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### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan 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, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

# Management Report of Fund Performance

## Introduction

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust Plan II (“the Plan”). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at [www.cst.org](http://www.cst.org) or SEDAR at [www.sedar.com](http://www.sedar.com), or by calling our customer service area at 1-877-333-7377, or by writing to us at 2225 Sheppard Avenue East, Suite 600, Toronto, Ontario M2J 5C2.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as important contributors to overall corporate performance and long-term investment returns, and as such we support the proxy voting guidelines established by our investment managers. Investment restrictions contained in Canadian Securities Administrators’ policy, as well as the Foundation’s investment policy, result in the Plan primarily investing in federal and provincial government fixed income securities. As a result, proxy voting is not applicable at this time.

## Investment Objective and Strategy

The Plan invests in a prudent manner, with a focus over the long term to protect your principal and deliver a positive return on your investment. The Plan invests primarily in fixed income securities issued by the Canadian federal or provincial governments, as well as money market securities issued by Canadian chartered banks and federally or provincially licensed trust and loan companies.

MFS McLean Budden manages the Plan’s assets and focuses on strategies where value can be added on a sustainable basis while meeting the short to medium-term cash flow requirements of the Plan.

## Risk

The overall risk of the Plan remains as described in the prospectus. There were no material changes to the Plan over the financial year that affected the level of risk.

## Results of Operation

For 2012, the Plan’s rate of return, net of fees, was 0.1% compared to the investment policy benchmark (“benchmark”) return of 1.1% and the broad-based DEX 91-Day Treasury Bill Index return of 1.0%. The Plan’s return is after the deduction of fees and expenses of 1.0%, while the benchmark and broad-based index returns do not include any costs of investing such as fees, expenses and commissions. The DEX 91-Day Treasury Bill Index (“Index”) is based upon the average daily yield of 91-Day Treasury Bills.

Given the Plan’s liabilities and expected maturity payout profile, the composition of Plan’s assets are managed to meet the cash flow requirements of Planholders over a longer time horizon than the duration of the broad-based Index. As a result, the benchmark used for this Plan is a blended benchmark comprising 80% of the DEX 91-Day Treasury Bill Index and 20% of the DEX Short-Term Government Bond Index. The DEX Short-Term Government Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Government of Canada, including Crown Corporations and provincial governments, with maturities between 1 and 5 years.

Over the past year, investor confidence continued to be impacted by uncertainty within the global economy. The ongoing struggle within the European Union to stabilize a number of member

economies, especially those of Greece and Spain, sent the region back into a recession. The United States continued to use monetary stimulus programs that placed downward pressure on long-term interest rates, in an effort to maintain the economy’s positive growth. The strains of the global financial markets and sizable household debt and public deficits, continue to pose some risks to the sustainable momentum of the U.S. economic recovery.

Canada’s economic activity expanded modestly with GDP growth of 1.8% and 1.9% in first and second quarters of the year. However, in the third quarter of 2012, GDP slowed to 0.6% as exports and business investment declined, and federal and provincial governments exercised restraint over expenditures. In July 2012, the federal government imposed tighter mortgage rules which aimed to ease demand in the overvalued Canadian housing market. Excessive household debt levels, combined with ongoing uncertainty with the U.S. economic recovery and European sovereign debt crisis will continue to moderate Canadian GDP growth in the fourth quarter of 2012.

Short-term Canadian government bond yields fluctuated throughout the year. In February 2012 yields rose with news of new monetary policy measures in Europe and positive U.S. and Canadian economy data. Yields peaked in April and then subsequently declined after solvency concerns for Spain and Greece resurfaced. Short-term bond yields ended the year slightly lower, as European leaders settled on austerity policies to support its struggling national economies. Canada maintained its AAA credit rating throughout the global economic slowdown, and government bonds continued to attract investors searching for safety. Canadian money market yields remained unchanged for the year as the Bank of Canada maintained its policy overnight rate at 1.0%.

At October 31, 2012, 80.5% of the Plan assets were invested in Cash and Money Market Securities and 19.5% in Short and Mid-Term Bonds.

## Recent Developments and Other Information

Looking beyond 2012, the economic expansion in the U.S. is expected to continue at a steady pace provided policymakers resolve the so called “fiscal cliff” issues — the scheduled simultaneous expiry of tax cuts and government spending — that if unresolved, may send

the U.S. economy back into a recession. Europe will face stagnant economic growth prospects while it continues to address the structural adjustments required within European Union member countries and implement necessary austerity measures. Central banks around the world continue to aggressively maintain interest rates at low levels in order to keep the global recovery on track.

In October 2012, the Bank of Canada indicated that some modest withdrawal of the monetary policy stimulus will likely be required in the future, however, it will weigh global and domestic economic developments, before raising interest rates. Economists are looking to strong business investment, improved exports and consumer spending, rather than government expenditures and residential investment, to drive Canadian economic growth next year. Unemployment is expected to gradually decline throughout 2013.

We are confident that our investment strategy and conservative management approach will continue to provide value. Our goal, as always, is to provide safety of principal and deliver competitive returns for our contributors and beneficiaries.

#### ***Future Accounting Standards***

In February 2008 the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In December 2011, the AcSB amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date to years beginning on or after January 1, 2014. Therefore, IFRS will replace Canadian GAAP and become effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2015 with comparatives. We are taking the following steps to transition to IFRS:

- Identification of areas where changes in disclosure will be required under IFRS;
- Identification of operational areas impacted by the adoption of IFRS;
- Identification of major differences between current accounting policies and IFRS;
- Assessment of current reporting systems and their readiness for IFRS implementation; and
- Implementation of an IFRS transition plan.

## Financial and Operating Highlights (with comparative figures)

The following table shows key financial data for the Plan and is intended to help you understand the financial results for the past five fiscal years ended October 31.

(\$ thousands)	2012	2011	2010	2009	2008
<b>Statement of Net Assets</b>					
Total Assets	\$ 16,145	\$ 17,012	\$ 18,977	\$ 22,967	\$ 36,343
Net Assets	5,634	6,934	10,865	19,412	31,771
% Change of Net Assets	(18.8)%	(36.2)%	(44.0)%	(38.9)%	(40.7)%
<b>Statement of Investment Operations</b>					
Net Investment Income	\$ 127	\$ 199	\$ 200	\$ 2,194	\$ 892
<b>Statement of Changes in Net Assets</b>					
Education Assistance Payments	\$ (604)	\$ (1,355)	\$ (3,157)	\$ (7,814)	\$ (15,294)
Government Grants Repaid (net of receipts)	(244)	(124)	(12)	(107)	(10)
Government Grant Payments to Beneficiaries	(21)	(43)	(109)	(261)	(493)
<b>Other</b>					
Total number of units	1,769	8,462	20,196	37,617	64,597
% Change in the total number of units	(79.1)%	(58.1)%	(46.3)%	(41.8)%	(37.0)%

## Management Fees

### Administration Fees

An administration fee of \$17 thousand (2011 – \$19 thousand) comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation, the sponsor and administrator of the Plan, in accordance with contributors' Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government Grants, plan modifications, terminations, maturities and Education Assistance Payments ("EAPs"). The annual administration fee is calculated as ½ of 1% of the total amount of Principal, Government Grants and income in the contributors' accounts, which is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan's Investment Fund Manager in Ontario and Scholarship Plan Dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

### Portfolio Management Fees

The Plan's annual investment management fee is 0.12% (2011 – 0.12%) of the weighted average monthly assets. The portfolio managers provide investment advisory and discretionary managed account services with respect to purchasing, selling, and dealing in securities.

