

**COUNSEL | PORTFOLIO SERVICES**

*Counsel Retirement Foundation portfolio*

INTERIM UNAUDITED FINANCIAL STATEMENTS

For the period ended September 30, 2020

**STATEMENTS OF FINANCIAL POSITION**

at September 30, 2020 (unaudited) with comparative figures at March 31, 2020 (audited)  
(in \$ 000 except per security amounts)

	Sep. 30 2020	Mar. 31 2020
<b>Assets</b>		
<b>Current assets:</b>		
Investments at fair value	354,092	300,507
Cash and cash equivalents	-	432
Accrued interest receivable	-	-
Dividends receivable	-	-
Accounts receivable for investments sold	324	-
Accounts receivable for securities issued	574	799
Accounts receivable from the Manager	10	4
Margin with broker	-	-
Derivative assets	68	11
Other assets	-	-
	355,068	301,753
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	355,068	301,753
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	243	-
Accounts payable for investments purchased	-	305
Accounts payable for securities redeemed	332	3
Distributions payable	-	-
Accrued expenses and miscellaneous payables	10	9
Dividends payable on investments sold short	-	-
Derivative liabilities	-	4,483
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	585	4,800
<b>Net assets attributable to securityholders</b>	354,483	296,953

	Net assets attributable to securityholders			
	per security		per series	
	Sep. 30 2020	Mar. 31 2020	Sep. 30 2020	Mar. 31 2020
Series A	11.31	10.34	73,777	66,537
Series F	11.38	10.35	116,611	94,683
Series I	11.51	10.41	79,826	62,191
Series Private Wealth	11.45	10.35	52,251	44,924
Series Private Wealth I	10.22	9.29	32,018	28,618
			354,483	296,953

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2020	2019
<b>Income:</b>		
Dividends	88	61
Interest and other income	6,949	3,136
Net realized gain (loss)	(1,156)	311
Net unrealized gain (loss)	27,075	2,399
Income (loss) from derivatives	-	-
Income (loss) from short selling	-	-
Securities lending income	3	9
Trust income	-	-
<b>Total income</b>	32,959	5,916
<b>Expenses:</b>		
Management fees	1,495	986
Management fee rebates	(19)	(6)
Administration fees	320	187
Commissions and other portfolio transaction costs	1	1
Independent Review Committee costs	3	2
Interest and other charges	1	1
<b>Expenses before amounts absorbed by Manager</b>	1,801	1,171
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	1,801	1,171
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	31,158	4,745
Foreign withholding tax expense (recovery)	6	3
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations</b>	31,152	4,742

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2020	2019	2020	2019
Series A	0.96	0.21	6,280	1,094
Series F	1.05	0.28	9,982	1,274
Series I	1.10	0.35	7,047	830
Series Private Wealth	1.10	0.34	4,945	898
Series Private Wealth I	0.93	0.25	2,898	646
			31,152	4,742

**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	
	2020	2019	2020	2019	2020	2019	2020	2019
<b>Net assets attributable to securityholders, beginning of period</b>	296,953	171,910	66,537	56,385	94,683	42,624	62,191	24,678
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	31,152	4,742	6,280	1,094	9,982	1,274	7,047	830
<b>Distributions:</b>								
Income	-	-	-	-	-	-	-	-
Capital gains	-	-	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-	-	-
Management fee rebates	(19)	(6)	(7)	-	(8)	(6)	-	-
<b>Total distributions</b>	(19)	(6)	(7)	-	(8)	(6)	-	-
<b>Security transactions:</b>								
Proceeds from sale of securities	49,677	46,284	5,982	9,234	19,935	16,989	15,411	9,723
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	19	6	7	-	8	6	-	-
Payment on redemption of securities	(23,299)	(17,070)	(5,022)	(8,566)	(7,989)	(4,113)	(4,823)	(1,961)
<b>Total security transactions</b>	26,397	29,220	967	668	11,954	12,882	10,588	7,762
<b>Increase (decrease) in assets attributable to securityholders</b>	57,530	33,956	7,240	1,762	21,928	14,150	17,635	8,592
<b>Net assets attributable to securityholders, end of period</b>	354,483	205,866	73,777	58,147	116,611	56,774	79,826	33,270
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			6,433	5,085	9,151	3,843	5,975	2,211
Add (deduct):								
Securities sold			544	823	1,807	1,511	1,391	852
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			1	-	1	1	-	-
Securities redeemed			(453)	(764)	(715)	(366)	(431)	(173)
<b>Securities outstanding, end of period</b>			6,525	5,144	10,244	4,989	6,935	2,890

