

COUNSEL | PORTFOLIO SERVICES

Counsel Monthly Income *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 |
|---|------------------|-----------------|
| Assets | | |
| Current assets: | | |
| Investments at fair value | 571,639 | 583,689 |
| Cash and cash equivalents | 117 | 667 |
| Accrued interest receivable | - | - |
| Dividends receivable | - | - |
| Accounts receivable for investments sold | 1,009 | 113 |
| Accounts receivable for securities issued | 55 | 247 |
| Accounts receivable from the Manager | - | - |
| Margin on derivative contracts | - | - |
| Derivative assets | - | - |
| Other assets | - | - |
| | 572,820 | 584,716 |
| Non-current assets: | | |
| Taxes recoverable | - | - |
| Other assets | - | - |
| | - | - |
| Total assets | 572,820 | 584,716 |
| Liabilities | | |
| Current liabilities: | | |
| Bank indebtedness | - | - |
| Accounts payable for investments purchased | - | 184 |
| Accounts payable for securities redeemed | 447 | 259 |
| Distributions payable | - | - |
| Accrued expenses and miscellaneous payables | - | 54 |
| Dividends payable on investments sold short | - | - |
| Derivative liabilities | - | - |
| Taxes payable | - | - |
| Other liabilities | - | 1 |
| Total liabilities | 447 | 498 |
| Net assets attributable to securityholders | 572,373 | 584,218 |

STATEMENTS OF COMPREHENSIVE INCOME

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

| | 2019 | 2018 |
|--|---------------|---------------|
| Income: | | |
| Dividends | 4,569 | 3,683 |
| Interest and other income | 5,416 | 4,860 |
| Net realized gain (loss) | 3,307 | 4,857 |
| Net unrealized gain (loss) | 7,578 | 6,771 |
| Income (loss) from derivatives | - | - |
| Income (loss) from short selling | - | - |
| Securities lending income | - | - |
| Trust income | - | - |
| Total income | 20,870 | 20,171 |
| Expenses: | | |
| Management fees | 4,480 | 4,965 |
| Management fee rebates | (9) | (9) |
| Administration fees | 675 | 739 |
| Commissions and other portfolio transaction costs | - | - |
| Independent Review Committee costs | 7 | 7 |
| Interest and other charges | 4 | 11 |
| Expenses before amounts absorbed by Manager | 5,157 | 5,713 |
| Expenses absorbed by Manager | (25) | - |
| Net expenses | 5,132 | 5,713 |
| Increase (decrease) in net assets attributable to securityholders | | |
| from operations before tax | 15,738 | 14,458 |
| Foreign withholding tax expense (recovery) | - | - |
| Foreign income tax expense (recovery) | - | - |
| Income tax expense (recovery) | - | - |
| Increase (decrease) in net assets attributable to securityholders | 15,738 | 14,458 |
| from operations | 15,738 | 14,458 |

Net assets attributable to securityholders

| | per security | | per series | |
|-------------------------|--------------|---------|------------|---------|
| | Sept. 30 | Mar. 31 | Sept. 30 | Mar. 31 |
| | 2019 | 2019 | 2019 | 2019 |
| Series A | 8.81 | 8.64 | 215,955 | 227,313 |
| Series B | 5.32 | 5.37 | 114,340 | 114,005 |
| SERIES F | 10.13 | 9.94 | 99,556 | 103,938 |
| SERIES F5 | 9.41 | 9.34 | 1 | 1 |
| Series FT | 7.70 | 7.76 | 29,810 | 28,595 |
| Series I | 10.61 | 10.42 | 71,356 | 72,558 |
| Series IB | 9.44 | 9.40 | 9,634 | 7,932 |
| Series IT | 8.07 | 8.09 | 13,650 | 13,756 |
| Series Private Wealth I | 9.80 | 9.62 | 7,911 | 5,474 |
| Series T | 7.42 | 7.53 | 10,160 | 10,646 |
| | | | 572,373 | 584,218 |