Included in the Plan's portfolio management fees is an allocation for the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone"). As at October 31, 2012, one director of the Foundation was a member of the Board of Greystone. This director did not have any beneficial ownership of Greystone equity. The director does not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan, nor vote on any resolutions recommended by the Investment Committee of the Foundation. The portfolio management fees in the Statements of Investment Operations include fees paid or payable to Greystone Managed Investment Inc. of \$1 thousand (2011 – \$1 thousand).

### Trustee and Custodian Fees

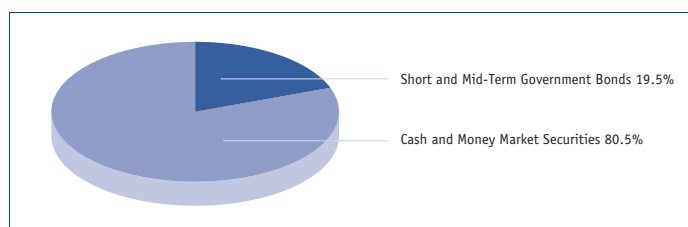
The Plan pays trustee and custodian fees to RBC Investor Services Trust to settle all investment trades and disburse fees, EAPs and other amounts in accordance with the terms of the Plan Agreement. For 2012 these fees charged to the Plan amounted to \$5 thousand (2011 – \$6 thousand) and are 0.06% (2011 – 0.06%) of the weighted average monthly assets.

## Summary of Plan Investment Portfolio

The Plan's Total Portfolio Assets are comprised of the principal and accumulated investment income on all education savings plan agreements that have not reached their maturity date. The income earned on the Plan's pre-maturity assets is the main component in determining the value of EAPs to be paid to Plan beneficiaries. Government Grant assets and related investment income are specific to each beneficiary. Any payments to beneficiaries from Government Grant assets are treated as separate payments and not included in EAP values paid out. Furthermore, income earned on Scholarship Pool assets is allocated to eligible beneficiaries collecting EAP payments that year on a pro-rata basis. As a result, the Plan's Total Portfolio Assets as presented reflect the pre-maturity assets and does not include the allocation of assets from the Government Grants and Scholarship Pool belonging to this Plan.

The following chart illustrates the Plan's Total Portfolio assets by appropriate investment categories.

### Asset Mix as at October 31, 2012



The following table details the top 19 long positions in the Plan. The Plan is prohibited from holding short positions in securities.

Issuer	Rate	Maturity Date	Fair Value (\$ 000's)	% of Plan Portfolio Assets
Province of Ontario	5.00%	08 Mar 2014	63	2.1%
Province of Ontario	3.25%	08 Sep 2014	62	2.0%
Province of Quebec	5.50%	01 Dec 2014	60	1.9%
Government of Canada	1.75%	01 Mar 2013	55	1.8%
Province of British Columbia	4.65%	18 Dec 2018	52	1.7%
Government of Canada	2.50%	01 Jun 2015	48	1.5%
Government of Canada	3.00%	01 Jun 2014	46	1.5%
Government of Canada	2.50%	01 Sep 2013	40	1.3%
Province of British Columbia	4.25%	18 Jun 2014	37	1.2%
Canada Housing Trust	2.45%	15 Dec 2015	26	0.8%
Government of Canada	3.75%	01 Jun 2019	17	0.6%
Canada Housing Trust	2.75%	15 Dec 2014	15	0.5%
Government of Canada	1.50%	01 Dec 2012	15	0.5%
Province of Quebec	4.50%	01 Dec 2020	11	0.4%
Province of Quebec	5.00%	01 Dec 2015	11	0.4%
Province of Ontario	4.40%	08 Mar 2016	11	0.4%
Government of Canada	3.50%	01 Jun 2013	10	0.3%
Government of Canada	1.50%	01 Sep 2017	10	0.3%
Government of Canada	1.50%	01 Jun 2023	10	0.3%

**Top long positions as a percentage of Plan portfolio assets** **19.5%**

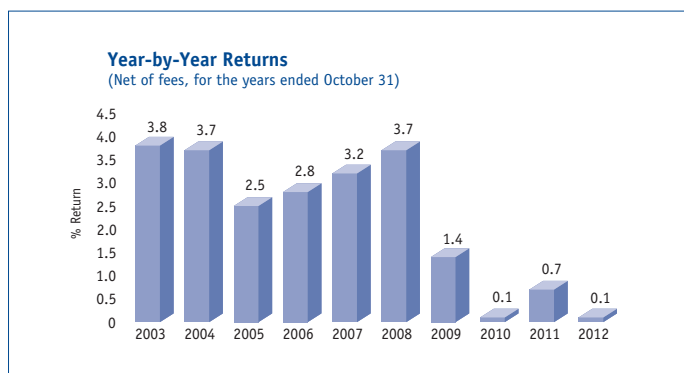
## Past Performance

Our investment philosophy has always been to safeguard our contributors' investments while providing stable and consistent returns.

Past performance of the Plan is set out in the following chart and the annual compound returns table and is based on the growth in assets over the term of the Plan to maturity. The returns presented are based on the income earned on the Plan's investment portfolio only and do not reflect the investment income or allocation of assets from the Government Grants and Canadian Scholarship Pools. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart illustrates the Plan's annual performance in each of the past ten years to October 31, 2012. The chart illustrates in percentage terms how much an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year:



### Annual Compound Returns

The following table illustrates the Plan's annual compounded returns, for the periods shown ended on October 31, 2012:

The Plan's benchmark is comprised of:

- 80% DEX 91-Day Treasury Bill Index\*
- 20% DEX Short-Term All Government Bond Index\*

The broad-based index is the DEX 91-Day Treasury Bill Index.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
<b>Net Plan Return</b>	<b>0.1</b>	<b>0.3</b>	<b>1.2</b>	<b>2.2</b>
<b>Benchmark*</b>	<b>1.1</b>	<b>1.2</b>	<b>2.0</b>	<b>2.7</b>
<b>Broad-based index: DEX 91-Day Treasury Bill Index*</b>	<b>1.0</b>	<b>0.8</b>	<b>1.4</b>	<b>2.3</b>

\* Note: Investors cannot invest in the index without incurring fees, expenses and commissions, which are not reflected in the index returns.

# Management's Responsibility for Financial Reporting

The accompanying financial statements of Canadian Scholarship Trust Plan II (the "Plan") are prepared by management and are approved by the Board of Directors of the Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Board of Directors and Members of the Foundation its opinion on the financial statements. Its report is set out below.



