

Financial Statements of

**INTEGRA U.S. VALUE  
GROWTH FUND**

Years ended December 31, 2017 and 2016



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Integra U.S. Value Growth Fund

We have audited the accompanying financial statements of Integra U.S. Value Growth 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.



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*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of Integra U.S. Value Growth 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*

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Chartered Professional Accountants, Licensed Public Accountants

March 22, 2018  
Toronto, Canada

# INTEGRA U.S. VALUE GROWTH FUND

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 2,999,187	\$ 2,220,032
Receivable for securities sold	74,940	—
Subscriptions receivable	9,869	18,484
Accrued dividends receivable	101,004	121,208
Investments, at fair value	77,985,035	95,670,605
<b>Total assets</b>	<b>81,170,035</b>	<b>98,030,329</b>
<b>Liabilities</b>		
Payable for securities purchased	54,331	—
Redemptions payable	153,891	79,987
Accrued expenses	45,735	77,486
<b>Total liabilities</b>	<b>253,957</b>	<b>157,473</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 80,916,078</b>	<b>\$ 97,872,856</b>
<b>Redeemable units (note 3)</b>	<b>4,868,481</b>	<b>6,245,399</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 16.62</b>	<b>\$ 15.67</b>

See accompanying notes to financial statements.

On behalf of the Manager,  
Integra Capital Limited:



Graham Rennie

Director



Craig Honey

Director

# INTEGRA U.S. VALUE GROWTH FUND

## Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	2017	2016
Income:		
Interest income for distribution purposes	\$ 466,534	\$ 23,679
Dividends	1,327,868	2,071,027
Revenue from securities lending (note 7)	8,706	16,287
Other changes in fair value of investments:		
Net realized gain on sale of investments	13,553,920	22,934,539
Net foreign exchange gain (loss) on cash	(142,207)	28,727
Net other loss	(260,192)	(200,273)
Net change in unrealized depreciation of investments	(6,837,474)	(22,049,698)
Total income	8,117,155	2,824,288
Expenses (income):		
Custodial fees	50,564	61,380
Operating fees	10,956	45,000
Audit fees	35,000	32,515
Legal fees	—	1,000
Filing fees	7,001	7,000
Investment performance monitoring fees	(623)	11,000
Securityholder reporting fees	55	5,000
Independent Review Committee fees (note 8)	7,501	8,120
Transaction costs	26,774	41,245
Withholding taxes	140,841	247,135
Harmonized sales tax	7,742	15,500
Total expenses	285,811	474,895
Increase in net assets attributable to holders of redeemable units	\$ 7,831,344	\$ 2,349,393
Increase in net assets attributable to holders of redeemable units per unit (based on the weighted average number of units outstanding during the year)	\$ 1.66	\$ 0.34

See accompanying notes to financial statements.

# INTEGRA U.S. VALUE GROWTH 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	\$ 97,872,856	\$ 136,062,767
Increase in net assets attributable to holders of redeemable units	7,831,344	2,349,393
Distributions paid or payable to holders of redeemable units:		
From net investment income	(1,198,533)	(1,605,470)
From net realized capital gains	(1,738,912)	(5,651,131)
Return of capital	(276,976)	(180,122)
Total distributions to holders of redeemable units	(3,214,421)	(7,436,723)
Redeemable unit transactions (note 3):		
Issuance of units	6,874,662	6,551,803
Reinvestment of distributions	3,214,421	7,436,723
Redemptions of units	(31,662,784)	(47,091,107)
Net decrease from redeemable unit transactions	(21,573,701)	(33,102,581)
Net decrease in net assets attributable to holders of redeemable units	(16,956,778)	(38,189,911)
Net assets attributable to holders of redeemable units, end of year	\$ 80,916,078	\$ 97,872,856

See accompanying notes to financial statements.

