

Financial Statements of

# **INTEGRA EQUITY FUND**

Years ended December 31, 2017 and 2016



KPMG LLP  
Bay Adelaide Centre  
333 Bay Street, Suite 4600  
Toronto ON M5H 2S5  
Canada  
Tel 416-777-8500  
Fax 416-777-8818

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Integra Equity Fund

We have audited the accompanying financial statements of Integra Equity Fund, which comprise the statements of financial position as at December 31, 2017 and 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years 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 audits. We conducted our audits 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 in our audits is sufficient and appropriate to provide a basis for our audit opinion.



Page 2

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Integra Equity Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

*KPMG LLP*

---

Chartered Professional Accountants, Licensed Public Accountants

March 22, 2018  
Toronto, Canada

# INTEGRA EQUITY FUND

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 329	\$ 3,337
Investments, at fair value	5,352,505	5,765,815
Total assets	5,352,834	5,769,152
<b>Liabilities</b>		
Accrued expenses	11,096	18,766
Total liabilities	11,096	18,766
Net assets attributable to holders of redeemable units	\$ 5,341,738	\$ 5,750,386
Redeemable units (note 3)	263,205	304,717
Net assets attributable to holders of redeemable units per unit	\$ 20.30	\$ 18.87

See accompanying notes to financial statements.

On behalf of the Manager,  
Integra Capital Limited:



Graham Rennie

Director



Craig Honey

Director

# INTEGRA EQUITY FUND

## Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	2017	2016
Income:		
Interest income for distribution purposes	\$ –	\$ 10,416
Income from funds	129,063	240,920
Other changes in fair value of investments:		
Net realized gain on sale of investments	293,919	1,267,941
Net other loss	(15)	–
Net foreign exchange gain (loss) on cash	(79)	109
Net change in unrealized appreciation (depreciation) of investments	92,263	(676,537)
Total income	515,151	842,849
Expenses (income):		
Custodial fees	35,791	34,545
Operating fees	429	1,490
Audit fees	5,001	3,755
Filing fees	3,500	3,500
Investment performance monitoring fees	(483)	1,245
Securityholder reporting fees	1,000	1,250
Independent Review Committee fees (note 8)	–	495
Harmonized sales tax	4,475	5,069
Total expenses	49,713	51,349
Increase in net assets attributable to holders of redeemable units	\$ 465,438	\$ 791,500
Increase in net assets attributable to holders of redeemable units per unit (based on the weighted average number of units outstanding during the year)	\$ 1.65	\$ 1.48

See accompanying notes to financial statements.

# INTEGRA EQUITY FUND

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

Years ended December 31, 2017 and 2016

	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ 5,750,386	\$ 14,239,860
Increase in net assets attributable to holders of redeemable units	465,438	791,500
Distributions paid or payable to holders of redeemable units: From net investment income	(79,852)	(200,178)
Redeemable unit transactions (note 3):		
Issuance of units	200,089	419,245
Reinvestment of distributions	79,852	200,178
Redemptions of units	(1,074,175)	(9,700,219)
Net decrease from redeemable unit transactions	(794,234)	(9,080,796)
Net decrease in net assets attributable to holders of redeemable units	(408,648)	(8,489,474)
Net assets attributable to holders of redeemable units, end of year	\$ 5,341,738	\$ 5,750,386

See accompanying notes to financial statements.

# INTEGRA EQUITY FUND

## Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 465,438	\$ 791,500
Change in non-cash operating working capital:		
Net foreign exchange loss (gain) on cash	79	(109)
Net realized gain on sale of investments	(293,919)	(1,267,941)
Net change in unrealized depreciation (appreciation) of investments	(92,263)	676,537
Purchase of investments	(1,262,897)	(1,046,831)
Proceeds from the sale of investments	2,062,389	10,156,918
Accrued expenses	(7,670)	(20,514)
Cash provided by operating activities	871,157	9,289,560
Cash flows from (used in) financing activities:		
Amount received from the issuance of units	200,089	419,245
Amount paid on redemptions of units	(1,074,175)	(9,706,664)
Cash used in financing activities	(874,086)	(9,287,419)
Increase (decrease) in cash	(2,929)	2,141
Net foreign exchange gain (loss) on cash	(79)	109
Cash, beginning of year	3,337	1,087
Cash, end of year	\$ 329	\$ 3,337
Supplemental cash flow information:		
Interest received	\$ -	\$ 10,416

See accompanying notes to financial statements.

