

**COUNSEL | PORTFOLIO SERVICES**

# Counsel Retirement Income *portfolio*

(to be renamed Counsel Income Trend Strategy effective October 30, 2020)

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	56,063	68,506
Cash and cash equivalents	3,012	173
Accrued interest receivable	-	-
Dividends receivable	1	-
Accounts receivable for investments sold	-	-
Accounts receivable for securities issued	-	52
Accounts receivable from the Manager	2	-
Margin with broker	573	-
Derivative assets	79	-
Other assets	-	-
	59,730	68,731
<b>Non-current assets:</b>		
Taxes recoverable	-	-
Other assets	-	-
	-	-
<b>Total assets</b>	<b>59,730</b>	<b>68,731</b>
<b>Liabilities</b>		
<b>Current liabilities:</b>		
Bank indebtedness	-	-
Accounts payable for investments purchased	659	-
Accounts payable for securities redeemed	127	101
Distributions payable	-	-
Accrued expenses and miscellaneous payables	1	1
Dividends payable on investments sold short	-	-
Derivative liabilities	46	2,228
Taxes payable	-	-
Other liabilities	-	-
<b>Total liabilities</b>	<b>833</b>	<b>2,330</b>
<b>Net assets attributable to securityholders</b>	<b>58,897</b>	<b>66,401</b>

	Net assets attributable to securityholders			
	per security		per series	
	Sep. 30 2020	Mar. 31 2020	Sep. 30 2020	Mar. 31 2020
Series A	7.13	7.60	5,244	7,294
Series F	7.50	7.94	4,287	6,580
Series I	7.78	8.19	2,209	2,977
Series O	8.95	9.25	44,744	46,598
Series Private Wealth	7.80	8.21	1,537	1,753
Series Private Wealth I	7.71	8.16	876	1,199
			58,897	66,401

**STATEMENTS OF COMPREHENSIVE INCOME**

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

	2020	2019
<b>Income:</b>		
Dividends	40	474
Interest and other income	394	818
Net realized gain (loss)	(2,625)	375
Net unrealized gain (loss)	511	(46)
Income (loss) from derivatives	(91)	21
Income (loss) from short selling	-	-
Securities lending income	8	36
Trust income	-	-
<b>Total income</b>	<b>(1,763)</b>	<b>1,678</b>
<b>Expenses:</b>		
Management fees	93	127
Management fee rebates	-	-
Administration fees	18	22
Commissions and other portfolio transaction costs	11	10
Independent Review Committee costs	-	-
Interest and other charges	-	1
<b>Expenses before amounts absorbed by Manager</b>	<b>122</b>	<b>160</b>
Expenses absorbed by Manager	-	-
<b>Net expenses</b>	<b>122</b>	<b>160</b>
<b>Increase (decrease) in net assets attributable to securityholders</b>		
<b>from operations before tax</b>	<b>(1,885)</b>	<b>1,518</b>
Foreign withholding tax expense (recovery)	63	12
Foreign income tax expense (recovery)	-	-
Income tax expense (recovery)	-	-
<b>Increase (decrease) in net assets attributable to securityholders</b>	<b>(1,948)</b>	<b>1,506</b>
<b>from operations</b>	<b>(1,948)</b>	<b>1,506</b>

	Increase (decrease) in net assets attributable to securityholders from operations			
	per security		per series	
	2020	2019	2020	2019
Series A	(0.30)	0.08	(279)	84
Series F	(0.25)	0.13	(216)	94
Series I	(0.23)	0.18	(78)	72
Series O	(0.25)	0.21	(1,278)	1,218
Series Private Wealth	(0.23)	0.18	(55)	23
Series Private Wealth I	(0.26)	0.14	(42)	15
			(1,948)	1,506