# INTEGRA U.S. VALUE GROWTH 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	\$ 7,831,344	\$ 2,349,393
Change in non-cash operating working capital:		
Net foreign exchange loss (gain) on cash	142,207	(28,727)
Net realized gain on sale of investments	(13,553,920)	(22,934,539)
Net change in unrealized depreciation of investments	6,837,474	22,049,698
Purchase of investments	(16,778,501)	(24,677,896)
Proceeds from the sale of investments	41,159,908	60,730,354
Accrued dividends receivable	20,204	35,449
Accrued expenses	(31,750)	(29,195)
Cash provided by operating activities	25,626,966	37,494,537
Cash flows from (used in) financing activities:		
Amount received from the issuance of units	6,883,277	6,539,103
Amount paid on redemptions of units	(31,588,881)	(47,070,497)
Cash used in financing activities	(24,705,604)	(40,531,394)
Increase (decrease) in cash	921,362	(3,036,857)
Net foreign exchange gain (loss) on cash	(142,207)	28,727
Cash, beginning of year	2,220,032	5,228,162
Cash, end of year	\$ 2,999,187	\$ 2,220,032
Supplemental information:		
Interest received	\$ 466,534	\$ 23,679
Dividends received, net of withholding taxes	1,207,231	1,859,341

See accompanying notes to financial statements.

# INTEGRA U.S. VALUE GROWTH FUND

Schedule of Investments

December 31, 2017

	Number of shares	Average cost	Fair value
<b>Common shares - 96.38%</b>			
United States Equities - 86.00%:			
Consumer Discretionary - 13.53%:			
AutoZone Inc.	1,113	\$ 335,779	\$ 992,029
BorgWarner Inc.	3,747	220,530	239,858
Bright Horizons Family Solutions Inc.	2,447	248,172	288,201
Carter's Inc.	4,016	478,154	591,192
Comcast Corp., Class 'A'	9,000	428,892	451,626
Dollar General Corp.	8,952	865,135	1,043,238
Dollar Tree Inc.	7,148	239,484	961,078
Hanesbrands Inc.	11,323	388,276	296,653
LKQ Corp.	10,708	356,127	545,653
Lowe's Cos. Inc.	9,570	932,161	1,114,419
Marriott International Inc., Class 'A'	4,106	180,690	698,278
Mohawk Industries Inc.	1,728	152,533	597,350
O'Reilly Automotive Inc.	1,293	404,638	389,690
Ross Stores Inc.	8,185	291,991	822,996
Tractor Supply Co.	3,636	174,907	340,541
Twenty-First Century Fox Inc., Class 'A'	18,760	661,312	811,639
Ulta Beauty Inc.	968	192,921	271,267
Whirlpool Corp.	2,330	329,461	492,323
		6,881,163	10,948,031
Consumer Staples - 6.77%:			
Altria Group Inc.	10,654	506,459	953,247
Brown-Forman Corp., Class 'B'	6,553	177,970	563,821
Church & Dwight Co. Inc.	8,046	185,535	505,776
CVS Health Corp.	10,210	1,125,381	927,465
Monster Beverage Corp.	13,687	203,079	1,085,368
Philip Morris International Inc.	7,602	589,838	1,006,308
Sprouts Farmers Markets Inc.	14,192	418,044	432,988
		3,206,306	5,474,973
Energy - 6.01%:			
Chevron Corp.	5,520	754,743	865,850
Cimarex Energy Co.	3,104	419,091	474,516
Concho Resources Inc.	2,841	303,674	534,728
ConocoPhillips	15,208	869,132	1,045,921
Occidental Petroleum Corp.	11,321	987,355	1,044,841
Phillips 66	7,056	559,794	894,248
		3,893,789	4,860,104



