

Integra Bond Fund
Annual Management Report of Fund Performance
As at December 31, 2017

This annual report of fund performance contains financial highlights but does not contain the complete annual financial statements for the investment fund. You may request a copy of the annual financial statements at no cost, by calling 1-800-363-2480, by writing to us at Integra Capital Limited (“Integra”), 2020 Winston Park Drive, Suite 200, Oakville ON L6H 6X7 or by visiting our website at www.integra.com or the SEDAR website at www.sedar.com.

Security holders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record, or portfolio disclosure relating to the Fund.

Investment Objective and Strategies

The Integra Bond Fund (the “Fund”), seeks to provide conservative investors with a higher level of income than a money market fund provides, while still preserving investment capital. To meet this objective, the Fund invests primarily in a broad range of Canadian government and high quality corporate bonds with longer terms to maturity than those held in money market type funds. The Fund may hold up to 22.5% in cash or cash equivalents.

The Fund will also take advantage of opportunities for incremental returns and risk diversification through consideration of foreign pay and foreign bonds. Such fixed income securities shall not exceed 22.5% of the total portfolio.

Risk

Most of the Fund’s assets will be invested in Canadian government and investment grade corporate bonds. As a result, the Fund is exposed to interest rate risk and credit risk. The Fund may invest in foreign fixed income securities and as such, it is susceptible to foreign security risk and currency risk.

Securities lending transactions will be used in conjunction with the Fund’s other investment strategies in a manner considered most appropriate to achieve the Fund’s objectives and to enhance the Fund’s returns. Accordingly, it may be subject to securities lending risks.

Heading into 2017, there were concerns about the health of the domestic economy given soft commodity prices and concerns about the growth potential of some of the major economies around the world that purchase natural resources from Canada. Expectations were that the Bank of Canada would move slowly and in moderate fashion with regards to any short-term interest rate increases.

As it turned out, the global economy, for first time in more than a decade, demonstrated synchronized growth. Canada, with its heavy reliance on commodity exports, benefited from expansion. At the same time, the housing market in a few major urban centres maintained a robust trend. Unemployment rates trended lower. By the end of 2017, the jobless rate had declined to 5.7% from close to 7% at the previous year-end.

Inflationary pressures which had remained subdued since the credit crisis of 2008 managed to push past 2% by the end of the year. In response to rising prices and the economy gaining a more solid footing, the Bank of Canada raised its short-term policy rate twice during the summer. The two increases took the over-night rate from 0.50% to 1.00%.

As at December 31, 2017, one unitholder held approximately 33% of the outstanding units of the Fund. The purchase or redemption of a substantial number of securities of a Fund may require the manager to change the composition of the Fund’s portfolio significantly or may force the Fund’s sub-advisors to buy or sell investments at unfavourable prices, which can affect the Fund’s return.

Management Discussion of Fund Performance

Results of Operations

For the quarter, six-month and one-year periods ended December 31st, 2017, the Fund returned 1.9%, 0.2% and 2.7% respectively. In comparison, the Fund's benchmark (100% FTSE TMX Bond Universe Index) returned 2.0%, 0.1% and 2.5% for the same periods. All returns are presented in Canadian dollar terms and gross of investment management fees. Returns for periods less than one year are not annualized.

Through the first five months of 2017, the Canadian fixed income market generated decent returns. However, global fixed income markets turned weak in June, as indications became more evident that central banks were setting the stage to pare back on quantitative easing and historic low interest rates. The Canadian bond market was one of the world's weaker performers in June. That month the Bank of Canada announced an abrupt change in policy, stating interest rate hikes would be forthcoming. Bond prices declined as yields rose in anticipation of higher interest rates. Thereafter bonds recovered somewhat but were basically flat through the second half of the year.

In the fourth quarter the yield curve continued its flattening trend. While short-term rates were rising as the Bank of Canada raised its over-night rate twice, the longer end of the curve dropped slightly as demand for longer duration bonds kept a lid on long yields. Investors seeking to match the duration of their fixed income investments with their liabilities, such as pension plans and life insurers, created sufficient demand to prevent long yields from rising.

The spread between five-year and ten-year Government of Canada bonds declined from 0.34% at the end of September, to 0.17% at the end of December. During the fourth quarter, the portfolio was positioned for a steepening of the yield curve and was negatively impacted by the movement in the curve.

