

Financial Statements of

**INTEGRA EMERGING  
MARKETS EQUITY FUND**

Year ended December 31, 2017



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Integra Emerging Markets Equity Fund

We have audited the accompanying financial statements of Integra Emerging Markets Equity Fund, which comprise the statement of financial position as at December 31, 2017, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Integra Emerging Markets Equity Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

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Chartered Professional Accountants, Licensed Public Accountants

March 22, 2018  
Toronto, Canada

# INTEGRA EMERGING MARKETS EQUITY FUND

## Statement of Financial Position

December 31, 2017, with comparative information for 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 690,025	\$ 2,476,177
Receivable for securities sold	461	172,557
Accrued interest receivable	159	83
Accrued dividend receivable	55,500	128,760
Investments, at fair value	44,339,035	55,547,212
<b>Total assets</b>	<b>45,085,180</b>	<b>58,324,789</b>
<b>Liabilities</b>		
Payable for securities purchased	—	135,132
Redemptions payable	103,661	4,550
Accrued expenses	30,744	89,486
<b>Total liabilities</b>	<b>134,405</b>	<b>229,168</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 44,950,775</b>	<b>\$ 58,095,621</b>
<b>Redeemable units (note 3)</b>	<b>3,396,003</b>	<b>5,395,966</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 13.24</b>	<b>\$ 10.77</b>

See accompanying notes to financial statements.

On behalf of the Manager,  
Integra Capital Limited:



Graham Rennie

Director



Craig Honey

Director

# INTEGRA EMERGING MARKETS EQUITY FUND

## Statement of Comprehensive Income

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Income:		
Interest income for distribution purposes	\$ 673	\$ 37
Dividends	974,027	1,366,473
Revenue from securities lending (note 7)	7,020	9,994
Other changes in fair value of investments:		
Net realized gain (loss) on sale of investments	3,932,687	(59,988)
Net foreign exchange gain on cash	14,042	10,123
Net other loss	(53,083)	(117,358)
Net change in unrealized appreciation of investments	8,198,190	1,349,649
Total income	13,073,556	2,558,930
Expenses (income):		
Custodial fees	92,455	200,860
Operating fees	27,549	33,081
Audit fees	29,999	30,000
Filing fees	—	622
Investment performance monitoring fees	(623)	11,505
Securityholder reporting costs	1,000	1,500
Transaction costs	123,324	249,525
Withholding taxes	77,740	116,255
Harmonized sales tax	(4,015)	29,961
	347,429	673,309
Expenses waived or absorbed by manager (note 8)	(27,120)	(37,382)
Total expenses	320,309	635,927
Increase in net assets attributable to holders of redeemable units	\$ 12,753,247	\$ 1,923,003
Increase in net assets attributable to holders of redeemable units per unit (based on the weighted average number of units outstanding during the year)	\$ 3.90	\$ 0.41

See accompanying notes to financial statements.

# INTEGRA EMERGING MARKETS EQUITY FUND

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ 58,095,621	\$ 35,762,253
Increase in net assets attributable to holders of redeemable units	12,753,247	1,923,003
Distributions paid or payable to holders of redeemable units:		
From net investment income	(753,983)	(637,439)
From net realized capital gains	(3,751,093)	—
Return of capital	—	(317,961)
Total distributions to holders of redeemable units	(4,505,076)	(955,400)
Redeemable unit transactions (note 3):		
Issuance of units	1,345,114	26,525,142
Reinvestment of distributions	4,505,076	955,400
Redemptions of units	(27,243,207)	(6,114,777)
Net increase (decrease) from redeemable unit transactions	(21,393,017)	21,365,765
Net increase (decrease) in net assets attributable to holders of redeemable units	(13,144,846)	22,333,368
Net assets attributable to holders of redeemable units, end of year	\$ 44,950,775	\$ 58,095,621

See accompanying notes to financial statements.

# INTEGRA EMERGING MARKETS EQUITY FUND

## Statement of Cash Flows

Year ended December 31, 2017, with comparative information for 2016

	2017	2016
Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 12,753,247	\$ 1,923,003
Change in non-cash operating working capital:		
Net foreign exchange gain on cash	(14,042)	(10,123)
Net realized loss (gain) on sale of investments	(3,932,687)	59,988
Net change in unrealized appreciation of investments	(8,198,190)	(1,349,649)
Purchase of investments	(15,869,301)	(54,909,688)
Proceeds from the sale of investments	39,245,320	35,223,724
Accrued interest receivable	(76)	(37)
Accrued dividend receivable	73,260	(77,045)
Accrued expenses	(58,743)	(15,854)
Cash provided by (used in) operating activities	23,998,788	(19,155,681)
Cash flows from (used in) financing activities:		
Amount received from the issuance of units	1,345,114	26,525,142
Amount paid on redemptions of units	(27,144,096)	(6,113,802)
Cash provided by (used in) financing activities	(25,798,982)	20,411,340
Increase (decrease) in cash	(1,800,194)	1,255,659
Net change in unrealized foreign exchange gain on cash	14,042	10,123
Cash, beginning of year	2,476,177	1,210,395
Cash, end of year	\$ 690,025	\$ 2,476,177
Supplemental information:		
Dividends received, net of withholding taxes	\$ 969,547	\$ 1,173,175

See accompanying notes to financial statements.