# INTEGRA EQUITY FUND

## Schedule of Investments

December 31, 2017

	Number of shares	Average cost	Fair value
ICL Global Equity Fund	91,371	\$ 698,430	\$ 631,748
Integra Canadian Value Growth Fund	182,789	2,788,015	3,443,117
Integra International Equity Fund	34,600	433,763	621,574
Integra U.S. Value Growth Fund	39,474	647,140	656,066
Total investment portfolio - 100.20%		<u>\$ 4,567,348</u>	5,352,505
Other assets, net of liabilities - (0.20%)			(10,767)
Net assets attributable to holders of redeemable units - 100.00%			<u>\$ 5,341,738</u>

See accompanying notes to financial statements.



# INTEGRA EQUITY FUND

Risk Disclosures

Years ended December 31, 2017 and 2016

---

## 1. Financial instruments risk:

Investment activities of the Integra 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 investment objective of the Fund is to provide long-term capital appreciation through a portfolio of indirect holdings in Canadian, U.S. and international equities, which are sufficiently diversified to minimize investment risk. To achieve its objective, the Fund invests in several underlying funds.

The Fund employs a passive investment strategy whereby investments in the underlying funds are based on target asset weightings. The target asset weightings allocated to each underlying fund and the selection of underlying funds are based on several factors, including impact to the Fund's volatility, asset class diversification and investment styles.

Financial statements for the underlying funds, which include discussions about their respective risk exposures, are available at [www.integra.com](http://www.integra.com).

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

As the Fund invests in underlying funds, it has various risk exposures attributable to its investments in these underlying funds. The types of risks outlined below reflect the risks of the underlying funds.

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

---

## 2. Risk management (continued):

### (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 statements of financial position represents the maximum exposures to credit risk relating to financial assets and liabilities.

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.

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

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.

The tables below indicate the currencies to which the Fund had exposure on its trading monetary and non-monetary assets and liabilities through its investment in underlying funds as well as 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	\$ 975,524	\$ 7,353	\$ 928,877	18.40
Euro	301,885	(7,591)	294,294	5.51
Japanese Yen	237,139	—	237,139	4.44
British Pound	204,236	—	204,236	3.82
Swiss Franc	68,944	—	68,944	1.29
Hong Kong Dollar	39,742	—	39,742	0.74
South Korean Won	16,944	—	16,944	0.32
Norwegian Krone	12,163	—	12,163	0.23
Thai Baht	4,652	—	4,652	0.09
Brazilian Real	2,308	—	2,308	0.04

\*Amounts reflect the carrying value of monetary and non-monetary items (including the notional amount of forward foreign currency contracts).

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

2016	Currency risk- exposed holdings (including derivatives)*	Foreign exchange contracts	Net exposure	% of net assets
U.S. Dollar	\$ 1,110,951	\$ 8,646	\$ 1,119,597	19.47
Euro	237,459	(8,208)	229,251	3.99
British Pound	215,394	—	215,394	3.75
Japanese Yen	184,031	—	184,031	3.20
Swiss Franc	81,517	—	81,517	1.42
Hong Kong Dollar	33,630	—	33,630	0.58
Norwegian Krone	18,283	—	18,283	0.32
Brazilian Real	1,653	—	1,653	0.03

\*Amounts reflect the carrying value of monetary and non-monetary items (including the notional amount of forward foreign currency contracts).

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 \$60,353 (2016 - \$94,168). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### (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.

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

---

## 2. Risk management (continued):

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 statements 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.

### (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, unitholders 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, and by retaining sufficient cash and cash equivalent positions to maintain liquidity.

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

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

### (g) Other market risk:

Other market risk is the risk that the fair value or future cash flows 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-advisors of the underlying funds moderate this risk through a careful use 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 and underlying funds.

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 (70% S&P/TSX, 15% Russell 1000, 15% MSCI EAFE ND Indices), with all other variables held constant, would have been \$250,207 (2016 - \$266,617). 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.

### (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:

	As a % of net assets	
	2017	2016
ICL Global Equity Fund	11.82	11.32
Integra Canadian Value Growth Fund	64.46	66.56
Integra International Equity Fund	11.64	10.47
Integra U.S. Value Growth Fund	12.28	11.92
Total investment portfolio	100.20	100.27
Other assets, net of liabilities	(0.20)	(0.27)
Net assets attributable to holders of redeemable units	100.00	100.00

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

Summary of the investments of the indirect holdings:

	As a % of net assets	
	2017	2016
<b>ICL Global Equity Fund</b>		
Belgium	–	1.34
Canada	2.81	1.97
France	3.53	2.83
Germany	5.40	2.80
Hong Kong	2.75	1.69
Ireland	4.64	3.47
Israel	0.01	1.85
Japan	8.89	5.54
Netherlands	7.52	4.98
Norway	0.82	1.14
South Korea	1.20	–
Switzerland	6.51	6.59
Thailand	0.74	–
United Kingdom	8.85	10.40
United States	42.61	51.20
Total investment portfolio	96.28	95.80
Other assets, net of liabilities	3.72	4.20
Net assets attributable to holders of redeemable units	100.00	100.00