**Sherry J. MacDonald, CA**  
President and Chief Executive Officer



**Joe Spagnuolo, CA**  
Chief Financial Officer and Treasurer

Toronto, Ontario  
January 4, 2013

## Independent Auditor's Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation

We have audited the accompanying financial statements of Canadian Scholarship Trust Plan II, which comprise the statements of net assets available for education assistance payments as at October 31, 2012 and 2011, and the statements of investment operations, statements of changes in net assets available for education assistance payments and statements of cash flows for the years then ended, and 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 Canadian generally accepted accounting principles, 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.

### Auditor's 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 the auditor's 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, the auditor considers 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.

### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Canadian Scholarship Trust Plan II as at October 31, 2012 and 2011 and the results of its operations, changes in its net assets and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants  
Licensed Public Accountants  
January 4, 2013

# Statements of Net Assets Available for Education Assistance Payments

As at October 31, 2012 and 2011 (in thousands of dollars)

	2012	2011
<b>Assets</b>		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 4,052	\$ 4,482
Cash and cash equivalents	5,955	3,310
Short-term investments	5,991	9,080
Accrued interest and other receivables	147	126
Receivables for securities sold	-	14
	<b>16,145</b>	<b>17,012</b>
<b>Liabilities</b>		
Accounts payable, accrued liabilities and unclaimed contributors' funds	10,422	9,712
Payables for securities purchased	1	24
Contributors' deposits <i>(Schedule II)</i>	88	342
	<b>10,511</b>	<b>10,078</b>
<b>Net Assets Available for Education Assistance Payments</b>	<b>5,634</b>	<b>6,934</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated interest held for future education assistance payments <i>(Schedule II)</i>	4,114	4,433
Government grants	528	796
Interest on government grants	652	610
General Fund <i>(Note 6)</i>	297	1,053
<b>Unrealized Gains</b>	<b>43</b>	<b>42</b>
	<b>\$ 5,634</b>	<b>\$ 6,934</b>

Approved on behalf of the Board of Canadian Scholarship Trust Foundation



Colin E. Litton, FCA  
Director



Sherry J. MacDonald, CA  
Director



# Statements of Investment Operations

For the years ended October 31, 2012 and 2011 (in thousands of dollars)

	2012	2011
<b>Income</b>		
Interest income	\$ 164	\$ 204
Realized (losses) gains	(6)	31
	<b>158</b>	<b>235</b>
<b>Expenses</b>		
Plan administration and processing fees <i>(Note 3(a))</i>	13	14
Financial reporting <i>(Note 3(a))</i>	4	5
Portfolio management fees	9	11
Custodian fees	1	1
Trustee fees	4	5
	<b>31</b>	<b>36</b>
<b>Net Investment Income</b>	<b>127</b>	<b>199</b>
<b>Increase (decrease) in Unrealized Gains</b>	<b>1</b>	<b>(19)</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>\$ 128</b>	<b>\$ 180</b>

# Statements of Changes in Net Assets Available for Education Assistance Payments

For the years ended October 31, 2012 and 2011 (in thousands of dollars)

	2012	2011
<b>Net Assets Available For Education Assistance Payments, Beginning of Year</b>	<b>\$ 6,934</b>	<b>\$ 10,865</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>128</b>	<b>180</b>
Transfers to internal and external plans	(521)	(2,522)
	<b>(393)</b>	<b>(2,342)</b>
<b>Disbursements</b>		
Government grants repaid (net of receipts)	(244)	(124)
Payments to beneficiaries		
Education assistance payments <i>(Schedule III)</i>	(604)	(1,355)
Government grants	(21)	(43)
Return of interest	(38)	(67)
	<b>(663)</b>	<b>(1,465)</b>
<b>Total Disbursements</b>	<b>(907)</b>	<b>(1,589)</b>
<b>Decrease in Net Assets Available for Education Assistance Payments</b>	<b>(1,300)</b>	<b>(3,931)</b>
<b>Net Assets Available for Education Assistance Payments, End of Year</b>	<b>\$ 5,634</b>	<b>\$ 6,934</b>

# Statements of Cash Flows

For the years ended October 31, 2012 and 2011 (in thousands of dollars)

	2012	2011
<b>Operating Activities</b>		
Increase in Net Assets from Investment Operations	\$ 128	\$ 180
Net proceeds from investment transactions	3,505	933
Items not affecting cash		
Realized losses (gains) on sale of investments	6	(31)
Increase (decrease) in Unrealized Gains	(1)	19
Change in non-cash operating working capital		
Increase in Accrued interest and other receivables	(21)	(7)
Increase in Accounts payable, accrued liabilities and unclaimed contributors' funds	710	2,510
<b>Cash flow from Operating Activities</b>	<b>4,327</b>	<b>3,604</b>
<b>Financing Activities</b>		
Transfers to internal and external plans	(521)	(2,522)
Government grants repaid (net of receipts)	(244)	(124)
Decrease in Contributors' deposits <i>(Schedule II)</i>	(254)	(564)
Payments to beneficiaries	(663)	(1,465)
<b>Cash flow from Financing Activities</b>	<b>(1,682)</b>	<b>(4,675)</b>
<b>Net increase (decrease) in Cash and cash equivalents</b>	<b>2,645</b>	<b>(1,071)</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>3,310</b>	<b>4,381</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 5,955</b>	<b>\$ 3,310</b>

# Schedule I – Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>			
<b>Federal – 9.5%</b>			
Government of Canada			
1.50% 1 Dec 2012	15	15	15
1.75 1 Mar 2013	55	55	55
3.50 1 Jun 2013	10	10	10
2.50 1 Sep 2013	40	40	41
3.00 1 Jun 2014	45	46	46
2.50 1 Jun 2015	45	48	47
1.50 1 Sep 2017	10	10	10
3.75 1 Jun 2019	15	17	17
1.50 1 Jun 2023	10	10	10
Canada Housing Trust			
2.75 15 Dec 2014	15	15	15
2.45 15 Dec 2015	25	26	26
		292	292
<b>Provincial – 10.0%</b>			
Province of British Columbia			
4.25 18 Jun 2014	35	37	37
4.65 18 Dec 2018	45	52	49
Province of Ontario			
5.00 8 Mar 2014	60	63	63
3.25 8 Sep 2014	60	62	62
4.40 8 Mar 2016	10	11	11
Province of Quebec			
5.50 1 Dec 2014	55	60	60
5.00 1 Dec 2015	10	11	11
4.50 1 Dec 2020	10	11	10
		307	303
<b>Total Fixed Income Investments – 19.5%</b>		<b>599</b>	<b>595</b>
<b>Cash and Short-term Investments – 80.5%</b>		2,470	2,470
<b>Total Portfolio Assets – 100.0%</b>		<b>3,069</b>	<b>3,065</b>
<b>Investments Allocation (Note 4)</b>			
<b>Government Grants (Appendix I)</b>		442	403
<b>Canadian Scholarship Trust</b>			
<b>Scholarship Pool (Appendix II)</b>		3,011	3,011
<b>Cash and Short-term</b>			
<b>Investments (Appendices I, II)</b>		9,476	9,476
<b>Total Investment Fund</b>		<b>15,998</b>	<b>15,955</b>
<b>Represented by:</b>			
<b>Investments, at fair value</b>		4,052	
<b>Cash and cash equivalents</b>		5,955	
<b>Short-term Investments</b>		5,991	
		<b>15,998</b>	

The accompanying notes are an integral part of these financial statements.

