

**C.S.T. Consultants Inc.**

# **Canadian Scholarship Trust Plan II**

Audited Financial Statements and  
Management Report of Fund Performance

**October 31, 2013 and 2012**



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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 to overall corporate performance and long-term investment returns, and as such we review and support the proxy voting guidelines established by our investment managers. Each investment manager’s proxy voting policy is available on request through our customer service area or by contacting us at [cstplan@cst.org](mailto:cstplan@cst.org).

## 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 invested 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 risks of investing in the Plan remain as described in the prospectus. There were no material changes to the Plan during the financial year that affected the overall level of risk.

## Results of Operation

For 2013, the Plan’s rate of return, net of fees, was 0.0% compared to the investment policy benchmark (“benchmark”) return of 1.1% and the broad-based DEX 91-Day Treasury Bill Index return of 1.1%. 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.

Given the Plan’s liabilities and expected maturity payout profile, the composition of the 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.

Since 2008, the global economy has been contending with serious challenges following the financial crisis and subsequent recession – high unemployment, high government debt levels and slow growth – which required unprecedented fiscal and monetary policy measures. During the year investor sentiment gradually became more optimistic as clear signs of improvement in the global economy emerged.

The European Union continued to steer through a recession with encouraging signs in GDP growth, although unemployment remained high compared to historical levels. The European Central Bank continued to keep policy interest rates low to help bolster economic activity, as member countries made progress to implement fiscal restraints.

In the United States, the Federal Reserve Board continued its commitment to support the economy, kept its policy interest rate low and maintained its government bond purchase program in order to put downward pressure on longer term interest rates. The U.S. economy has experienced modestly increasing GDP growth and declining unemployment, as lay-offs fell sharply and unemployment insurance claims hit a five year-low. Consumer confidence has risen largely due to housing prices, which stopped falling in early 2012 and have been climbing ever since. Improved household balance sheets, favourable credit conditions and rising business investment have contributed to the modest economic growth that has taken place. Furthermore, through tax hikes and spending cuts the Federal deficit is at its lowest level in five years.

Throughout the year, the Bank of Canada maintained its policy interest rate at 1% in light of modest economic growth and inflation at the lower end of the target range of 1% to 3%. GDP grew at 2.2% and 1.6% in the first and second quarters of the year. In the third quarter of 2013, GDP accelerated to 2.7% on increased consumer spending, residential and non-residential investment. Household debt levels remain relatively high compared to historical levels as the residential housing sector showed signs of slowing.

Short-term Canadian government bond yields fluctuated throughout the year. In May, yields rose higher as investors became more optimistic about the prospects of the global recovery, highlighted by the positive signs in the U.S. economy with improving growth and employment. In addition, investors feared that the U.S. Federal Reserve would scale back or “taper” its bond-buying program and began to exit government bonds and seek higher returns from other types of investments. The sell-off in the government bond market resulted in a steepening of the yield curve and adversely impacted the capital performance for mid and longer term bonds more than short-term issues. Overall, short term government bond and money market yields ended the year slightly higher, as investors await further signs of positive economic momentum in the U.S. and Canada. The DEX Short-Term Government Bond Index returned 1.5%, as the marginal increase in short-term yields throughout the year minimized the impact on bond prices.

The performance of the Plan primarily benefited from its continued overweight position to short-term Provincial government bonds and the associated credit spread.

At October 31, 2013, 79.2% of the Plan assets were invested in Cash and Money Market Securities and 20.8% in Short and Mid-Term Bonds.

#### **Recent Developments and Other Information**

The global economy has strengthened and built momentum despite the rise in global bond yields. Global growth continues at a moderate pace and is poised for gradual improvement through 2014, largely led by the recovery of the U.S. economy. Recently, the U.S. Federal Reserve decided to delay the tapering of its bond-buying program until it receives more evidence of a sustainable economic recovery. Market participants expect bond yields to rise at a more subdued pace throughout 2014. Economic growth in the U.S. is still expected to accelerate over the next year, but at a slower pace than anticipated. In addition, continued improvement in the Euro zone and sustained growth in Japan will more than offset a modest deceleration expected in China in 2014.

In October 2013, the Bank of Canada signaled that its policy interest rate would remain unchanged at 1%. Economists are expecting more vigorous demand for Canadian exports which will drive an increased pace of economic growth for the later part of 2013 and throughout 2014. In particular, improvements to the U.S. housing market, rising motor vehicle sales and business investment in machinery will augment the increasing demand anticipated from the Euro zone.

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 a reasonable return within our investment policy guidelines and risk tolerances for our subscribers 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 is intended to help you understand the key financial results for the past five fiscal years ended October 31 for the Plan, which includes assets and income allocated from Government Grants and Canadian Scholarship Pool. This information is derived from the Plan's audited annual financial statements.

(\$ thousands)	2013	2012	2011	2010	2009
<b>Statements of Net Assets</b>					
Total Assets	\$ 7,455	\$17,285	\$17,012	\$18,977	\$22,967
Net Assets	5,151	5,634	6,934	10,865	19,412
% Change of Net Assets	(8.5%)	(18.8%)	(36.2%)	(44.0%)	(38.9%)
<b>Statements of Investment Operations</b>					
Net Investment Income	\$ 103	\$ 127	\$ 199	\$ 200	\$ 2,194
<b>Statements of Changes in Net Assets</b>					
Education Assistance Payments	\$ (245)	\$ (604)	\$ (1,355)	\$ (3,157)	\$ (7,814)
Government Grants Repaid (net of receipts)	(262)	(244)	(124)	(12)	(107)
Government Grant Payments to Beneficiaries	(8)	(21)	(43)	(109)	(261)
<b>Other</b>					
Total number of units	295	1,769	8,462	20,196	37,617
% Change in the total number of units	(83.3%)	(79.1%)	(58.1%)	(46.3%)	(41.8%)

## Management Fees

### Administration Fees

An administration fee of \$17 thousand (2012 – \$17 thousand) comprising Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation (“the Foundation”), the sponsor and administrator of the Plan, in accordance with subscribers’ 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 subscribers’ accounts, and 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, Quebec, Newfoundland and Labrador, 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 0.13% (2012 – 0.12%) of the weighted average monthly net assets. The portfolio managers provide investment advisory and discretionary managed account services with respect to purchasing, selling, and dealing in securities.

