMENTS</b>		<u>99,560</u>	<u>103,655</u>				
<b>Net Assets</b>							
Total investments			103,655				
Cash			188				
Derivative assets (see schedule of derivative instruments)			50				
Derivative liabilities (see schedule of forward currency contracts)			(34)				
Other net assets (liabilities)			(123)				
			<u>103,736</u>				

**Schedule of Asset Composition**

The effective allocation shows the regional or sector exposure of the Fund calculated by including the Fund's proportionate share of its holdings in index participation units and derivatives.

at September 30, 2019 (unaudited)

	% of net assets
<b>BY ASSET TYPE</b>	
International Equity Funds	68.9
Canadian Fixed Income Funds	12.9
Exchange Traded Funds	7.4
Global Real Estate	5.6
International Fixed Income Funds	5.1
Cash	0.2
Other	(0.1)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Corporate Bonds	11.4
Financials	10.6
Information technology	10.2
Health Care	9.1
Real Estate	8.3
Government Bonds	7.6
Consumer Staples	7.4
Industrials	7.4
Consumer Discretionary	7.0
Communication Services	6.5
Energy	4.7
Materials	4.1
Utilities	3.5
Cash	0.2
Other	2.0
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

United States	50.7
Canada	16.1
Europe ex U.K.	12.1
Pacific ex Japan	8.4
Japan	6.3
United Kingdom	3.6
Latin America	1.9
Middle East and Africa	0.7
Cash	0.2
	<b>100.0</b>

at March 31, 2019

	% of net assets
<b>BY ASSET TYPE</b>	
International Equity Funds	73.7
Canadian Fixed Income Funds	12.8
Exchange Traded Funds	7.9
International Fixed Income Funds	5.0
Cash	0.2
Other	0.4
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Corporate Bonds	10.9
Financials	10.9
Information technology	10.1
Health Care	9.4
Consumer Staples	7.5
Government Bonds	7.4
Consumer Discretionary	7.3
Real Estate	7.2
Industrials	7.0
Communication Services	6.6
Energy	5.2
Materials	3.9
Utilities	3.2
Cash	0.2
Other	3.2
	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

United States	48.6
Canada	16.7
Europe ex U.K.	12.2
Pacific ex Japan	9.4
Japan	6.4
United Kingdom	3.7
Latin America	1.9
Middle East and Africa	0.9
Cash	0.2
	<b>100.0</b>

**Schedule of Derivative Instruments**

as at September 30, 2019 (unaudited)

**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	10-28-2019	12,937 CAD	12,937	9,795 USD	12,971	-	(34)	
AA	10-28-2019	12,778 CAD	12,778	9,612 USD	12,728	50	-	
						50	(34)	
<b>TOTAL DERIVATIVE ASSETS</b>								50
<b>TOTAL DERIVATIVE LIABILITIES</b>								(34)

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

The information provided in these financial statements and notes thereto is for the six-month periods ended or as at September 30, 2019 and 2018 (as applicable), except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2019. In the year a series is established, "period" represents the period from inception to the period end of that fiscal period. Refer to Note 10 (a) for series inception dates.

The Fund is organized as an open-ended mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust as amended and restated from time to time. The address of the Fund's registered office is 5015 Spectrum Way, Suite 300, Mississauga, Ontario, Canada. The Fund is authorized to issue an unlimited number of units (referred to as "security" or "securities") of multiple series. Series of the Fund are available for sale under Simplified Prospectus and/or exempt distribution options.

Counsel Portfolio Services Inc. (the "Manager" or "Counsel") acts as the Fund's manager and trustee.

**2. BASIS OF PREPARATION AND PRESENTATION**

These unaudited interim financial statements ("financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS"), including International Accounting Standard 34 Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). These financial statements were prepared using the same accounting policies, critical accounting judgments and estimates as applied in the Fund's most recent audited annual financial statements for the year ended March 31, 2019. 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 are 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 November 12, 2019.

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

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

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

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

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

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

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

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

**(c) Fair Value Measurement**

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

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 constituting documents of such underlying fund. 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. 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 cost of investments is determined on a weighted average cost basis.

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).

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 September 30, 2019 and March 31, 2019, 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**

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. Distributions from underlying mutual funds are recorded on the declaration date. Distributions of Canadian dividends are included in dividend income. Capital gains distributions from underlying funds are included in Net realized gains (losses). Other distributions are included in interest and other income. Realized gains or losses on the sale of investments, including foreign exchange gains or losses on such investments, are calculated on an average cost basis.

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

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

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

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

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

**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****(g) Foreign currency**

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

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

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

**(h) Offsetting**

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

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

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

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

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

Net asset value per security is determined for the purchase and redemption of securities in accordance with the methods disclosed in the Fund's Simplified Prospectus and Annual Information Form. These methods may vary from valuation principles under IFRS. As at September 30, 2019 and March 31, 2019, there were no such differences.

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

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

**(l) 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.

**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 (d) for a summary of the Fund's loss carryforwards.

**6. MANAGEMENT FEES AND OPERATING EXPENSES**

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

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

The management fee and Administration Fee are calculated for each series of securities of the Fund as an annualized percentage of the daily net asset value of the series. Refer to Note 10 (a) for the management 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 September 30, 2019 and March 31, 2019 and securities issued, reinvested and redeemed for the period are presented in the Statements of Changes in Financial Position. Counsel manages the capital of the Fund in accordance with the investment objectives and strategies as discussed in Note 10 (b).



