

## **Annual Management Report of Fund Performance**

*For the Year Ended March 31, 2023*

Fund Manager  
Counsel Portfolio Services Inc.

Sub-advisor  
Mackenzie Financial Corporation

*This Annual Management Report of Fund Performance contains financial highlights but does not contain either the annual or interim financial statements of the investment fund. You may obtain a copy of the financial statements, at no cost, by calling toll-free at 1-877-216-4979, by writing to us at Counsel Portfolio Services Inc, 5015 Spectrum Way, Suite 300, Mississauga, Ontario, L4W 0E4, by visiting our website at [www.counselservices.com](http://www.counselservices.com) or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com).*

*Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure. For more information, please refer to the Fund's Simplified Prospectus, Annual Information Form and Fund Facts, which may also be obtained, at no cost, using any of the methods outlined above.*

*For the Fund's current net asset value per security for series available via prospectus and for more recent information on general market events, please visit our website.*

### **A NOTE ON FORWARD-LOOKING STATEMENTS**

*This report may contain forward-looking statements which reflect our current expectations or forecasts of future events. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as: "expects", "anticipates", "intends", "plans", "believes", "estimates", "preliminary", "typical" and other similar expressions. In addition, these statements may relate to future corporate actions, future financial performance of a fund or a security and their future investment strategies and prospects. Forward-looking statements are inherently subject to, among other things, risks, uncertainties and assumptions which could cause actual events, results, performance or prospects to differ materially from those expressed in, or implied by, these forward-looking statements. These risks, uncertainties and assumptions include, without limitation, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, the volatility of global equity and capital markets, business competition, technological change, changes in securities legislation, changes in government regulations, changes in tax law, unexpected judicial or regulatory proceedings, catastrophic events, outbreaks of disease or pandemics (such as COVID-19), and the ability of Counsel Portfolio Services Inc. to attract or retain key employees. The foregoing list of important risks, uncertainties and assumptions is not exhaustive. Please consider these and other factors carefully and do not place undue reliance on forward-looking statements.*

*The forward-looking information contained in this report is current only as of the date of this report. There should not be an expectation that such information will in all circumstances be updated, supplemented or revised whether as a result of new information, changing circumstances, future events or otherwise.*

# COUNSEL CANADIAN CORE FIXED INCOME

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE | March 31, 2023

## Management Discussion of Fund Performance

June 5, 2023

This Management Discussion of Fund Performance presents the views of Counsel Portfolio Services Inc. ("Counsel") on the significant factors and developments during the year ended March 31, 2023 that have affected the Fund's performance and outlook. For information on the Fund's longer-term performance, please refer to the *Past Performance* section of the report.

In addition, net asset value (NAV) refers to the value of the Fund or a series, as calculated for transaction purposes, on which the discussion of Fund performance is based.

### Investment Objective and Strategies

The Fund seeks to achieve a steady flow of income by investing, either directly or indirectly through other investment funds, in a diversified portfolio of Canadian government and corporate fixed-income securities. The Fund may invest up to 30% of its assets in foreign securities.

### Risk

The risks of investing in the Fund generally remain as discussed in the Fund's initial Simplified Prospectus. The Fund is suitable for investors who are seeking interest income over the short to medium-term; can handle the volatility of bond markets; and have a low tolerance for risk. The Fund is only available on a prospectus-exempt basis and is not available to retail investors.

### Results of Operations

#### Investment Performance

The performance of the Fund's Series O securities is discussed below. The performance of all other series offered by the Fund is shown in the *Past Performance* section of this report. Where series returns differ, it is primarily because different levels of fees and expenses were charged to each series, or because securities of a series were not issued and outstanding for the entire reporting period. Please refer to the *Series Information* section of this report for the varying management and administration fees payable by series.

During the year, the Fund's Series O securities returned -1.08%. This compares with a -2.01% return of the FTSE Canada Bond Universe Total Return Index (the "Index"). All index and series returns are calculated on a total return basis in Canadian dollar terms. Investors cannot invest in an index without incurring fees, expenses, and commissions, none of which are reflected in the index returns.

