

Financial Statements of

**LINCLUDEN SHORT TERM  
INVESTMENT FUND**

Years ended December 31, 2017 and 2016



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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of Lincluden Short Term Investment Fund

We have audited the accompanying financial statements of Lincluden Short Term Investment 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 Lincluden Short Term Investment 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*

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P', with a small arrowhead pointing to the right.

Chartered Professional Accountants, Licensed Public Accountants

March 22, 2018  
Toronto, Canada

# LINCLUDEN SHORT TERM INVESTMENT FUND

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
<b>Assets</b>		
Cash	\$ 26,200	\$ 25,802
Subscriptions receivable	4,304	240
Investments, at fair value	7,221,008	7,068,462
Total assets	7,251,512	7,094,504
<b>Liabilities</b>		
Accrued expenses	15,246	23,779
Distributions payable	3,890	—
Redemptions payable	5,681	10,780
Total liabilities	24,817	34,559
Net assets attributable to holders of redeemable units	\$ 7,226,695	\$ 7,059,945
Redeemable units (note 3)	7,226,695	7,059,945
Net assets attributable to holders of redeemable units per unit	\$ 1.00	\$ 1.00

See accompanying notes to financial statements.

On behalf of the Manager,  
Integra Capital Limited:



Graham Rennie

Director



Craig Honey

Director

# LINCLUDEN SHORT TERM INVESTMENT FUND

## Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	2017	2016
Income:		
Interest income for distribution purposes	\$ 59,510	\$ 67,917
Revenue from securities lending (note 7)	488	238
Total income	59,998	68,155
Expenses:		
Custodial fees	3,369	31,810
Operating	429	—
Audit fees	7,501	6,878
Filing fees	2,504	2,764
Independent Review Committee fees (note 8)	(3,199)	745
Harmonized sales tax	741	5,059
	11,345	47,256
Expenses waived or absorbed by manager (note 8)	—	(32,205)
Total expenses	11,345	15,051
Increase in net assets attributable to holders of redeemable units	\$ 48,653	\$ 53,104
Increase in net assets attributable to holders of redeemable units per unit (based on the weighted average number of units outstanding during the year)	\$ 0.01	\$ 0.01

See accompanying notes to financial statements.

# LINCLUDEN SHORT TERM INVESTMENT 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	\$ 7,059,945	\$ 12,999,621
Increase in net assets attributable to holders of redeemable units	48,653	53,104
Distributions paid or payable to holders of redeemable units:		
From net investment income	(48,653)	(53,104)
Total distributions to holders of redeemable units	(48,653)	(53,104)
Redeemable unit transactions (note 3):		
Issuance of units	1,389,550	3,423,399
Reinvestment of distributions	48,653	53,104
Redemptions of units	(1,271,453)	(9,416,179)
Net increase (decrease) from redeemable unit transactions	166,750	(5,939,676)
Net increase (decrease) in net assets attributable to holders of redeemable units	166,750	(5,939,676)
Net assets attributable to holders of redeemable units, end of year	\$ 7,226,695	\$ 7,059,945

See accompanying notes to financial statements.

# LINCLUDEN SHORT TERM INVESTMENT FUND

## Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 48,653	\$ 53,104
Change in non-cash operating items:		
Purchase of investments	(29,450,194)	(43,478,026)
Proceeds from the sale of investments	29,297,647	49,409,787
Accrued expenses	(8,533)	3,448
Cash provided by (used in) operating activities	(112,427)	5,988,313
Cash flows from financing activities:		
Amount received from the issuance of units	1,389,239	3,428,852
Amount paid on redemptions of units	(1,276,552)	(9,410,619)
Distributions paid to unitholders	138	—
Cash provided by (used in) financing activities	112,825	(5,981,767)
Increase in cash	398	6,546
Cash, beginning of year	25,802	19,256
Cash, end of year	\$ 26,200	\$ 25,802
Supplemental cash flow information:		
Interest received	\$ 59,510	\$ 67,917

See accompanying notes to financial statements.