### Trustee and Custodian Fees

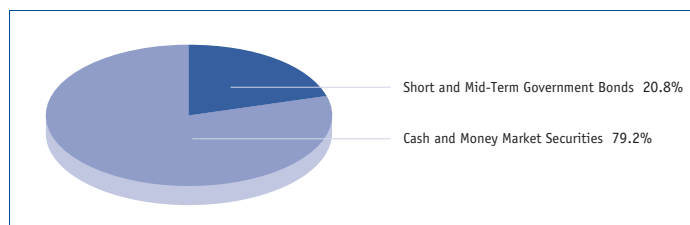
The Plan pays trustee and custodian fees to RBC Investor Services Trust to settle all investment trades and disburse fees, EAPs and other amounts in accordance with the terms of the Plan Agreement. For 2013 these fees charged to the Plan amounted to \$6 thousand (2012 – \$5 thousand) and are 0.08% (2012 – 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 Canadian 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 Canadian 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, 2013



The following table details the top 22 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	4.40%	08 Mar 2016	64	2.2%
Government of Canada	3.00%	01 Dec 2015	62	2.1%
Canada Housing Trust	2.75%	15 Jun 2016	62	2.1%
Province of Ontario	4.30%	08 Mar 2017	60	2.0%
Province of Quebec	4.50%	01 Dec 2017	48	1.6%
Province of British Columbia	4.65%	18 Dec 2018	39	1.3%
Canada Housing Trust	2.45%	15 Dec 2015	36	1.2%
Province of Quebec	5.50%	01 Dec 2014	31	1.1%
Canada Housing Trust	1.75%	15 Jun 2018	30	1.0%
Government of Canada	0.75%	01 May 2014	25	0.8%
Province of Ontario	3.25%	08 Sep 2014	23	0.8%
Government of Canada	1.00%	01 Feb 2015	20	0.7%
Canada Housing Trust	3.75%	15 Mar 2020	16	0.5%
Government of Canada	2.75%	01 Sep 2016	16	0.5%
Canada Housing Trust	2.75%	15 Dec 2014	15	0.5%
Province of Quebec	4.50%	01 Dec 2020	11	0.4%
Province of Ontario	4.20%	08 Mar 2018	11	0.4%
Province of Quebec	5.00%	01 Dec 2015	11	0.4%
Province of Manitoba	2.05%	01 Dec 2016	10	0.3%
Province of Ontario	3.15%	02 Jun 2022	10	0.3%
Province of Alberta	1.70%	15 Dec 2017	10	0.3%
Province of British Columbia	2.70%	18 Dec 2022	10	0.3%

**Top long positions as a percentage of Plan portfolio assets 20.8%**

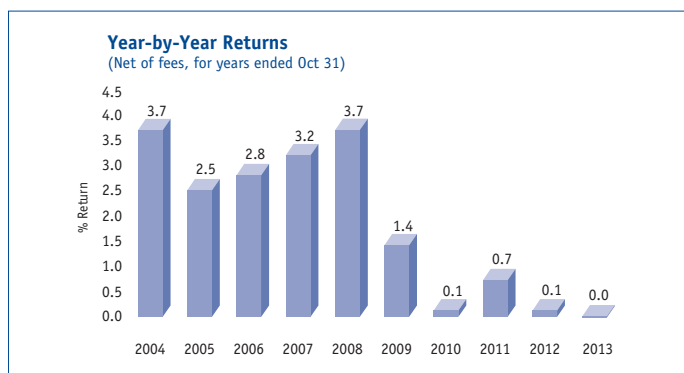
## Past Performance

Our investment philosophy has always been to safeguard our subscribers' 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 Pool. 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, 2013. 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, 2013.

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 91-Day Treasury Bill Index is based upon the average daily yield of 91-Day Treasury Bills. 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.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
<b>Net Plan Return*</b>	<b>0.0</b>	<b>0.3</b>	<b>0.5</b>	<b>1.8</b>
<b>Benchmark</b>	<b>1.1</b>	<b>1.2</b>	<b>1.4</b>	<b>2.5</b>
<b>Broad-based Index: DEX 91-Day Treasury Bill Index</b>	<b>1.1</b>	<b>1.0</b>	<b>0.9</b>	<b>2.1</b>

\* Note: The Plan's returns are after the deduction of fees and expenses, while the benchmark and broad-based index returns do not include any costs of investing such as fees, expenses and commissions. The Plan's fees and expenses were 1.0% for all periods, except for the ten-year return which was 0.9%.