# INTEGRA U.S. VALUE GROWTH FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Financials - 9.83%:			
American Express Co.	6,424	412,231	799,341
American International Group Inc.	11,916	839,092	889,538
Ameriprise Financial Inc.	3,360	225,423	713,454
Bank of America Corp.	24,076	394,789	890,501
Citigroup Inc.	8,894	413,318	829,206
Intercontinental Exchange Inc.	6,463	176,573	571,382
JPMorgan Chase & Co.	9,067	442,325	1,214,892
PNC Financial Services Group Inc.	1,697	116,292	306,798
TD Ameritrade Holding Corp.	7,631	276,878	488,867
Wells Fargo & Co.	16,455	704,682	1,250,851
		4,001,603	7,954,830
Health Care - 10.47%:			
Anthem Inc.	3,402	441,054	959,113
Cardinal Health Inc.	7,490	747,756	574,994
Edwards Lifesciences Corp.	3,401	410,989	480,289
Exact Sciences Corp.	3,401	246,879	223,888
Express Scripts Holding Co.	6,534	610,713	611,061
HCA Healthcare Inc.	5,240	417,218	576,710
HealthSouth Corp.	10,023	310,374	620,506
Humana Inc.	1,521	130,373	472,756
Johnson & Johnson	4,638	372,399	811,938
Ligand Pharmaceuticals Inc., Class 'B'	1,251	186,381	214,630
Merck & Co. Inc.	7,896	410,652	556,696
Pfizer Inc.	21,365	553,370	969,583
PRA Health Sciences Inc.	4,763	492,952	543,488
Teleflex Inc.	1,237	344,652	385,646
Universal Health Services Inc., Class 'B'	3,304	340,484	469,240
		6,016,246	8,470,538

# INTEGRA U.S. VALUE GROWTH FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Industrials - 9.48%:			
Ametek Inc.	6,131	186,832	556,703
General Dynamics Corp.	2,187	209,797	557,494
General Electric Co.	33,700	987,511	736,816
HD Supply Holdings Inc.	9,809	386,311	491,976
Hexcel Corp.	5,737	389,667	444,589
Hubbell Inc.	2,551	339,297	432,584
Kansas City Southern Industries Inc.	3,256	261,865	429,256
Masco Corp.	7,618	381,051	419,406
Parker Hannifin Corp.	2,095	413,063	523,884
Raytheon Co.	1,376	76,910	323,864
Rexnord Corp.	12,733	379,792	415,118
Roper Technologies Inc.	2,115	217,176	686,347
Stanley Black & Decker Inc.	1,306	254,458	277,673
TransUnion	7,058	395,495	486,029
United Technologies Corp.	5,590	721,494	893,499
		5,600,719	7,675,238
Information Technology - 21.44%:			
Alliance Data Systems Corp.	3,124	345,630	992,175
Amphenol Corp., Class 'A'	5,032	173,428	553,565
ANSYS Inc.	2,896	160,998	535,537
Autodesk Inc.	2,751	366,618	361,335
Citrix Systems Inc.	2,233	166,795	246,210
Cognizant Technology Solutions Corp., Class 'A'	12,968	434,643	1,153,951
Coherent Inc.	615	231,620	217,469
EPAM Systems Inc.	6,277	253,650	844,912
Euronet Worldwide Inc.	5,765	596,223	608,704
Fidelity National Information Services Inc.	6,297	412,691	742,354
Fiserv Inc.	8,744	344,651	1,436,633
FleetCor Technologies Inc.	2,032	416,447	489,926
Global Payments Inc.	5,765	433,738	724,059
Microchip Technology Inc.	8,240	320,667	907,300
Microsoft Corp.	9,321	301,719	999,000
MSCI Inc., Class 'A'	1,853	204,493	293,790
Oracle Corp.	16,898	778,997	1,001,029
PTC Inc.	8,523	487,530	648,956
QUALCOMM Inc.	12,478	1,037,456	1,000,908
Red Hat Inc.	3,380	419,855	508,620
Skyworks Solutions Inc.	5,060	171,544	601,976
Texas Instruments Inc.	6,239	227,956	816,424
Vantiv Inc., Class 'A'	10,625	292,581	979,141
WEX Inc.	2,530	197,830	447,694
Xilinx Inc.	2,855	253,561	241,173
		9,031,321	17,352,841