In response to persistently high inflation, the Bank of Canada raised its policy rate by 400 basis points over the period, to 4.50% from 0.50%. Consequently, Government of Canada bond yields increased. The yield increase was more pronounced among shorter-term government bonds, which tend to be more sensitive to central bank policy moves. Higher rates in the government bond market also led Canadian corporate bond yields to increase significantly.

The Fund outperformed the Index due to positioning in Government bonds. Shorter duration positioning and futures positioning to maintain duration also contributed to performance.

#### Net Assets

The Fund's NAV increased by \$24.1 million, or 8.5%, to \$307.5 million as at March 31, 2023, from \$283.4 million at March 31, 2022. Of this increase, \$26.4 million was attributable to net sales and slightly offset by a \$2.3 million decrease due to investment performance.

### Fees and Expenses

The annualized management expense ratio ("MER") for each series during the year ended March 31, 2023, was generally similar to the MER for the year ended March 31, 2022. No management fee or administration fee, other than certain specific fund costs, is charged to the Fund.

### Recent Developments

The sub-advisor notes that the investment grade bond market in Canada has priced in a reasonable amount of recession risk. While it remains the sub-advisor's base case that corporate bond spreads (the difference between government bond yields and corporate bond yields) would move wider in 2023, valuations for high quality bonds still look reasonable.

On April 3, 2023, The Canada Life Assurance Company announced an agreement to acquire Investment Planning Counsel Inc. (the parent company of Counsel). The transaction is expected to be completed within 2023. Counsel will continue operate as manager of the Counsel Funds and the agreement is not expected to impact the Fund's operations.

Effective March 31, 2023, KPMG LLP was appointed as the auditor of the Fund.

### Related Party Transactions

#### Management and Administration Services

Top Funds represent all of the Fund's investors. As a result, Counsel pays all costs and expenses (other than certain specified fund costs) required to operate the Fund. No management or administration fees are paid by the Fund.

#### Portfolio Transaction Services

Mackenzie Financial Corporation, an affiliate of Counsel, provides portfolio transaction services to the Fund. The Fund pays no brokerage fees to Mackenzie for these services.

#### Other Related Party Transactions

Other investment funds managed by Counsel ("Top Funds") invest in Series O securities offered by the Fund on a prospectus-exempt basis in accordance with the investment objectives of those funds. As a result of these investments, the Fund is subject to large transaction risk as discussed in its Simplified Prospectus. Counsel manages this risk to reduce the possibility of any adverse effect on the Fund or on its investors, through such processes as requiring advance notice of large redemptions. As at March 31, 2023, Top Funds owned 100% of the Fund's NAV. As of March 31, 2023, Counsel had not received notice of any large redemptions. All related party transactions are based on the NAV per security on each transaction day.

During the year, the Fund relied on standing instructions from the Counsel Funds' Independent Review Committee ("IRC") with respect to trades with other Counsel Funds.

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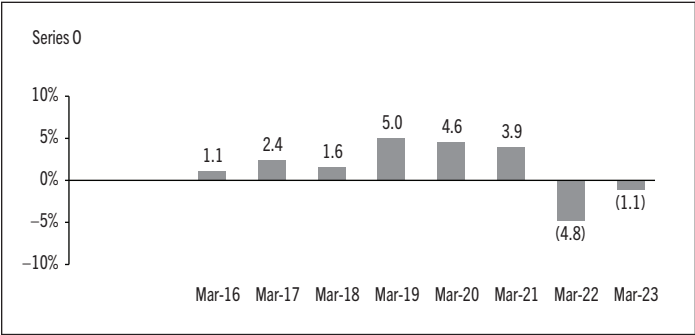
## Past Performance

The indicated rates of return are the historical annual compound total returns, including changes in NAV per security and assuming reinvestment of all distributions. They do not take into account sales, redemption, distribution or optional sales charges, management fees directly payable by investors or income taxes payable by any investor that would have reduced returns. Returns for each series primarily differ because fees and expenses vary for each series. Please refer to *Series Information* for further information. The past performance of the Fund is not necessarily an indication of how it will perform in the future.