	SERIES PRIVATE WEALTH		SERIES PRIVATE WEALTH I	
	2020	2019	2020	2019
<b>Net assets attributable to securityholders, beginning of period</b>	44,924	24,835	28,618	23,388
Increase (decrease) in net assets attributable to securityholders resulting from:				
<b>Operations</b>	4,945	898	2,898	646
<b>Distributions:</b>				
Income	-	-	-	-
Capital gains	-	-	-	-
Return of capital	-	-	-	-
Management fee rebates	-	-	(4)	-
<b>Total distributions</b>	-	-	(4)	-
<b>Security transactions:</b>				
Proceeds from sale of securities	6,739	7,104	1,610	3,234
Proceeds from securities issued on merger	-	-	-	-
Reinvested from distributions	-	-	4	-
Payment on redemption of securities	(4,357)	(1,422)	(1,108)	(1,008)
<b>Total security transactions</b>	2,382	5,682	506	2,226
<b>Increase (decrease) in assets attributable to securityholders</b>	7,327	6,580	3,400	2,872
<b>Net assets attributable to securityholders, end of period</b>	52,251	31,415	32,018	26,260
<b>Increase (decrease) in securities (in thousands):</b>				
<b>Securities outstanding, beginning of period</b>	4,338	2,237	3,080	2,348
Add (deduct):				
Securities sold	613	634	162	321
Securities issued on merger	-	-	-	-
Reinvested from distributions	-	-	-	-
Securities redeemed	(388)	(127)	(110)	(100)
<b>Securities outstanding, end of period</b>	4,563	2,744	3,132	2,569

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

**STATEMENTS OF CASH FLOWS**

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

	2020	2019
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to securityholders from operations	31,152	4,742
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	2,649	(311)
Change in net unrealized loss (gain) on investments	(27,075)	(2,399)
Distributions received from Underlying Funds	(8,487)	(3,156)
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	15,849	3,909
Purchases of investments	(41,690)	(31,829)
(Increase) decrease in accounts receivable and other assets	(6)	-
Increase (decrease) in accounts payable and other liabilities	1	(9)
<b>Net cash provided by (used in) operating activities</b>	<b>(27,607)</b>	<b>(29,053)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	49,902	46,195
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(22,970)	(17,173)
Distributions paid net of reinvestments	-	-
<b>Net cash provided by (used in) financing activities</b>	<b>26,932</b>	<b>29,022</b>
<b>Increase (decrease) in cash</b>	<b>(675)</b>	<b>(31)</b>
Cash (Bank indebtedness) at beginning of period	432	1,251
Effect of exchange rate fluctuations on cash	-	-
<b>Cash and cash equivalents, end of period</b>	<b>(243)</b>	<b>1,220</b>
Cash	-	1,220
Cash equivalents	-	-
Bank indebtedness	(243)	-
	(243)	1,220
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	-	-
Interest received net of withholding taxes	44	41
Interest paid	-	1
Income taxes paid (recovered)	-	-

