

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



# **Canadian Scholarship Trust Family Savings Plan**

Audited Financial Statements and  
Management Report of Fund Performance

**October 31, 2015 and 2014**



## Contents

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Management Report of Fund Performance	1
Management’s Responsibility for Financial Reporting	6
Independent Auditor’s Report	6
Statements of Financial Position	7
Statements of Comprehensive Income	8
Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries	8
Statements of Cash Flows	9
Schedule I – Statement of Investment Portfolio	10
Schedule II – Subscribers’ Deposits and Accumulated Income	12
Notes to the Financial Statements	13
Government Grants (Appendix I to Schedule I)	18

### 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 Family Savings Plan (“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), SEDAR at [www.sedar.com](http://www.sedar.com), by calling our customer service team at 1-877-333-7377 or by writing to us by mail at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario M2J 5B8.

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 critical 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’s investment objectives are to protect Subscribers’ principal (net “Contributions” or “Principal”), and to deliver a reasonable positive return on investments over a long-term investment horizon within prudent risk tolerances.

The Plan invests Principal and any Government Grants received in debt securities of Canadian federal and provincial governments. Income earned on Principal and Government Grants (“Income”) is invested in debt securities issued by corporations, including debt securities rated BBB and above. Income assets have also been invested in Canadian exchange traded equity securities including certain exchange traded funds (“ETFs”).

The Plan’s debt securities are managed by TD Asset Management Inc. The assets are allocated among different market sectors and different maturity segments at our portfolio managers’ discretion, subject to our investment policies and mandates. The portfolio manager actively manages the Plan, focusing on strategies where value can be added on a sustainable basis, while meeting the short to medium-term cash flow needs of the Plan. These fixed income strategies include sector allocation, duration management, credit research and yield curve positioning.

The Plan’s ETFs are managed by BlackRock Asset Management Canada Limited. These assets are allocated to ETFs traded on Canadian exchanges that replicate the performance of broad market indices of equity securities of Canadian companies, at our portfolio managers’ discretion, subject to our investment policies and mandates.

## Risk

The risks associated with 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 associated with an investment in the Plan.

## Results of Operation

### 2015 Plan Performance

For 2015, the Plan’s rate of return, net of fees, was 2.3% compared to the investment policy benchmark (“Benchmark”) return of 3.5% and the FTSE TMX Canada Short Term Government Bond Index return of 2.7% (“Broad-based Index”). The Plan’s return is after the deduction of fees and expenses of 1.2%, while the Benchmark and

Broad-based Index returns do not include any costs of investing such as fees, expenses and commissions.

In comparison to the Benchmark, the Plan’s fixed income allocation marginally detracted from relative returns as an overweight to both short term provincial bonds and corporates detracted as yields fell and spreads widened throughout the course of the year. Overall, the Plan’s strategic investment positioning was largely neutral.

In comparison to the Broad-based Index, the Plan’s allocation to longer dated government bonds, and to a lesser extent corporate bonds, contributed to positive gains. The allocation to Canadian equity detracted as large cap Canadian equity generated negative returns over the fiscal year. Overall, the Plan’s relative performance compared to the Broad-based Index was neutral.

## Economic Review

Global growth declined in the first half of 2015 with a weaker than anticipated recovery for developed economies. Financial market volatility rose sharply throughout the summer with declining commodity prices and an abrupt correction in equity prices worldwide. Temporary surges in volatility were associated with events related to Greek debt negotiations and steep stock market declines in China. Despite a modest improvement over the latter half of the year, 2015 growth rate forecasts remained below those of 2014.

In the United States, real GDP, measured on an annualized basis, rose 3.9% in the second quarter of 2015, following a 0.6% gain in the first, supported in large part by consumer spending, private fixed investment and exports. The Federal Reserve Board ended speculation in September with the decision to maintain the funds target rate at 0.25%; citing global economic weakness as a key factor in refraining from any immediate rate hikes.

The Canadian economy experienced a two-quarter recession in the first half of 2015. Real GDP declined 0.1% in the second quarter, following a 0.2% contraction in the first due in large part to the decline in oil prices and lower export sales. The Bank of Canada (“BoC”) responded with two rate cuts; once in January that was largely unanticipated by the market, followed with an additional cut in July lowering the overnight rate to 0.5%. GDP modestly strengthened in June, July, and August supported by gains in manufacturing and oil and gas extraction. Excluding energy prices,

annual consumer inflation remained within the BoC's target range of 1% – 3%.

Canadian bond yields trended downwards at a modest pace early in the fiscal year only to plunge in response to the BoC's surprise rate cut in January. Despite a second rate cut in July, yields tended to recover upward, albeit ending the year at levels modestly below those of October 2014. Both medium and long-term yields also fell throughout the period, although not to the same extent as short term bonds. These actions contributed to a steepening of the yield curve throughout the fiscal period. Despite the impact of rising yields in the latter half of fiscal 2015, long term government bonds outperformed relative to mid and short term issues over the course of the full year. In this environment, provincial bonds outperformed relative to federals at the short and mid portion of the curve, but underperformed at the long end. Corporate spreads widened modestly throughout the year, contributing to underperformance relative to government bonds throughout the fiscal year.

The S&P/TSX Composite Capped Index (reflective of Canadian large cap stocks) declined by 4.6% over the year, and was largely impacted by the heavily weighted energy and materials sectors as commodity prices remain depressed in light of a weak global demand. The index was buoyed in part earlier in the year by health care firm Valeant Pharmaceuticals International Inc. which witnessed its stock price peak in August, only to tumble in late September due to questions in its sales and accounting practices.