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

	As a % of net assets	
	2017	2016
<b>Integra Canadian Value Growth Fund</b>		
Consumer Discretionary	5.27	4.99
Consumer Staples	4.06	5.01
Energy	17.70	20.88
Financials	35.74	35.03
Health Care	0.24	0.18
Industrials	11.02	8.75
Information Technology	6.08	4.20
Materials	9.61	9.43
Real Estate	1.23	1.76
Telecommunication Services	4.86	7.14
Utilities	3.15	1.74
Total investment portfolio	98.96	99.11
Other assets, net of liabilities	1.04	0.89
Total	100.00	100.00



# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

	As a % of net assets	
	2017	2016
<b>Integra International Equity Fund</b>		
Brazil	0.37	0.28
China	2.84	1.24
France	6.58	5.01
Germany	14.58	11.67
Hong Kong	3.59	3.76
India	1.56	1.12
Ireland	3.71	2.62
Israel	–	1.38
Italy	–	0.75
Japan	28.98	24.42
Mexico	–	1.80
Netherlands	9.08	7.97
Norway	1.12	1.81
Portugal	1.08	1.07
South Korea	1.50	–
Switzerland	8.20	9.95
United Kingdom	14.61	19.46
United States	–	0.97
Total investment portfolio	97.80	95.28
Other assets, net of liabilities	2.20	4.72
Total	100.00	100.00

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

	As a % of net assets	
	2017	2016
<b>Integra U.S. Value Growth Fund</b>		
United States Equities:		
Consumer Discretionary	13.53	13.65
Consumer Staples	6.77	6.79
Energy	6.01	5.76
Financials	9.83	11.28
Health Care	10.47	14.31
Industrials	9.48	8.61
Information Technology	21.44	18.02
Materials	5.19	3.89
Real Estate	2.29	1.20
Telecommunication Services	0.99	2.54
Utilities	–	0.32
Total United States Equities	86.00	86.37
International Equities:		
Bermuda	0.70	0.62
France	0.61	0.80
Ireland	3.72	3.49
Israel	0.60	1.46
Netherlands	1.13	1.11
Singapore	0.44	–
Switzerland	0.73	0.62
United Kingdom	2.45	3.28
Total International Equities	10.38	11.38
Total investment portfolio	96.38	97.75
Other assets, net of liabilities	3.62	2.25
Net assets attributable to holders of redeemable units	100.00	100.00

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

### 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 statements 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.

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 and liabilities carried at fair values:

2017	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments in Funds	\$ 5,352,505	\$ –	\$ –	\$ 5,352,505

2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Investments in Funds	\$ 5,765,815	\$ –	\$ –	\$ 5,765,815

# INTEGRA EQUITY FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

---

#### 4. Fair value measurements:

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 holdings in the underlying funds 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 any level as a result of the securities no longer being traded in an active market and no investments were transferred from any level as a result of the securities now being traded in an active market.

# INTEGRA EQUITY FUND

Notes to Financial Statements

Years ended December 31, 2017 and 2016

---

## 1. Establishment of the Fund:

The Integra 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 June 30, 1987 and commenced operations on that 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 invests substantially all of its assets in the Integra Canadian Value Growth Fund, the Integra U.S. Value Growth Fund, the ICL Global Equity Fund and the Integra International Equity Fund (the "underlying funds"), which are funds under common management as the Fund.

## 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.

### (c) Functional and presentation currency:

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

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

### 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 statements 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, equity investments and investments in other funds; and
- Financial assets at amortized cost: all other financial assets are classified as loans and receivables.

Financial liabilities at FVTPL:

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

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

(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.

The fair value of a forward contract is the gain (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 statements 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 or 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.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

(iii) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statements 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.

The interest for distribution purposes shown on the statements 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.

Distributions from underlying funds are recognized at the time the underlying fund's NAV is calculated on an ex-dividend basis and are recognized in the statements of comprehensive income based on their nature as dividends, capital gains or other income. All such distributions are reinvested in additional units of the underlying funds.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in 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.



# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

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 statements 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 statements of comprehensive income.

(f) 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 net change in net unrealized appreciation (depreciation) of investments in the statements of comprehensive income.

(g) Income taxes:

The Fund presently qualifies as a mutual fund 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 15 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.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

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 losses carryforward of \$3,223,925 (2016 - \$3,290,000).