# Management's Responsibility for Financial Reporting

The accompanying financial statements of the 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, CPA, CA**  
President and Chief Executive Officer



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

Toronto, Ontario  
January 9, 2014

## 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 the Canadian Scholarship Trust Plan II, which comprise the statements of net assets available for education assistance payments as at October 31, 2013 and 2012, 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 the Canadian Scholarship Trust Plan II as at October 31, 2013 and 2012 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 Professional Accountants, Chartered Accountants  
Licensed Public Accountants  
January 9, 2014

# Statements of Net Assets Available for Education Assistance Payments

As at October 31, 2013 and 2012 (in thousands of dollars)

	2013	2012
		<i>(Note 8)</i>
<b>Assets</b>		
Investments, at fair value <i>(Note 4 and Schedule I)</i>	\$ 3,139	\$ 5,195
Cash and cash equivalents	2,529	5,955
Short-term investments	1,747	\$ 5,989
Accrued interest and other receivables	36	\$ 146
Receivables for securities sold	4	-
	<b>7,455</b>	<b>17,285</b>
<b>Liabilities</b>		
Accounts payable, accrued liabilities and unclaimed subscribers' funds	\$ 2,264	\$ 11,562
Payables for securities purchased	14	1
Subscribers' deposits <i>(Schedule II)</i>	26	88
	<b>2,304</b>	<b>11,651</b>
<b>Net Assets Available for Education Assistance Payments</b>	<b>5,151</b>	<b>5,634</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated interest held for future education assistance payments <i>(Schedule II)</i>	2,907	4,114
Government grants	259	528
Interest on government grants	694	652
General Fund <i>(Note 6)</i>	1,293	297
<b>Unrealized (Losses) Gains</b>	<b>(2)</b>	<b>43</b>
	<b>\$ 5,151</b>	<b>\$ 5,634</b>

Approved on behalf of the Board of Canadian Scholarship Trust Foundation



Colin E. Litton, FCPA, FCA  
Director



Sherry J. MacDonald, CPA, CA  
Director



# Statements of Investment Operations

For the years ended October 31, 2013 and 2012 (in thousands of dollars)

	2013	2012
<b>Income</b>		
Interest income	\$ 147	\$ 164
Realized losses on sale of investments	(12)	(6)
	<b>135</b>	<b>158</b>
<b>Expenses</b>		
Plan administration and processing fees <i>(Note 3)</i>	13	13
Financial reporting <i>(Note 3)</i>	4	4
Portfolio management fees	9	9
Custodian fees	1	1
Trustee fees	5	4
	<b>32</b>	<b>31</b>
<b>Net Investment Income</b>	<b>103</b>	<b>127</b>
<b>Change in Unrealized (Losses) Gains</b>	<b>(45)</b>	<b>1</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>\$ 58</b>	<b>\$ 128</b>

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

For the years ended October 31, 2013 and 2012 (in thousands of dollars)

	2013	2012 <i>(Note 8)</i>
<b>Net Assets Available For Education Assistance Payments, Beginning of Year</b>	<b>\$ 5,634</b>	<b>\$ 6,934</b>
<b>Increase in Net Assets from Investment Operations</b>	<b>58</b>	<b>128</b>
Transfers to internal and external plans	(2)	(521)
	<b>56</b>	<b>(393)</b>
<b>Disbursements</b>		
Government grants repaid (net of receipts)	(262)	(244)
Payments to beneficiaries		
Education assistance payments <i>(Schedule III)</i>	(245)	(604)
Government grants	(8)	(21)
Return of interest	(24)	(38)
	<b>(277)</b>	<b>(663)</b>
<b>Total Disbursements</b>	<b>(539)</b>	<b>(907)</b>
<b>Decrease in Net Assets Available for Education Assistance Payments</b>	<b>(483)</b>	<b>(1,300)</b>
<b>Net Assets Available for Education Assistance Payments, End of Year</b>	<b>\$ 5,151</b>	<b>\$ 5,634</b>

# Statements of Cash Flows

For the years ended October 31, 2013 and 2012 (in thousands of dollars)

	2013	2012
<b>Operating Activities</b>		
Increase in Net Assets from Investment Operations	\$ 58	\$ 128
Net proceeds from investment transactions	6,250	3,508
Items not affecting cash		
Realized losses on sale of investments	12	6
Change in Unrealized (Losses) Gains	45	(1)
Change in non-cash operating working capital		
Decrease (increase) in Accrued interest and other receivables	110	(21)
(Decrease) increase in Accounts payable, accrued liabilities and unclaimed subscribers' funds	(9,298)	707
<b>Cash flow (used in) from Operating Activities</b>	<b>(2,823)</b>	<b>4,327</b>
<b>Financing Activities</b>		
Transfers to internal and external plans	(2)	(521)
Government grants repaid (net of receipts)	(262)	(244)
Net decrease in Subscribers' deposits ( <i>Schedule II</i> )	(62)	(254)
Payments to beneficiaries	(277)	(663)
<b>Cash flow used in Financing Activities</b>	<b>(603)</b>	<b>(1,682)</b>
<b>Net (decrease) increase in Cash and cash equivalents</b>	<b>(3,426)</b>	<b>2,645</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>5,955</b>	<b>3,310</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 2,529</b>	<b>\$ 5,955</b>