## Schedule II – Contributors’ Deposits and Accumulated Interest

As at October 31, 2012 and 2011 (in thousands of dollars)

The following table provides a summary of Plan II units, Contributors’ Deposits and Accumulated Interest by year of eligibility:

Year of Eligibility	Opening Units	Inflow Units <sup>1</sup>	Outflow Units <sup>2</sup>	Closing Units	Contributors’ Deposit	Accumulated Interest <sup>3</sup>
2011 and prior to 2011	8,442	8	6,707	1,743	\$ 87	\$ 4,097
2012	10	6	–	16	–	9
2013	10	–	–	10	1	3
2014 and thereafter	–	–	–	–	–	5
<b>TOTAL</b>	<b>8,462</b>	<b>14</b>	<b>6,707</b>	<b>1,769</b>	<b>\$ 88</b>	<b>\$ 4,114</b>

1 Inflow units are comprised of additional units and transfers in.

2 Outflow units are comprised of maturities, terminations, transfers out and education assistance payments.

3 Accumulated interest represents both interest allocated to contributors’ accounts and interest held for future education assistance payments.

The changes in Contributors’ deposits are as follows:

	2012	2011
Inter-plan principal transfers	\$ (47)	\$ (46)
Return of principal	(207)	(518)
Net decrease in Contributors’ deposits	(254)	(564)
<b>Balance, Beginning of Year</b>	<b>342</b>	<b>906</b>
<b>Balance, End of Year</b>	<b>\$ 88</b>	<b>\$ 342</b>

## Schedule III – Education Assistance Payments

As at October 31, 2012 and 2011 (in thousands of dollars, except for per unit amounts)

The following tables provide the total dollar payments, number of eligible units paid, and the education assistance payment amounts by year of eligibility.

<b>Education Assistance Payments</b>	<b>2012</b>	<b>2011</b>	<b>Education Assistance Payments</b>	<b>2012</b>	<b>2011</b>
Current year payments	\$ 29	\$ 80	Non-Discretionary	\$ 604	\$ 1,355
Deferred payments	573	1,275			
Advance payments	2	-			
	<b>\$ 604</b>	<b>\$ 1,355</b>			

	<b>Number of Education Assistance Payment units Year of Eligibility</b>			<b>Amount of Education Assistance Payment per unit Year of Eligibility</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
First	12.0	38.0	71.0	\$ 330	\$ 289	\$ 327
Second		14.0	51.4		353	280
Third			42.0			473

# Notes to the Financial Statements

October 31, 2012 and 2011 (in thousands of dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Plan II (“Plan II” or the “Plan”) is a Pooled Education Savings Plan that was established on December 1, 1979. The objective of Plan II is to assist parents and others to save for the post-secondary education of children. Plan II is managed by C.S.T. Consultants Inc. (“C.S.T.C.”), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the “Foundation”). The Foundation was created to encourage and promote post-secondary education by making education savings plans available to Canadian residents.

Payments are made by a contributor to an account maintained by the depository trustee on behalf of a beneficiary. Deductions of enrolment fees and account maintenance fees are made from the contributor’s contributions. The principal accumulated over the term of the contributor’s education savings plan agreement (“Agreement”) is returned to the contributor when:

- i. the Agreement matures and the beneficiary is a qualified student eligible to receive the first education assistance payment,
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all Government grants (as defined below), or
- iii. the Agreement is terminated.

The investment income earned on the contributors’ principal balance is transferred to the scholarship pool when the Agreement matures and is used to provide education assistance payments to qualified students. A beneficiary is deemed to be a qualified student upon receipt by the Foundation of evidence of enrolment in a qualifying educational program at an eligible institution.

The Canada Education Savings Grant Program (“CESG”) is a grant from the federal Government whereby Registered Education Savings Plans (“RESPs”) receive grant amounts dependent on family income.

Plan II receives the CESG (“Government grants”), which are paid directly into a beneficiary’s RESP and invests these funds in accordance with the Plan’s investment policies. The Government grants along with investment income earned thereon, are paid to qualified students.

Agreements are registered with appropriate government authorities if all required information is provided, and once registered are subject to the rules for RESPs under the *Income Tax Act* (Canada). The current tax legislation provides that income credited on contributors’ principal is not taxable income of the contributor unless withdrawn as an Accumulated Income Payment subject to certain eligibility requirements being met. The deposits are not deductible for income tax purposes and are not taxable when returned to the contributor. Payments made to a qualified student, including education assistance payments, grants and investment income earned on grants will constitute taxable income of that student in the year that the payments are made.

## Note 2. Significant Accounting Policies

### (a) Generally accepted accounting principles

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

### (b) Future accounting standards

In February 2008, the Canadian Accounting Standards Board (“AcSB”) confirmed that the use of International Financial Reporting Standards (“IFRS”) will be required for publicly accountable enterprises. In December 2011, the AcSB amended the deadline for adoption of IFRS by certain qualifying investment funds to extend the adoption date to years ended on or after January 1, 2014. Therefore, IFRS will replace Canadian GAAP and become effective for the Plan’s interim and annual financial statements relating to the fiscal year ending October 31, 2015. Management is in the process of developing a transition plan, which will include identifying differences between the Plan’s current accounting policies and those it expects to apply under IFRS, as well as any accounting policy and implementation decisions and their resulting impact, if any, on the financial statements of the Plan.

### (c) Investment valuation

Investments, at fair value include the following types of securities: bonds, money market securities and variable rate securities.

Bonds and money market securities are valued using bid prices at year end. In the event that quoted market prices are not available, the fair values presented are estimated using present value or other valuation techniques.

Variable rate securities are hybrid financial debt instruments issued by governments, Canadian chartered banks and licensed trust and loan companies that have embedded components that change the risk/return profile of the security. Included in this class are structured notes that are debt instruments whose returns are based on indices or underlying assets rather than typical interest payments. Variable rate securities are carried at fair values using external pricing models to value their components.

Note 7 provides further guidance on the fair value measurements

### (d) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest income on investments is recognized using the effective interest method. Realized gains (losses) on the sale of investments and change in unrealized gains (losses) on investments are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

### (e) Contributors’ deposits, Enrolment fees and Account maintenance fees

Contributors’ deposits reflect amounts received from contributors net of enrolment fees and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Account maintenance fees are paid

# Notes to the Financial Statements (continued)

October 31, 2012 and 2011 (in thousands of dollars)

## Note 2. Significant Accounting Policies (continued)

### (e) Contributors' deposits, Enrolment fees and Account maintenance fees (continued)

annually to the Foundation from contributors' deposits and are accrued throughout the year.