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

#### (h) 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 units 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 statements 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.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

Redeemable unit transactions during the years were as follows:

	2017		2016	
	Number of Fund units	Amount	Number of Fund units	Amount
Redeemable units issued	10,292	\$ 200,089	24,461	\$ 419,245
Redeemable units redeemed	(55,812)	(1,074,175)	(557,667)	(9,700,219)
Redeemable units issued on reinvestments	4,008	79,852	11,345	200,178

The number of issued and outstanding units as at December 31, 2017 is 263,205 (2016 - 304,717).

Net assets attributable to holders of redeemable units is 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 statements 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 year. 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 281,341 (2016 - 532,218).

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 amount 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 net asset value attributable to holders of redeemable units.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

- (i) Receivable or payable for portfolio 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 portfolio securities sold/purchased, but not yet settled as at the reporting date.

- (j) Future accounting changes:

The International Accounting Standards Board has issued the following new standard and amendment to existing standards that are not yet effective. The Fund has not yet begun the process of assessing the impact the new and amended standard will have on its financial statements or whether to early adopt any of the new standards.

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. The Manager does not expect the adoption of this standard to have a material impact to the Fund's financial statements.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

## 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.

The Fund has concluded that unlisted open-ended investment funds in which it invests, but that it does not consolidate, meet the definition of structured entities because:

- the voting rights in the funds are not dominant rights in deciding who controls them as they relate to administrative tasks only;
- each fund's activities are restricted by its prospectus; and
- the funds have narrow and well-defined objectives to provide investment opportunities to investors.

## 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 statements of comprehensive income and comprise the following: net realized gain (loss) on sale of investments, net realized gain (loss) on derivatives, net change in unrealized appreciation (depreciation) of investments, interest income for distribution purposes, dividends and income from funds. 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	\$ 515,245	\$ 842,741

---

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

## 6. Involvement with unconsolidated structured entities:

The Fund may invest in units of other investment funds as part of its investment strategy. The nature and purpose of the investee funds generally is to manage assets on behalf of third party investors and generate fees for the investment manager, and are financed through the issue of units to investors.

In determining whether the Fund has control over an investee fund, the Fund assesses voting rights, the exposure to variable returns and its ability to use the voting rights to affect the amount of the returns. The Fund has determined it has control or significant influence over investments based on thresholds of 38 percent or 20 percent, respectively, which in the Manager's judgment would qualify as either control or significant influence in accordance with IFRS 10.

The table below describes the structured entities that the Fund does not consolidate but in which it holds an interest:

Type of structured entity	Nature and purpose	Interest held by the Fund
Investment Funds	To manage assets on behalf of third party investors and generate investment fees for the Manager of the Fund These vehicles are financed through the issue of units to investors	Investments in units issued by the investment fund

---

The maximum exposure to loss is represented by the carrying amount of the investments in other funds held, which are included in financial assets at FVTPL in the statements of financial position.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

## 6. Involvement with unconsolidated structured entities (continued):

Investment in open-ended investment funds at December 31, 2017:

Name of fund	Place of business	Proportion of interest	Control/significant influence
ICL Global Equity Fund	Ontario	1%	–
Integra Canadian Value Growth Fund	Ontario	3%	–
Integra International Equity Fund	Ontario	3%	–
Integra U.S. Value Growth Fund	Ontario	1%	–

Investment in open-ended investment funds at December 31, 2016:

Name of fund	Place of business	Proportion of interest	Control/significant influence
ICL Global Equity Fund	Ontario	2%	–
Integra Canadian Value Growth Fund	Ontario	3%	–
Integra International Equity Fund	Ontario	2%	–
Principal U.S. Value Equity Fund	Ontario	3%	–

During the year, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support. The Fund can redeem units in the above investment funds on a daily basis.

# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

## 7. Brokerage commissions:

Brokerage commissions on portfolio transactions may also include research services provided to the sub-advisors.

The value of the research services paid to certain brokers for the years ended December 31, 2017 and 2016 were nil.

## 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.

Integra Capital Limited may allocate 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 on behalf of the Fund. These costs are reported in the operating expenses of the Fund reported in the statements 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.

The Manager, at its discretion, may agree to waive or absorb certain expenses associated with the Fund. Expenses waived or absorbed by the Manager in the amount of nil (2016 - nil) are shown in the statements of comprehensive income. Such absorption or waiver, where applicable, may be terminated by the Manager at any time without notice.



# INTEGRA EQUITY FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

---

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

The Independent Review Committee (the "IRC") for the Fund consists of three industry professionals, none of whom have an interest in the Fund Manager or have an interest in the Fund outside of their roles as members of the IRC. The fees paid to the IRC are disclosed in the statements of comprehensive income in the amount of nil (2016 - \$495).

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.