If you hold this Fund outside of a registered plan, income and capital gains distributions paid to you increase your income for tax purposes, whether paid in cash or reinvested in additional securities. The amount of reinvested taxable distributions is added to the adjusted cost base of the securities that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

## Year-by-Year Returns

The bar charts show how much an investment made on the first day of each financial year would have increased or decreased by the end of the respective periods. For the first year of a series, the percentage shown will be the actual return of the series from its inception date, which can be found under *Series Information*. The charts illustrate how the Fund's performance has changed over time.



## Annual Compound Returns

The Annual Compound Return table shows the annual compound total return for each series of the Fund for the periods shown ended March 31, 2023. The annual compound total return is also compared to the Fund's benchmark(s)<sup>1</sup> calculated on the same compound basis.

(%)	1 Yr	3 Yr	5 Yr	10 Yr	Since Inception <sup>2</sup>
Series 0	(1.08)	(0.73)	1.45	n/a	1.71
FTSE Canada Universe Bond Index	(2.01)	(1.67)	0.89	n/a	1.21

(1) The FTSE Canada Universe Bond Index is a broad measure of the total return of Canadian bonds that mature in more than one year. It includes a broad range of Canadian federal, provincial, municipal and corporate bonds rated BBB or higher.

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## Summary of Investment Portfolio at March 31, 2023

EFFECTIVE ASSET TYPE	% OF NAV
Corporate bonds	48.0
Federal bonds	26.4
Provincial bonds	23.1
Municipal bonds	0.3
Other	2.2

EFFECTIVE COUNTRY ALLOCATION	% OF NAV
Canada	99.8
United States	0.2

BONDS BY CREDIT RATING*	% OF NAV
AAA	28.0
AA	11.1
A	31.3
BBB	19.3
Unrated	9.4

\* Credit ratings and rating categories are based on ratings issued by a designated rating organization.

The effective allocation shows the country, regional or asset type exposure of the Fund calculated by combining its direct investments, exchange traded funds, and derivatives.

## TOP 25 LONG POSITIONS

Issuer	% OF NAV
Government of Canada 1.50% 12-01-2031	10.5
Province of Ontario 3.75% 06-02-2032	4.3
Province of Quebec 4.40% 12-01-2055	4.1
Government of Canada 4.71% 02-29-2024	4.0
Government of Canada 1.50% 06-01-2031	3.8
Province of Ontario 3.75% 12-02-2053	2.5
Province of Quebec 3.25% 09-01-2032	2.3
Government of Canada 0.50% 12-01-2050	2.1
Province of Alberta 3.10% 06-01-2050	1.8
Government of Canada 2.00% 06-01-2032	1.7
Government of Canada 0.75% 02-01-2024	1.6
Canada Housing Trust 1.95% 12-15-2025	1.3
Province of Alberta 2.95% 06-01-2052	1.3
Province of British Columbia 1.55% 06-18-2031	1.1
National Bank of Canada 2.55% 07-12-2024	1.0
OMERS Finance Trust 1.55% 04-21-2027	0.9
Canadian Imperial Bank of Commerce 2.75% 03-07-2025	0.9
North West Redwater Partnership 2.80% 06-01-2027 Callable 2027	0.8
Fédération des Caisses Desjardins du Québec F/R 05-26-2030 Callable 2025	0.8
Government of Canada 1.75% 12-01-2053	0.7
Royal Bank of Canada 2.33% 01-28-2027	0.7
The Bank of Nova Scotia 2.95% 03-08-2027	0.7
Province of Saskatchewan 2.80% 12-02-2052	0.7
Brookfield Renewable Energy Partners ULC 3.63% 01-15-2027 Callable 2026	0.6
Province of British Columbia 2.95% 06-18-2050	0.6

Top long positions as a percentage  
of total net asset value

50.8

## TOP 25 SHORT POSITIONS

Issuer	% OF NAV
MSE Canadian 30 Year Bond Future**	—
Top short positions as a percentage of total net asset value	—

\*\* Notional principal values represent 1.3% of NAV.

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## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for each of the fiscal periods presented below. If during the period a fund or series was established or reinstated, "period" represents the period from inception to the end of that fiscal period. Series inception dates can be found under *Series Information*.