# Schedule I – Statement of Investment Portfolio

As at October 31, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>			
<b>Federal – 9.5%</b>			
Government of Canada			
0.75% 1 May 2014	25	25	25
1.00 1 Feb 2015	20	20	20
3.00 1 Dec 2015	60	63	63
2.75 1 Sep 2016	15	16	16
Canada Housing Trust			
2.75 15 Dec 2014	15	15	15
2.45 15 Dec 2015	35	36	36
2.75 15 Jun 2016	60	62	62
1.75 15 Jun 2018	30	30	30
3.75 15 Mar 2020	15	16	16
		283	283
<b>Provincial – 11.3%</b>			
Province of Alberta			
1.70 15 Dec 2017	10	10	10
Province of British Columbia			
4.65 18 Dec 2018	35	39	39
2.70 18 Dec 2022	10	10	10
Province of Manitoba			
2.05 1 Dec 2016	10	10	10
Province of Ontario			
3.25 8 Sep 2014	23	23	24
4.40 8 Mar 2016	60	64	65
4.30 8 Mar 2017	55	60	59
4.20 8 Mar 2018	10	11	11
3.15 2 Jun 2022	10	10	10
Province of Quebec			
5.50 1 Dec 2014	30	31	33
5.00 1 Dec 2015	10	11	11
4.50 1 Dec 2017	44	48	48
4.50 1 Dec 2020	10	11	10
		338	340
<b>Total Fixed Investments – 20.8%</b>		<b>621</b>	<b>623</b>
<b>Plan Cash and Short-term</b>			
<b>Investments – 79.2%</b>		2,364	2,364
<b>Total Portfolio Assets – 100.0%</b>		<b>2,985</b>	<b>2,987</b>
<b>Investments Allocation – (Note 4)</b>			
<b>Government Grants (Appendix I)</b>		1,652	1,649
<b>Canadian Scholarship Trust Scholarship Pool (Appendix II)</b>		866	869
<b>Cash and Short-term</b>			
<b>Investments (Appendices I &amp; II)</b>		1,912	1,912
<b>Total Investment Fund</b>		<b>7,415</b>	<b>7,417</b>
<b>Represented by:</b>			
<b>Investments, at fair value</b>		3,139	
<b>Cash and cash equivalents</b>		2,529	
<b>Short-term Investments</b>		1,747	
		<b>7,415</b>	

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

## Schedule II – Subscribers’ Deposits and Accumulated Interest

As at October 31, 2013 and 2012 (in thousands of dollars)

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

Year of Eligibility	Opening Units	Inflow Units	Outflow Units <sup>1</sup>	Closing Units	Subscribers’ Deposits	Accumulated Interest <sup>2</sup>
2012 and prior to 2012	1,759	–	1,474	285	\$ 25	\$ 2,904
2013	10	–	–	10	1	3
2014 and thereafter	–	–	–	–	–	–
<b>TOTAL</b>	<b>1,769</b>	<b>–</b>	<b>1,474</b>	<b>295</b>	<b>\$ 26</b>	<b>\$ 2,907</b>

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

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

The changes in Subscribers’ deposits are as follows:

	2013	2012
Inter-plan principal transfers	\$ 5	\$ (47)
Return of principal	(67)	(207)
<b>Net decrease in Subscribers’ deposits</b>	<b>(62)</b>	<b>(254)</b>
<b>Balance, Beginning of Year</b>	<b>88</b>	<b>342</b>
<b>Balance, End of Year</b>	<b>\$ 26</b>	<b>\$ 88</b>

## Schedule III – Education Assistance Payments

As at October 31, 2013 and 2012 (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>2013</b>	<b>2012</b>	<b>Education Assistance Payments</b>	<b>2013</b>	<b>2012</b>
Current year payments	\$ 6	\$ 29	Non – Discretionary	\$ 245	\$ 604
Deferred payments	239	573			
Advance payments	–	2			
	<b>\$ 245</b>	<b>\$ 604</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>2013</b>	<b>2012</b>	<b>2011</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
First	–	12.0	38.0	\$ 336	\$ 330	\$ 289
Second		12.0	14.0		356	353
Third			4.2			464

# Notes to the Financial Statements

October 31, 2013 and 2012 (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. Since August 1988, the Plan is no longer available for sale. 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 subscriber to an account maintained by the depository trustee on behalf of a beneficiary. Deductions of sales charges (previously referred to as enrolment fees) and account maintenance fees were made from the subscriber’s contributions. The principal accumulated over the term of the subscriber’s education savings plan agreement (“Agreement”) is returned to the subscriber 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 subscribers’ principal balance is transferred to the scholarship pool when the Agreement matures and is used to provide Education Assistance Payments (“EAPs”) 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 subscribers’ principal is not taxable income of the subscriber 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 subscriber. Payments made to a qualified student, including education assistance payments, Government grants and investment income earned on Government 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 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. 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 and money market 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.

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) Subscribers’ deposits, Sales charges and Account maintenance fees

Subscribers’ deposits reflect amounts received from subscribers net of sales charges and account maintenance fees. Account maintenance fees are paid annually to the Foundation from subscribers’ 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

# Notes to the Financial Statements (continued)

October 31, 2013 and 2012 (in thousands of dollars)

## Note 2. Significant Accounting Policies (continued)

### (h) Use of estimates (continued)

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 Accounts payable, accrued liabilities and unclaimed subscribers' funds.

## Note 3. Related Party Transactions

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.

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 Employment and Social Development Canada (“ESDC”, formerly 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 subscriber'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 subscriber'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 interest rate risk, credit risk and liquidity 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.

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

Debt Instruments by Maturity Date	% of Total Investment Fund	
	October 31, 2013	October 31, 2012
Less than 1 year (including short-term investments)	60%	72%
1-3 years	16%	11%
3-5 years	13%	9%
Greater than 5 years	11%	8%
<b>Total debt instruments</b>	<b>100%</b>	<b>100%</b>

As at October 31, 2013, if prevailing interest rates had increased by 1%, the Total Investment Fund amount of \$7,415 (2012 – \$17,139) as per Schedule I – Statement of Investment Portfolio, would have decreased by \$107 (2012 – \$153). If prevailing interest rates had decreased by 1%, the Total Investment Fund would have increased by \$120 (2012 – \$172). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, actual 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 other factors affecting all instruments traded in a market or market segment affect other price risk. The Plan is not exposed to other price risk as it holds only bonds and money market securities.