At October 31, 2015, 61.9% of the Plan's Total Portfolio Assets were invested in Short and Mid Term Government Bonds, 23.8% Corporate Bonds, 8.3% in Cash and Money Market Securities and 6.0% in ETFs.

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

Growth in advanced economies is projected to increase modestly in 2015 and into 2016 according to a report released by the International Monetary Fund ("IMF") in October, 2015. Prospects across regions remain uneven, and in particular for those in emerging markets reliant upon commodity and oil-exports, as weakness in pricing is expected to persist.

On December 2<sup>nd</sup>, 2015, the BoC announced that it is maintaining the overnight rate at 0.5%. The BoC noted in an accompanying statement that global economic growth is evolving essentially as anticipated in its October Monetary Policy Report (MPR). The economy continues to undergo an adjustment aided by the ongoing US recovery, a lower Canadian dollar and the BoC's

monetary policy easing this year. The resource sector is still contending with lower prices for commodities. The BoC expects GDP growth to moderate in the fourth quarter of 2015 before moving to a rate above potential in 2016. Total CPI inflation remains near the bottom of the BoC's target range, owing to declines in consumer energy prices. Core inflation is close to 2% as the effects of the lower dollar and the output gap continue to offset each other. While bond yields are slightly higher, financial conditions remain accommodative in Canada.

On December 16<sup>th</sup>, 2015, for the first time in almost a decade, the Federal Reserve Board raised the benchmark interest rate by 0.25 percentage points. Recent U.S. economic data appears encouraging as employers added 271,000 people to payrolls in October, and unemployment fell to 5%. Job openings in September climbed to the second highest on record, while the consumer price index, minus food and energy, rose 1.9% last month from a year earlier.

We are confident that the changes in our investment strategy and conservative management approach will continue to provide value over the long term horizon of the Plan. 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.

#### ***International Financial Reporting Standards***

International Financial Reporting Standards ("IFRS") replaced Canadian generally accepted accounting standards as defined in Part V of the Chartered Professional Accountants of Canada Handbook ("Canadian GAAP") for certain qualifying investment funds for years beginning on or after January 1, 2014. Therefore, the Plan adopted IFRS to replace Canadian GAAP on November 1, 2014, with a transition date of November 1, 2013. In accordance with IFRS, the Plan has reclassified subscribers' deposits with other amounts owing to subscribers and beneficiaries and renamed these as Net Assets Attributable to Subscribers and Beneficiaries.

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

In July 2014, the International Accounting Standards Board issued IFRS 9, Financial Instruments, to replace International Accounting Standard 39, Financial Instruments – Recognition and Measurement ("IAS 39"). IFRS 9 introduces new requirements for the classification and measurement of financial assets and will be effective for the Plan's financial statements for the year ending October 31, 2019.



## 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 ending October 31 for the Plan, which includes assets and income allocated from Government Grants. This information is derived from the Plan's audited annual financial statements.

(\$ thousands)	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>2</sup>	2012 <sup>2</sup>	2011 <sup>2</sup>
<b>Statements of Financial Position</b>					
Total Assets	\$ 263,803	\$ 241,052	\$ 222,055	\$ 196,915	\$ 175,657
Net Assets	262,553	239,036	97,784	87,473	75,221
% Change of Net Assets Attributable to Subscribers and Beneficiaries	9.8%	144.5%	11.8%	16.3%	17.8%
<b>Statements of Comprehensive Income</b>					
Net Investment Income	\$ 4,515	\$ 2,707	\$ 1,435	\$ 1,933	\$ 3,953
<b>Statements of Changes in Net Assets</b>					
Education Assistance Payments	\$ (13,299)	\$ (12,429)	\$ (12,097)	\$ (10,708)	\$ (8,287)
Government Grants Received (net of repayments)	(933)	(1,003)	(746)	(891)	(1,094)
Government Grant payments to Beneficiaries	(5,084)	(4,642)	(3,862)	(3,100)	(2,328)
<b>Other</b>					
Total number of Agreements	54,695	51,299	47,537	43,015	38,851
% Change in the total number of Agreements	6.6%	7.9%	10.5%	10.7%	14.4%

Note:

1 Based on financial statements in accordance with IFRS

2 Based on financial statements in accordance with Canadian GAAP

## Management Fees

### Administration Fees

An administration fee of \$2,749 thousand (2014 – \$2,468 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 1.0% of the total amount of net Contributions, Government Grants and income earned on these amounts, subject to applicable taxes, 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 was 0.13%, including taxes, (2014 – 0.13%) of the average market value of assets based on the Investment Management Agreements with portfolio managers. 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 2015 these fees charged to the Plan amounted to \$43 thousand (2014 – \$42 thousand) and were 0.02% including taxes (2014 – 0.02%) of the average market value of assets.

## Summary of Plan Investment Portfolio

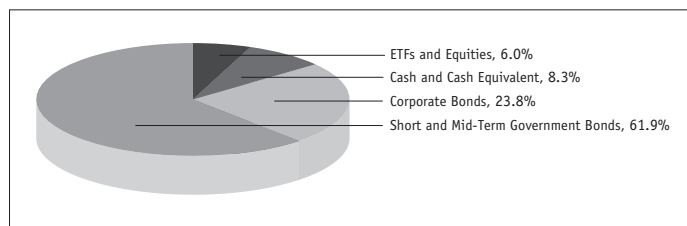
The Plan's Total Portfolio Assets are comprised of the Principal and Income for all education savings plan agreements that have not been paid out to beneficiaries and/or withdrawn by subscribers.

Government Grant assets and related investment income are specific to each beneficiary, but are invested together with funds from other Plans administered by the Foundation. Any payments to beneficiaries from Government Grant assets are treated as separate payments and not included in EAP values paid out.