### NET ASSETS PER SECURITY (\$)¹

Series 0	Mar. 31 2023	Mar. 31 2022	Mar. 31 2021	Mar. 31 2020	Mar. 31 2019
<b>Net assets, beginning of period</b>	<b>9.31</b>	10.01	10.38	10.24	10.01
<b>Increase (decrease) from operations:</b>					
Total revenue	0.27	0.23	0.31	0.21	0.27
Total expenses	—	—	—	—	—
Realized gains (losses) for the period	(0.47)	(0.20)	0.33	0.25	0.02
Unrealized gains (losses) for the period	0.13	(0.50)	(0.25)	(0.01)	0.21
<b>Total increase (decrease) from operations²</b>	<b>(0.07)</b>	(0.47)	0.39	0.45	0.50
<b>Distributions:</b>					
From income (excluding Canadian dividends)	(0.33)	(0.23)	(0.29)	(0.23)	(0.27)
From Canadian dividends	—	—	—	—	—
From capital gains	—	—	(0.51)	(0.09)	—
Return of capital	—	—	—	—	—
<b>Total annual distributions³</b>	<b>(0.33)</b>	(0.23)	(0.80)	(0.32)	(0.27)
<b>Net assets at period end</b>	<b>8.87</b>	9.31	10.01	10.38	10.24

(1) These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net assets per security. The information presented is derived from the Fund's financial statements prepared in accordance with IFRS. The net assets presented here in this table and in the financial statements may differ from the NAV; an explanation of these differences can be found in Note 3 of the Fund's Financial Statements.

(2) NAV and distributions per security figures are based on the actual number of securities outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of securities outstanding over the financial period.

(3) Distributions were paid in cash, reinvested in additional securities of the Fund, or both.

## RATIOS AND SUPPLEMENTAL DATA

Series 0	Mar. 31 2023	Mar. 31 2022	Mar. 31 2021	Mar. 31 2020	Mar. 31 2019
Total net asset value (\$000's)¹	307,458	283,388	291,474	288,148	283,766
Securities Outstanding (000's)¹	34,667	30,423	29,119	27,760	27,725
Management expense ratio (%)²	—	—	—	—	—
Management expense ratio before waivers or absorptions (%)²	—	—	—	—	—
Trading expense ratio (%)³	—	—	—	—	—
Portfolio turnover rate (%)⁴	94.24	70.74	98.32	—	102.20

(1) This information is provided as at the end of the fiscal period shown.

(2) MER and MER before waivers or absorptions ("Gross MER") are based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of average daily NAV during the period. In the period a series is established, the MERs and Gross MERs are annualized from the date of inception to the end of the period. MER and Gross MER may be impacted by decreases and/or increases in management fees and/or administration fees as discussed under Series Information. Where the Fund invests in securities of an Underlying Fund, the MERs and Gross MERs presented for the Fund include the portion of MERs of the Underlying Fund(s) attributable to this investment.

(3) The trading expense ratio ("TER") represents total commissions and other portfolio transaction costs incurred as an annualized percentage of the daily average NAV during the period. Where the Fund invests in securities of an Underlying Fund, the TERs presented for the Fund include the portion of TERs of its Underlying Fund(s) attributable to this investment.

(4) The portfolio turnover rate ("PTR") indicates how actively the portfolio advisor manages the investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher PTR in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high PTR and the performance of the Fund. Costs incurred to realign the Fund's portfolio after a fund merger, if any, are excluded from the PTR.

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## Series Information

Series	Date of Inception	Minimum Investment (\$)	Management Fee (%)	Administration Fee <sup>3</sup> (%)
Series O <sup>1</sup>	January 7, 2016	—	—	—
Series Private Wealth <sup>2</sup>	October 19, 2020	—	—	0.15

(1) 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.

(2) There are no management fees for Series Private Wealth. An investor must enter into an agreement to participate in a discretionary managed program offered by IPC Securities Corporation and agree to pay certain asset-based fees.

(3) Counsel may, at its discretion, waive or lower the administration fee payable by investors. Effective June 27, 2022, this series was terminated.