**SCHEDULE OF INVESTMENTS**

as at September 30, 2020 (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	6,395,811	66,094	69,013		✓		✓
Counsel Defensive Global Equity Series O	12,270,744	142,806	144,746	✓		✓	
Counsel Global Low Volatility Equity Series O	6,773,310	70,850	71,202	✓		✓	
Counsel Global Real Estate Series O	1,527,310	19,451	18,024	✓		✓	✓
Counsel North American High Yield Bond Series O	2,709,229	26,883	25,911	✓	✓	✓	✓
		<u>326,084</u>	<u>328,896</u>				
<b>EXCHANGE TRADED FUNDS</b>							
iShares Core U.S. Treasury Bond ETF	167,284	5,739	6,225	✓	✓		✓
iShares J.P. Morgan EM Local Currency Bond ETF	150,207	8,704	8,365	✓	✓		✓
iShares S&P International Bond Index Fund	150,686	9,829	10,606	✓	✓		✓
		<u>24,272</u>	<u>25,196</u>				
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>							
		<u>(4)</u>	<u>-</u>				
<b>TOTAL INVESTMENTS</b>							
		<u>350,352</u>	<u>354,092</u>				
Net Assets							
Total investments			354,092				
Derivative assets (see schedule of derivative instruments)			68				
Other net assets (liabilities)			<u>323</u>				
			<u>354,483</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, 2020 (unaudited)

	% of net assets
<b>BY ASSET TYPE</b>	
International Equity Funds	60.9
Canadian Fixed Income Funds	19.5
International Fixed Income Funds	7.3
Exchange Traded Funds	7.1
Global Real Estate	5.1
Other	0.1
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Corporate Bonds	17.9
Government Bonds	15.0
Information technology	12.2
Health Care	9.4
Financials	6.8
Real Estate	6.4
Consumer Staples	6.1
Industrials	6.1
Consumer Discretionary	5.9
Communication Services	5.8
Materials	3.1
Utilities	2.1
Energy	1.5
Other	1.7
<b>Total</b>	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

United States	49.5
Canada	23.1
Europe ex U.K.	12.7
Japan	6.6
Pacific ex Japan	4.4
United Kingdom	2.3
Latin America	1.0
Middle East and Africa	0.4
<b>Total</b>	<b>100.0</b>

at March 31, 2020

	% of net assets
<b>BY ASSET TYPE</b>	
International Equity Funds	57.4
Canadian Fixed Income Funds	22.4
Exchange Traded Funds	8.5
International Fixed Income Funds	7.8
Global Real Estate	5.1
Cash	0.1
Other	(1.3)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Government Bonds	18.9
Corporate Bonds	18.4
Real Estate	6.5
Health Care	5.1
Information technology	4.9
Consumer Staples	3.9
Financials	3.7
Communication Services	3.5
Industrials	3.0
Consumer Discretionary	2.2
Materials	1.9
Energy	1.7
Utilities	1.2
Cash	0.1
Other	25.0
<b>Total</b>	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

Canada	45.1
United States	34.5
Europe ex U.K.	8.8
Japan	4.5
Pacific ex Japan	3.2
United Kingdom	2.0
Latin America	1.5
Middle East and Africa	0.3
Cash	0.1
<b>Total</b>	<b>100.0</b>

**Schedule of Derivative Instruments**

as at September 30, 2020 (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)	
A	12-04-2020	8,940 CAD	8,940	5,715 EUR	8,935	4	-	
AA	10-30-2020	1,883 CAD	1,883	1,068 GBP	1,835	48	-	
AA	10-30-2020	1,876 CAD	1,876	1,082 GBP	1,860	16	-	
						68	-	
<b>TOTAL DERIVATIVE ASSETS</b>							68	
<b>TOTAL DERIVATIVE LIABILITIES</b>								-

**Note:***The following abbreviations have been used:**CAD – Canadian dollars**EUR – Euro**GBP – United Kingdom pounds**USD – United States dollars*

**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, 2020 and 2019 (as applicable), except for the comparative information presented in the Statements of Financial Position and notes thereto, which is as at March 31, 2020. 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, 2020. 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 10, 2020.

**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 constating 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. 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 cost of investments is determined on a weighted average cost basis.