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

| | per security | | per series | |
|-------------------------|--------------|------|------------|--------|
| | 2019 | 2018 | 2019 | 2018 |
| | Series A | 0.20 | 0.17 | 5,290 |
| Series B | 0.12 | 0.11 | 2,697 | 2,202 |
| Series F | 0.30 | 0.26 | 3,051 | 3,205 |
| Series F5 | 0.28 | 0.25 | - | - |
| Series FT | 0.22 | 0.22 | 877 | 702 |
| SERIES I | 0.37 | 0.31 | 2,565 | 2,384 |
| SERIES IB | 0.32 | 0.30 | 316 | 121 |
| Series IT | 0.29 | 0.27 | 485 | 451 |
| Series Private Wealth I | 0.30 | 0.23 | 207 | 68 |
| Series T | 0.18 | 0.15 | 250 | 231 |
| | | | 15,738 | 14,458 |

STATEMENTS OF CHANGES IN FINANCIAL POSITION

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

| | TOTAL | | SERIES A | | SERIES B | | SERIES F | |
|---|----------|----------|----------|----------|----------|---------|----------|----------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net assets attributable to securityholders, beginning of period | 584,218 | 651,200 | 227,313 | 266,007 | 114,005 | 115,081 | 103,938 | 130,032 |
| Increase (decrease) in net assets attributable to securityholders resulting from: | | | | | | | | |
| Operations | 15,738 | 14,458 | 5,290 | 5,094 | 2,697 | 2,202 | 3,051 | 3,205 |
| Distributions: | | | | | | | | |
| Income | (4,186) | (4,142) | (1,093) | (1,212) | (531) | (516) | (1,132) | (1,199) |
| Capital gains | - | - | - | - | - | - | - | - |
| Return of capital | (5,464) | (5,653) | - | - | (3,277) | (3,225) | - | - |
| Management fee rebates | (9) | (9) | - | - | - | - | (7) | (8) |
| Total distributions | (9,659) | (9,804) | (1,093) | (1,212) | (3,808) | (3,741) | (1,139) | (1,207) |
| Security transactions: | | | | | | | | |
| Proceeds from sale of securities | 28,690 | 34,434 | 5,279 | 6,464 | 5,110 | 6,887 | 4,533 | 9,572 |
| Proceeds from securities issued on merger | - | - | - | - | - | - | - | - |
| Reinvested from distributions | 8,240 | 8,185 | 1,057 | 1,174 | 3,804 | 3,733 | 907 | 978 |
| Payment on redemption of securities | (54,854) | (90,009) | (21,891) | (34,851) | (7,468) | (6,892) | (11,734) | (28,625) |
| Total security transactions | (17,924) | (47,390) | (15,555) | (27,213) | 1,446 | 3,728 | (6,294) | (18,075) |
| Increase (decrease) in assets attributable to securityholders | (11,845) | (42,736) | (11,358) | (23,331) | 335 | 2,189 | (4,382) | (16,077) |
| Net assets attributable to securityholders, end of period | 572,373 | 608,464 | 215,955 | 242,676 | 114,340 | 117,270 | 99,556 | 113,955 |
| Increase (decrease) in securities (in thousands): | | | | | | | | |
| Securities outstanding, beginning of period | | | 26,305 | 31,243 | 21,221 | 20,601 | 10,457 | 13,268 |
| Add (deduct): | | | | | | | | |
| Securities sold | | | 605 | 748 | 953 | 1,230 | 451 | 967 |
| Securities issued on merger | | | - | - | - | - | - | - |
| Reinvested from distributions | | | 121 | 137 | 712 | 667 | 90 | 99 |
| Securities redeemed | | | (2,510) | (4,040) | (1,390) | (1,231) | (1,169) | (2,888) |
| Securities outstanding, end of period | | | 24,521 | 28,088 | 21,496 | 21,267 | 9,829 | 11,447 |