**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>	66,401	78,287	7,294	9,015	6,580	5,160	2,977	3,389
Increase (decrease) in net assets attributable to securityholders resulting from:								
<b>Operations</b>	(1,948)	1,506	(279)	84	(216)	94	(78)	72
<b>Distributions:</b>								
Income	(289)	(866)	(7)	-	(16)	(40)	(14)	(42)
Capital gains	-	-	-	-	-	-	-	-
Return of capital	(353)	(319)	(140)	(191)	(113)	(81)	(48)	(27)
Management fee rebates	-	-	-	-	-	-	-	-
<b>Total distributions</b>	(642)	(1,185)	(147)	(191)	(129)	(121)	(62)	(69)
<b>Security transactions:</b>								
Proceeds from sale of securities	5,367	4,160	20	563	174	1,739	431	511
Proceeds from securities issued on merger	-	-	-	-	-	-	-	-
Reinvested from distributions	569	1,130	100	165	115	105	58	67
Payment on redemption of securities	(10,850)	(6,736)	(1,744)	(778)	(2,237)	(459)	(1,117)	(261)
<b>Total security transactions</b>	(4,914)	(1,446)	(1,624)	(50)	(1,948)	1,385	(628)	317
<b>Increase (decrease) in assets attributable to securityholders</b>	(7,504)	(1,125)	(2,050)	(157)	(2,293)	1,358	(768)	320
<b>Net assets attributable to securityholders, end of period</b>	58,897	77,162	5,244	8,858	4,287	6,518	2,209	3,709
<b>Increase (decrease) in securities (in thousands):</b>								
<b>Securities outstanding, beginning of period</b>			960	1,059	829	588	363	377
Add (deduct):								
Securities sold			3	67	23	199	55	57
Securities issued on merger			-	-	-	-	-	-
Reinvested from distributions			14	19	15	12	7	7
Securities redeemed			(241)	(92)	(296)	(53)	(141)	(29)
<b>Securities outstanding, end of period</b>			736	1,053	571	746	284	412

	SERIES O		SERIES PRIVATE WEALTH		SERIES PRIVATE WEALTH I	
	2020	2019	2020	2019	2020	2019
<b>Net assets attributable to securityholders, beginning of period</b>	46,598	58,657	1,753	1,136	1,199	930
Increase (decrease) in net assets attributable to securityholders resulting from:						
<b>Operations</b>	(1,278)	1,218	(55)	23	(42)	15
<b>Distributions:</b>						
Income	(241)	(763)	(8)	(14)	(3)	(7)
Capital gains	-	-	-	-	-	-
Return of capital	-	-	(30)	(9)	(22)	(11)
Management fee rebates	-	-	-	-	-	-
<b>Total distributions</b>	(241)	(763)	(38)	(23)	(25)	(18)
<b>Security transactions:</b>						
Proceeds from sale of securities	4,541	351	201	777	-	219
Proceeds from securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	241	763	38	23	17	7
Payment on redemption of securities	(5,117)	(4,786)	(362)	(69)	(273)	(383)
<b>Total security transactions</b>	(335)	(3,672)	(123)	731	(256)	(157)
<b>Increase (decrease) in assets attributable to securityholders</b>	(1,854)	(3,217)	(216)	731	(323)	(160)
<b>Net assets attributable to securityholders, end of period</b>	44,744	55,440	1,537	1,867	876	770
<b>Increase (decrease) in securities (in thousands):</b>						
<b>Securities outstanding, beginning of period</b>	5,037	5,859	214	126	147	103
Add (deduct):						
Securities sold	503	35	25	86	-	25
Securities issued on merger	-	-	-	-	-	-
Reinvested from distributions	26	76	5	3	2	1
Securities redeemed	(567)	(477)	(47)	(8)	(35)	(43)
<b>Securities outstanding, end of period</b>	4,999	5,493	197	207	114	86

