

**Integra Equity 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](http://www.integra.com) or the SEDAR website at [www.sedar.com](http://www.sedar.com).

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

**Investment Objective and Strategies**

The Integra Equity Fund (the “Fund”), seeks to provide long-term capital growth by investing in equity securities of Canadian businesses as well as companies in the United States and outside of North America. The Fund may hold up to an aggregate of 10% in cash or cash equivalents.

The Fund invests in the securities of the Integra Canadian Value Growth Fund, the Integra U.S. Value Growth Fund, the Integra International Equity Fund and the ICL Global Equity Fund otherwise referred to as the “Underlying Funds”. The target weighting of the Fund’s investment in the Integra Canadian Value Growth Fund is 70%, in the Integra U.S. Value Growth Fund 10%, in the Integra International Equity Fund 10% and in the ICL Global Equity Fund 10% of net assets (exclusive of cash and cash equivalents), subject to a permitted deviation of 2.5% above or below the target weighting to account for market fluctuations.

The Fund employs a strategic investment strategy whereby investments in the Underlying Funds are based on target asset weightings. The target weightings allocated to each Underlying Fund and the selection of Underlying Funds are based on several factors, including impact to the Fund’s volatility, asset class diversification and investment styles.

**Risk**

Most of the Fund’s assets will be invested in Underlying Funds which invest in common shares. As a result, the Fund is exposed to stock market risk and specific issuer risk. Equity risk can be described as the potential for a decline in stock prices. The share price of a company will be impacted by various factors including profit growth, dividend policy, balance sheet leverage, quality of management, market share, product development, and technology investment.

The Underlying Funds also invest in stocks outside of Canada, with a long-term target of 30% of the holdings being shares of companies based in the United States or outside of North America. As the Underlying Funds are investing in foreign securities it will also be subject to foreign security risk and currency risk.

The Underlying Funds may also invest in American and Global Depository Receipts and would therefore be exposed to ADR/GDR risk.

The Underlying Funds held by the Integra Equity Fund may enter into securities lending transactions. Securities lending transactions will be used in conjunction with the Underlying Funds’ other investment strategies in an appropriate manner to achieve the Fund’s objectives. Accordingly, it may be subject to securities lending risks.

As is most often the case, the Canadian equity market is heavily influenced by trends and events outside our borders. Canada’s economy relies heavily on exports of natural resources and thus is impacted by the level of activity outside of our borders, particularly the United States. The new administration in Washington was quick to pronounce an aggressive agenda some of which was expected to have a significant impact on Canada. Opening up the North American Free Trade

Agreement (NAFTA) for renegotiations as President Trump promised better trade terms to his constituents and plans for heavy infrastructure spending had implications for Canadian exports.

President Trump's push for improved trade terms, increased spending along with tax reform and deregulation was expected to enhance American consumer demand and contribute to the global expansion. However, it became evident the new President, unlike his previous role on a reality television show, could not make his wishes come true in a timely fashion.

While the U.S. economy and most other regions experienced stable growth, the oil and gas industry remained challenged due to an overhang of supply. American fracking technology and OPEC's inability to abide by production quotas kept energy prices depressed. Additionally, concerns about overheating in the housing market and well-publicized issues at Home Capital resulted in the Canadian stock market being one of the weaker performers through the first six months of 2017.

As the global expansion demonstrated sustainability illustrated by lower jobless rates, growing manufacturing activity and improving consumer spending around the world, Canadian stocks began to participate in the global equity rally through the second half of the year.

Nonetheless, with central banks around the world, including the Bank of Canada, shifting away from easy monetary policies, stock valuations were somewhat stretched by the end of the year. In response to rising prices and the domestic economy gaining 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%.

In the United States, where the Federal Reserve has increased its policy interest rate four times since December 2016, overall financial conditions, as measured by the Chicago Fed Financial Conditions Index, have eased to a 24-year low. The Fed at the same time has been reducing its balance sheet. Yet aggregate central bank balance sheets have continued to expand over the course of 2017, ensuring a steady flow of liquidity into financial markets. In this sense, on a global basis, monetary tightening has not yet begun.

December brought President Trump's first meaningful piece of legislation. While Trump initially promised tax reform for the middle classes, a number of think tanks suggest that the benefits of the tax bill are skewed to the wealthy, leaving Republicans to sell the tax cuts to the public on the basis of supposed economic benefits. According to the White House, the reduction of the corporate tax rate from 35% to 21% will address America's uncompetitive tax rate, encourage investment and generate an increase in jobs and wages.