# INTEGRA EMERGING MARKETS EQUITY FUND

Schedule of Investments

December 31, 2017

	Number of shares	Average cost	Fair value
<b>Common shares - 98.64%</b>			
Argentina - 1.30%:			
Banco Macro Bansud SA, ADR	1,141	\$ 92,458	\$ 165,664
Despegar.com Corp.	4,595	166,046	158,211
Loma Negra Cia Industrial Argentina SA, ADR	9,038	241,869	260,908
		500,373	584,783
Brazil - 6.74%:			
AES Tiete Energia SA	19,678	121,382	94,769
B3 SA - Brasil Bolsa Balcao	26,001	177,800	223,727
BB Seguridade Participações SA	23,600	286,283	253,968
Fleury SA	42,600	332,970	476,457
Hypermarcas SA	23,300	220,204	316,835
Itau Unibanco Holding SA, ADR	47,157	667,653	768,110
Localiza Rent a Car SA	17,400	128,062	144,987
Petróleo Brasileiro SA, ADR	43,700	596,619	563,418
Raia Drogasil SA	5,400	146,397	187,246
		2,677,370	3,029,517
Canada - 1.20%:			
First Quantum Minerals Ltd.	14,342	197,389	252,562
Parex Resources Inc.	15,831	270,276	287,491
		467,665	540,053
China - 23.65%:			
AAC Technologies Holdings Inc.	9,500	86,369	212,258
Alibaba Group Holding Ltd.	12,067	1,311,597	2,607,029
Baidu Inc., ADR	2,122	496,305	622,708
China Animal H ealthcare Ltd.	137,000	115,926	—
China Merchants Bank Co. Ltd.	122,500	461,633	610,623
Ctrip.com International Ltd., ADR	3,842	243,228	212,290
Industrial and Commercial Bank of China, Class 'H'	923,000	775,643	930,528
Kingdee International Software Group Co. Ltd.	236,000	127,530	166,434
NetEase Inc., ADR	1,262	421,600	545,633
New Oriental Education & Technology Group Inc., ADR	4,142	409,233	487,833
Ping An Insurance (Group) Co. of China Ltd.	76,000	598,318	990,942
Silergy Corp.	9,000	237,850	257,676
Sogou Inc., ADR	15,389	250,176	223,089
Tencent Holdings Ltd.	39,600	815,971	2,576,904
WuXi Biologics Cayman Inc.	27,000	112,978	189,113
		6,464,357	10,633,060
Cyprus - 0.45%:			
TCS Group Holdings PLC	8,481	201,493	200,305



# INTEGRA EMERGING MARKETS EQUITY FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Hong Kong - 3.23%:			
AIA Group Ltd.	41,400	323,497	442,260
China Pharmaceutical Group Ltd.	88,000	146,402	222,570
Galaxy Entertainment Group Ltd.	25,000	178,378	251,238
Techtronic Industries Co. Ltd.	65,500	340,046	534,887
		988,323	1,450,955
India - 12.59%:			
Adani Ports and Special Economic Zone Ltd.	23,765	160,494	189,241
AU Small Finance Bank Ltd.	7,604	91,873	99,532
Bajaj Finance Ltd.	4,769	130,916	164,457
Bharat Petroleum Corp. Ltd.	52,879	522,045	537,387
Bharti Infratel Ltd.	25,623	209,823	190,506
Ceat Ltd.	10,431	342,440	399,462
Dish TV India Ltd.	121,617	245,016	195,765
Eicher Motors Ltd.	929	389,288	553,311
HDFC Bank Ltd., ADR	3,049	199,228	388,404
HDFC Standard Life Insurance Co. Ltd.	39,200	254,077	297,029
Indraprastha Gas Ltd.	69,785	205,030	460,012
IndusInd Bank Ltd.	5,012	101,049	162,230
InterGlobe Aviation Ltd.	10,388	241,582	245,825
Motilal Oswal Financial Services Ltd.	1,873	51,173	54,912
Natco Pharma Ltd.	9,508	91,198	179,496
Petronet LNG Ltd.	55,614	375,202	278,115
Tejas Networks Ltd.	68,179	360,136	520,626
UPL Ltd.	39,810	509,292	595,097
Zee Entertainment Enterprises Ltd.	12,854	109,703	146,804
		4,589,565	5,658,211
Indonesia - 4.59%:			
ACE Hardware Indonesia	1,779,000	160,160	189,754
PT Bank Central Asia TBK	257,700	386,873	521,186
PT Bank Rakyat Indonesia (Persero) TBK	2,264,500	539,874	761,215
PT Nippon Indosari Corpindo TBK	1,110,000	138,934	130,697
PT Pakuwon Jati TBK	3,682,400	181,954	232,946
PT Sumber Alfaria Trijaya TBK	1,662,800	105,556	93,671
Tower Bersama Infrastructure Tbk PT	223,800	135,578	132,791
		1,648,929	2,062,260
Jersey C.I. - 0.31%:			
Randgold Resources Ltd.	1,122	118,120	140,917
Kenya - 0.29%:			
Safaricom Ltd.	399,200	97,940	129,586
Luxembourg - 0.21%:			
Atento SA	7,314	116,954	93,015