The spread between corporate bonds and Government of Canada bonds tightened marginally during the last three months of the year.

Provincial bond spreads tightened marginally as well. The provincial bond position was slightly underweight the benchmark weight as provincial bond spreads remained at fairly tight levels compared to Government of Canada bonds.

The Government of Canada yield curve flattened over the course of 2017. The short-end increased by 59 basis points over the 12-month period while the long-end decreased by 5 basis points during the period under review. Lincluden, the sub-advisor of the Fund, started the year with a flattener strategy in place and then removed it. In retrospect, Lincluden did it too soon and that was a drag on relative performance.

Provincial spreads over Federal issues were tight over the course of the year, even narrowing further by year-end. Accordingly, Lincluden was underweight provincial issues.

The Fund held U.S. Treasury bonds on an opportunistic basis during the first stages of 2017. However, by September the position was eliminated as the spread of the 30-year Treasury over the 30-year Canada had narrowed to less than 30 basis points. The opportunistic holding paid off as the spread narrowed from 80 basis points at the beginning of the year.

The corporate sector, in which the portfolio was overweight, had spreads narrow from 138 basis points to 107 basis points. Thus, the Fund's return benefitted from that strategy. Within the bond market, lower quality credits continued to flourish reflecting investors hunger for yield.

The Fund managed to outperform its benchmark due to the following previously mentioned factors:

- opportunistic allocation to U.S. Treasuries; and
- an overweight position to investment grade corporate issues.

Fund expenses vary period over period mainly as the result of changes in average Net Asset Values and investment activity. Overall, fund expenses were lower year over year. This was the result of a combination of a decrease in operating expenses.

The Fund had net contributions of \$36.6 million.

Recent Developments

Following the lead of the United States which raised its short-term policy rate a few times late in 2017, the Bank of Canada increased its target for the overnight rate to 1.25% in January. Economic data have been relatively strong and inflation is approaching the 2% target.

There are currently no early indications of a recession on the horizon. The global economy is strengthening with a potential expansion of 3.5% in 2018. The Trump administration expects the recently announced tax cuts will stimulate the American economy. Canada would be a significant beneficiary if that were to unfold, due to our significant trade with our southern neighbours. However, there is some uncertainty with respect to the future of the North American Free Trade Agreement (NAFTA) and where the negotiations land.

Commodity prices have gathered momentum on the back of the world economic expansion. This benefits Canada due to our energy and materials exports.

The Bank of Canada is anticipating real GDP growth to slow to 2.2% in 2018. The consumer has been more exuberant than the Bank has anticipated. However, rising interest rates should slow down housing demand. On the other hand, business investment conditions are improving.

The spread between corporate bonds and Government of Canada bonds tightened marginally during the final few months of 2017. The fund continues to maintain an overweight position in corporate bonds, with a bias to higher quality ratings. Provincial bond spreads tightened marginally as well. The provincial bond position is slightly underweight the benchmark weight as provincial bond spreads remain at fairly tight levels compared to Government of Canada bonds.

The Fund recently increased allocations to Bank of Nova Scotia, Reliance Energy and Metro, the supermarket chain.

The overall duration of the Fund is 7.15 years compared to the benchmark's 7.59 years. Thus, the Fund remains somewhat slightly less exposed to rising interest rates.

The Fund continues to be managed with a focus on quality and liquidity. The average credit rating remains at AA.

Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategies and expected performance. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to potential future events or market and economic conditions.

In addition, any statement that may be made concerning future performance, strategies or prospects and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to risks, uncertainties and assumptions about the Fund and capital market and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results may differ materially from those expressed or implied in any forward-looking statements made by the Fund. A wide range of factors may contribute to these variances, including general economic, geopolitical and market influences in Canada or globally, interest rates and currencies, capital markets, technology innovations, regulations and catastrophic events.

Investors are encouraged to consider these and other factors including their own investment objectives carefully before making any investment decisions and are urged to avoid placing undue reliance on forward-looking statements.

Additionally, investors should be aware that the Fund has no specific intention to update any forward-looking statements, whether as a result of new information and future events, prior to the release of the next Management Report on Fund Performance.

Related Party Transactions
Manager and Transfer Agent

The Fund is managed by Integra. Integra provides or arranges for the provision of all general management and administrative services rendered by the Fund in its day-to-day operations, including providing or arranging the provision of investment advice and record-keeping services for the Fund.