| | SERIES F5 | | SERIES FT | | SERIES I | | SERIES IB | |
|---|-----------|------|-----------|---------|----------|----------|-----------|-------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net assets attributable to securityholders, beginning of period | 1 | 1 | 28,595 | 28,143 | 72,558 | 77,595 | 7,932 | 3,864 |
| Increase (decrease) in net assets attributable to securityholders resulting from: | | | | | | | | |
| Operations | - | - | 877 | 702 | 2,565 | 2,384 | 316 | 121 |
| Distributions: | | | | | | | | |
| Income | - | - | - | - | (1,201) | (1,127) | (150) | (60) |
| Capital gains | - | - | - | - | - | - | - | - |
| Return of capital | - | - | (1,131) | (1,216) | - | - | (140) | (67) |
| Management fee rebates | - | - | (1) | (1) | - | - | - | - |
| Total distributions | - | - | (1,132) | (1,217) | (1,201) | (1,127) | (290) | (127) |
| Security transactions: | | | | | | | | |
| Proceeds from sale of securities | - | - | 2,764 | 2,880 | 5,280 | 3,655 | 1,881 | 627 |
| Proceeds from securities issued on merger | - | - | - | - | - | - | - | - |
| Reinvested from distributions | - | - | 544 | 569 | 1,084 | 1,007 | 283 | 126 |
| Payment on redemption of securities | - | - | (1,838) | (2,408) | (8,930) | (11,606) | (488) | (414) |
| Total security transactions | - | - | 1,470 | 1,041 | (2,566) | (6,944) | 1,676 | 339 |
| Increase (decrease) in assets attributable to securityholders | - | - | 1,215 | 526 | (1,202) | (5,687) | 1,702 | 333 |
| Net assets attributable to securityholders, end of period | 1 | 1 | 29,810 | 28,669 | 71,356 | 71,908 | 9,634 | 4,197 |
| Increase (decrease) in securities (in thousands): | | | | | | | | |
| Securities outstanding, beginning of period | - | - | 3,685 | 3,367 | 6,965 | 7,561 | 843 | 404 |
| Add (deduct): | | | | | | | | |
| Securities sold | - | - | 356 | 344 | 503 | 351 | 200 | 65 |
| Securities issued on merger | - | - | - | - | - | - | - | - |
| Reinvested from distributions | - | - | 70 | 68 | 103 | 97 | 30 | 13 |
| Securities redeemed | - | - | (238) | (288) | (848) | (1,112) | (52) | (43) |
| Securities outstanding, end of period | - | - | 3,873 | 3,491 | 6,723 | 6,897 | 1,021 | 439 |

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

STATEMENTS OF CHANGES IN FINANCIAL POSITION (CONTINUED)

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

| | SERIES IT | | SERIES PRIVATE WEALTH I | | SERIES T | |
|---|-----------|---------|-------------------------|-------|----------|--------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Net assets attributable to securityholders, beginning of period | 13,756 | 17,088 | 5,474 | 2,059 | 10,646 | 11,330 |
| Increase (decrease) in net assets attributable to securityholders resulting from: | | | | | | |
| Operations | 485 | 451 | 207 | 68 | 250 | 231 |
| Distributions: | | | | | | |
| Income | - | - | (79) | (28) | - | - |
| Capital gains | - | - | - | - | - | - |
| Return of capital | (521) | (649) | - | - | (395) | (496) |
| Management fee rebates | - | - | (1) | - | - | - |
| Total distributions | (521) | (649) | (80) | (28) | (395) | (496) |
| Security transactions: | | | | | | |
| Proceeds from sale of securities | 946 | 1,116 | 2,522 | 2,448 | 375 | 785 |
| Proceeds from securities issued on merger | - | - | - | - | - | - |
| Reinvested from distributions | 210 | 228 | 79 | 28 | 272 | 342 |
| Payment on redemption of securities | (1,226) | (3,696) | (291) | (749) | (988) | (768) |
| Total security transactions | (70) | (2,352) | 2,310 | 1,727 | (341) | 359 |
| Increase (decrease) in assets attributable to securityholders | (106) | (2,550) | 2,437 | 1,767 | (486) | 94 |
| Net assets attributable to securityholders, end of period | 13,650 | 14,538 | 7,911 | 3,826 | 10,160 | 11,424 |
| Increase (decrease) in securities (in thousands): | | | | | | |
| Securities outstanding, beginning of period | 1,700 | 1,961 | 569 | 217 | 1,414 | 1,395 |
| Add (deduct): | | | | | | |
| Securities sold | 117 | 128 | 260 | 255 | 51 | 97 |
| Securities issued on merger | - | - | - | - | - | - |
| Reinvested from distributions | 26 | 26 | 8 | 3 | 36 | 42 |
| Securities redeemed | (151) | (426) | (30) | (78) | (132) | (94) |
| Securities outstanding, end of period | 1,692 | 1,689 | 807 | 397 | 1,369 | 1,440 |