# INTEGRA EMERGING MARKETS EQUITY FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Mexico - 1.17%:			
Controladora Vuela Compania de Aviacion SAB de CV, ADR	4,157	93,752	41,772
GMexico Transportes SAB de CV	107,800	226,142	204,685
Grupo Financiero Banorte SAB de CV	40,400	258,917	279,233
		578,811	525,690
Netherlands - 1.19%:			
Yandex NV, Class 'A'	13,088	367,314	537,055
Peru - 0.97%:			
Credicorp Ltd.	1,673	240,230	434,812
Philippines - 0.56%:			
Robinsons Retail Holdings Inc.	40,020	67,994	96,630
Security Bank Corp.	24,530	141,975	154,782
		209,969	251,412
Poland - 1.46%:			
Dino Polska SA	9,456	119,283	268,681
Kruk SA	4,107	405,096	387,258
		524,379	655,939
Russia - 6.69%:			
Detsky Mir PJSC	77,112	145,532	161,026
LUKOIL PJSC, ADR	6,242	379,259	447,513
Mail.ru Group Ltd.	8,178	271,536	296,127
Mobile TeleSystems PJSC, ADR	12,251	130,676	156,415
Novolipetsk Steel PJSC, GDR	4,720	135,439	150,923
Sberbank of Russia PJSC, ADR	50,506	602,240	1,077,684
X5 Retail Group NV, GDR	15,176	427,143	718,188
		2,091,825	3,007,876
South Africa - 7.20%:			
Aspen Pharmacare Holdings Ltd.	8,885	273,015	249,527
AVI Ltd.	28,317	197,021	317,255
Clicks Group Ltd.	8,749	64,795	160,384
FirstRand Ltd.	75,327	363,039	510,786
Naspers Ltd., Class 'N'	5,722	925,117	1,998,508
		1,822,987	3,236,460

# INTEGRA EMERGING MARKETS EQUITY FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
South Korea - 12.72%:			
DB Insurance Co. Ltd.	1,826	154,348	152,162
KB Financial Group Inc.	7,175	394,823	532,400
NCsoft Corp.	322	154,928	168,646
NHN Corp.	278	243,092	283,068
Osstem Implant Co. Ltd.	1,698	123,283	117,450
POSCO	977	290,546	380,201
Samsung Electronics Co. Ltd.	796	1,200,280	2,373,774
Samsung Electronics Co. Ltd., Preferred	143	187,094	349,791
SK Energy Co. Ltd.	1,549	259,854	370,742
SK Hynix Inc.	11,046	413,214	988,993
		3,421,462	5,717,227
Switzerland - 0.47%:			
Luxoft Holding Inc.	3,042	199,210	212,299
Taiwan - 6.72%:			
Cathay Financial Holding Co. Ltd.	160,000	313,098	360,410
eMemory Technology Inc.	11,000	145,352	197,762
Hon Hai Precision Industry Co. Ltd.	42,000	150,731	168,348
MediaTek Inc.	19,000	199,491	235,193
Taiwan Paiho Ltd.	44,000	150,687	224,161
Taiwan Semiconductor Manufacturing Co. Ltd.	158,000	855,346	1,526,731
United Microelectronics Corp.	248,000	164,321	148,273
Voltronic Power Technology Corp.	7,350	159,412	159,374
		2,138,438	3,020,252
Thailand - 3.35%:			
Kasikornbank PCL	31,400	204,052	288,521
Mega Lifesciences PCL	108,400	77,563	183,371
Muangthai Leasing PCL, Class 'F'	261,000	215,769	388,831
PTG Energy PCL	271,800	217,454	227,801
Siam Commercial Bank PCL	46,400	257,541	267,583
Srisawad Corp. PCL	59,810	96,901	150,039
		1,069,280	1,506,146