The Plan's Total Portfolio Assets as presented and as defined in this report, reflect only the Principal and Income assets. The Plan's Total Portfolio Assets do not include the allocation of assets from the Government Grant asset pool that are attributable to this Plan.

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

### Asset Mix as at October 31, 2015



The following table details the top 25 long positions in the Total Portfolio Assets of the Plan. The Plan is prohibited from holding short positions in securities.

Issuer	Rate	Maturity Date	Fair Value (\$ 000's)	% of Plan Portfolio Assets
Government of Canada	0.55%	05 Nov 2015	11,148	7.2%
Province of Quebec	3.75%	01 Sep 2024	9,417	6.1%
iShares Core S&P/TSX Capped Composite Index ETF			9,195	6.0%
Province of Ontario	4.60%	02 Jun 2039	7,108	4.6%
Province of New Brunswick	3.65%	03 Jun 2024	6,950	4.5%
Canada Housing Trust	1.95%	15 Jun 2019	6,635	4.3%
Province of Ontario	4.65%	02 Jun 2041	5,991	3.9%
Canada Housing Trust	1.75%	15 Jun 2018	5,293	3.4%
Province of British Columbia	4.30%	18 Jun 2042	4,974	3.2%
Province of Alberta	4.00%	01 Dec 2019	4,287	2.8%
Province of Manitoba	4.05%	05 Sep 2045	3,884	2.5%
Province of New Brunswick	4.80%	03 Jun 2041	3,878	2.5%
Province of Quebec	4.50%	01 Dec 2019	3,619	2.3%
Canada Housing Trust	2.05%	15 Jun 2017	3,600	2.3%
Province of Ontario	4.20%	08 Mar 2018	3,456	2.2%
Canada Housing Trust	1.70%	15 Dec 2017	3,444	2.2%
Province of Quebec	4.50%	01 Dec 2017	3,240	2.1%
Province of Quebec	4.50%	01 Dec 2018	3,198	2.1%
Province of Ontario	4.40%	02 Jun 2019	2,912	1.9%
Province of Saskatchewan	1.95%	01 Mar 2019	2,330	1.5%
Province of Ontario	4.30%	08 Mar 2017	2,115	1.4%
Province of Alberta	1.70%	15 Dec 2017	1,968	1.3%
Bell Canada	3.25%	17 Jun 2020	1,922	1.2%
Shaw Communications Inc.	5.65%	01 Oct 2019	1,675	1.1%
Province of British Columbia	3.20%	18 Jun 2044	1,488	1.0%

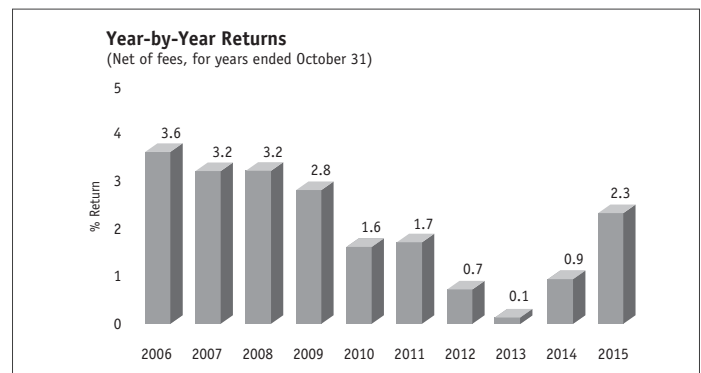
**Top 25 long positions as a percentage of Total Portfolio Assets of the Plan** **73.6%**

## Past Performance

The returns presented in the following chart and the annual compound returns table are based on the investment performance of the Plan's Total Portfolio Assets only and do not reflect the investment performance of assets from the Government Grants. 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, and Independent Review Committee expenses 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 annual performance in each of the past ten years to October 31, 2015 of the Plan's Total portfolio Assets. The chart illustrates in percentage terms how much an investment in the Plan's Total Portfolio Assets, 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 Plan's Benchmark currently comprises the following specified indices in the weights and for the periods of time indicated:

Index	Prior to: July 1, 2011	To: July 31, 2014	Current: Aug 1, 2014
FTSE TMX Canada All Gov't Bond Index			62.0%
FTSE TMX Canada Short Term Corporate Bond Index		6.0%	
FTSE TMX Canada Short Term Gov't Bond Index	70.0%	64.0%	
FTSE TMX Canada All Corporate Bond Index			21.0%
FTSE TMX Canada 91-Day Treasury Bill Index	30.0%	30.0%	10.0%
S&P/TSX Capped Composite Index			7.0%

The FTSE TMX Canada All 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 greater than 1 year.

The FTSE TMX Canada All Corporate Bond Index is a broad measure of Canadian investment grade fixed income securities issued by corporations, with maturities greater than one year.

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

The S&P/TSX Capped Composite Index reflects price movements of selected securities listed on the Toronto Stock Exchange and weighted by market capitalization, with a capped weight of 10% on all of the constituents.

The FTSE TMX Canada 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.

The FTSE TMX Canada Short Term Corporate Bond Index is a broad measure of Canadian investment grade fixed income securities issued by corporations, with maturities between 1 and 5 years.

The following table illustrates the annual compound returns of the Plan's Total Portfolio for the periods shown ending on October 31, 2015.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
<b>Net Plan Return*</b>	<b>2.3</b>	<b>1.1</b>	<b>1.1</b>	<b>2.0</b>
<b>Benchmark</b>	<b>3.5</b>	<b>2.3</b>	<b>2.2</b>	<b>3.2</b>
<b>Broad-based Index: FTSE TMX Canada Short Term Government Bond Index</b>	<b>2.7</b>	<b>2.1</b>	<b>2.3</b>	<b>3.6</b>

\* Note: The Plan returns are after the deduction of fees and expenses, while the Benchmarks 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 1.2% for the one-year and ten-year returns, and 1.3% for all other periods.