STATEMENTS OF CASH FLOWS

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

| | 2019 | 2018 |
|---|-----------------|-----------------|
| Cash flows from operating activities | | |
| Increase (decrease) in net assets attributable to securityholders from operations | 15,738 | 14,458 |
| Less non-cash impact of: | | |
| Net realized loss (gain) on investments | (3,307) | (4,857) |
| Change in net unrealized loss (gain) on investments | (7,578) | (6,771) |
| Distributions received from Underlying Funds | (9,979) | (4,955) |
| Adjustments for: | | |
| Proceeds from sale and maturity of investments | 35,725 | 68,161 |
| Purchases of investments | (3,890) | (5,475) |
| (Increase) decrease in accounts receivable and other assets | - | - |
| Increase (decrease) in accounts payable and other liabilities | (55) | 5 |
| Net cash provided by (used in) operating activities | 26,654 | 60,566 |
| Cash flows from financing activities: | | |
| Proceeds from securities issued | 28,882 | 34,083 |
| Proceeds from securities issued on merger | - | - |
| Payments on redemption of securities | (54,666) | (91,388) |
| Distributions paid net of reinvestments | (1,419) | (1,619) |
| Net cash provided by (used in) financing activities | (27,203) | (58,924) |
| Increase (decrease) in cash and cash equivalents | (549) | 1,642 |
| Cash and cash equivalents at beginning of period | 667 | (1,096) |
| Effect of exchange rate fluctuations on cash and cash equivalents | (1) | - |
| Cash and cash equivalents, end of period | 117 | 546 |
| Cash | 117 | 546 |
| Cash equivalents | - | - |
| Bank indebtedness | - | - |
| | 117 | 546 |
| Supplementary disclosures on cash flow from operating activities: | | |
| Dividends received net of withholding taxes | - | - |
| Interest received net of withholding taxes | 5 | 10 |
| Interest paid | 4 | 11 |
| 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 |
| MUTUAL FUNDS | | | | | | | |
| Counsel Canadian Core Fixed Income Series O | 16,434,700 | 164,466 | 172,985 | ✓ | ✓ | | ✓ |
| Counsel Global Dividend Series O | 3,010,812 | 38,742 | 37,616 | ✓ | | ✓ | |
| Counsel Global Fixed Income Series O | 3,402,355 | 33,981 | 31,508 | ✓ | ✓ | | ✓ |
| Counsel Global Real Estate Series O | 2,160,979 | 26,855 | 30,277 | ✓ | | ✓ | ✓ |
| Counsel North American High Yield Bond Series O | 2,328,533 | 23,035 | 23,093 | ✓ | ✓ | ✓ | ✓ |
| Counsel Retirement Income Portfolio Series O | 4,509,025 | 44,799 | 45,501 | ✓ | ✓ | ✓ | ✓ |
| RBC Canadian Dividend Fund Series O | 2,991,071 | 187,014 | 230,659 | | | ✓ | |
| TOTAL INVESTMENTS | | <u>518,892</u> | <u>571,639</u> | | | | |
| Net Assets | | | | | | | |
| Total investments | | | 571,639 | | | | |
| Cash | | | 117 | | | | |
| Other net assets (liabilities) | | | <u>617</u> | | | | |
| | | | <u>572,373</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 and index participation securities.