### (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. Plan II has a concentration of investments in government and government guaranteed bonds,

# Notes to the Financial Statements (continued)

October 31, 2013 and 2012 (in thousands of dollars)

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

### (b) Credit risk (continued)

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, 2013		October 31, 2012	
	% of Total Investment Fund	Amount (in thousands)	% of Total Investment Fund	Amount (in thousands)
AAA	18%	\$ 1,316	11%	\$ 1,970
AA/AAH/AAL	12%	912	10%	1,797
A/AH/AL	12%	881	8%	1,409
BBB	0%	33	-	-
R-1	56%	4,148	71%	12,117
Short-term unrated	2%	125	0%	(154)
<b>Total Investment Fund</b>	<b>100%</b>	<b>\$ 7,415</b>	<b>100%</b>	<b>\$ 17,139</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 Investors 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 EAPs 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 Subscribers' 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.

## 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 II and Founders' Plan (the "Plans"). The General Fund is a separate account within the Canadian Trust and derives its income from the following sources:

- i) interest earned on Subscribers' 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 subscriber'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.

According to the trust indenture, the General Fund may be used to subsidize EAPs for qualified students to any of the active Plans within the Canadian Trust.

Receipts and disbursements of the General Fund for the years ended October 31, 2013 and 2012 are as follows:

	2013	2012
<b>Receipts</b>		
Net investment income	\$ 34	\$ 49
Transfer from Scholarship Pool	1,091	-
	<b>1,125</b>	49
<b>Disbursements</b>		
Education assistance payments	(129)	(305)
Transfer to Founders' Plan	-	(500)
	<b>(129)</b>	(805)
<b>Surplus (deficit) of Receipts over Disbursements</b>	<b>996</b>	(756)
<b>Balance, Beginning of Year</b>	<b>297</b>	1,053
<b>Balance, End of Year</b>	<b>\$1,293</b>	\$ 297

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, 2013 and 2012.

In accordance with the policy on Transferring General Fund and Donations between Plans within the same legal trust, in 2013 management forecasted the remaining liability for Plan II. As a result of this forecast, \$nil (2012 - \$500) was transferred to Founders' Plan. The forecast is 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 subscribers' funds, Payables for securities purchased and Subscribers' 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



# Notes to the Financial Statements (continued)

October 31, 2013 and 2012 (in thousands of dollars)

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

education assistance payments classified by the fair value hierarchy set out in Chartered Professional 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, 2013

	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 2,529	\$ –	\$ –	\$ 2,529
Short-term investments	–	1,747	–	1,747
Fixed income securities	–	3,139	–	3,139
<b>Total Investment Fund</b>	<b>\$ 2,529</b>	<b>\$ 4,886</b>	<b>\$ –</b>	<b>\$ 7,415</b>

### 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	–	5,989	–	5,989
Fixed income securities	–	5,195	–	5,195
<b>Total Investment Fund</b>	<b>\$ 5,955</b>	<b>\$ 11,184</b>	<b>\$ –</b>	<b>\$ 17,139</b>

For the years ended October 31, 2013 and 2012 there were no transfers between Levels 1 or 2.

## Note 8. Change in Accounting Policy

In 2013 the Plan changed its accounting policy, applied on a retrospective basis, related to its method of allocating investment holdings with respect to Government grants and the Pool that are each invested together with other C.S.T.C. administered plans. Previously, the monthly changes in these investment holdings were allocated based on the proportion of the principal and income attributable to Agreements within each plan, which was added to the allocation reported at the end of the previous period. The new accounting policy instead allocates the respective investment holdings as at the end of the period based on the proportion of the respective principal and income attributable to the Agreements at that time. The change eliminates the need to record inter-plan receivables and payables to account for transfers of Agreements between Plans because such presentation is more reflective of the underlying movement of plan members and the respective assets of the Plans. The change impacts only the presentation of certain assets and liabilities of the Plan with no impact on the net assets available for education assistance payments.

The effects on the Statements of Net Assets Available for Education Assistance Payments were as follows:

	2013 Adjustment	2012 (As reported)	Adjustment	2012 (As Adjusted)
<b>Assets</b>				
Investments	\$ 1,235	\$ 4,052	\$ 1,143	\$ 5,195
Short-term investments	(1)	5,991	(2)	5,989
Accrued Interest and Other receivables	(1)	147	(1)	146
<b>Liabilities</b>				
Accounts payable, accrued liabilities and unclaimed contributors' funds	1,233	10,422	1,140	11,562
Impact on Net Assets Available for Education Assistance Payments	\$ –		\$ –	

The effects on the Statements of Cash Flows for the current and prior years were not significant. There is no change to either the Statements of Investment Operations or the Statements of Changes in Net Assets Available for Education Assistance Payments. The comparative balances disclosed in Notes 5 and 7 have also been adjusted to reflect the change.