# INTEGRA EMERGING MARKETS EQUITY FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
United States - 1.58%:			
Nexteer Automotive Group Ltd.	124,000	224,668	370,065
Universal Display Corp.	1,577	107,470	341,140
		332,138	711,205
Total equities - 98.64%		30,867,132	44,339,035
Transaction costs		(68,738)	—
Total investment portfolio - 98.64%		<u>\$ 30,798,394</u>	44,339,035
Other assets, net of liabilities - 1.36%			611,740
Net assets attributable to holders of redeemable units - 100.00%			<u>\$ 44,950,775</u>

See accompanying notes to financial statements.

# INTEGRA EMERGING MARKETS EQUITY FUND

## Risk Disclosures

Year ended December 31, 2017

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### 1. Financial instruments risk:

Investment activities of the Integra Emerging Markets Equity Fund (the "Fund") expose the Fund to some financial instrument risks. The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives and long-term investment time horizon.

### 2. Risk management:

The Fund's objective is to achieve long-term capital appreciation through a portfolio of stocks in various emerging or developing countries around the world. This will include stocks in both large and small capitalization issuers. The portfolio is sufficiently diversified to reduce some of the investment risk inherent when investing in Emerging Market countries, which can be potentially volatile.

The Fund may hold up to an aggregate of 10% in cash and cash equivalents.

The Fund may enter into securities lending transactions. Securities lending transactions will be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate by Integra Capital Limited (the "Trustee" and "Manager") to achieve the Fund's investment objectives and to enhance the Fund's returns.

To assist with managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

The Fund invests in a range of investment strategies that exposes it to various types of risks as follows:

#### (a) Credit risk:

Credit risk on financial instruments is the risk of a loss occurring as a result of the default of an issuer on its obligation to an investment fund. Credit risk is managed by dealing with issuers that are believed to be creditworthy and by regular monitoring of credit exposures. Additionally, credit risk is reduced by diversification of issuer, industry and geography.

The carrying amount of the Fund's assets on the statement of financial position represents the maximum exposures to credit risk relating to financial assets and liabilities.

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

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## 2. Risk management (continued):

The Fund's activities may give rise to settlement risk. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

As at December 31, 2017 and 2016, the Fund had no significant investments in debt instruments and/or derivatives.

### (b) Counterparty credit risk:

Counterparty credit risk primarily emanates from the use of over-the-counter derivatives. This risk is minimized by selecting counterparties who have a minimum of "A" credit rating. Ongoing monitoring of credit events/rating developments occurs to ensure the sustainable credit quality of the counterparty. Various factors are considered in the assessment process including fundamental components of the counterparty's profile (such as capital adequacy, asset quality, profitability and liquidity) and credit ratings assigned to the counterparty.

See Derivatives section below for exposures from foreign exchange forward contracts.

### (c) Currency risk:

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollars, of any foreign securities and account balances held in the Fund. From time to time, the Fund may manage currency risk through foreign currency hedging strategies.

Currency risk arises on financial instruments denominated in foreign currencies. Fluctuations in foreign exchange rates impact the valuation of assets and liabilities denominated in foreign currencies.

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

## 2. Risk management (continued):

The tables below indicate the currencies to which the Fund had exposure directly on its trading monetary and non-monetary assets and liabilities as well as the underlying principal amount of foreign exchange contracts:

2017	Currency risk-exposed holdings (including derivatives)*	Foreign exchange contracts	Net exposure	% of net assets
U.S. Dollar	\$ 11,723,569	\$ —	\$ 11,723,569	26.08
Hong Kong Dollar	7,497,821	—	7,497,821	16.68
South Korean Won	5,746,330	—	5,746,330	12.78
Indian Rupee	5,270,853	—	5,270,853	11.73
New Taiwan Dollar	3,282,921	—	3,282,921	7.30
South African Rand	3,237,130	—	3,237,130	7.20
Indonesian Rupiah	2,062,356	—	2,062,356	4.59
Brazilian Real	1,701,851	—	1,701,851	3.79
Thai Baht	1,506,146	—	1,506,146	3.35
Polish Zloty	655,939	—	655,939	1.46
Mexican Peso	483,918	—	483,918	1.08
Philippine Peso	251,412	—	251,412	0.56
Russian Ruble	165,262	—	165,262	0.37
British Pound	140,917	—	140,917	0.31
Kenyan Shilling	129,586	—	129,586	0.29

\* Amounts reflect the carrying value of monetary and non-monetary items.