at September 30, 2019 (unaudited)

| | % of net assets |
|----------------------------|-----------------|
| BY ASSET TYPE | |
| Canadian Equity Funds | 40.3 |
| Canadian Bond Funds | 30.2 |
| International Bond Funds | 9.5 |
| Income Funds | 7.9 |
| International Equity Funds | 6.6 |
| Global Real Estate | 5.3 |
| Other | 0.2 |
| Total | 100.0 |

EFFECTIVE REGIONAL ALLOCATION

| | |
|------------------------|--------------|
| Canada | 70.6 |
| United States | 17.5 |
| Pacific ex Japan | 4.4 |
| Europe ex U.K. | 3.8 |
| Latin America | 1.7 |
| United Kingdom | 1.1 |
| Japan | 0.6 |
| Middle East and Africa | 0.3 |
| Total | 100.0 |

EFFECTIVE SECTOR ALLOCATION

| | |
|------------------------|--------------|
| Corporate Bonds | 21.4 |
| Financials | 20.7 |
| Government Bonds | 17.2 |
| Energy | 7.6 |
| Real Estate | 6.7 |
| Industrials | 4.2 |
| Communication Services | 3.5 |
| Utilities | 3.4 |
| Consumer Staples | 3.0 |
| Materials | 2.1 |
| Consumer Discretionary | 1.3 |
| Health Care | 1.2 |
| Information Technology | 1.1 |
| Other | 6.6 |
| Total | 100.0 |

at March 31, 2019

| | % of net assets |
|----------------------------|-----------------|
| BY ASSET TYPE | |
| Income Funds | 48.1 |
| Canadian Equity Funds | 39.8 |
| International Equity Funds | 6.9 |
| Global Real Estate | 5.1 |
| Cash | 0.1 |
| Total | 100.0 |

EFFECTIVE REGIONAL ALLOCATION

| | |
|------------------------|--------------|
| Canada | 73.2 |
| United States | 14.6 |
| Pacific ex Japan | 4.4 |
| Europe ex U.K. | 3.9 |
| Latin America | 2.0 |
| United Kingdom | 0.8 |
| Japan | 0.6 |
| Middle East and Africa | 0.4 |
| Cash | 0.1 |
| Total | 100.0 |

EFFECTIVE SECTOR ALLOCATION

| | |
|------------------------|--------------|
| Corporate Bonds | 20.9 |
| Financials | 19.1 |
| Government Bonds | 16.5 |
| Energy | 8.3 |
| Real Estate | 6.1 |
| Industrials | 3.7 |
| Communication Services | 3.6 |
| Utilities | 3.2 |
| Consumer Staples | 2.7 |
| Materials | 1.7 |
| Health Care | 1.6 |
| Consumer Discretionary | 1.5 |
| Information Technology | 1.1 |
| Other | 10.0 |
| Total | 100.0 |

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 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.

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'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 (consisting of mutual fund units) were classified as Level 1. 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) Net assets attributable to securityholders per security

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

(g) Net asset value per security

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

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

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

(i) 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.

NOTES TO INTERIM UNAUDITED 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 (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 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).

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). 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. 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 are 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. These holdings may be rebalanced by either reducing an allocation to the Fund or eliminating such investments from the Fund entirely. In either case, depending on the size of the investment by an investor, this could result in a significant redemption from the Fund. To meet such a redemption, the Fund may be required to sell portfolio holdings before it has achieved the valuation sought by the Manager thus affecting its returns. This could result in the realization of capital gains on its holdings earlier than planned, potentially resulting in capital gains distributed to investors in the Fund (which could result in income tax payable by the investor) that may not have occurred or may occur 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'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 or at www.counselservices.com.