# LINCLUDEN SHORT TERM INVESTMENT FUND

## Schedule of Investments

December 31, 2017

	Par value	Fair value
<b>Short-term investments</b>		
Bankers' Acceptance - 46.00%:		
Bank of Nova Scotia Bankers' Acceptance, 1.39%, 2018/01/08	\$ 600,000	\$ 599,840
Canadian Imperial Bank of Commerce Bankers' Acceptance, 1.32%, 2018/03/06	600,000	598,615
Firstbank Bankers' Acceptance, 1.35%, 2018/03/19	375,000	373,935
National Bank of Canada Bankers' Acceptance, 1.28%, 2018/02/14	555,000	554,145
Royal Bank of Canada Bankers' Acceptance, 1.25%, 2018/01/04	600,000	599,939
Toronto-Dominion Bank (The) Bankers' Acceptance, 1.35%, 2018/03/05	600,000	598,609
		<u>3,325,083</u>
Discount Notes - 6.22%:		
Hydro One Inc. Discount Note, 1.28%, 2018/02/06	450,000	449,434
Treasury Bills - 47.70%:		
Government of Canada Treasury Bill, 0.87%, 2018/01/25	1,550,000	1,549,129
Government of Canada Treasury Bill, 1.04%, 2018/04/05	500,000	498,667
Province of Ontario Treasury Bill, 1.15%, 2018/02/14	800,000	798,894
Province of Quebec Treasury Bill, 1.10%, 2018/01/12	600,000	599,801
		<u>3,446,491</u>
Total investment portfolio - 99.92%		7,221,008
Other assets, net of liabilities - 0.08%		5,687
Net assets attributable to holders of redeemable units - 100.00%		<u>\$ 7,226,695</u>

See accompanying notes to financial statements.



# LINCLUDEN SHORT TERM INVESTMENT FUND

## Risk Disclosures

Years ended December 31, 2017 and 2016

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### 1. Financial instruments risk:

Investment activities of the Lincluden Short Term Investment 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 provide both interest-generated income and liquidity, while still preserving investment capital. To meet this objective, the Fund primarily invests in highly liquid, senior investment grade money market instruments, such as treasury bills issued by Canada's federal and provincial governments. The portfolio of the Fund will be invested so that its dollar-weighted average term to maturity does not exceed 180 days. The Fund invests in short-term fixed-income securities. As a result, the Fund is exposed to interest rate risk and credit risk.

The Fund values its portfolio on the basis that it holds its portfolio assets to maturity and credits its income daily. The unit price is typically maintained at \$1.00, unless the Fund must sell portfolio assets prior to maturity. In this way, the Fund is operated similar to a money market fund.

The Fund is sub-advised by Lincluden Investment Management Limited (the "Sub-Advisor"). Investments are bought and sold based on the Sub-Advisor's assessment of Canadian interest rates. The Fund's primary focus is preservation of capital, but the portfolio will hold bankers' acceptances and corporate paper rated R-1 or better in addition to treasury bills. The Fund will not invest in asset backed commercial paper or structured investment vehicles.

The Fund may invest in foreign fixed-income securities. The Fund may use foreign exchange forward contracts for hedging purposes. The Sub-Advisor is authorized to keep a percentage of the assets it manages in cash or cash equivalents as an ongoing strategy.

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

# LINCLUDEN SHORT TERM INVESTMENT FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 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.

The table below summarizes the Fund's direct exposure to the credit ratings of debt securities, whose credit ratings were primarily based on ratings issued by Standard & Poor's:

Short-term ratings	As a % of short-term investments	
	2017	2016
R-1 (H)	28.36	61.91
R-1 (M)	24.90	29.60
R-1 (L)	46.74	8.49
	100.00	100.00

# LINCLUDEN SHORT TERM INVESTMENT FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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## 2. Risk management (continued):

### (b) Interest rate risk:

Changes in market interest rates expose income securities, such as treasury bills, commercial paper, bankers' acceptances and other short-term income securities, to interest rate risk. Funds that hold income investments are exposed to this risk since changes in prevailing interest rates will affect the value of income securities. If interest rates rise, there is potential for such income securities to decline in value.

The Fund's net assets were invested in debt securities with terms to maturity of less than one year as at December 31, 2017 and 2016. Accordingly, the Fund is not directly subject to significant risk due to fluctuations in the prevailing levels of market interest rates.

### (c) 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. Therefore, the Fund is invested in securities that are traded in active markets and can be readily disposed. The Fund retains 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).

# LINCLUDEN SHORT TERM INVESTMENT FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

## 2. Risk management (continued):

(d) 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>Short-term investments</b>		
Bankers' Acceptance	46.00	48.82
Discount Notes	6.22	8.50
Treasury Bills	47.70	42.80
Total investment portfolio	99.92	100.12
Other assets, net of liabilities	0.08	(0.12)
Net assets attributable to holders of redeemable units	100.00	100.00

## 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.

# LINCLUDEN SHORT TERM INVESTMENT FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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## 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:

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2017	Level 1	Level 2	Level 3	Total
Short-term notes	\$ -	\$ 7,221,008	\$ -	\$ 7,221,008

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2016	Level 1	Level 2	Level 3	Total
Short-term notes	\$ -	\$ 7,068,462	\$ -	\$ 7,068,462

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# LINCLUDEN SHORT TERM INVESTMENT FUND

Risk Disclosures (continued)

Years ended December 31, 2017 and 2016

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#### **4. Fair value measurements (continued):**

All fair value measurements above are recurring.