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	(1,948)	1,506
<b>Less non-cash impact of:</b>		
Net realized loss (gain) on investments	2,625	(375)
Change in net unrealized loss (gain) on investments	(511)	46
Distributions received from Underlying Funds	-	-
<b>Adjustments for:</b>		
Proceeds from sale and maturity of investments	47,039	28,705
Purchases of investments	(38,338)	(27,260)
(Increase) decrease in accounts receivable and other assets	(576)	(1)
Increase (decrease) in accounts payable and other liabilities	-	(1)
<b>Net cash provided by (used in) operating activities</b>	<b>8,291</b>	<b>2,620</b>
<b>Cash flows from financing activities:</b>		
Proceeds from securities issued	5,419	4,151
Proceeds from securities issued on merger	-	-
Payments on redemption of securities	(10,824)	(6,641)
Distributions paid net of reinvestments	(73)	(55)
<b>Net cash provided by (used in) financing activities</b>	<b>(5,478)</b>	<b>(2,545)</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>2,813</b>	<b>75</b>
Cash and cash equivalents at beginning of period	173	10,088
Effect of exchange rate fluctuations on cash and cash equivalents	26	(68)
<b>Cash and cash equivalents, end of period</b>	<b>3,012</b>	<b>10,095</b>
Cash	3,012	10,095
Cash equivalents	-	-
Bank indebtedness	-	-
	3,012	10,095
<b>Supplementary disclosures on cash flow from operating activities:</b>		
Dividends received net of withholding taxes	33	479
Interest received net of withholding taxes	337	818
Interest paid	-	-
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>EXCHANGE TRADED FUNDS</b>							
Invesco Senior Loan ETF	121,926	3,535	3,529	✓	✓		✓
iShares 0-5 Year High Yield Corporate Bond ETF	40,147	2,361	2,349	✓	✓		✓
iShares 1-3 Year Treasury Bond ETF	259,175	31,083	29,850	✓	✓		✓
iShares Canadian Corporate Bond Index ETF	25,725	562	580		✓		✓
iShares Emerging Markets High Yield Bond ETF	37,186	2,200	2,160	✓	✓		✓
iShares Global High Yield Corporate Bond ETF	36,431	2,340	2,329	✓	✓		✓
iShares iBoxx \$ Investment Grade Corporate Bond ETF	3,274	594	587	✓	✓		✓
iShares International Preferred Stock ETF	77,190	1,437	1,445	✓	✓		
iShares J.P. Morgan USD Emerging Markets Bond ETF	14,678	2,182	2,167	✓	✓		✓
iShares National Muni Bond ETF	3,827	600	591	✓	✓		✓
iShares Preferred and Income Securities ETF	36,395	1,754	1,765	✓	✓		
iShares Short-Term Corporate Bond ETF	8,059	605	589	✓	✓		✓
Schwab U.S. TIPs ETF	7,169	574	588	✓	✓		✓
SPDR Bloomberg Barclays Capital High Yield Bond ETF	16,833	2,375	2,337	✓	✓		✓
SPDR Bloomberg Barclays Convertible Securities ETF	37,614	2,909	3,450	✓	✓		✓
SPDR Bloomberg Barclays Investment Grade Floating Rate ETF	14,498	603	590	✓	✓		✓
SPDR FTSE International Government Inflation-Protected Bond ETF	8,001	589	578	✓	✓		✓
Vanguard Canadian Short-Term Bond Index ETF	23,643	575	579		✓		✓
		56,878	56,063				
<b>COMMISSIONS AND OTHER PORTFOLIO TRANSACTION COSTS</b>		(7)	-				
<b>TOTAL INVESTMENTS</b>		<u>56,871</u>	<u>56,063</u>				
<b>Net Assets</b>							
Total investments			56,063				
Cash and cash equivalents			3,012				
Derivative assets (see schedule of derivative instruments)			79				
Derivative liabilities (see schedule of derivative instruments)			(46)				
Other net assets (liabilities)			(211)				
			<u>58,897</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>	
Fixed Income ETFs	89.8
Preferred equity ETFs	5.4
Swaps*	0.1
Cash and cash equivalents	5.1
Other	(0.4)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Government Bonds	66.4
Corporate Bonds	27.6
Information Technology	1.8
Financials	1.6
Industrials	1.3
Utilities	0.6
Cash and cash equivalents	5.1
Other	(4.4)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

United States	76.4
Europe ex U.K.	5.5
Canada	4.8
Latin America	3.0
Middle East	2.3
Pacific ex Japan	1.8
United Kingdom	0.9
Japan	0.2
Cash and cash equivalents	5.1
<b>Total</b>	<b>100.0</b>

\* Swaps have a total notional value of 4.4% of the Fund's NAV.

at March 31, 2020

	% of net assets
<b>BY ASSET TYPE</b>	
Fixed Income ETFs	103.2
Cash and cash equivalents	0.3
Other	(3.5)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE SECTOR ALLOCATION**

Government Bonds	103.2
Cash and cash equivalents	0.3
Other	(3.5)
<b>Total</b>	<b>100.0</b>

**EFFECTIVE REGIONAL ALLOCATION**

United States	103.2
Canada	(3.5)
Cash and cash equivalents	0.3
<b>Total</b>	<b>100.0</b>

**Schedule of Derivative Instruments**

as at September 30, 2020 (unaudited)

**Schedule of Credit Default Swaps**

Referenced debt	Termination date	Fixed payments	Notional value (\$ 000)	Market value (\$ 000)
Markit CDX North America Investment Grade Index Series 34	December 2025	1.00%	738	(46)
*Markit CDX North America Investment Grade Index	December 2025	5.42%	595	13
Markit iTraxx Crossover Index	December 2025	5.00%	773	56
Markit iTraxx Europe Index	December 2025	1.00%	469	10
			2,574	33

**TOTAL DERIVATIVE ASSETS**

79

**TOTAL DERIVATIVE LIABILITIES**

(46)

**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 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) 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.