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

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

The Fund follows a dynamic hedging strategy where its underlying Counsel funds target a hedge against the U.S. dollar (the largest foreign currency exposure), based on the Manager's expectation of future exchange rates at that time. As at September 30, 2019, underlying Counsel Funds were targeting a hedge of 50% (March 31, 2019 – 25%) against the U.S. Dollar. Note 10 (c) summarizes the Fund's exposure to currency risk, through its investments in underlying funds.

(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, 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. Note 10 (c) 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, 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 or by visiting 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 ⁷ (%) | Administration Fee ⁷ (%) |
|--|-------------------|-------------------------|---------------------------------|-------------------------------------|
| Series A ^{1,4} | January 19, 2004 | 1,000 | 1.95 | 0.25 |
| Series B ^{1,2,4} | March 1, 2013 | 1,000 | 1.95 | 0.25 |
| Series F ³ | February 13, 2006 | 1,000 | 0.95 | 0.15 |
| Series F5 ^{3,4} | November 28, 2016 | 1,000 | 0.95 | 0.15 |
| Series FT ^{3,5} | March 1, 2013 | 1,000 | 0.95 | 0.15 |
| Series I ^{3,6,7} | March 1, 2006 | 1,000 | - | 0.15 |
| Series IB ^{2,3,6,7} | November 28, 2016 | 1,000 | - | 0.15 |
| Series IT ^{3,5,6,7} | March 1, 2013 | 1,000 | - | 0.15 |
| Series Private Wealth I ^{3,4,8} | January 17, 2018 | 1,000 | 0.95 | 0.15 |
| Series T ^{1,5} | December 17, 2012 | 1,000 | 1.95 | 0.25 |

¹ 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.

² This series is designed for investors who want to receive a fixed per security monthly distribution.

³ 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. Securities of this series are not subject to sales charges or redemption charges.

⁴ This series is designed for investors who want to receive a monthly cash distribution at an annualized rate of up to 5% per year. This series is no longer available for purchase.

⁵ This series is designed for investors who want to receive a monthly cash distribution at an annualized rate of up to 8% per year.

⁶ The management fee for this series is 0.95% and is payable directly to Counsel generally through the monthly redemption of securities.

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

⁸ 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 invests in securities of a variety of Canadian, U.S. and international equity and fixed income mutual funds (the "Underlying Funds"). The Fund's asset class weightings will generally be 35 – 55% in fixed income securities and 45 – 65% in equity securities. Generally, the Fund may invest up to 30%, either directly or through Underlying Funds, in foreign securities.

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 \$5,252 or 0.9% of total net assets (March 31, 2019 – \$6,753 or 1.2% 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 \$15,788 or 2.8% of total net assets (March 31, 2019 – \$15,361 or 2.6% 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

The Fund's most significant exposure to other price risk arises from its investment in equity securities, as well as its holdings in Underlying Funds. As at September 30, 2019, had the prices on the respective stock exchanges for these securities raised or lowered by 10.0%, with all other variables held constant, net assets would have increased or decreased by approximately \$30,712 or 5.4% of total net assets (March 31, 2019 – \$30,964 or 5.3% 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 or at www.counselservices.com.

(d) Loss Carryforwards

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

(e) Subsequent Event

In November 2019, 10% of the Fund was allocated to the recently launched IPC Canadian Multi-Factor Equity. This underlying fund intends to replicate an index constructed by index provider Scientific Beta which invests using a quantitative factor-based approach to select specific securities. The Fund's investment to RBC Canadian Dividend Fund was concurrently lowered.



COUNSEL | PORTFOLIO SERVICES

Client Services 180 Queen St. W., Toronto, ON M5V 3K1 • Toll-Free: 1-877-216-4979 • Fax: (416) 922-5660
Sales & Marketing 5015 Spectrum Way, Suite 300, Mississauga ON L4W 0E4 • Toll-Free: 1-877-625-9885 • Fax: 1-844-378-6247