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2013 (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 – 39.7%</b>				<b>Municipal and Provincial – 25.0% (continued)</b>							
Government of Canada				Province of Newfoundland and Labrador							
0.75%	1 May 2014	23,602	23,578	23,553	5.65%	27 Dec 2028	1,195	1,439	1,468		
1.40	1 Mar 2015	2,509	993	985	Province of Nova Scotia						
4.10	1 Jul 2015	2,000	1,280	1,279	4.60	18 Aug 2016	2,670	2,899	2,879		
1.50	1 Sep 2017	24,518	24,532	24,453	5.80	1 Jun 2033	1,675	2,090	2,038		
2.05	15 Jun 2018	44,667	44,923	44,638	Province of Ontario						
1.25	1 Sep 2018	43,451	42,520	42,059	3.25	8 Sep 2014	3,010	3,065	3,097		
3.55	1 Sep 2019	5,542	4,856	4,540	3.20	8 Sep 2016	4,475	4,690	4,558		
1.50	1 Jun 2023	3,400	3,134	3,223	4.30	8 Mar 2017	12,510	13,580	13,163		
4.40	26 Jan 2026	1,380	1,486	1,372	1.90	8 Sep 2017	18,335	18,377	18,240		
5.75	1 Jun 2033	650	924	913	4.20	8 Mar 2018	11,596	12,639	12,698		
5.00	1 Jun 2037	11,015	14,779	14,828	4.40	2 Jun 2019	2,970	3,280	3,112		
4.00	1 Jun 2041	2,940	3,484	3,405	4.20	2 Jun 2020	3,965	4,332	4,133		
Canada Housing Trust				4.00				2 Jun 2021	2,215	2,379	2,294
3.15	15 Jun 2014	23,559	23,867	24,335	2.85	2 Jun 2023	5,530	5,326	5,301		
2.75	15 Sep 2014	12,110	12,291	12,554	7.60	2 Jun 2027	2,185	3,103	3,169		
2.75	15 Dec 2014	38,325	39,047	39,840	5.60	2 Jun 2035	2,195	2,707	2,508		
3.15	15 Jun 2015	8,744	9,030	8,841	4.70	2 Jun 2037	3,900	4,309	4,302		
2.75	15 Dec 2015	69,242	71,467	71,219	Province of Quebec						
2.75	15 Jun 2016	36,574	37,925	37,514	5.50	1 Dec 2014	13,070	13,681	14,350		
2.05	15 Jun 2017	13,110	13,307	13,438	5.00	1 Dec 2015	12,965	13,947	14,406		
PSP Capital Inc.				4.50				1 Dec 2016	13,592	14,787	15,186
4.57	9 Dec 2013	2,800	2,809	2,825	4.50	1 Dec 2017	7,309	8,043	8,174		
			376,232	375,814	4.50	1 Dec 2019	6,470	7,179	6,839		
<b>Municipal and Provincial – 25.0%</b>				4.50				1 Dec 2020	6,560	7,271	6,897
Province of Alberta				5.75				1 Dec 2036	1,750	2,169	2,043
1.38	27 May 2016	13,328	13,379	13,327	5.00	1 Dec 2038	3,000	3,396	3,088		
1.85	1 Sep 2016	4,665	4,723	4,683				237,151	237,027		
Province of British Columbia				<b>Corporate – 34.3%</b>							
4.25	18 Jun 2014	160	163	172	407 International Inc.						
4.70	1 Dec 2017	7,200	8,019	7,942	2.81	18 Dec 2016	2,750	2,799	2,750		
3.30	18 Dec 2023	220	222	213	7.13	26 Jul 2040	7,456	10,244	10,096		
4.70	18 Jun 2037	4,920	5,518	6,039	Arrow Lakes Power Corp						
4.30	18 Jun 2042	2,700	2,866	3,186	5.52	5 Apr 2041	847	934	847		
Province of Manitoba				BAC Canada Finance							
2.05	1 Dec 2016	9,165	9,315	9,262	2.34	21 Feb 2014	2,567	2,576	2,523		
Province of New Brunswick				Bank of Montreal							
4.50	4 Feb 2015	3,030	3,156	3,247	5.18	10 Jun 2015	2,560	2,703	2,793		
4.45	26 Mar 2018	4,855	5,340	5,281	3.10	10 Mar 2016	2,810	2,890	2,875		
2.85	2 Jun 2023	2,850	2,737	2,669	2.24	11 Dec 2017	1,335	1,327	1,335		
6.47	30 Nov 2027	7,993	9,603	9,916							
5.50	27 Jan 2034	13,900	16,654	16,405							
4.65	26 Sep 2035	710	768	742							

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, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 34.3% (continued)</b>			
Bank of Nova Scotia			
3.34% 25 Mar 2015	1,795	1,839	1,854
2.74 1 Dec 2016	3,315	3,382	3,321
2.60 27 Feb 2017	2,425	2,461	2,445
2.24 22 Mar 2018	1,570	1,553	1,570
BCIMC Realty Corporation			
2.79 2 Aug 2018	1,870	1,883	1,870
BMW Canada			
2.88 9 Aug 2016	1,050	1,075	1,051
2.40 27 Nov 2017	1,000	1,000	1,000
2.33 23 May 2018	560	554	560
Caisse Centrale Desjardins			
2.28 17 Oct 2016	1,890	1,905	1,890
Canadian Imperial Bank of Commerce			
2.35 18 Oct 2017	3,890	3,890	3,897
3.15 2 Nov 2020	2,375	2,426	2,386
2.22 7 Mar 2018	2,270	2,244	2,245
CBC			
4.69 15 May 2027	4,149	4,545	4,468
CDP Financial Inc			
1.73 15 Jul 2015	6,350	6,376	6,382
Central 1 Credit Union			
1.77 19 Nov 2014	6,656	6,666	6,656
1.71 28 Apr 2015	7,900	7,953	7,900
CSS (FSCC) Partnership			
6.92 31 Jul 2042	2,507	3,052	3,207
Enbridge Inc.			
2.28 19 Aug 2015	2,111	2,133	2,134
GE Capital Canada			
4.65 11 Feb 2015	6,235	6,471	6,362
5.10 1 Jun 2016	2,050	2,211	2,224
3.35 23 Nov 2016	1,820	1,888	1,820
2.42 31 May 2018	1,270	1,270	1,279
1.63 15 Feb 2022	10,313	9,856	9,468
2.47 6 Feb 2023	3,071	3,140	3,048
5.73 22 Oct 2037	5,006	5,863	5,625
Greater Toronto Airports			
6.45 30 Jul 2029	10,320	12,474	12,707