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

## 2. Risk management (continued):

2016	Currency risk- exposed holdings*	Foreign exchange contracts	Net exposure	% of net assets
U.S. Dollar	\$ 13,744,539	\$ —	\$ 13,744,539	23.66
Hong Kong Dollar	9,091,880	—	9,091,880	15.65
South Korean Won	6,917,325	—	6,917,325	11.91
Indian Rupee	5,723,972	—	5,723,972	9.85
New Taiwan Dollar	4,479,504	—	4,479,504	7.71
South African Rand	3,738,899	—	3,738,899	6.44
Indonesian Rupiah	3,548,642	—	3,548,642	6.11
Brazilian Real	2,644,209	—	2,644,209	4.55
Thai Baht	1,898,961	—	1,898,961	3.27
Philippine Peso	1,234,725	—	1,234,725	2.13
Mexican Peso	1,026,675	—	1,026,675	1.77
Malaysian Ringgit	591,009	—	591,009	1.02
British Pound	432,443	—	432,443	0.74
Hungarian Forint	218,243	—	218,243	0.38
Russian Ruble	211,341	—	211,341	0.36
Kenyan Shilling	165,410	—	165,410	0.28
Polish Zloty	2,152	—	2,152	—
Czech Koruna	2,083	—	2,083	—

\*Amounts reflect the carrying value of monetary and non-monetary items.

As at December 31, 2017, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$2,192,801 (2016 - \$2,783,601). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.



# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

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## 2. Risk management (continued):

### (d) Derivatives:

The Fund may utilize foreign exchange forward contract hedging in the management of currency risk associated with its investment in foreign securities. The objective is to protect the Fund from the possibility of capital losses on foreign-currency-denominated investments due to increases in the value of the Canadian dollar. However, credit and market risks associated with foreign exchange forward contracts potentially expose the Fund to losses.

In order to minimize the possibility of losses arising from credit risk, the Fund deals only with large financial institutions with a minimum of "A" credit rating.

Currency risk relates to the possibility that foreign exchange forward contracts change in value due to fluctuations in currency prices. The foreign exchange forward contracts are marked to market daily and the resulting unrealized gains or losses are recognized in the statement of financial position.

The result of employing foreign exchange forward contracts is that the foreign exchange gains and losses in the securities portfolio move substantially in opposite directions from the gains and losses in the hedging portfolio.

As at December 31, 2017 and 2016, the Fund did not directly hold any foreign exchange forward contracts.

### (e) Interest rate risk:

Changes in market interest rates expose fixed-income securities, such as bonds, to interest rate risk. Funds that hold income investments are exposed to this risk since changes in prevailing market interest rates will affect the value of fixed-income securities.

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less, as a result, there is no significant risk of changes in their fair value and not subject to interest rate risk.

The majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

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## 2. Risk management (continued):

### (f) Liquidity risk:

Liquidity risk is the possibility that investments of the Fund cannot be readily converted into cash when required. The Fund may be subject to liquidity constraints because of insufficient volume in the markets for the securities of the Fund or the securities may be subject to legal or contractual restrictions on their resale. In addition, holders of redeemable units may redeem their units on each valuation date. Liquidity risk is managed by investing in securities that are traded in active markets and can be readily disposed of, and by retaining sufficient cash and cash equivalent positions to maintain liquidity.

The liabilities are all current and are due within 90 days, with the exception of net assets attributable to holders of redeemable units which are due upon request by the unitholder (note 3).

### (g) Other market risk:

Other market risk is the risk that the fair 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 securities present a risk of loss of capital.

The Sub-Advisor moderates this risk through a careful selection of investment strategies and selection of securities and other financial instruments within the parameters of the investment strategy developed by the Manager of the Fund.

The impact on net assets attributable to holders of redeemable units of the Fund as at December 31, 2017, due to a 5% increase or decrease in the Fund's benchmark (MSCI Emerging Markets ND Index), with all other variables held constant, would have been \$2,127,295 (2016 - \$2,675,013). This calculation is based on the beta of the Fund over the past 36 months. In practice, the actual trading results may differ from the sensitivity analysis indicated above and the difference could be material.

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

## 2. Risk management (continued):

### (h) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	<u>As a % of net assets</u>	
	2017	2016
<b>Common and preferred shares</b>		
Argentina	1.30	0.28
Brazil	6.74	5.93
Canada	1.20	—
China	23.65	18.80
Cyprus	0.45	—
Hong Kong	3.23	3.68
Hungary	—	0.38
India	12.59	10.99
Indonesia	4.59	6.11
Jersey C.I.	0.31	0.34
Kenya	0.29	0.28
Luxembourg	0.21	0.61
Malaysia	—	1.00
Mexico	1.17	2.59
Netherlands	1.19	1.35
Peru	0.97	1.10
Philippines	0.56	2.13
Poland	1.46	—
Russia	6.69	8.03
South Africa	7.20	6.44
South Korea	12.72	11.76
Switzerland	0.47	0.54
Taiwan	6.72	7.71
Thailand	3.35	3.27
United Kingdom	—	0.41
United States	1.58	1.88
Total investment portfolio	98.64	95.61
Other assets, net of liabilities	1.36	4.39
Net assets attributable to holders of redeemable units	100.00	100.00

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

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### 3. Capital risk management:

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net asset value ("NAV") per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. The Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

### 4. Fair value measurements:

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly ( i.e. as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If inputs of different levels are used to measure an asset's or a liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement and changes in valuation methods may result in transfers into or out of an investment's assigned level.