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. Unlisted or non-exchange traded investments, or investments where a last sale or close price is unavailable or investments for which market quotations are, in Counsel's opinion, inaccurate, unreliable, or not reflective of all available material information, are valued at their fair value as determined by the Manager using appropriate and accepted industry valuation techniques including valuation models. The fair value determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value may be determined using valuation techniques that are not supported by observable market data. The cost of investments is determined on a weighted average cost basis.

Cash and cash equivalents which includes cash on deposit with financial institutions and short term investments that are readily convertible to cash, are subject to an insignificant risk of changes in value, and are used by the Fund in the management of short-term commitments. Cash and cash equivalents are reported at fair value which closely approximates their amortized cost due to their nature of being highly liquid and having short terms to maturity.

The Fund may use derivatives (such as written options, futures, forward contracts, swaps or customized derivatives) to hedge against losses caused by changes in securities prices, interest rates or exchange rates. The Fund may also use derivatives for non-hedging purposes in order to invest indirectly in securities or financial markets, to gain exposure to other currencies, to seek to generate additional income, and/or for any other purpose considered appropriate by the Manager, provided that the use of the derivative is consistent with the Fund's investment objectives. Any use of derivatives will comply with Canadian mutual fund laws, subject to the regulatory exemptions granted to the Fund, as applicable.

Valuations of derivative instruments are carried out daily, using normal exchange reporting sources for exchange-traded derivatives and specific broker enquiry for over-the-counter derivatives.

The value of forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out. The change in value of forward contracts is included in the Statements of Comprehensive Income – Other changes in fair value of investments – Net unrealized gain (loss).

Further information on the Fund's fair value measurements may be found in Note 10.

**(c) Income recognition**

Interest income from interest bearing investments is recognized using the effective interest method. Dividends are accrued as of the ex-dividend date. 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.

**(d) 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.

**(e) 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.

**(f) Foreign currency**

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

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)****(g) 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.

**(h) 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.

**(i) 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.

**(j) 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 Estimates**

Fair value of securities not quoted in an active market

The Fund holds financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including comparison with similar instruments for which observable market prices exist and recent arm's length market transactions. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs, could affect the reported fair value of these financial instruments held by the Fund.

**Use of Judgments**

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Manager has considered the Fund's business model, commitments to securityholders, and the manner in which investments are managed and evaluated as a group and has determined that irrevocable designation of financial instruments as financial assets or financial liabilities at fair value through profit or loss provides the most appropriate measurement and presentation of the Fund's investments and financial instruments.

**Functional Currency**

The Fund's functional and presentation currency is the Canadian dollar, which is the currency considered to best represent the economic effects of the Fund's underlying transactions, events and conditions taking into consideration the manner in which securities are issued and redeemed and how returns and performance by the Fund are measured.

**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, excluding series O, 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, fees paid to external service providers associated with tax reclaims, refunds or the preparation of foreign tax reports on behalf of the Funds, 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 (as applicable).

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).

Other investment funds managed by Counsel ("Top Funds") may invest in Series O securities offered by the Fund on a prospectus-exempt basis in accordance with the investment objectives of those funds. Series Private Wealth securities may also be issued on a prospectus-exempt basis to investors in the IPC Private Wealth program offered by IPC Securities Corporation, an affiliate of Counsel.

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

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

**(c) Credit Risk**

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

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

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

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

Note 10 (c) summarizes the Fund's exposure to credit risk pertaining to fixed income investments and derivatives.

**(d) Currency risk**

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

**(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. Cash and cash equivalents do not expose the Fund to significant amounts of interest rate risk. Note 10 (c) summarizes the Fund's exposure to interest rate risk related to fixed income investments including indirect exposure through 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 ETFs.