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 34.3% (continued)</b>			
Green Timbers LP			
6.84% 30 Jun 2037	665	775	725
Honda Canada Finance Inc			
2.23 23 Feb 2015	8,545	8,612	8,548
2.28 11 Dec 2017	100	100	100
2.35 4 Jun 2018	960	951	960
1.92 3 Dec 2018	3,587	3,590	3,587
HSBC Bank of Canada			
2.57 23 Nov 2015	1,980	2,010	1,981
2.90 13 Jan 2017	1,665	1,702	1,669
Hydro One Inc.			
1.67 3 Dec 2016	4,300	4,305	4,300
John Deere Credit Inc			
1.95 12 Apr 2017	855	850	854
2.65 16 Jul 2018	660	662	660
Manufacturers Life Insurance			
2.82 26 Feb 2023	6,265	6,255	6,349
Manulife Bank of Canada			
1.80 3 Dec 2014	2,580	2,586	2,580
1.82 14 Mar 2016	450	450	452
Maritimes and Northeast Pipelines			
4.34 30 Nov 2019	4,543	4,710	4,695
Merrill Lynch Financial Assets			
4.82% 12 Feb 2015	1,560	1,593	1,603
4.62 12 Nov 2015	1,235	1,292	1,222
4.85 12 Dec 2015	2,365	681	692
4.98 12 Jun 2016	2,673	2,874	2,854
4.66 12 Jul 2016	500	151	162
4.64 12 Oct 2016	20	12	12
4.71 12 Nov 2016	3,409	906	939
4.48 12 Jul 2037	920	965	900
4.75 12 Jan 2040	2,463	2,637	2,650
Milit-Air Inc.			
5.75 30 Jun 2019	7,595	8,376	8,321
N-45 First CMBS			
5.67 15 Nov 2020	1,502	1,502	1,598
National Bank of Canada			
2.69 21 Aug 2017	525	532	530

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, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 34.3% (continued)</b>			
NAV Canada			
7.56% 1 Mar 2027	10,646	13,416	13,382
7.40 1 Jun 2027	424	578	591
North Battleford Power			
4.96 31 Dec 2032	4,537	4,744	4,537
Ontrea Inc.			
4.62 9 Apr 2018	2,069	2,117	2,120
OPB Finance Trust			
3.89 4 Jul 2042	2,289	2,086	2,293
Omers Realty Corporation			
2.50 5 Jun 2018	1,080	1,075	1,080
Ornge Issuer Trust			
5.73 11 Jun 2034	8,873	9,659	10,077
Pearson Internation Fuel Facilities Corp			
5.09 9 Mar 2032	3,307	3,369	3,545
Plenary Health			
2.63 18 May 2015	3,204	3,237	3,215
Plenary Properties Ltap LP			
6.29 31 Jan 2044	8,076	9,800	9,962
PSPIB			
3.27 12 Jun 2020	7,176	7,114	7,176
RBC Capital Trust			
4.87 31 Dec 2049	8,150	8,629	8,250
Real Estate Asset Liquidity Series Class A			
4.62 12 Sep 2016	1,975	2,096	2,008
5.08 12 Oct 2036	745	691	697
Royal Bank of Canada			
2.68 8 Dec 2016	925	942	925
2.58 13 Apr 2017	2,270	2,299	2,283
2.82 12 Jul 2018	2,040	2,061	2,040
Royal Office Finance			
5.21 12 Nov 2032	4,048	4,446	4,749
SP1 LP			
3.21 15 Jun 2019	5,196	5,051	5,092
Standard Life Assurance			
3.94 21 Sep 2022	5,632	5,840	5,791
Sun Life Financial Inc			
4.80 23 Nov 2035	800	838	811
4.95 1 Jun 2036	4,685	4,965	4,917