With no guarantee that any corporate tax windfall will be used to fund investment, perhaps it will be ploughed back into the capital markets, funding buybacks and boosting shareholder returns. If so, then this tax cut will amount to little more than a continuation of the trickle-down economic policies that have contributed to the elevated levels of income and wealth inequality that are in part responsible for the current political upheaval. While little can be said with certainty about the economic impacts of these tax cuts, the one thing that looks certain is that they are set to increase the U.S. fiscal deficit, with the resulting higher debt amounting to a burden on the economic future.

Overseas equity markets enjoyed a very positive year during 2017. Robust returns with minimal volatility was the perfect scenario for most investors to witness significant growth in their portfolios. Investors' "rational exuberance" was driven by a combination of synchronized global growth, relatively low interest rates and rising corporate profits.

The strength in the Eurozone was a major surprise in 2017. The stronger euro was a benefit for Canadians holding investments in that region. The manufacturing data coming out of France and Germany was quite impressive. The employment picture is demonstrating significant improvement. Quarterly GDP is coming in close to the peak since 2007.

However, there remain some uncertainties. Political angst will remain with new Italian elections on March 4 and the feud between Catalonia and Spain. Business leaders in the United Kingdom are becoming impatient as the government appears to be in a quandary regarding lack of transparency concerning the timing and the details surrounding Brexit. At the same time the Bank of England raised its base interest rate in November after ten years of easing monetary policy.

The Japanese economy experienced better than expected growth, however, the higher level of activity was largely export-driven, despite initiatives to encourage domestic consumer spending. Japan will be challenged to maintain its recent growth rate. Inventories have been building in recent months which, coupled with a low unemployment rate, suggests there is not much slack in the system.

In China, officials continue to manage risks with a combination of policymaking, reforms and public investment. However, non-financial sector debt is at unsustainable levels.

India enjoyed economic growth in 2017 almost on par with China. The country has bounced back after some slowing in 2016. Yet Prime Minister Modi's party won a regional election by a smaller margin than expected. Thus, there are some concerns about the support for his economic reform agenda.

In the smaller developing economies, prospects for the individual markets continue to vary based on a range of variables, including a country's relationship to fluctuating commodity prices, monetary policy changes and geopolitical tensions.

On December 31, 2017, one client's plan members held 59% of the Fund's outstanding units. 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-advisor 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 fourth quarter, six-month and one-year periods ended December 31st, the Fund recorded returns of 4.5%, 6.6% and 9.1%, respectively. In comparison, the Fund's benchmark (70% S&P/TSX Composite Index, 15% Russell 1000 Index and 15% Morgan Stanley Capital International – Europe, Australasia and Far East (Net) Index) experienced returns of 4.8%, 7.8% and 10.9% 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.

The Fund's Canadian equity holdings kept pace with their respective benchmark. However, the portfolio fell short with respect to holdings in stocks overseas and in the United States. In many instances, macro events led to lower quality stocks with lacking earnings visibility and leveraged balance sheets being the best performers. These types of stocks are generally less attractive to the sub-advisors of the Fund. Accordingly, the Fund consistently lagged its benchmark throughout the year.

Outside of Canada, global equity markets broadly performed quite well in 2017. Macroeconomic data and corporate news flow were broadly supportive, with global economic growth exhibiting greater geographic breadth. An increased risk appetite, largely driven by growing confidence based on a synchronized global expansion coupled with President Trump's push for deregulation, expectations for increased infrastructure spending and a much anticipated new tax bill provided stock investors with renewed optimism.

The Fund's domestic stock performance was a laggard over the course of 2017. The major detriment to relative performance was the Energy sector. The portfolio was overweight Canadian oil and gas stocks. The price of oil fell 20% during the first half of the year putting substantial pressure on valuations. In addition to being above market weight in this area, stock selection also had a negative impact. Holdings such as Peyto Exploration & Development, Raging River Exploration and Whitecap Resources hampered the Fund's nominal and relative performance.

The Fund's American equity allocation was negatively impacted by stock selection in two areas: Information Technology and Consumer Discretionary. The Fund did not hold Facebook and Alphabet in the Information Technology space along with a few other high flyers such as Nvidia.

The portfolio's international component added value both on a geographic basis as well as due to its stock selection. Japanese stocks in the Fund performed particularly well relative to the benchmark. Shares of TechnoPro rose against

favourable supply and demand backdrop in its area of the labour market. Other strong Japanese performers in the Fund included Sony and Recruit Holdings.

Companies based in Germany and Hong Kong held in the Fund also added value. Infineon Technologies is a European chipmaker with exposure to the secular growth areas to meet industrial and automotive chip sectors as well as chips for security cards. The Fund holds Man Wah and AIA Group which are based in Hong Kong and were strong performers during the past twelve months.