For commentary on the market and/or information regarding the relative performance of the Plan compared to its Broad-based Index and Benchmark, see the Results of Operations section of this report.

# Management's Responsibility for Financial Reporting

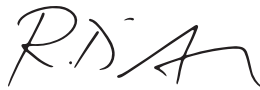
The accompanying financial statements of the Canadian Scholarship Trust Family Savings Plan (the "Plan") are prepared by management and are approved by the Board of Directors of Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations 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 International Financial Reporting Standards 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



**Richard D'Archivio, CPA, CA, CFA**  
Vice President, Chief Financial Officer

Toronto, Ontario  
January 7, 2016

## 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 Family Savings Plan, which comprise the statements of financial position as at October 31, 2015, October 31, 2014 and November 1, 2013, and the statements of comprehensive income, statements of changes in net assets attributable to subscribers and beneficiaries and statements of cash flows for the years ended October 31, 2015 and October 31, 2014, 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 International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### 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 Family Savings Plan as at October 31, 2015, October 31, 2014 and November 1, 2013 and the results of its financial performance, changes in its net assets attributable to subscribers and beneficiaries and its cash flows for the years ended October 31, 2015 and October 31, 2014 in accordance with International Financial Reporting Standards.



Chartered Professional Accountants  
Licensed Public Accountants  
January 7, 2016



# Statements of Financial Position

As at October 31, 2015, October 31, 2014 and November 1, 2013  
(in thousands of Canadian dollars)

	Oct 31, 2015	Oct 31, 2014 (Note 7)	Nov 1, 2013 (Note 7)
<b>Assets</b>			
Cash and cash equivalents	\$ 13,385	\$ 12,532	\$ 24,876
Receivables for securities sold	567	-	959
Investments, at fair value <i>(Note 4 and Schedule I)</i>	214,918	199,944	173,605
Accrued interest and other receivables	34,796	28,469	22,522
Government grants receivable	137	107	93
	<b>263,803</b>	<b>241,052</b>	<b>222,055</b>
<b>Liabilities</b>			
Payables for securities purchased	573	-	1,124
Accounts payable, accrued liabilities and unclaimed subscribers' funds	677	2,016	2,798
	<b>1,250</b>	<b>2,016</b>	<b>3,922</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>262,553</b>	<b>239,036</b>	<b>218,133</b>
<b>Represented by:</b>			
<b>Non-Discretionary Funds</b>			
Accumulated income held for future education assistance payments	50,564	47,942	46,394
Subscribers' deposits <i>(Schedule II)</i>	141,735	130,422	120,349
Government grants	51,428	44,005	37,381
Income on Government grants	18,480	16,487	14,436
<b>Unrealized Gains (Losses)</b>	<b>346</b>	<b>180</b>	<b>(427)</b>
	<b>\$262,553</b>	<b>\$239,036</b>	<b>\$218,133</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 Comprehensive Income

For the years ended October 31, 2015 and 2014 (in thousands of Canadian dollars)

	2015	2014
<b>Income</b>		
Interest for allocation to subscriber accounts	\$6,039	\$5,533
Realized gains (losses) on sale of investments	865	(749)
Change in unrealized gains (losses)	166	607
Dividends	533	98
	<b>7,603</b>	<b>5,489</b>
<b>Expenses</b>		
Administration and account maintenance fees <i>(Note 3(a))</i>	2,749	2,468
Portfolio management fees	291	268
Custodian and Trustee fees	43	42
Independent Review Committee fees	5	4
	<b>3,088</b>	<b>2,782</b>
<b>Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries</b>	<b>\$4,515</b>	<b>\$2,707</b>

# Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the years ended October 31, 2015 and 2014 (in thousands of Canadian dollars)

	2015	2014
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Year</b>	<b>\$239,036</b>	<b>\$218,133</b>
<b>Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries</b>	<b>4,515</b>	<b>2,707</b>
Transfers from internal and external plans	27,237	26,375
	<b>31,752</b>	<b>29,082</b>
<b>Receipts</b>		
Net increase in Subscribers' deposits <i>(Schedule II)</i>	11,313	10,073
<b>Disbursements</b>		
Government grants repaid (net of receipts)	(933)	(1,003)
Payments to beneficiaries		
Education assistance payments	(13,299)	(12,429)
Government grants	(5,084)	(4,642)
Return of interest	(232)	(178)
<b>Total payments to beneficiaries</b>	<b>(18,615)</b>	<b>(17,249)</b>
<b>Receipts less Disbursements</b>	<b>(8,235)</b>	<b>(8,179)</b>
<b>Change in Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>23,517</b>	<b>20,903</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Year</b>	<b>\$262,553</b>	<b>\$239,036</b>

# Statements of Cash Flows

For the years ended October 31, 2015 and 2014 (in thousands of Canadian dollars)