The tables below summarize the inputs used in valuing the Fund's financial assets at fair values:

2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Equities	\$ 44,071,452	\$ 267,583	\$ –	\$ 44,339,035

2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Equities	\$ 55,534,890	\$ –	\$ 12,322	\$ 55,547,212

# INTEGRA EMERGING MARKETS EQUITY FUND

Risk Disclosures (continued)

Year ended December 31, 2017

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## 4. Fair value measurements (continued):

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case, it is classified as Level 3.

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable.

For the years ended December 31, 2017 and 2016, no investments were transferred from Level 1 to Level 2 as a result of the securities no longer being traded in an active market. No investments were transferred from any level as a result of the securities now being traded in an active market.

During the year ended December 31, 2017, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

	2017	2016
Balance, beginning of year	\$ 12,322	\$ 95,500
Purchases	–	–
Sales	–	(99,254)
Net transfers into and/or out of Level 3	–	–
Realized losses	–	(117,850)
Change in unrealized appreciation	(12,322)	133,926
Balance, end of year	\$ –	\$ 12,322
Total change in unrealized appreciation during the year for assets held	\$ (12,322)	\$ 133,926

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As at December 31, 2017 and 2016, the potential impact of using reasonable possible alternative assumptions for valuing Level 3 financial instruments would have minimal impact on net assets.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements

Year ended December 31, 2017

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## 1. Establishment of the Fund:

The Integra Emerging Markets Equity Fund is an open-ended investment unincorporated trust created under the laws of the Province of Ontario by a Declaration of Trust. The address of the Fund's registered office is Suite 200, 2020 Winston Park Drive, Oakville, Ontario. The Fund was established on December 10, 2009 and commenced operations on this date.

Integra Capital Limited is the Manager and Trustee of the Fund and is the corporate entity registered with the Canadian regulatory authorities. The Fund's assets are custodied at the Canadian Imperial Bank of Commerce. The Manager is registered in every province as a portfolio manager and exempt market dealer and is registered in the Provinces of Newfoundland and Labrador, Ontario and Quebec as an investment fund manager. In the Province of Ontario, the Manager is additionally registered as a commodity trading manager.

The Fund is not a reporting issuer and is exempt, pursuant to National Instrument 81-106, Investment Fund Continuous Disclosure ("NI 81-106") from the requirement to file its financial statements with the regulatory authorities and has notified the Ontario Securities Commission that it is relying on this exemption.

## 2. Basis of preparation:

### (a) Basis of accounting:

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Manager on March 22, 2018.

### (b) Basis of measurement:

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), which are presented at fair value.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 2. Basis of preparation (continued):

### (c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

## 3. Significant accounting policies:

### (a) Financial instruments:

#### (i) Recognition, initial measurement and classification:

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognized at fair value, with transaction costs recognized in the statement of comprehensive income. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue.

The Fund classifies financial assets and financial liabilities into the following categories:

Financial assets at FVTPL:

- Held-for-trading ("HFT"): derivative financial instruments;
- Designated as FVTPL: debt securities and equity investments; and
- Financial assets at amortized cost: all other financial assets are classified as loans and receivables.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

Financial liabilities at FVTPL:

- HFT: derivative financial instruments; and
- Financial liabilities at amortized cost: all other financial liabilities are classified as other financial liabilities.

(ii) Fair value measurement:

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at last sale or close price, where the close price falls within the day's bid-ask spread. In circumstances where the close price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. Investments held include equities, listed warrants, options, short-term notes, treasury bills, bonds, asset-backed securities and other debt instruments.

Investments held that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs where possible, on such basis and in such manner established by the Manager. Investments in other pooled funds are valued at the NAV per unit reported by each pooled fund. See risk disclosures for more information about the Fund's fair value measurements.



# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

The fair value of a forward contract is the gain or loss that would be realized if, on the valuation date, the positions were closed out. The forward contract is valued using an interpolation of the foreign exchange rate based on the length of the forward contract. The change in fair value on forward contracts is reflected in the statement of comprehensive income as change in unrealized appreciation (depreciation) on derivatives. When the forward contracts are closed out, any gains or losses realized are included in net realized gain (loss) on derivatives.