Fund expenses vary period over period mainly as the result of changes in average Net Asset Values and investment activity. Total expenses decreased slightly in 2017.

The Fund experienced net redemptions of \$794 thousand during 2017.

## **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 spur on 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 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.

While expanding valuations contributed to 2017 returns, this is in line with historic averages in a lower interest rate and lower inflation environment.

While market observers are quick to point out that since March 2009, stocks have been in a bull market, there have been periods as recently as January 2016 and August 2015 when there have been significant pullbacks. In each case though, the duration of the retreat was relatively short.

The global economy is finally experiencing a synchronized expansion a decade after the credit crisis. Benign inflation will enable policymakers to raise interest rates gradually. However, investors more recently have demonstrated additional wariness regarding the frequency and magnitude of the U.S. Federal Reserve's planned rate hikes in 2018. A continuation of rising short-term policy rates would likely boost bond yields. Such a shift could trigger a double squeeze on markets, via some compression in valuations and concerns over future corporate earnings growth. Equities trading at more reasonable multiples with healthy balance sheets and consistent earnings growth would be expected to outperform in such an environment.

While valuations in equity markets are stretched, there remain opportunities within the market. Higher quality companies with healthy balance sheets and more predictable earnings growth are in many cases not over-valued at their current prices. On the other hand, stocks which have dominated the markets over the past 18 months or so, are likely to be challenged in an environment of rising interest rates which will lead to both compressing price multiples and more pressure on leveraged balance sheets.

Positions that are new or have been increased in the Fund's underlying portfolios include BRP Inc., the maker of recreational vehicles for land and water, Intact Financial Corp and Royal Bank of Canada. Outside of Canada, new names

include Stanley, Black & Decker, a global leader in power tools; Comcast, a media & communications company; Broadcom, a semiconductor manufacturer; Exact Sciences, which has developed a technology for a non-invasive screening test for colorectal cancer and PRA Health Services, a global contract research organization serving health care companies and Vodafone.

### **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, Portfolio 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 Equity 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.

<b>Integra Equity Fund</b>					
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net Assets, beginning of year <sup>(1)</sup>	\$18.87	\$17.23	\$16.91	\$15.51	\$13.05
<b>Increase (decrease) from operations:</b>					
Total revenue	0.46	0.47	0.46	0.41	0.33
Total expenses	(0.18)	(0.10)	(0.07)	(0.06)	(0.03)
Realized gains (losses)	1.04	2.38	1.50	1.12	0.67
Unrealized gains (losses)	0.33	(1.27)	(1.15)	0.43	1.82
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>\$1.65</b>	<b>\$1.48</b>	<b>\$0.74</b>	<b>\$1.90</b>	<b>\$2.79</b>
<b>Distributions:</b>					
From income (excluding dividends)	—	—	—	—	(0.05)
From dividends	(0.11)	(0.35)	(0.39)	(0.38)	(0.27)
From capital gains	—	—	—	—	—
Return of capital	—	—	—	(0.17)	—
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>(\$0.11)</b>	<b>(\$0.35)</b>	<b>(\$0.39)</b>	<b>(\$0.55)</b>	<b>(\$0.32)</b>
<b>Net Assets per unit, end of year<sup>(1)(4)</sup></b>	<b>\$20.30</b>	<b>\$18.87</b>	<b>\$17.23</b>	<b>\$16.91</b>	<b>\$15.51</b>
<b>Ratios and Supplemental Data (Based on Pricing NAV)</b>					
Net asset values (000's)	\$5,342	\$5,769	\$14,240	\$14,929	\$15,932
Number of units outstanding	263,205	304,717	826,578	882,898	1,027,427
Expense ratio (%)	1.31%	0.76%	0.60%	0.63%	0.48%
Expense ratio before waivers or absorptions (%)	1.31%	0.76%	0.60%	0.63%	0.69%
Portfolio turnover rate (%) <sup>(4)</sup>	23.12%	10.83%	14.27%	16.77%	14.86%
Trading expense ratio (%) <sup>(5)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%