**9. FURTHER INFORMATION**

A copy of the Fund's current Simplified Prospectus, Annual Information Form, Management Report of Fund Performance, Fund Fact Sheets, quarterly portfolio disclosures and proxy voting policies and disclosures will be provided, without charge, by: calling toll-free 1-877-625-9885, writing to Counsel Portfolio Services Inc., 5015 Spectrum Way, Suite 300, Mississauga, ON, L4W 0E4, by visiting our website at [www.counsel-services.com](http://www.counsel-services.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>5</sup> (%)	Administration Fee <sup>5</sup> (%)
Series A <sup>1,7</sup>	January 7, 2016	1,000	1.90	0.25
Series F <sup>2,7</sup>	January 7, 2016	1,000	0.85	0.15
Series I <sup>2,3,6,7</sup>	January 7, 2016	1,000	-	0.15
Series O <sup>8</sup>	January 17, 2018	-	-	-
Series Private Wealth <sup>4,7</sup>	January 7, 2016	-	-	0.15
Series Private Wealth I <sup>6,7</sup>	May 25, 2017	1,000	0.85	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 0.85% 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.

<sup>7</sup> This series is designed for investors who want to receive a fixed per security monthly distribution.

<sup>8</sup> 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.

**(b) Investment Objectives and Strategies**

The Fund seeks to provide regular income with the potential for long-term capital growth for retirees and pre-retirees by investing, either directly or indirectly through other investment funds, in equity, fixed income, or credit securities of companies around the world and/or through the use of derivatives such as futures and swap contracts.

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

The table below indicates the foreign currencies, to which the Fund had significant exposure as at period end in Canadian dollar terms.

Currency	September 30, 2020			
	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
Euro	-	-	179	179
United States dollars	54,805	2,786	426	58,017
Total	54,805	2,786	605	58,196
As percent of net assets (%)				98.8

  

Currency	March 31, 2020			
	Investments	Cash and cash equivalents	Derivative instruments	Net exposure
United States dollars	68,506	87	-	68,593
Total	68,506	87	-	68,593
As percent of net assets (%)				103.3

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 \$2,910 or 4.9% of total net assets (March 31, 2020 – \$3,430 or 5.2% of total net assets). In practice, the actual trading results may differ and the difference could be material.

**ii. Interest Rate Risk**

As at March 31, 2020, had prevailing interest rates raised or lowered by 1.0%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased by approximately \$1,498 or 2.5% of total net assets (March 31, 2020 – \$1,824 or 2.3% of total net assets). The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio of the Fund's ETF investments. 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 at September 30, 2020, 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 \$nil or 0.0% of total net assets (March 31, 2020 – \$nil or 0.0% of total net assets). In practice, the actual trading results may differ and the difference could be material.

In addition, as at September 30, 2020, the Fund held positions in Preferred Equity ETFs representing 5.4% of NAV (March 31, 2020 – 0.0%) which have limited correlation with equity markets.

**iv. Credit Risk**

The Fund has indirect exposure to the credit risk of issuers through its swap transactions. As at September 30, 2020, the notional value of these contracts represented 4.4% (March 31, 2020 – 0.0%) of the net assets of the Fund.

Additionally, the Fund has indirect exposure to credit risk pertaining to government and corporate bonds through its holdings in ETFs. As of September 30, 2020, these represented 89.8% of the Fund's net assets (March 31, 2020 – 103.2%).

**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 (continued)****(d) Loss Carryforwards**

As at the last taxation year-end, \$720 of net capital losses and \$nil of non-capital losses were available to offset future taxable income.

**(e) Fair Value Classification**

The table below summarizes the Fund's financial instruments carried at fair value 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	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Mutual Funds	-	-	-	-
Equities	56,063	-	-	56,063
Cash equivalents	-	-	-	-
Derivative assets	-	79	-	79
Derivative liabilities	-	(46)	-	(46)
Total	56,063	33	-	56,096

as at March 31, 2020	Level 1	Level 2	Level 3	Total
Fixed income	-	-	-	-
Mutual Funds	-	-	-	-
Equities	68,506	-	-	68,506
Cash equivalents	-	-	-	-
Derivative assets	-	-	-	-
Derivative liabilities	-	(2,228)	-	(2,228)
Total	68,506	(2,228)	-	66,278

There were no significant transfers between Level 1 and Level 2.

**(f) Securities Lending**

as at	Value of securities loaned	Value of collateral received
September 30, 2020	6,317	6,669
March 31, 2020	-	-

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	11	60	100.0	100.0
Securities Lending Agent fees	(2)	(12)	(18.2)	(20.0)
Securities Lending Income to the Fund before Withholdings Taxes	9	48	81.8	80.0
Withholding Taxes	(1)	(12)	(9.1)	(20.0)
Securities Lending Income	8	36	72.7	60.0

**g) Subsequent event**

Effective October 30, 2020, the Fund was renamed Counsel Income Trend Strategy.

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