# INTEGRA U.S. VALUE GROWTH FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Materials - 5.19%:			
Air Products and Chemicals Inc.	5,590	1,018,261	1,149,215
Ashland Global Holdings Inc.	1,832	103,635	163,433
Berry Global Group Inc.	8,738	185,388	642,335
Crown Holdings Inc.	4,818	193,254	339,565
DowDuPont Inc.	6,754	496,842	602,694
FMC Corp.	5,620	320,618	666,556
International Flavors and Fragrances Inc.	2,495	249,009	477,076
Valvoline Inc.	5,025	133,132	157,779
		2,700,139	4,198,653
Real Estate - 2.29%			
Equinix Inc.	1,272	187,207	722,321
Jones Lang LaSalle Inc.	2,025	243,775	377,869
SBA Communications Corp.	3,671	213,864	751,387
		644,846	1,851,577
Telecommunication Services - 0.99%:			
Verizon Communications Inc.	12,025	588,453	797,482
<b>Total United States Equities - 86.00%</b>		<b>42,564,585</b>	<b>69,584,267</b>
International Equities - 10.38%:			
Bermuda - 0.70%:			
XL Group Ltd.	12,770	606,684	562,566
France - 0.61%:			
Sanofi SA, ADR	9,217	443,235	496,583
Ireland - 3.72%:			
Alkermes PLC	4,866	238,830	333,681
Jazz Pharmaceuticals PLC	1,611	337,211	271,791
Johnson Controls International PLC	20,724	1,232,207	989,570
Medtronic PLC	10,331	603,795	1,045,246
Pentair PLC	4,203	334,369	371,895
		2,746,412	3,012,183
Israel - 0.60%:			
Check Point Software Technologies Ltd.	3,719	199,131	482,840

# INTEGRA U.S. VALUE GROWTH FUND

Schedule of Investments (continued)

December 31, 2017

	Number of shares	Average cost	Fair value
Netherlands - 1.13%:			
NXP Semiconductors NV	6,235	299,573	914,724
Singapore - 0.44%:			
Broadcom Ltd.	1,100	370,506	354,071
Switzerland - 0.73%:			
TE Connectivity Ltd.	4,977	358,899	592,663
United Kingdom - 2.45%:			
Aptiv PLC	3,760	305,483	399,642
BP PLC, ADR	23,721	1,063,645	1,249,183
IHS Markit Ltd.	5,945	249,811	336,313
		1,618,939	1,985,138
<b>Total International Equities - 10.38%</b>		<b>6,643,379</b>	<b>8,400,768</b>
<b>Total equities - 96.38%</b>		<b>49,207,964</b>	<b>77,985,035</b>
Transaction costs		(21,553)	—
<b>Total investment portfolio - 96.38%</b>		<b><u>\$ 49,186,411</u></b>	<b>77,985,035</b>
Other assets, net of liabilities - 3.62%			2,931,043
<b>Net assets attributable to holders of redeemable units - 100.00%</b>			<b>\$ 80,916,078</b>

See accompanying notes to financial statements.

# INTEGRA U.S. VALUE GROWTH FUND

## Risk Disclosures

Years ended December 31, 2017 and 2016

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### 1. Financial instruments risk:

Investment activities of the Integra U.S. Value Growth 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 investment returns through a portfolio of U.S. equities, which are sufficiently diversified to minimize investment risk. To achieve this objective, the Fund invests in equities of medium to large capitalized companies based in the United States. The Fund invests primarily in American companies with a minimum market capitalization of U.S. \$1 billion. The Fund may hold up to an aggregate of 20% in cash or cash equivalents.

The Fund combines the expertise of two sub-advisory firms, a "bottom-up value" manager and a "bottom-up growth" manager. Integra Capital Limited (the "Trustee" and Manager") has retained the services of Barrow, Hanley, Mewhinney & Strauss ("Barrow") and Atlantic Trust Company NA ("Atlantic"), (the "Sub-Advisors"), as described below.

Each portfolio manager is authorized to keep a percentage of the assets it manages in cash or cash equivalents as an ongoing strategy. In addition, the Fund may invest in American Depository Receipts trading on recognized U.S. stock exchanges.

Barrow's expertise is in managing equity portfolios through a value-oriented research intensive process of individual stock selection. The team selects stocks based on the belief that the equity markets are inefficient and that short-term earnings disappointments or changes in market perception create opportunities to invest in high quality or improving companies at attractive prices.

Atlantic is a "bottom-up growth" portfolio manager that uses fundamental research to identify U.S. mid-cap growth companies with strong market positions, track records of consistent growth and free cash flow returns on a dollar of capital investment.

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 to achieve the Fund's investment objectives and to enhance the Fund's returns.

# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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## 2. Risk management (continued):

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 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.

# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

### (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.

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*	Foreign exchange contracts	Net exposure	% of net assets
U.S. dollar	\$ 81,091,879	\$ –	\$ 81,091,879	100.22

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

2016	Currency risk-exposed holdings*	Foreign exchange contracts	Net exposure	% of net assets
U.S. dollar	\$ 98,001,495	\$ –	\$ 98,001,495	100.13

\*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 \$4,054,594 (2016 - \$4,900,075). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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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 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 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 U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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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, 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 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 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 moderate 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 (Russell 1000 Index), with all other variables held constant, would have been \$3,915,529 (2016 - \$4,841,281). This calculation is based on the ex-ante tracking error of the Fund, over the past 36 months. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 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:

	As a % of net assets	
	2017	2016
<b>Common shares</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
<b>Total United States Equities</b>	<b>86.00</b>	<b>86.37</b>
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
<b>Total International Equities</b>	<b>10.38</b>	<b>11.38</b>
<b>Total investment portfolio</b>	<b>96.38</b>	<b>97.75</b>
<b>Other assets, net of liabilities</b>	<b>3.62</b>	<b>2.25</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>100.00</b>	<b>100.00</b>

# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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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 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.

### 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 not based on observable market data (unobservable inputs).

If inputs of different levels are used to measure an asset's or 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:				
Equities	\$ 77,985,035	\$ –	\$ –	\$ 77,985,035

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# INTEGRA U.S. VALUE GROWTH FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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## 4. Fair value measurements (continued):

2016	Level 1	Level 2	Level 3	Total
Financial assets:				
Equities	\$ 95,670,605	\$ –	\$ –	\$ 95,670,605

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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 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 U.S. VALUE GROWTH FUND

Notes to Financial Statements

Years ended December 31, 2017 and 2016

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## 1. Establishment of the Fund:

The Integra U.S. Value Growth 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 July 2, 1998 and commenced operations on September 15, 1998.

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.

## 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 U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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## 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 and equity investments; 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.

#### (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.

# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

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 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 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 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 (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 dates.

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

# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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### 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.

Realized gain on sale of investments and unrealized 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.

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.



# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

(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) 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 re-deliver 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 statements of comprehensive income.

(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 on sale of investments and change in net unrealized depreciation in the statements of comprehensive income.

# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

#### (h) 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.

Capital losses and non-capital losses incurred by the Funds 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 nil (2016 - nil).

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

#### (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 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 U.S. VALUE GROWTH 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	427,399	\$ 6,874,662	434,958	\$ 6,551,803
Redeemable units redeemed	(2,009,675)	(31,662,784)	(3,112,818)	(47,091,107)
Redeemable units issued on reinvestments	205,358	3,214,421	480,655	7,436,723

The number of issued and outstanding units as at December 31, 2017 is 4,868,481 (2016 - 6,245,399).

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 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 4,704,506 (2016 - 6,844,768).

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 NAV attributable to holders of redeemable units.

# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

- (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.

- (k) 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 standards 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. 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 U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

## 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 are comprised of the following: net realized gain on sale of investments, net change in unrealized depreciation of investments, interest income for distribution purposes and dividends. 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	\$ 8,510,848	\$ 2,979,548

## 6. 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 was nil.

## 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 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 statements of financial position with a market value of \$6,812,129 (2016 - \$12,599,433) had been loaned as part of the securities lending program. The counterparty has pledged securities with a market value of \$7,163,266 (2016 - \$13,254,640) as collateral for such loans. Under the terms of the program, the Fund may instruct that securities be returned within three days.

# INTEGRA U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

## 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 statements of comprehensive income:

	2017		2016	
	Amount	% of gross securities lending revenue	Amount	% of gross securities lending revenue
Gross securities lending revenue	\$ 13,895	100.0	\$ 22,071	100.0
Withholding taxes	(11)	(0.0)	(1,740)	(7.9)
Agent fees - Bank of New York Mellon Corp. (The)	(5,178)	(37.3)	(4,044)	(18.3)
Securities lending revenue	\$ 8,706	62.7	\$ 16,287	73.8

## 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, 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 U.S. VALUE GROWTH FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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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. 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.

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 \$7,501 (2016 - \$8,120).

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.