### 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 Equity 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.

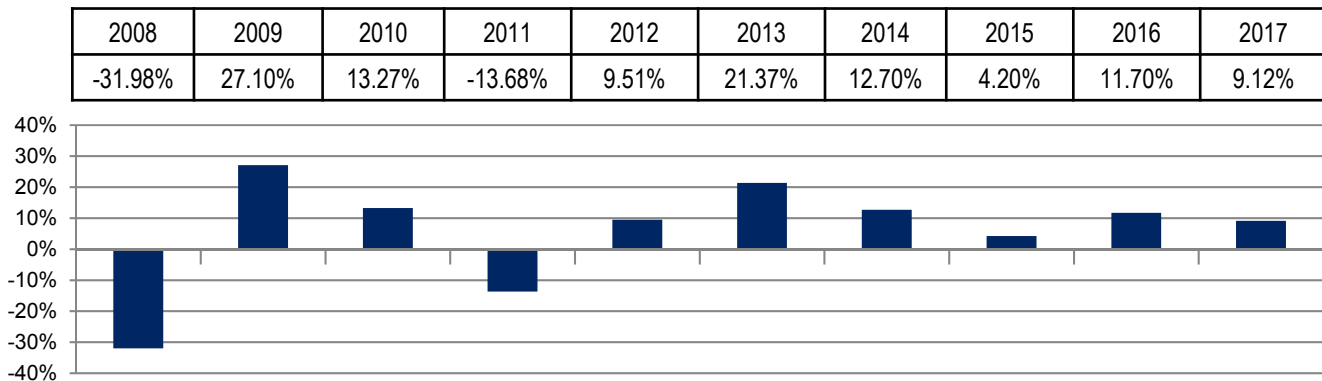
How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

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.



### 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 Equity Fund	9.12%	8.30%	11.68%	4.87%
Benchmark	10.95%	8.49%	11.25%	5.82%

### Benchmark

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

70%	S&P/TSX Composite Index
15%	Russell 1000 Index
15%	Morgan Stanley Capital International EAFE (ND) Index*

\*EAFE - European, Australasian, and Far East Index

The S&P/TSX Composite Index (Total Return) is a total return index that tracks the performance of some of the largest and most widely held stocks listed on the Toronto Stock Exchange.

The Russell 1000 Index consists of the largest 1000 companies in the Russell 3000 Index. This index represents the universe of large capitalization stocks from which most active money managers typically select.

The MSCI EAFE (ND) Index is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. It consists of approximately 21 European, Australasian, and Far East country indices. Indices with net dividends reinvested use the same dividend minus-tax-credit calculations, but subtract withholding taxes retained at the source for foreigners who do not benefit from a double taxation treaty.

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

**Asset Mix**

	% of Fund's Net Asset Value
Canadian Equities	64.46%
U.S. Equities	12.28%
International Equities	11.63%
Global Equities	11.83%
Other Assets, Net of Liabilities	(0.20%)

**Canadian Sector Mix**

(Integra Canadian Value Growth Fund)	% of Investee Fund's Net Asset Value
Consumer Discretionary	5.27%
Consumer Staples	4.06%
Energy	17.70%
Financials	35.81%
Health Care	0.24%
Industrials	11.02%
Information Technology	6.42%
Materials	9.61%
Real Estate	1.16%
Telecommunication Services	4.52%
Utilities	3.15%

**US Sector Mix**

(Integra US Value Growth Fund)	% of Investee Fund's Net Asset Value
Consumer Discretionary	13.53%
Consumer Staples	6.77%
Energy	6.01%
Financials	9.83%
Health Care	10.47%
Industrials	9.48%
Information Technology	21.44%
Materials	5.19%
Real Estate	2.29%
Telecommunication Services	0.99%

**EAFE Country Mix**

(Integra International Equity Fund)	% of Investee Fund's Net Asset Value
Brazil	0.37%
China	2.84%
France	6.58%
Germany	14.58%
Hong Kong	3.59%
India	1.56%
Ireland	3.71%
Japan	28.98%
Netherlands	9.08%
Norway	1.12%
Portugal	1.08%
South Korea	1.50%
Switzerland	8.20%
United Kingdom	14.61%

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](http://www.integra.com).



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

**Global Country Mix**

(ICL Global Equity Fund)	% of Investee Fund's Net Asset Value
Canada	2.81%
France	3.53%
Germany	5.40%
Hong Kong	2.75%
Ireland	4.64%
Israel	0.01%
Japan	8.89%
Netherlands	7.52%
Norway	0.82%
South Korea	1.20%
Switzerland	6.51%
Thailand	0.74%
United Kingdom	8.85%
United States	42.61%

**Top 4 Issuers**

(excluding cash equivalents)	% of Fund's Net Asset Value
1 Integra Canadian Value Growth Fund	64.46%
2 Integra U.S. Value Growth Fund	12.28%
3 ICL Global Equity Fund	11.83%
4 Integra International Equity Fund	11.63%

**Total Fund Net Asset Value: \$5,341,738**

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