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>			
<b>Corporate – 34.3% (continued)</b>			
Toronto Dominion Bank			
2.95% 2 Aug 2016	3,250	3,342	3,325
3.37 2 Nov 2020	3,170	3,255	3,227
4.78 14 Dec 2105	550	590	594
5.76 18 Dec 2106	730	818	840
Toronto Hospital			
5.64 8 Dec 2022	10,179	11,455	11,670
Toyota Credit Canada Inc.			
2.75 18 Jul 2018	1,190	1,199	1,190
Transcanada Pipelines			
8.05 17 Feb 2039	1,553	2,302	2,492
VW Credit Canada			
2.90 1 Jun 2017	740	756	741
2.80 20 Aug 2018	900	906	899
Wells Fargo Finance Canada			
4.38 30 Jun 2015	5,190	5,416	5,496
2.77 9 Feb 2017	1,975	2,012	1,975
2.94 25 Jul 2019	1,820	1,824	1,821
WTH Car Rental			
4.14 20 Mar 2015	13,738	14,112	14,176
2.62 20 Dec 2016	1,135	1,135	1,145
		324,837	324,663
<b>Total Fixed Income Investments – 99.0%</b>		<b>938,220</b>	<b>937,504</b>
<b>Cash and Short-term Investments – 1.0%</b>		9,456	9,456
<b>Total Portfolio Assets – 100.0%</b>		<b>947,676</b>	<b>946,960</b>
<b>Government Grant Investments Allocation</b>			
Plan II		1,652	1,649
Founders' Plan		33,897	33,850
Group Savings Plan		195,258	195,007
Group Savings Plan 2001		651,609	651,246
Family Savings Plan		53,480	53,430
Individual Savings Plan		2,324	2,322
		<b>938,220</b>	<b>937,504</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		16	16
Founders' Plan		344	344
Group Savings Plan		1,945	1,945
Group Savings Plan 2001		6,587	6,587
Family Savings Plan		539	539
Individual Savings Plan		25	25
		<b>9,456</b>	<b>9,456</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, 2013 (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 – 7.6%</b>				<b>Corporate – 14.3% (continued)</b>							
Government of Canada				Bank of Nova Scotia							
0.75%	1 May 2014	470	471	469	2.74%	1 Dec 2016	255	261	257		
1.00	1 Feb 2015	245	245	245	2.37	11 Jan 2018	190	190	190		
3.00	1 Dec 2015	605	629	631	2.24	22 Mar 2018	70	69	70		
2.75	1 Sep 2016	150	156	156	BCIMC Realty Corporation						
1.50	1 Sep 2017	101	101	100	2.79	2 Aug 2018	70	70	70		
Canada Housing Trust				BMW Canada							
2.75	15 Dec 2014	200	204	205	2.88	9 Aug 2016	210	215	210		
2.45	15 Dec 2015	410	422	421	2.40	27 Nov 2017	150	150	150		
2.75	15 Jun 2016	720	748	743	2.33	23 May 2018	50	50	50		
1.75	15 Jun 2018	460	457	454	Caisse Centrale Desjardins						
3.75	15 Mar 2020	175	190	190	2.28	17 Oct 2016	250	252	250		
			3,623	3,614	Canadian Imperial Bank of Commerce						
<b>Provincial – 9.5%</b>				Cards II Trust							
Province of Alberta				3.10				15 Sep 2015	50	51	51
1.70	15 Dec 2017	145	144	143	GE Capital Canada						
Province of British Columbia				5.10				1 Jun 2016	315	341	339
4.65	18 Dec 2018	340	383	382	4.55	17 Jan 2017	80	86	86		
2.70	18 Dec 2022	105	102	103	2.42	31 May 2018	100	99	100		
Province of Manitoba				Honda Canada Finance Inc.							
2.05	1 Dec 2016	295	300	298	2.28%	11 Dec 2017	170	169	170		
Province of Ontario				2.35				4 Jun 2018	60	59	60
3.25	8 Sep 2014	191	195	197	HSBC Canada						
4.40	8 Mar 2016	765	820	828	5.15	30 Jun 2049	540	565	575		
3.20	8 Sep 2016	50	52	53	Hydro One						
4.30	8 Mar 2017	825	897	891	5.18	18 Oct 2017	50	56	57		
4.20	8 Mar 2018	190	207	207	John Deere Credit Inc						
3.15	2 Jun 2022	90	90	93	1.95	12 Apr 2017	90	89	90		
Province of Quebec				2.65				16 Jul 2018	50	50	50
5.50	1 Dec 2014	575	603	620	Master Credit Card Trust						
4.50	1 Dec 2016	60	65	67	2.63	21 Jan 2017	56	57	56		
4.50	1 Dec 2017	369	407	402	Merrill Lynch Financial Assets						
4.50	1 Dec 2020	255	283	275	4.82	12 Feb 2015	170	174	180		
			4,548	4,559	National Bank of Canada						
<b>Corporate – 14.3%</b>				3.58				26 Apr 2016	95	99	99
Bank of Montreal				2.69				21 Aug 2017	245	249	247
5.18	10 Jun 2015	215	227	235							
3.10	10 Mar 2016	65	67	66							
2.24	11 Dec 2017	70	70	70							

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, 2013 (in thousands of dollars)

Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>				<b>Bonds (continued)</b>			
<b>Corporate – 14.3% (continued)</b>				<b>Corporate – 14.3% (continued)</b>			
Omers Realty Corporation				Wells Fargo Finance Canada			
2.50% 5 Jun 2018	80	80	80	3.70% 30 Mar 2016	357	373	365
RBC Capital Trust				2.77 9 Feb 2017	100	102	100
4.87 31 Dec 2049	204	216	217			6,796	6,796
Real Estate Asset Liquidity				<b>Total Fixed Income Investments – 31.4%</b>		<b>14,967</b>	<b>14,969</b>
4.61 12 Nov 2016	400	428	432	<b>Cash and Short-term Investments – 68.6%</b>		32,657	32,657
Royal Bank of Canada				<b>Total Portfolio Assets – 100.0%</b>		<b>47,624</b>	<b>47,626</b>
3.18 2 Nov 2020	143	146	144	<b>Total Investments Allocation</b>			
2.82 12 Jul 2018	100	101	100	Plan II		866	869
Score Trust				Founders' Plan		14,101	14,100
4.95 20 Feb 2014	104	105	110			<b>14,967</b>	<b>14,969</b>
Toronto Dominion Bank				<b>Cash and Short-term Investments Allocation</b>			
3.37 2 Nov 2020	55	56	56	Plan II		1,896	1,896
4.78 14 Dec 2105	210	225	227	Founders' Plan		30,761	30,761
5.76 18 Dec 2106	180	202	205			<b>32,657</b>	<b>32,657</b>
Toyota Credit Canada Inc.							
2.75 18 Jul 2018	110	111	110				
VW Credit Canada							
2.20 11 Oct 2016	160	161	160				
2.90 1 Jun 2017	130	133	130				
2.80 20 Aug 2018	100	101	100				

# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
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1.877.333.RESP (7377)

## Investment Fund Manager and Distributor

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2225 Sheppard Avenue East, Suite 600  
Toronto, Ontario M2J 5C2

## Trustee

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Toronto, ON M5V 3L3  
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## Auditor

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181 Bay Street, Suite 1400  
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## Bank

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

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