	2015	2014
<b>Operating Activities</b>		
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 4,515	\$ 2,707
Net disbursements for investment transactions	(13,937)	(26,646)
Items not affecting cash		
Realized (gains) losses on sale of investments	(865)	749
Change in unrealized gains (losses)	(166)	(607)
Change in non-cash operating working capital		
Increase in Accrued interest and other receivables	(6,327)	(5,947)
Increase in Government grants receivable	(30)	(14)
Decrease in Accounts payable, accrued liabilities and unclaimed subscribers' funds	(1,339)	(782)
<b>Cash flow used in Operating Activities</b>	<b>(18,149)</b>	<b>(30,540)</b>
<b>Financing Activities</b>		
Transfers from internal and external plans	27,237	26,375
Government grants repaid (net of receipts)	(933)	(1,003)
Net increase in Subscribers' deposits <i>(Schedule II)</i>	11,313	10,073
Payments to beneficiaries	(18,615)	(17,249)
<b>Cash flow from Financing Activities</b>	<b>19,002</b>	<b>18,196</b>
<b>Net increase in Cash and cash equivalents</b>	<b>853</b>	<b>(12,344)</b>
<b>Cash and cash equivalents, Beginning of Year</b>	<b>12,532</b>	<b>24,876</b>
<b>Cash and cash equivalents, End of Year</b>	<b>\$ 13,385</b>	<b>\$ 12,532</b>
<b>Supplemental cash flow information:</b>		
Withholding Taxes	\$ 20	\$ 3
Interest Income Received	5,983	5,160

# Schedule I – Statement of Investment Portfolio

As at October 31, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>					<b>Bonds (continued)</b>				
<b>Federal – 13.8%</b>					<b>Corporate – 23.8% (continued)</b>				
Government of Canada					Bank of Nova Scotia (continued)				
5.00%	1 Jun 2037	810	1,183	1,135	2.13%	15 Jun 2020	680	682	680
4.00	1 Jun 2041	320	423	450	2.09	9 Sep 2020	570	568	570
3.50	1 Dec 2045	200	252	267	2.58	30 Mar 2027	1,050	993	1,042
Canada Housing Trust					bcIMC Realty Corporation				
2.05	15 Jun 2017	3,525	3,600	3,585	2.84	3 Jun 2025	560	556	560
1.70	15 Dec 2017	3,380	3,444	3,397	Bell Canada				
1.75	15 Jun 2018	5,175	5,293	5,183	3.35	18 Jun 2019	500	520	519
1.95	15 Jun 2019	6,430	6,635	6,474	3.25	17 Jun 2020	1,860	1,922	1,941
3.80	15 Jun 2021	400	451	438	3.00	3 Oct 2022	600	597	598
			21,281	20,929	BMW Canada Inc.				
<b>Provincial – 48.1%</b>					2.33	26 Sep 2018	420	425	423
Province of Alberta					2.27	26 Nov 2018	390	394	390
1.70	15 Dec 2017	1,935	1,968	1,941	Caisse centrale Desjardins				
4.00	1 Dec 2019	3,875	4,287	4,258	2.80	19 Nov 2018	600	618	611
Province of British Columbia					2.44	17 Jul 2019	500	509	500
4.30	18 Jun 2042	4,200	4,974	4,843	Canadian Imperial Bank of Commerce				
3.20	18 Jun 2044	1,500	1,488	1,433	2.35	24 Jun 2019	100	102	101
Province of Manitoba					Canadian Natural Resources Limited				
1.85	5 Sep 2018	675	690	679	2.89	14 Aug 2020	720	720	734
4.05	5 Sep 2045	3,510	3,884	4,187	Daimler Canada Finance Inc.				
Province of New Brunswick					2.27	26 Mar 2018	340	342	342
4.40	3 Jun 2019	1,335	1,480	1,478	1.78	19 Aug 2019	520	510	520
3.65	3 Jun 2024	6,360	6,950	6,825	Enbridge Gas Distribution Inc.				
4.80	3 Jun 2041	3,200	3,878	3,914	3.31	11 Sep 2025	300	301	300
Province of Ontario					Enbridge Inc.				
4.30	8 Mar 2017	2,020	2,115	2,170	4.00	11 Sep 2025	260	242	259
4.20	8 Mar 2018	3,215	3,456	3,495	Ford Credit Canada Limited				
4.40	2 Jun 2019	2,620	2,912	2,900	2.92	16 Sep 2020	570	566	570
4.60	2 Jun 2039	5,900	7,108	6,851	FortisBC Inc.				
4.65	2 Jun 2041	4,900	5,991	5,819	4.00	28 Oct 2044	280	271	280
Province of Quebec					Honda Canada Finance Inc.				
4.50	1 Dec 2016	1,065	1,108	1,140	1.63	12 Aug 2019	240	238	240
4.50	1 Dec 2017	3,017	3,240	3,300	HSBC Bank Canada				
4.50	1 Dec 2018	2,900	3,198	3,207	2.49	13 May 2019	860	872	865
4.50	1 Dec 2019	3,215	3,619	3,586	1.82	7 Jul 2020	680	665	680
3.75	1 Sep 2024	8,500	9,417	9,024	2.45	29 Jan 2021	610	609	610
Province of Saskatchewan					2.91	29 Sep 2021	780	792	788
1.95	1 Mar 2019	2,270	2,330	2,280	Inter-American Development Bank				
			74,093	73,330	4.40	26 Jan 2026	480	558	540
<b>Corporate – 23.8%</b>					Manufacturers Life Insurance Company				
Bank of Montreal					2.64	15 Jan 2025	250	254	250
2.84	4 Jun 2020	580	601	604	2.10	1 Jun 2025	680	672	680
2.12	16 Mar 2022	400	393	400	National Bank of Canada				
3.12	19 Sep 2024	580	584	589	1.74	3 Mar 2020	440	434	440
Bank of Nova Scotia									
2.75	13 Aug 2018	370	381	377					