The Fund may use forward contracts to hedge against losses caused by changes in exchange rates. 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, 2020 and March 31, 2020, 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.

**(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.

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

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, 2020 and March 31, 2020, 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 sums of the increase (decrease) in net assets attributable to securityholders from operations for each month, divided by the weighted average number of securities outstanding during each month.

**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.

The Manager uses judgment in assessing the impact from such events on assumptions and estimates applied in reporting the assets and liabilities in the Fund's financial statements at September 30, 2020. The duration and impact of the COVID-19 pandemic on businesses and markets, and the extent of economic relief measures provided by governments and central banks, are unknown at the reporting date and it is therefore not possible to reliably estimate the impact on the financial results and position of the Fund in future periods.

**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 30, 2020 (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, 2020 and March 31, 2020 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, Counsel 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).

**(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**

The Fund follows a dynamic hedging strategy where it may target a hedge against the U.S. dollar, based on Counsel's expectation of future exchange rates at that time. As at September 30, 2020, the Fund was targeting a hedge of 0% (March 31, 2020 – 0%) against the U.S. Dollar. In February 2020, Counsel introduced a similar dynamic hedge against the Euro; as at September 30, 2020, the Fund was targeting a 50% (March 31, 2020 – 25%) hedge against the Euro. In July 2020, a similar hedge was introduced against the British pound; as at September 30, 2020, the Fund were targeting a 50% hedge against the British pound. 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, 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 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>3</sup> (%)	Administration Fee <sup>5</sup> (%)
Series A <sup>1</sup>	January 7, 2016	1,000	1.95	0.25
Series F <sup>2</sup>	January 7, 2016	1,000	0.90	0.15
Series I <sup>2,3,5</sup>	January 7, 2016	1,000	-	0.15
Series Private Wealth <sup>4</sup>	January 7, 2016	-	-	0.15
Series Private Wealth I <sup>5</sup>	May 25, 2017	1,000	0.90	0.15

<sup>1</sup> Series A is the only series subject to sales or redemption charges; these charges are based on purchase options chosen. Securities purchased under the sales charge option may be subject to a negotiated fee of up to 5% at time of initial purchase. Securities previously purchased under the redemption charge or low-load options may be subject to a redemption fee of up to 5.5% or 2.5% respectively (based on date of initial purchase); new securities are not available under these options but may be acquired through switching from other Counsel funds.

<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.

<sup>3</sup> The management fee for this series is 0.90% and is payable directly to Counsel generally through the monthly redemption of securities.

<sup>4</sup> 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.

<sup>5</sup> Counsel may, at its discretion, waive or lower the management fee (either directly or indirectly) and/or administration fee payable by investors. Individual investors may be eligible for a management fee reduction subject to meeting certain requirements as discussed in the Fund's Simplified Prospectus.

<sup>6</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 and 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, 2020, had the Canadian dollar strengthened or weakened by 5.0% relative to all foreign currencies, with all other variables held constant, net assets would have decreased or increased by approximately \$13,082 or 3.7% of total net assets (March 31, 2020 – \$7,782 or 2.6% 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, 2020, 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 \$9,218 or 2.6% of total net assets (March 31, 2019 – \$8,691 or 2.9% 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, 2020, 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 \$23,191 or 6.5% of total net assets (March 31, 2020 – \$11,219 or 3.8% 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, 2020	-	-
March 31, 2020	606	638

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, 2020 and 2019 is presented below:

for the six-month period ended September 30	Amount (\$)		Percentage of Total Amount (%)	
	2020	2019	2020	2019
Gross Securities Lending Income	4	17	100.0	100.0
Securities Lending Agent fees	(1)	(3)	(25.0)	(17.6)
Securities Lending Income to the Fund before Withholdings Taxes	3	14	75.0	82.4
Withholding Taxes	-	(5)	0.0	(29.4)
Securities Lending Income	3	9	75.0	52.9

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