### (f) Income taxes

Plan II is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

### (g) Cash and cash equivalents

Cash and cash equivalents include short-term investments with a purchase date to maturity of 90 days or less.

### (h) Use of estimates

In preparing the financial statements, management is required to use estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from the current estimates. Significant estimates included in these financial statements relate to valuation of Level 3 financial instruments as discussed in Note 7 and Accounts payable, accrued liabilities and unclaimed contributors' funds.

## Note 3. Related Party Transactions

### (a) Administration of Plan II

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer Plan II. Account maintenance fees and administration fees (comprising Plan administration and processing fees and Financial reporting expenses) are paid to the Foundation. Administration fees are annual fees of ½ of 1% of the total amount of principal, Government grants and income earned thereon.

### (b) Other Related Party Transactions

The Foundation retains the services of Greystone Managed Investments Inc., an investment management firm and wholly-owned subsidiary of Greystone Capital Management Inc. ("Greystone"). As at October 31, 2012, one director (2011 – two directors) of the Foundation was a member of the Board of Directors of Greystone. This director does not have any beneficial ownership of Greystone equity. The director does not participate in any of the Foundation's Board deliberations concerning the investment management of the Plan and does not vote on any resolutions recommended by the Investment Committee of the Foundation.

Portfolio management fees in the Statements of Investment Operations include fees paid to Greystone of \$1 (2011 – \$1). Balances included in Accounts payable, accrued liabilities and unclaimed contributors' funds in the Statement of Net Assets Available for Education Assistance Payments owing to Greystone as at October 31, 2012 were \$0.2 (2011 – \$0.2).

All related party transactions are in the normal course of business and are measured at the exchange amount.

## Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio and the related Appendices I and II to the schedule, which are explained below.

The Government grants received from Human Resources and Skills Development Canada are collectively invested together with other C.S.T.C. administered plans. The principal and income received are separately tracked for each contributor's Agreement. The portfolio holdings are allocated across all plans based on the proportion of principal and income attributable to Agreements within each plan (see Appendix I to Schedule I).

Upon maturity of each Agreement, the investment income accumulated to date attributable to that Agreement is transferred to the Canadian Scholarship Trust Scholarship Pool (the "Pool"), a shared investment pool with Founders' Plan, another plan administered by C.S.T.C. (see Appendix II to Schedule I). From a contributor's perspective, the income that is transferred is tracked by plan and by year of eligibility. The portfolio holdings of the Pool are allocated based on the Plan's proportionate share of income remaining in the Pool. Income earned from the Pool is credited to the General Fund (see Note 6).

## Note 5. Risks Associated with Financial Instruments

In the normal course of business the Plan may be exposed to a variety of risks arising from financial instruments. The Plan's exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

The Plan's risk management process includes monitoring compliance with the Plan's investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio within the constraints of the investment policy.

### (a) Market risk

#### i. Interest rate risk

Interest rate risk is the risk of a decrease in the Plan's yield on interest-bearing investments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

# Notes to the Financial Statements (continued)

October 31, 2012 and 2011 (in thousands of dollars)

## Note 5. Risks Associated with Financial Instruments (continued)

### (a) Market risk (continued)

#### i. Interest rate risk (continued)

The Plan's holding of debt instruments by maturity is as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	October 31, 2012	October 31, 2011
Less than 1 year (including short-term investments)	77%	77%
1-3 years	9%	8%
3-5 years	7%	7%
Greater than 5 years	7%	8%
<b>Total debt instruments</b>	<b>100%</b>	<b>100%</b>

As at October 31, 2012, if prevailing interest rates had increased by 1%, the Total Investment Fund amount of \$15,998 (2011 – \$16,872) as per Schedule I – Statement of Investment Portfolio, would have decreased by \$102 (2011 – \$119). If prevailing interest rates had decreased by 1%, the Total Investment Fund would have increased by \$122 (2011 – \$119). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, the actual trading results may differ materially.

#### ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment affect other price risk. The asset class that is most impacted by other price risk is variable rate securities, which represents nil (2011 – 0.1%) of the Total Investment Fund amount as at October 31, 2012. For these securities, positive returns are capped and the return of principal at maturity is protected from any negative performance. These features limit volatility and mitigate the downward impact on the value of these securities.

As at October 31, 2012, if underlying indices prices had increased or decreased by 1%, with all other variables held constant, the Total Investment Fund amount as per the Statement of Investment Portfolio would not have increased or decreased (2011 – nil). In practice, the actual trading results may differ materially.

### (b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio is comprised of bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by the Canadian Securities Administrators, currently A-low. Plan II has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan's credit risk exposure is listed below:

Credit rating	October 31, 2012		October 31, 2011	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	16%	\$ 2,544	16%	\$ 2,634
AA/AAH/AAL	3%	455	7%	1,225
A/AH/AL	6%	1,048	4%	624
R-1	75%	12,117	68%	11,439
P-2	–	–	5%	898
Short-term unrated	0%	(166)	0%	52
<b>Total Investment Fund</b>	<b>100%</b>	<b>\$ 15,998</b>	<b>100%</b>	<b>\$ 16,872</b>

The Dominion Bond Rating Service ("DBRS") was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's Financial Services LLC and Moody's Investor Service, Inc.

### (c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its obligations on time. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and Education Assistance Payments to beneficiaries. The Plan primarily invests in securities that are traded in the active markets and can be readily sold. The Plan retains sufficient cash and cash equivalents positions to meet liquidity requirements by utilizing cash forecasting models that reflect the maturity distribution of Contributors' deposits and accumulated income. All other financial liabilities are short-term and due within one year.

### (d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan is not exposed to currency risk as it holds only Canadian securities.



# Notes to the Financial Statements (continued)

October 31, 2012 and 2011 (in thousands of dollars)

## Note 6. General Fund and Donations from the Foundation

The Canadian Scholarship Trust (the “Canadian Trust”) is a legal trust registered with Canada Revenue Agency as an Education Savings Plan. Included in the Canadian Trust are Plan I, Plan II and Founders’ Plan (the “Plans”). According to the trust indenture, the General Fund may be used to subsidize Education Assistance Payments (“EAPs”) for qualified students to any of the active Plans within the Canadian Trust. The General Fund derives its income from the following sources:

- i. interest earned on Contributors’ deposits and Accumulated interest from the date of maturity to the date the funds are paid to qualified students as EAPs;
- ii. interest earned on the interest forfeited when a contributor’s plan is terminated prior to maturity;
- iii. income not collected by beneficiaries before the expiry of the benefit period; and
- iv. unclaimed principal and income payments.