As a result of providing investment advisory and management services, the Fund's Manager receives management fees from the Fund's unitholders, based on the net asset value 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 Bond Fund Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past 5 years. This information is on a per unit basis and is derived from the Fund's audited annual financial statements.

Integra Bond Fund					
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net Assets, beginning of year ⁽¹⁾	\$15.89	\$17.11	\$17.19	\$16.35	\$17.49
Increase (decrease) from operations:					
Total revenue	0.46	0.52	0.55	0.57	0.60
Total expenses	(0.02)	(0.04)	(0.02)	(0.02)	(0.02)
Realized gains (losses)	(0.03)	0.99	0.16	0.04	0.26
Unrealized gains (losses)	(0.13)	(0.93)	(0.16)	0.77	(1.08)
Total increase (decrease) from operations ⁽²⁾	\$0.28	\$0.54	\$0.53	\$1.36	(\$0.24)
Distributions:					
From income (excluding dividends)	(0.43)	(0.52)	(0.37)	(0.50)	(0.57)
From dividends	—	—	—	—	—
From capital gains	—	(1.11)	(0.22)	(0.02)	(0.32)
Return of capital	—	—	—	—	—
Total Annual Distributions ⁽³⁾	(\$0.43)	(\$1.63)	(\$0.59)	(\$0.52)	(\$0.89)
Net Assets per unit, end of year ⁽¹⁾	\$15.88	\$15.89	\$17.11	\$17.19	\$16.35
<i>Ratios and Supplemental Data (Based on Pricing NAV)</i>					
Net asset values (000's)	\$91,054	\$55,240	\$161,642	\$172,570	\$157,633
Number of units outstanding	5,733,324	3,471,746	9,449,777	10,040,096	9,643,098
Expense ratio (%)	0.13%	0.21%	0.10%	0.10%	0.12%
Expense ratio before waivers or absorptions (%)	0.13%	0.21%	0.10%	0.10%	0.12%
Portfolio turnover rate (%) ⁽⁴⁾	48.24%	62.87%	40.26%	165.33%	176.35%
Trading expense ratio (%) ⁽⁵⁾	—	—	—	—	—

Ratios and Supplemental Data

Supplementary information to the Financial Highlights calculations are based on the following:

1. The information for 2017, 2016, 2015, 2014 and 2013 are derived from the Fund's financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").
2. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the period.
3. Distributions were paid in cash/reinvested in additional units of the Fund, or both.
4. The Fund's portfolio turnover rate is a measure of trading activity in a Fund's portfolio. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high portfolio turnover rate and the performance of a Fund.
5. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund's average net asset value during the year.

Management Fees

The Fund pays no management fees to Integra. For management services provided to them by Integra, clients of Integra will pay an investment management fee directly to Integra, as set out in their agreement with Integra. The amount of the investment management fee is negotiable between the client and Integra.

Integra Bond Fund Past Performance

The performance reported below assumes that all distributions made by the Fund in the year shown were reinvested in additional units of the Fund. If an investor holds the Fund outside of a registered plan, he/she will be taxed on these distributions.

How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

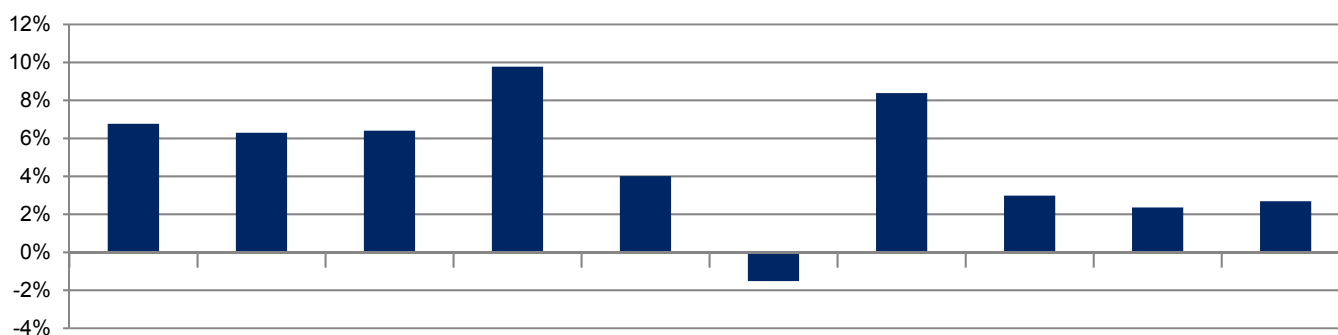
All rates of return are calculated based on Pricing NAV and are in Canadian dollars unless stated otherwise.