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

# Schedule I – Statement of Investment Portfolio (continued)

As at October 31, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	
<b>Bonds (continued)</b>					<b>Bonds (continued)</b>					
<b>Corporate – 23.8% (continued)</b>					<b>Corporate – 23.8% (continued)</b>					
North West Redwater Partnership					VW Credit Canada Inc. (continued)					
2.10%	23 Feb 2022	420	411	419	2.15%	24 Jun 2020	750	712	749	
3.20	22 Jul 2024	200	204	200	Wells Fargo Finance Canada					
3.70	23 Feb 2043	230	210	229	2.94	25 Jul 2019	800	832	821	
4.05	22 Jul 2044	210	204	209					36,649	37,002
Omers Realty Corporation					<b>Total Fixed Income Investments – 85.7%</b>					
3.33	12 Nov 2024	70	73	70					<b>132,023</b>	<b>131,261</b>
Real Estate Asset Liquidity Trust Series Class A					<b>Exchange-traded Funds</b>					
2.36	12 Jan 2025	240	232	235	iShares Core S&P/TSX Capped Composite Index ETF	429	9,195	10,469		
3.24	12 May 2025	250	249	250					<b>9,195</b>	<b>10,469</b>
Rogers Communications Inc.					<b>Total Equity – 6.0%</b>					
4.70	29 Sep 2020	500	548	550					<b>12,835</b>	<b>12,835</b>
5.34	22 Mar 2021	500	564	567	<b>Cash and cash equivalents- 8.3%</b>					
Rogers Wireless Inc.					<b>Total Portfolio Assets – 100.0%</b>					
5.38	4 Nov 2019	1,000	1,115	1,131					<b>154,053</b>	<b>154,565</b>
Royal Bank of Canada					<b>Investments Allocation (Note 4)</b>					
2.77	11 Dec 2018	640	660	654					73,700	72,842
1.97	2 Mar 2022	420	409	420					550	550
2.48	4 Jun 2025	750	731	750	<b>Total Investment Fund</b>					
3.45	29 Sep 2026	1,340	1,346	1,388					<b>228,303</b>	<b>227,957</b>
Shaw Communications Inc.					<b>Represented by:</b>					
5.65	1 Oct 2019	1,500	1,675	1,709					Investments, at fair value	214,918
Suncor Energy Inc.									Cash and cash equivalents	13,385
3.10	26 Nov 2021	523	535	525					<b>228,303</b>	
TELUS Corporation										
5.05	4 Dec 2019	810	896	909						
5.05	23 Jul 2020	1,000	1,114	1,126						
3.20	5 Apr 2021	500	513	507						
2.35	28 Mar 2022	640	618	638						
Thomson Reuters Corporation										
3.31	12 Nov 2021	150	153	150						
Toronto Dominion Bank										
1.69	2 Apr 2020	630	623	630						
2.69	24 Jun 2025	740	729	740						
2.98	30 Sep 2025	510	507	510						
5.76	18 Dec 2106	310	333	346						
Toyota Credit Canada Inc.										
2.80	21 Nov 2018	100	103	100						
2.48	19 Nov 2019	560	572	560						
TransCanada Pipelines Limited										
3.30	17 Jul 2025	750	749	749						
Ventas Canada Finance Limited										
3.30	1 Feb 2022	350	353	350						
VW Credit Canada Inc.										
2.80	20 Aug 2018	360	357	368						
2.50	1 Oct 2019	440	428	440						

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



## Schedule II – Subscribers’ Deposits and Accumulated Income

As at October 31, 2015 and 2014 (in thousands of Canadian dollars)

The following table provides a summary of Family Savings Plan agreements, Subscribers’ Deposits and Accumulated Income:

Opening Agreements	Inflow Agreements	Outflow Agreements	Closing Agreements	Subscribers’ Deposits	Accumulated Income
51,299	10,180	6,784	54,695	\$141,735	\$50,564

The changes in Subscribers’ deposits are as follows:

	2015	2014
Net payments from subscribers <sup>1</sup>	\$ 7,142	\$ 6,812
Inter-plan principal transfers	42,676	40,577
Return of principal	(38,505)	(37,316)
Net increase in Subscribers’ deposits	11,313	10,073
<b>Balance, Beginning of Year</b>	<b>130,422</b>	<b>120,349</b>
<b>Balance, End of Year</b>	<b>\$141,735</b>	<b>\$130,422</b>

<sup>1</sup> Net of Sales charges collected of \$18 (2014 – \$19)

# Notes to the Financial Statements

October 31, 2015 and 2014 and November 1, 2013 (in thousands of Canadian dollars)

## Note 1. Nature of Operations

The Canadian Scholarship Trust Family Savings Plan (the “Plan”) is a self-determined Education Savings Plan that was established on March 1, 1997. The objective of the Plan is to assist parents and others to save for the post-secondary education of children. The Plan is managed and distributed by C.S.T. Consultants Inc. (“C.S.T.C.”), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the “Foundation”). The Plan’s registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Payments are made by a subscriber to an account maintained by the Plan’s trustee on behalf of one or more beneficiaries. Payments of sales charges are made from the subscriber’s initial contribution. The principal accumulated over the term of the subscriber’s education savings plan agreement (the “Agreement”) is returned in whole or in part at any time at the request of the subscriber. 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. Education assistance payments (“EAPs”) paid to a beneficiary from the Plan are determined by the subscriber and are paid from the income earned on the subscriber’s principal.

There are a number of government grants that may be available to beneficiaries including the Canada Education Savings Grant Program (“CESG”), the Canada Learning Bond (“CLB”), the Alberta Centennial Education Savings Grant (“ACES”), the Quebec Education Savings Incentive (“QESI”) and the Saskatchewan Advantage Grant for Education Savings (“SAGES”) (collectively, “Government Grants”). The Alberta government announced that no new grants will be made under the ACES program after July 31, 2015.