Receipts and Disbursements of the General Fund for the years ended October 31, 2012 and 2011 are as follows:

	2012	2011
<b>Receipts</b>		
Net investment income	\$ 49	\$ 874
<b>Disbursements</b>		
Education assistance payments	(305)	(631)
Transfer to Founders’ Plan	(500)	(2,500)
	(805)	(3,131)
Deficit of Receipts over Disbursements	(756)	(2,257)
<b>Balance, Beginning of Year</b>	<b>1,053</b>	3,310
<b>Balance, End of Year</b>	<b>\$ 297</b>	\$ 1,053

Donations from the Foundation represent a discretionary pool of funds shared between Plan II and Founders’ Plan. These funds are used to supplement EAPs when the General Fund is depleted. The amount is allocated annually between the Plans according to the payout forecast in each of the plans. There were no receipts or disbursements in the Donations from the Foundation for the years ended October 31, 2012 and 2011.

In accordance with the policy on Transferring General Fund and Donations Between Plans within the same legal trust, in 2012 management forecasted the remaining liability for Plan II. As a result of this forecast, \$500 (2011 – \$2,500) was transferred to Founders’ Plan to satisfy current EAP requirements for Founders’ Plan. The forecast will be updated and reviewed annually.

## Note 7. Fair Value of Financial Instruments

Investments, at fair value, Cash and cash equivalents and Short-term investments are carried at fair value. The carrying values of other financial instruments such as Accrued interest and other receivables, Receivables for securities sold, Government grants payable, Accounts payable, accrued liabilities and unclaimed contributors’ funds, Payables for securities purchased and Contributors’ deposits approximate their fair values as these financial instruments are short term in nature.

Fair value represents the amount at which a financial instrument could be exchanged in an arm’s-length transaction between willing parties under no compulsion to act and is best evidenced by a quoted bid price in an active market, if one exists.

The following table presents the Plan’s financial instruments carried at fair value in the statement of net assets available for education assistance payments classified by the fair value hierarchy set out in Canadian Institute of Chartered Accountants Handbook Section 3862 *Financial Instruments – Disclosures*:

- i. “Level 1” financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- ii. “Level 2” financial instruments are valued using observable inputs other than quoted prices included in Level 1.
- iii. “Level 3” financial instruments are valued using unobservable inputs for the asset or liability.

### Assets Measured at Fair Value as of October 31, 2012

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 5,955	\$ –	\$ –	\$ 5,955
Short-term Investments	–	5,991	–	5,991
Fixed Income Securities	–	4,052	–	4,052
<b>Total Investment Fund</b>	<b>\$ 5,955</b>	<b>\$ 10,043</b>	<b>\$ –</b>	<b>\$ 15,998</b>

### Assets Measured at Fair Value as of October 31, 2011

	Level 1	Level 2	Level 3	Total
Cash and Cash Equivalents	\$ 3,310	\$ –	\$ –	\$ 3,310
Short-Term Investments	–	9,080	–	9,080
Fixed Income Securities	–	4,471	–	4,471
Variable Rate Securities	–	–	11	11
<b>Total Investment Fund</b>	<b>\$ 3,310</b>	<b>\$ 13,551</b>	<b>\$ 11</b>	<b>\$ 16,872</b>

# Notes to the Financial Statements (continued)

October 31, 2012 and 2011 (in thousands of dollars)

## Note 7. Fair Value of Financial Instruments (continued)

For the years ended October 31, 2012 and 2011 there were no transfers between Levels 1, 2 or 3.

The Plan's financial instruments classified as Level 3 represent the Plan's investment in Equity Linked Notes, which are principal protected by a major Canadian bank (DBRS rating "AA"). Equity Linked Notes are hybrid securities comprised of a bond and an option. The price of the variable rate securities are based on external pricing models provided from third-party brokers. These valuations are derived from the information on similar publicly traded bonds and options using standard pricing methodology. Such techniques include assumptions related to the assessment and quantification of market, credit and liquidity risks referred to in Note 5. There are no reasonable alternative assumptions.

### Level 3 – Variable Rate Securities

	October 31, 2012	October 31, 2011
Opening Balance	\$ 11	\$ 63
Net Sales	(11)	(51)
Increase (decrease) in Unrealized Gains	-	(1)
<b>Closing Balance</b>	<b>\$ -</b>	<b>\$ 11</b>

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)				
<b>Bonds</b>				<b>Bonds (continued)</b>							
<b>Federal – 43.9%</b>				<b>Municipal and Provincial – 23.4%</b> (continued)							
Government of Canada				Province of Newfoundland							
1.75%	1 Mar 2013	24,504	24,564	24,628	5.25%	4 Jun 2014	2,775	2,949	2,990		
1.50	1 Nov 2013	10,855	10,903	10,959	Province of Nova Scotia						
0.75	1 May 2014	3,534	3,517	3,501	5.80	1 Jun 2033	1,635	2,202	1,984		
1.51	1 Mar 2015	2,509	1,262	1,256	Province of Ontario						
4.10	1 Jul 2015	2,000	1,590	1,551	3.25	8 Sep 2014	6,705	6,948	6,898		
3.00	1 Dec 2015	9,473	9,985	9,639	3.15	8 Sep 2015	10,944	11,459	11,267		
1.50	1 Mar 2017	5,228	5,269	5,263	4.40	8 Mar 2016	6,278	6,857	6,996		
3.55	1 Sep 2019	5,542	5,185	4,781	3.20	8 Sep 2016	4,400	4,649	4,479		
4.40	26 Jan 2026	1,380	1,571	1,372	4.30	8 Mar 2017	9,866	10,902	10,254		
5.00	1 Jun 2037	9,490	14,033	12,641	4.40	2 Jun 2019	2,920	3,306	3,056		
4.00	1 Jun 2041	2,600	3,468	2,861	4.20	2 Jun 2020	3,890	4,370	4,048		
Canada Housing Trust				4.00				2 Jun 2021	2,165	2,401	2,238
2.20	15 Mar 2014	12,380	12,563	12,566	7.60	2 Jun 2027	2,135	3,227	3,094		
3.15	15 Jun 2014	30,759	31,752	31,881	5.60	2 Jun 2035	3,205	4,282	3,648		
2.75	15 Sep 2014	28,255	29,087	29,299	4.70	2 Jun 2037	4,175	5,027	4,602		
2.75	15 Dec 2014	37,366	38,590	38,857	Province of Quebec						
1.45	15 Mar 2015	8,264	8,303	8,277	5.50	1 Dec 2014	13,545	14,703	14,883		
3.15	15 Jun 2015	26,906	28,207	27,187	5.00	1 Dec 2015	12,815	14,145	14,242		
2.75	15 Dec 2015	49,422	51,498	50,750	4.50	1 Dec 2016	13,312	14,747	14,880		
1.42	15 Mar 2016	6,830	6,853	6,853	4.50	1 Dec 2019	6,345	7,213	6,697		
2.75	15 Jun 2016	40,422	42,249	41,230	4.50	1 Dec 2020	6,435	7,337	6,754		
1.35	15 Sep 2016	38,083	38,117	38,052	5.75	1 Dec 2036	2,075	2,782	2,410		
1.85	15 Dec 2016	14,577	14,754	14,731	5.00	1 Dec 2038	3,325	4,096	3,410		
PSP Capital Inc.											
4.57	9 Dec 2013	2,800	2,897	2,825			206,194	199,298			
		386,217		380,960							
<b>Municipal and Provincial – 23.4%</b>				<b>Corporate – 31.2%</b>							
Province of Alberta				407 East Development Group							
1.42	27 May 2016	13,208	13,206	13,207	2.81	18 Dec 2016	2,750	2,795	2,750		
1.85	1 Sep 2016	4,515	4,568	4,531	407 International Inc.						
Province of British Columbia				7.13				26 Jul 2040	6,113	9,114	8,073
4.25	18 Jun 2014	6,120	6,418	6,493	Access Justise Durham Ltd.						
4.70	1 Dec 2017	2,975	3,390	3,184	5.02	31 Aug 2039	318	356	302		
4.70	18 Jun 2037	4,820	5,890	5,919	Arrow Lakes Power Corp						
Province of Manitoba				5.52				5 Apr 2041	847	982	847
2.05	1 Dec 2016	9,256	9,404	9,354	BAC Canada Finance						
Province of New Brunswick				2.76				21 Feb 2014	8,217	8,227	8,004
4.50	4 Feb 2015	3,530	3,778	3,784	Bank of Montreal						
4.45	26 Mar 2018	4,780	5,370	5,197	4.78	30 Apr 2014	35	37	37		
5.65	27 Dec 2028	1,195	1,533	1,468	5.18	10 Jun 2015	3,375	3,659	3,684		
5.50	27 Jan 2034	13,600	17,552	16,020	3.10	10 Mar 2016	2,895	2,994	2,961		
4.65	26 Sep 2035	1,270	1,483	1,311							