The fair values of foreign-currency-denominated investments and other foreign-currency-denominated assets and liabilities are translated into Canadian dollars at exchange rates prevailing on the reporting date.

The fair values of other financial assets and liabilities approximate their carrying values due to the short-term nature of these instruments.

#### (iii) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

#### (b) Cash and cash equivalents:

Cash and cash equivalents consist of cash on deposit and short-term, interest-bearing notes with a term to maturity of less than three months from the date of purchase.

#### (c) Investment transactions and income recognition:

The Fund follows the accrual method of recording investment income and expenses. Security transactions are recorded on the trade date. Dividends are accrued as of the ex-dividend date. Stock dividends are recorded in income based on the fair value of the security on the ex-dividend date.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

The interest available for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds, which are amortized on a straight-line basis.

Realized gain (loss) on sale of investments and unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

The Fund generally incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.

#### (d) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other transaction costs.

#### (e) Transaction costs:

Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are included as expenses in the statement of comprehensive income.

#### (f) Securities lending transactions:

The Fund is permitted to enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities at a future date. Income is earned from these transactions in the form of fees paid by the counterparty. Income earned from these transactions is recognized on an accrual basis and included in the statement of comprehensive income.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

(g) Foreign currency translation:

The fair values of foreign-currency-denominated investments are translated into Canadian dollars, using the prevailing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses are presented as net realized gain (loss) on foreign exchange, except for those arising from financial instruments at FVTPL, which are recognized as a component within net realized gain (loss) on sale of investments and change in net unrealized appreciation (depreciation) in the statement of comprehensive income.

(h) Income taxes:

The Fund presently qualifies as a unit trust under the provisions of the Income Tax Act (Canada), and accordingly, is not taxed on that portion of its taxable income, which is paid or payable to unitholders at the end of the taxation year. The Fund has elected for a December 31 taxation year end. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

Capital losses and non-capital losses incurred by the Fund cannot be allocated to unitholders but capital losses may be carried forward indefinitely to reduce future realized capital gains and non-capital losses may be carried forward for 20 taxation years to reduce future net income for tax purposes. As at December 31, 2017, the Fund had non-capital losses of nil (2016 - nil) and net capital loss carryforwards of nil (2016 - \$57,869).

Certain dividends and interest income received by the Fund are subject to withholding tax imposed in the country of origin.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

### 3. Significant accounting policies (continued):

(i) Redeemable units:

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit at the date of sale, which amount is included in net assets attributable to holders of redeemable units. Units are redeemable at the option of unitholders at their NAV on the redemption date. For each unit redeemed, net assets attributable to holders of redeemable units are reduced by the NAV of the unit at the date of redemption. The redeemable shares are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units.

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net assets attributable to holders of redeemable units per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of the units. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. The Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

Redeemable unit transactions during the years were as follows:

	2017		2016	
	Number of Fund units	Amount	Number of Fund units	Amount
Redeemable units issued	108,254	\$ 1,345,114	2,519,040	\$ 26,525,142
Redeemable units redeemed	(2,449,398)	(27,243,207)	(576,100)	(6,114,777)
Redeemable units issued on reinvestments	341,181	4,505,076	88,745	955,400

The number of issued and outstanding units as at December 31, 2017 is 3,396,003 (2016 - 5,395,966).

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

Net assets attributable to holders of redeemable units are calculated for each unit of the Fund by taking the proportionate share of the Fund's net assets attributable to holders of redeemable units and dividing by the number of units outstanding on the valuation date.

The increase in net assets attributable to holders of redeemable units per unit in the statement of comprehensive income represents the change in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the reporting years. Income, expenses other than management fees, and realized and unrealized capital gains (losses) are distributed in proportion to the amount invested in them.

The weighted average number of units outstanding for the year ended December 31, 2017 is 3,269,952 (2016 - 4,730,553).

The Fund's units are classified as a liability under International Accounting Standard ("IAS") 32, Financial Instruments - Presentation, as there is a requirement to make cash distributions to unitholders, if requested. The units are measured at the present value of the redemption and are considered a residual amount.

As at December 31, 2017 and 2016, there is no difference between net assets attributable to holders of redeemable units and NAV attributable to holders of redeemable units.

(j) Receivable or payable for securities sold or purchased:

In accordance with the Fund's policy of trade date accounting for regular way sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled as at the reporting date.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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### 3. Significant accounting policies (continued):

(k) Future accounting changes:

The International Accounting Standards Board has issued the following new standards and amendments to existing standards that are not yet effective.