The Plan collects Government Grants, which are credited directly into subscribers’ Agreements 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 Registered Education Savings Plans 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. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a beneficiary, including EAPs, Government Grants and investment income earned on Government Grants will constitute taxable income of that beneficiary in the year that the payments are made.

## Note 2. Significant Accounting Policies

### (a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These are the Plan’s first annual financial statements prepared in accordance with IFRS; previously the Plan prepared its financial statements in accordance with Canadian Generally Accepted

Accounting Principles (“Canadian GAAP”) as defined in Part V of the Chartered Professional Accountants of Canada Handbook. The date of transition to IFRS (the “Transition Date”) is November 1, 2013. IFRS 1, First Time Adoption of International Financial Reporting Standards (“IFRS 1”) has been applied.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Plan is provided in Note 7. The accounting policies have been selected to be consistent with IFRS that were effective on October 31, 2015. The accounting policies have been consistently applied to all periods presented.

These financial statements were approved by the Board of the Foundation on January 7, 2016.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as “at fair value through profit or loss” (“FVTPL”), which are measured at fair value.

### (c) Future accounting standard

The following new accounting standard has been issued by the International Accounting Standards Board (“IASB”). This new standard is not yet effective and the Plan has not completed its assessment of the impact on the financial statements.

#### *IFRS 9 Financial Instruments (“IFRS 9”)*

IFRS 9 was issued in November 2009 to replace IAS 39 *Financial Instruments: Recognition and Measurement* (“IAS 39”). IFRS 9 will be effective for the Plan’s financial statements during its fiscal 2019 year.

IFRS 9 introduces new requirements for the classification and measurement of financial assets, reducing the number of classifications from those in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets.

### (d) Financial instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. Financial assets and financial liabilities, with the exception of those classified as FVTPL, are measured at fair value plus transaction costs on initial recognition. Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Investments, at fair value have been designated as FVTPL.

# Notes to the Financial Statements (continued)

October 31, 2015 and 2014 and November 1, 2013 (in thousands of Canadian dollars)

## Note 2. Significant Accounting Policies (continued)

### (d) Financial instruments (continued)

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL <sup>i</sup>
Cash and cash equivalents	Loans and receivables <sup>ii</sup>
Accrued interest and other receivables	Loans and receivables <sup>ii</sup>
Receivables for securities sold	Loans and receivables <sup>ii</sup>
Accounts payable, accrued liabilities and unclaimed subscriber funds	Other financial liabilities <sup>iii</sup>
Payables for securities purchased	Other financial liabilities <sup>iii</sup>

<sup>i</sup> Financial assets are designated as FVTPL when acquired principally for the purpose of trading. Financial assets classified as FVTPL are measured at fair value, with changes recognized in Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries.

<sup>ii</sup> Loans and receivables are non-derivative financial assets that have fixed or determinable payments and are not quoted in an active market. Subsequent to initial recognition, loans and receivables are carried at amortized cost using the effective interest method. Loans and receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

<sup>iii</sup> Other financial liabilities are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, other financial liabilities are carried at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

### (e) Investment valuation

Investments, at fair value include the following types of securities: bonds, money market securities, and exchange-traded funds ("ETF").

The fair value of fixed income securities that are not publicly traded is measured by using either the average bid price from multiple dealers, or by the present value of contractual cash flows, discounted at current market rates. Interest accrued at the reporting date is included in Accrued interest and other receivables.

The fair value of securities that are publicly traded in an active market is measured using bid prices at the reporting date.

Note 6 provides further guidance on fair value measurements.

### (f) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest for allocation to subscriber accounts represents the coupon interest received by the Plan accounted for on an accrual basis. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities.

Dividends and distributions are accrued as of the ex-dividend date and ex-distribution date, respectively. Realized gains (losses) on the sale of investments and Change in unrealized gains (losses) are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

### (g) Subscribers' deposits and sales charges

Subscribers' deposits reflect amounts received from subscribers and do not include future amounts receivable on outstanding Agreements. A sales charge is required as part of the initial contribution under each Agreement. Sales charges collected during the reporting period are paid to C.S.T.C.

### (h) Income taxes

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

### (i) Cash and cash equivalents

Cash and cash equivalents include deposit balances with banks and securities with a purchase date to maturity of 90 days or less: Term deposits, treasury bills and bankers acceptances.

### (j) Foreign currency

The functional and presentation currency of the Plan is the Canadian Dollar.

To the extent applicable in any period, foreign currency purchases and sales of investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income in Realized gains (losses) on sale of investments and Change in unrealized gains (losses), respectively.

### (k) Critical accounting estimates and judgments

When preparing the financial statements, C.S.T.C management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

## Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

### (a) Distribution and Administration of the Plan

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Scholarship Plan Dealer and Investment Fund Manager to distribute and administer, respectively, the Plan. The distribution and administration agreements are renewable annually on November 1. Administration and account maintenance fees are paid to the Foundation. Administration fees are annual fees of 1% of the total amount of principal, Government Grants and income earned thereon.

# Notes to the Financial Statements (continued)

October 31, 2015 and 2014 and November 1, 2013 (in thousands of Canadian dollars)

## Note 3. Related Party Transactions (continued)

### (a) Distribution and Administration of the Plan (continued)

For the year ended October 31, 2015, \$2,749 was recognized as an expense for Administration and account maintenance fees (2014 – \$2,468). Administration and account maintenance fees included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2015 was \$180 (October 31, 2014 – \$158; November 1, 2013 – \$145).