Short term notes include primarily government treasury bills and corporate issues such as commercial paper and bankers' acceptances, which are valued using quotation services or pricing models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's short-term investments have been classified as Level 2.

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.

# LINCLUDEN SHORT TERM INVESTMENT FUND

Notes to Financial Statements

Years ended December 31, 2017 and 2016

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## 1. Establishment of the Fund:

The Lincluden Short Term Investment 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 November 1, 1987 and commenced operations on January 1, 1988.

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.

# LINCLUDEN SHORT TERM INVESTMENT 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.



# LINCLUDEN SHORT TERM INVESTMENT FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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### 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 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.

# LINCLUDEN SHORT TERM INVESTMENT FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

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 value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

#### (iii) Offsetting:

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

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 (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.

# LINCLUDEN SHORT TERM INVESTMENT FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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### 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) Securities lending transactions:

The Fund is permitted to enter into securities lending transactions. These transactions involve the temporary exchange of securities for collateral with a commitment to redeliver the same securities at a future date. Income is earned from these transactions in the form of fees paid by the counterparty. Income earned from these transactions is recognized on an accrual basis and included in the 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 (loss) on sale of investments and change in net unrealized appreciation (depreciation) in the statements of comprehensive income.

# LINCLUDEN SHORT TERM INVESTMENT 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 31 taxation year end. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

Capital losses and non-capital losses incurred by the 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 \$7 (2016 - \$7).

(i) Redeemable units:

For each Fund unit sold, the Fund receives an amount equal to the net asset value 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 net asset value on the redemption date. For each unit redeemed, net assets attributable to holders of redeemable units are reduced by the net asset value 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 asset 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.

# LINCLUDEN SHORT TERM INVESTMENT 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	1,389,550	\$ 1,389,550	3,423,399	\$ 3,423,399
Redeemable units redeemed	(1,271,453)	(1,271,453)	(9,416,179)	(9,416,179)
Redeemable units issued on investments	48,653	48,653	53,104	53,104

The number of issued and outstanding units as at December 31, 2017 is 7,226,695 (2016 - 7,059,945).

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 6,938,875 (2016 - 9,946,961).

The Fund's units are classified as a liability under International Accounting Standards ("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.

# LINCLUDEN SHORT TERM INVESTMENT 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 payables 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 standards and amendments to existing standards that are not yet effective.

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

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

### 4. Critical accounting estimates and judgments:

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

# LINCLUDEN SHORT TERM INVESTMENT FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

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

Net changes in fair value on financial assets and financial liabilities at FVTPL are presented in the statements of comprehensive income and are comprised of interest income for distribution purposes. Their classifications between HFT and designated at fair value are presented in the following table:

	Total income	
	2017	2016
Financial assets at FVTPL:		
Designated at inception	\$ 59,510	\$ 67,917

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## 6. Brokerage commissions:

Brokerage commissions on portfolio transactions may also include research services provided to the Sub-Advisor of the Fund. 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 year of the loan. As at December 31, 2017, certain securities shown in the statements of financial position with a market value of \$1,548,884 (2016 - \$1,473,600) had been loaned as part of the securities lending program. The counterparty has pledged securities with a market value of \$1,626,549 (2016 - \$1,547,506) as collateral for such loans. Under the terms of the program, the Fund may instruct that securities be returned within three days.

# LINCLUDEN SHORT TERM INVESTMENT 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	\$ 812	100.0	\$ 396	100.0
Agent fees - Bank of New York Mellon Corp. (The)	(324)	(39.9)	(158)	(39.9)
Securities lending revenue	\$ 488	60.1	\$ 238	60.1

## 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.



# LINCLUDEN SHORT TERM INVESTMENT 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. For the year ended December 31, 2017, the expenses waived or absorbed by the Manager in the amount of nil (2016 - \$32,205) 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. For the year ended December 31, 2017, the fees paid to the IRC are disclosed in the statements of comprehensive income in the amount of (\$3,199) (2016 - \$745).

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 10% of the Fund's outstanding units.