IFRS 9, Financial Instruments ("IFRS 9"):

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which addresses classification and measurement, impairment and hedge accounting. The new standard requires assets to be carried at amortized cost, FVTPL or fair value through other comprehensive income based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial asset. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income. The new standard is effective for the Fund for its fiscal year beginning January 1, 2018. Based on the Manager's assessment, this new standard is not expected to have a material impact on the Fund's financial assets and liabilities.

### 4. Critical accounting estimates and judgments:

In preparing these financial statements, the Manager has made judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The most significant accounting judgment and estimate that the Fund has made in preparing the financial statements is determining the fair value measurement of derivatives and investments not quoted in an active market, if any. See note 3 for more information on the fair value measurement of the Fund's financial instruments.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## 5. Net changes from financial instruments at FVTPL:

Net changes in fair value on financial assets and financial liabilities at FVTPL are presented in the statement of comprehensive income and comprise the following: net realized gain (loss) on sale of investments, net change in unrealized appreciation (depreciation) of investments, dividends and interest income from distribution purposes. Their classifications between HFT and designated at fair value are presented in the following table:

	Total income	
	2017	2016
Financial assets at FVTPL:		
Designated at inception	\$ 13,105,577	\$ 2,656,170

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## 6. Brokerage commissions:

Brokerage commissions on portfolio transactions may also include research services provided by Columbia Management Investment Advisors, LLC (the "Sub-Advisor"). The value of the research services paid to certain brokers for the year ended December 31, 2017 is \$51,915 (2016 - \$124,072).

## 7. Securities lending:

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund has entered into a securities lending program with the Bank of New York Mellon. The aggregate market value of all securities cannot exceed 50% of the net assets attributable to holders of redeemable units of the Fund. The Fund receives collateral in the form of debt obligations of the Government of Canada and any other Sovereign States and Canadian provincial governments, against the loaned securities. The Fund maintains a minimum collateral requirement of 102% for North American equities and 105% for non-North American equities of the market value of the loaned securities during the period of the loan. As at December 31, 2017, certain securities shown in the statement of financial position with a market value of \$4,363,965 (2016 - \$2,590,820) had been loaned as part of the securities lending program. The counterparty has pledged securities with a market value of \$4,602,495 (2016 - \$2,810,443) as collateral for such loans. Under the terms of the program, the Fund may instruct that securities be returned within three days.

# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

## 7. Securities lending (continued):

The table below shows a reconciliation of the gross amount generated from the securities lending transactions of the Fund to the revenue from the securities lending disclosed in the statement of comprehensive income:

	2017		2016	
	Amount	% of gross securities lending revenue	Amount	% of gross securities lending revenue
Gross securities lending revenue	\$ 11,698	100.0	\$ 16,876	100.0
Withholding taxes	–	–	(222)	(1.3)
Agent fees - Bank of New York Mellon Corp. (The)	(4,678)	(40.0)	(6,660)	(39.5)
Securities lending revenue	\$ 7,020	60.0	\$ 9,994	59.2

## 8. Related party transactions and fund expenses:

The Manager administers and regulates the day-to-day operations of the Fund. In return for the services provided, the Manager receives management fees from the Fund's holders of redeemable units, based on the NAV of the Fund. These management fees are paid either by a redemption of units or the unitholder, if an institution, may be invoiced and payment will be delivered to the Manager.

The Manager and its parent company, Integra Capital Management Corporation allocates various operating costs to the Fund. These expenses include a portion of the expenses related to trust accounting, fund accounting and administration functions that are performed by the Manager and its parent company, Integra Capital Management Corporation on behalf of the Fund. These costs are reported in the operating expenses of the Fund reported in the statement of comprehensive income.

The Fund is responsible for its operating expenses relating to the carrying on of its business, including custodial services, legal, Independent Review Committee fees (if applicable), audit fees, transfer agency services relating to the issue and redemption of units, and the cost of financial and other reports in compliance with all applicable laws, regulations and policies. The Manager pays for such expenses on behalf of the Fund, except for certain expenses such as interest and taxes, and is then reimbursed by the Fund.



# INTEGRA EMERGING MARKETS EQUITY FUND

Notes to Financial Statements (continued)

Year ended December 31, 2017

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## **8. Related party transactions and fund expenses (continued):**

The Manager, at its discretion, may agree to waive or absorb certain expenses associated with the Fund. For the year ended December 31, 2017, the expenses waived or absorbed by the Manager in the amount of \$27,120 (2016 - \$37,382) are shown in the statement of comprehensive income as applicable. Such absorption or waiver, where applicable, may be terminated by the Manager at any time without notice.

Employees of the Manager may hold interests in the Fund via the company's group retirement plan or through a broker. However, the employees' interests cumulatively represent less than 5% of the Fund's outstanding units.