The accompanying notes are an integral part of these financial statements.

# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 31.2% (continued)</b>			
Bank of Nova Scotia			
3.34% 25 Mar 2015	4,130	4,279	4,266
2.74 1 Dec 2016	3,245	3,317	3,249
2.60 27 Feb 2017	300	304	299
6.28 30 Jun 2053	3,365	3,463	3,614
BCIMC Realty Corporation			
2.65 29 Jun 2017	504	510	508
3.51 29 Jun 2022	1,650	1,682	1,650
Blue Water Bridge Authority			
6.41 9 Jul 2027	2,371	2,037	2,041
BMW Canada			
2.88 9 Aug 2016	1,025	1,049	1,025
Caisse Centrale Desjardins			
2.28 17 Oct 2016	1,840	1,844	1,840
Canadian Credit Card			
2.31 24 Apr 2015	145	147	145
Canadian Imperial Bank of Commerce			
4.75 22 Dec 2014	2,829	3,008	2,901
2.35 18 Oct 2017	1,510	1,512	1,508
3.15 2 Nov 2020	2,750	2,819	2,761
CBC			
4.69 15 May 2027	4,340	4,900	4,673
CDP Financial Inc			
4.60 15 Jul 2020	164	186	181
Citigroup Finance Canada			
4.75 17 Mar 2014	2,000	2,069	2,060
Claregold Trust			
5.07 15 May 2044	3,853	1,208	1,255
CSS (FSCC) Partnership			
6.92 31 Jul 2042	2,507	3,284	3,207
Enbridge Gas Distribution			
5.16 24 Sep 2014	3,090	3,295	3,329
GE Capital Canada			
2.14 10 Feb 2014	1,268	1,270	1,267
4.65 11 Feb 2015	6,630	7,033	6,761
5.10 1 Jun 2016	2,010	2,205	2,181
3.35 23 Nov 2016	1,780	1,846	1,778
1.68 15 Feb 2022	10,313	9,622	9,459
5.73 22 Oct 2037	1,620	1,976	1,550

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 31.2% (continued)</b>			
Gloucester Credit Card Trust			
5.38% 15 May 2014	519	548	546
Greater Toronto Airports			
6.45 30 Jul 2029	6,768	8,359	8,352
Green Timbers LP			
6.84 30 Jun 2037	684	858	746
Health Partners Markham			
3.43 31 Jan 2014	834	834	834
Honda Canada Finance Inc			
5.61 12 Sep 2013	200	207	210
2.27 23 Feb 2015	8,310	8,378	8,310
HSBC Bank of Canada			
2.57 23 Nov 2015	1,945	1,974	1,945
2.90 13 Jan 2017	1,630	1,666	1,632
Leisureworld			
4.81 24 Nov 2015	3,538	3,765	3,697
Manufacturers Life Insurance			
4.21 18 Nov 2021	3,673	3,818	3,659
4.17 1 Jun 2022	2,769	2,872	2,777
Manulife Financial Capital Trust			
4.85 12 Dec 2015	2,365	1,379	1,349
Manulife Financial Corporation			
4.90 2 Jun 2014	706	735	738
5.16 26 Jun 2015	1,695	1,811	1,788
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	4,471	4,723	4,615
Merrill Lynch Financial Assets			
4.82 12 Feb 2015	1,560	1,634	1,614
4.62 12 Nov 2015	1,235	1,305	1,222
4.66 12 Jul 2016	500	266	269
4.64 12 Oct 2016	578	384	387
4.81 12 Oct 2016	2,814	3,038	2,933
4.71 12 Nov 2016	3,409	1,158	1,122
4.48 12 Jul 2037	920	977	900
4.75 12 Jan 2040	2,009	2,172	2,155
Milit-Air Inc.			
5.75 30 Jun 2019	2,574	2,860	2,781
MLF ASB			
4.98 12 Jun 2016	2,979	3,227	3,153

# Government Grants (continued)

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 31.2% (continued)</b>			
N-45 First CMBS			
5.67% 15 Nov 2020	2,048	2,121	2,179
National Bank of Canada			
2.23 30 Jan 2015	1,300	1,312	1,300
3.26 11 Apr 2022	490	502	490
NAV Canada			
7.56 1 Mar 2027	4,894	6,353	6,231
Northwest Connect Group			
5.95 30 Apr 2041	2,446	2,957	2,554
Ontrea Inc.			
4.62 9 Apr 2018	1,739	1,849	1,768
OPB Finance Trust			
3.89 4 Jul 2042	3,182	3,202	3,180
Ornge Issuer Trust			
5.73 11 Jun 2034	7,645	8,790	8,675
Pearson Internation Fuel Facilities Corp			
5.09 9 Mar 2032	3,413	3,648	3,659
Plenary Health			
3.16 13 Mar 2015	1,762	1,779	1,764
2.63 18 May 2015	5,500	5,537	5,502
Plenary Properties Ltap LP			
6.29 31 Jan 2044	7,007	8,859	8,586
Power Corporation of Canada			
7.57 22 Apr 2019	1,158	1,448	1,330
RBC Capital Trust			
4.87 31 Dec 2049	7,930	8,532	8,013
5.81 31 Dec 2053	4,575	4,779	4,898
Real Estate Asset Liquidity Series Class A			
4.62 12 Sep 2016	1,975	2,115	2,008
5.08 12 Oct 2036	745	778	763
Royal Bank of Canada			
2.68 8 Dec 2016	1,350	1,377	1,350
2.58 13 Apr 2017	1,500	1,520	1,500
Royal Office Finance			
5.21 12 Nov 2032	4,048	4,712	4,781
Scotia Plaza LP			
3.21 15 Jun 2019	5,196	5,242	5,197
Standard Life Assurance			
3.94 21 Sep 2022	2,815	2,892	2,824