Fund Inception - November 27, 1996

Year-by-Year Returns

The following bar chart shows the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance was changed from year to year. In percentage terms, the bar chart shows how much an investment made on the first day of each financial year would have grown or decreased by the last day of each financial year.

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
6.76%	6.29%	6.40%	9.77%	4.01%	-1.52%	8.38%	2.98%	2.36%	2.69%



Annualized Returns

This table shows the fund's historical annualized returns for the year ending December 31, 2017.

Annualized Returns	Past 1 year	Past 3 years	Past 5 years	Past 10 Years
Integra Bond Fund	2.69%	2.68%	2.93%	4.76%
Benchmark	2.52%	2.56%	3.01%	4.67%

Benchmark

The Integra Bond Fund Benchmark reflects the market sectors in which the Fund invests.

100.0% FTSE TMX Universe Bond Index

The FTSE TMX Universe Bond Index is comprised of marketable Canadian bonds intended to reflect the performance of the broad Canadian investment grade bond market.

Integra Bond Fund
Summary of Investment Portfolio as at December 31, 2017

Asset Mix

	% of Fund's Net Asset Value
Bonds	98.61%
Short Term Notes	0.66%
Other Assets, Net of Liabilities	0.73%

Sector Mix

	% of Fund's Net Asset Value
Government of Canada	35.81%
Provincial Government	23.75%
Corporate	39.05%
Short Term Notes	0.66%

Top 25 Issuers

(excluding cash equivalents)	% of Fund's Net Asset Value
1 Government of Canada, 2.25%, 2025/06/01	12.23%
2 Government of Canada, 1.75%, 2019/09/01	9.89%
3 Government of Canada, 0.50%, 2022/03/01	8.91%
4 Province of Ontario, 3.45%, 2045/06/02	6.44%
5 Province of Ontario, 3.15%, 2022/06/02	4.62%
6 Province of Quebec, Series 'B112', 3.50%, 2045/12/01	4.47%
7 Canada Housing Trust No. 1, 2.35%, 2027/06/15	3.09%
8 Bank of Nova Scotia, 2.87%, 2021/06/04	2.89%
9 Cameco Corp., Series 'D', Callable, 5.67%, 2019/09/02	2.19%
10 Province of New Brunswick, 4.55%, 2037/03/26	2.16%
11 Province of Manitoba, 5.70%, 2037/03/05	2.08%
12 Royal Bank of Canada, 1.97%, 2022/03/02	1.78%
13 Bank of Montreal, 1.88%, 2021/03/31	1.62%
14 Bell Canada, Series 'M-24', Callable, 4.95%, 2021/05/19	1.35%
15 Province of Saskatchewan, Series 'GC', 4.75%, 2040/06/01	1.33%
16 SNC-Lavalin Group Inc., Callable, 6.19%, 2019/07/03	1.25%
17 Teranet Holdings L.P., Callable, 4.81%, 2020/12/16	1.23%
18 Westcoast Energy Inc., Callable, 4.57%, 2020/07/02	1.21%
19 Wells Fargo Financial Canada Corp., 2.94%, 2019/07/25	1.20%
20 Government of Canada, 1.00%, 2027/06/01	1.18%
21 Hydro One Inc., Callable, 5.49%, 2040/07/16	1.18%
22 Rogers Communications Inc., Callable, 4.00%, 2022/06/06	1.15%
23 Province of British Columbia, 4.30%, 2042/06/18	1.09%
24 Sun Life Financial Inc., 4.57%, 2021/08/23	0.96%
25 Enbridge Pipelines Inc., Callable, 4.45%, 2020/04/06	0.93%

Total Fund Net Asset Value: \$91,053,536

The summary of investment portfolio may change due to ongoing portfolio transactions of the investment fund. The most recent annual report, semi-annual report or quarterly report is available at no cost, by calling 1-800-363-2480, by writing to us at Integra Capital Limited, 2020 Winston Park Drive, Suite 200, Oakville, ON, L6H 6X7 or by visiting our website at www.integra.com.



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