**NOTES TO INTERIM UNAUDITED FINANCIAL STATEMENTS****8. FINANCIAL INSTRUMENTS RISK****(a) Risk exposure and management**

The Fund's investment activities expose it to a variety of financial risks, as defined in IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7"). The Fund's exposure to financial risks is concentrated in its investments, which are presented in the Schedule of Investments, grouped by asset type, with geographic and sector information.

The Manager seeks to minimize potential adverse effects of financial risks on the Fund's performance by employing professional, experienced portfolio advisors, by monitoring the Fund's positions and market events daily, by diversifying the investment portfolio within the constraints of the Fund's investment objectives and strategies, as disclosed in Note 10 (b), and where applicable, by using derivatives to hedge certain risk exposures. To assist in managing risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy, internal guidelines, and securities regulations.

**(b) Liquidity risk**

Liquidity risk arises when the Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable securities. In order to monitor the liquidity of its assets, the Fund utilizes a liquidity risk management program that calculates the number of days to convert the investments held by the Fund into cash using a multi-day liquidation approach. This liquidity risk analysis assesses the Fund's liquidity against pre-determined minimum liquidity percentages, established for different time periods, and is monitored quarterly. In addition, the Fund has the ability to borrow up to 5% of its net assets for the purposes of funding redemptions. In order to comply with securities regulations, the Fund must maintain at least 85% of its assets in liquid investments (i.e. investments that can be readily sold).

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 into which it has entered with the Fund.

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

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

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

The Fund's greatest indirect concentration of credit risk is to 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.counselservices.com](http://www.counselservices.com).

**(d) Currency risk**

Currency risk arises when the fair value of financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, fluctuates due to changes in exchange rates. Note 10 (c) summarizes the Fund's exposure to currency risk, including indirect exposure through underlying mutual funds and ETFs.

**(e) Interest rate risk**

Interest rate risk arises when the fair value of interest-bearing financial instruments fluctuates due to changes in the prevailing levels of market interest rates. Note 10 (c) summarizes the Fund's exposure to interest rate risk, including indirect exposure through underlying mutual funds and ETFs.

**(f) Other price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All investments present a risk of loss of capital. This risk is managed through a careful selection of investments and other financial instruments within the parameters of the investment strategy. Note 10 (c) 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 policies and disclosures will be provided, without charge, by: calling toll-free 1-877-625-9885, writing to Counsel Portfolio Services Inc., 5015 Spectrum Way, Suite 300, Mississauga, ON, L4W 0E4, by visiting our website at [www.counselservices.com](http://www.counselservices.com) or by visiting [www.sedar.com](http://www.sedar.com).

**NOTES TO INTERIM UNAUDITED 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>a</sup> (%)	Administration Fee <sup>b</sup> (%)
Series A <sup>1</sup>	January 7, 2016	1,000	2.00	0.25
Series F <sup>2,4,6</sup>	January 7, 2016	1,000	0.95	0.15
Series I <sup>2,3,4,6</sup>	January 7, 2016	1,000	-	0.15
Series Private Wealth <sup>5</sup>	January 7, 2016	-	-	0.15
Series Private Wealth I <sup>2,4,7</sup>	May 25, 2017	1,000	0.95	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> The management fee for this series is 0.95% and is payable directly to Counsel generally through the monthly redemption of securities.

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

<sup>5</sup> There are no management fees for Series Private Wealth. An investor must enter into an agreement to participate in the IPC Private Wealth Program and agree to pay certain asset-based fees.

<sup>6</sup> Counsel may, at its discretion, waive or lower the management fee (either directly or indirectly) and/or administration fee payable by investors.

<sup>7</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 seeks to be a core portfolio holding for retirees or pre-retirees by pursuing a balance between earning income and long-term capital growth and aims to reduce the impact of sustained periods of negative market performance. The Fund invests in securities of a variety of Canadian, U.S. and international equity and fixed income mutual funds and exchange-traded funds (the "Underlying Funds").

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

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

As at September 30, 2019, 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 \$2,845 or 2.7% of total net assets (March 31, 2019 – \$3,250 or 3.4% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**ii. Interest Rate Risk**

As at September 30, 2019, 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 \$1,401 or 1.4% of total net assets (March 31, 2019 – \$1,249 or 1.3% 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 September 30, 2019, 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 \$8,159 or 7.9% of total net assets (March 31, 2019 – \$7,435 or 7.8% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**iv. Credit Risk**

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

**(d) Loss Carryforwards**

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

**(e) Securities Lending**

as at	Value of securities loaned	Value of collateral received
September 30, 2019	-	-
March 31, 2019	330	347

A reconciliation of the gross amount generated from the securities lending transactions to the security lending income to the Fund for the periods ended September 30, 2019 and 2018 is presented below:

for the six-month period ended September 30	Amount (\$)		Percentage of Total Amount (%)	
	2019	2018	2019	2018
Gross Securities Lending Income	2	15	100.0	100.0
Securities Lending Agent fees	-	(4)	0.0	(26.7)
Securities Lending Income to the Fund before Withholdings Taxes	2	11	100.0	73.3
Withholding Taxes	(1)	-	(50.0)	0.0
Securities Lending Income	1	11	50.0	73.3

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