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 31.2% (continued)</b>			
Sun Life Financial Inc			
4.80% 23 Nov 2035	800	834	811
4.95 1 Jun 2036	1,989	2,084	2,030
Toronto Dominion Bank			
2.95 2 Aug 2016	3,280	3,388	3,355
3.37 2 Nov 2020	3,505	3,616	3,567
4.78 14 Dec 2105	550	597	594
Toronto Hospital			
5.64 8 Dec 2022	4,847	5,527	5,533
Transcanada Pipelines			
8.05 17 Feb 2039	1,707	2,789	2,557
4.55 15 Nov 2041	1,700	1,858	1,702
VW Credit Canada			
2.90 1 Jun 2017	715	733	715
Wells Fargo Finance Canada			
4.38 30 Jun 2015	5,560	5,896	5,888
2.77 9 Feb 2017	1,935	1,963	1,934
2.94 25 Jul 2019	1,780	1,788	1,780
WTH Car Rental			
4.14 20 Mar 2015	10,738	11,088	11,077
		274,442	267,995
<b>Total Fixed Income Investments – 98.5%</b>		<b>866,853</b>	<b>848,253</b>
<b>Cash and Short-term Investments – 1.5%</b>		<b>13,735</b>	<b>13,735</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>880,588</b>	<b>861,988</b>
<b>Government Grant Investments Allocation</b>			
Plan II		442	403
Founders' Plan		36,342	35,273
Group Savings Plan		200,175	195,103
Group Savings Plan 2001		565,789	554,356
Family Savings Plan		60,088	59,141
Individual Savings Plan		4,017	3,977
		<b>866,853</b>	<b>848,253</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		28	28
Founders' Plan		761	761
Group Savings Plan		3,615	3,615
Group Savings Plan 2001		8,597	8,597
Family Savings Plan		702	702
Individual Savings Plan		32	32
		<b>13,735</b>	<b>13,735</b>

The accompanying notes are an integral part of these financial statements.

# Canadian Scholarship Trust Scholarship Pool

## Appendix II to Schedule I

### Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>				<b>Bonds (continued)</b>			
<b>Federal – 6.8%</b>				<b>Corporate – 20.3% (continued)</b>			
Government of Canada				Cards II Trust			
1.75%	1 Mar 2013	210	211	3.10%	15 Sep 2015	516	534
3.50	1 Jun 2013	385	390				
2.50	1 Sep 2013	235	238	GE Capital Canada			
3.00	1 Jun 2014	870	896	5.28	22 Oct 2014	132	141
2.50	1 Jun 2015	560	579	5.10	1 Jun 2016	550	603
1.50	1 Sep 2017	335	337	4.55	17 Jan 2017	130	141
3.75	1 Jun 2019	100	114	HSBC Canada			
1.50	1 Jun 2023	85	82	5.15	30 Jun 2049	885	942
Canada Housing Trust				Hydro One			
2.75	15 Dec 2014	305	315	5.18	18 Oct 2017	100	115
2.45	15 Dec 2015	560	578	Master Credit Card Trust			
				2.63	21 Jan 2017	136	139
		3,740	3,749	Merrill Lynch Financial Assets			
<b>Provincial – 7.7%</b>				4.82	12 Feb 2015	170	178
Province of British Columbia				National Bank of Canada			
4.25	18 Jun 2014	425	446	3.58	26 Apr 2016	250	262
4.65	18 Dec 2018	320	369	3.26	11 Apr 2022	605	620
Province of Ontario				RBC Capital Trust			
4.75	2 Jun 2013	805	822	4.87	31 Dec 2049	229	246
5.00	8 Mar 2014	175	184	5.81	31 Dec 2053	450	470
3.25	8 Sep 2014	675	699	Real Estate Asset Liquidity			
4.40	8 Mar 2016	415	453	4.61	12 Nov 2016	400	429
3.20	8 Sep 2016	80	85	Royal Bank of Canada			
Province of Quebec				3.18	2 Nov 2020	193	198
5.50	1 Dec 2014	865	939	Score Trust			
4.50	1 Dec 2016	80	89	4.95	20 Feb 2014	684	711
4.50	1 Dec 2020	105	105	Toronto Dominion Bank			
		4,206	4,211	3.37	2 Nov 2020	250	258
<b>Corporate – 20.3%</b>				4.78	14 Dec 2105	300	326
Bank of Montreal				5.76	18 Dec 2106	270	309
5.18	10 Jun 2015	515	558	Toyota Credit Canada Inc			
3.10	10 Mar 2016	300	310	3.55	22 Feb 2016	200	210
Bank of Nova Scotia				VW Credit Canada			
2.74	1 Dec 2016	525	537	2.20	11 Oct 2016	160	160
6.28	30 Jun 2053	252	259	2.90	1 Jun 2017	180	184
BMW Canada				Wells Fargo Finance Canada			
2.88	9 Aug 2016	210	215	3.97	3 Nov 2014	108	113
Caisse Centrale Desjardins				3.70	30 Mar 2016	532	558
2.28	17 Oct 2016	250	251	2.77	9 Feb 2017	230	233
Canadian Imperial Bank of Commerce							
2.35	18 Oct 2017	110	110			11,114	11,059
3.15	2 Nov 2020	776	794				

The accompanying notes are an integral part of these financial statements.

# Canadian Scholarship Trust Scholarship Pool (continued)

## Appendix II to Schedule I

### Statement of Investment Portfolio

As at October 31, 2012 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Total Fixed Income Investments – 34.8%</b>		<b>19,060</b>	<b>19,019</b>
<b>Cash and Short-term Investments – 65.2%</b>		35,721	35,721
<b>Total Portfolio Assets – 100.0%</b>		<b>54,781</b>	<b>54,740</b>
<b>Total Investments Allocation</b>			
Plan II		3,011	3,011
Founders' Plan		16,049	16,008
		<b>19,060</b>	<b>19,019</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		9,448	9,448
Founders' Plan		26,273	26,273
		<b>35,721</b>	<b>35,721</b>







# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
2225 Sheppard Avenue East, Suite 600  
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1.877.333.RESP (7377)

## Investment Fund Manager and Distributor

C.S.T. Consultants Inc.  
2225 Sheppard Avenue East, Suite 600  
Toronto, Ontario M2J 5C2

## Trustee

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155 Wellington Street West, 2<sup>nd</sup> Floor  
Toronto, ON M5V 3L3  
Canada

## Auditor

Deloitte LLP  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto, Ontario M5J 2V1

## Bank

Royal Bank of Canada  
Royal Bank Plaza  
South Tower  
200 Bay Street, 10<sup>th</sup> Floor  
Toronto, Ontario M5J 2J5

For updates on your Plan account, login to Online Services at [www.cst.org](http://www.cst.org)

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