Sales charges paid by subscribers from their initial contributions are paid to C.S.T.C. as compensation for the sale and distribution of savings plans.

For the year ended October 31, 2015, \$18 was paid to C.S.T.C. from sales charges collected (2014 – \$19). Related amounts included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2015 was \$629 (October 31, 2014 – \$629; November 1, 2013 – \$629).

### (b) Fees paid for services of an Independent Review Committee

The Independent Review Committee ("IRC") provides independent review and oversight of conflicts of interest relating to the management of the Plans. For the year ended October 31, 2015, the Plan recognized an expense of \$5 (2014 – \$4) for the services of the IRC. IRC fees included in Accounts payable accrued liabilities and unclaimed subscribers' funds at October 31, 2015 was \$nil (October 31, 2014 – \$nil; November 1, 2013 – \$1).

### (c) Fees paid to monitor and manage the portfolio managers

Included in Portfolio management fees on the Statements of Comprehensive Income is \$41 (2014 – \$17) charged by C.S.T.C. for expenses incurred to monitor and manage the portfolio managers. Included in Accounts payable, accrued liabilities and unclaimed subscribers' funds is \$6 owing to C.S.T.C. at October 31, 2015 (\$6 at October 31, 2014; \$Nil at November 1, 2013) relating to these expenses.

## Note 4. Investment Holdings

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

The Government Grants are invested collectively in a separate fund with Government Grants of other RESP plans administered by C.S.T.C. The Government Grant principal received and income earned thereon 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).

## 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, 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 and mandate.

### (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 holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund		
	Oct 31, 2015	Oct 31, 2014	Nov 1, 2013
Less than 1 year	6%	6%	27%
1-3 years	16%	13%	34%
3-5 years	23%	31%	23%
Greater than 5 years	45%	40%	16%
<b>Total debt instruments</b>	<b>90%</b>	<b>90%</b>	<b>100%</b>

As at October 31, 2015, if prevailing interest rates had increased by 1%, the Total Investment Fund amount of \$228,303 (October 31, 2014 – \$212,476; November 1, 2013 – \$198,481) as per the Schedule I – Statement of Investment Portfolio would have decreased by \$12,859 (October 31, 2014 – \$10,706; November 1, 2013 – \$4,910). If prevailing interest rates had decreased by 1%, the Total Investment Fund would have increased by \$15,399 (October 31, 2014 – \$12,670; November 1, 2013 – \$5,354). 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 asset class that is most impacted by other price risk is the ETFs of the Plan and Government Grant asset pool, which represents 10% (October 31, 2014 – 10%; November 1, 2013 – nil%) of the Total Investment Fund amount as at October 31, 2015.

As at October 31, 2015, if equity and underlying indices prices had increased or decreased by 1%, with all other

# Notes to the Financial Statements (continued)

October 31, 2015 and 2014 and November 1, 2013 (in thousands of Canadian dollars)

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

### (a) Market risk (continued)

#### ii. Other price risk (continued)

variables held constant, the Total Investment Fund amount as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately \$227 (October 31, 2014 – \$216; November 1, 2013 – \$nil). In practice, actual 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 Canadian Securities Administrators. The Plan 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 summarized below:

Credit rating	Oct 31, 2015		Oct 31, 2014		Nov 1, 2013	
	% of Total Investment Fund (in thousands)	Amount	% of Total Investment Fund (in thousands)	Amount	% of Total Investment Fund (in thousands)	Amount
AAA	20%	\$ 45,023	26%	\$ 54,974	36%	\$ 72,219
AA/AAH/AAL	29%	65,625	30%	63,947	24%	46,177
A/AH/AL	31%	70,128	26%	55,283	19%	38,236
BBB	3%	6,871	2%	4,133	0%	398
R-1	6%	13,043	5%	11,468	21%	41,483
Short-term unrated	1%	4,952	1%	1,104	0%	(32)
<b>Total debt instruments</b>	<b>90%</b>	<b>\$ 205,642</b>	<b>90%</b>	<b>\$ 190,909</b>	<b>100%</b>	<b>\$ 198,481</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 financial obligations as they come due. 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 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 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 holds ETFs that invest in U.S. equities and are hedged to Canadian dollars by the ETF provider.

## Note 6. Fair Value Measurements and Disclosures

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The carrying values of other financial instruments such as Cash and cash equivalents, Accrued interest and other receivables, Receivables for securities sold, Government grants receivable, Accounts payable, accrued liabilities and unclaimed subscribers' funds and Payables for securities purchased approximate their fair values as these financial instruments are short term in nature.

The following table presents the level in the fair value hierarchy into which the Plan's financial instruments that are carried at fair value in the Statements of Financial Position are categorized:

- Level 1 financial instruments are valued using quoted market prices.
- Level 2 financial instruments are valued using directly or indirectly observable inputs.
- Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

### Assets Measured at Fair Value as of October 31, 2015

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 192,257	\$ -	\$ 192,257
Equity Securities	22,661	-	-	22,661
<b>Total Investments, at fair value</b>	<b>\$ 22,661</b>	<b>\$ 192,257</b>	<b>\$ -</b>	<b>\$ 214,918</b>

### Assets Measured at Fair Value as of October 31, 2014

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 178,377	\$ -	\$ 178,377
Equity Securities	21,567	-	-	21,567
<b>Total Investments, at fair value</b>	<b>\$ 21,567</b>	<b>\$ 178,377</b>	<b>\$ -</b>	<b>\$ 199,944</b>

### Assets Measured at Fair Value as of November 1, 2013

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 173,605	\$ -	\$ 173,605
<b>Total Investments, at fair value</b>	<b>\$ -</b>	<b>\$ 173,605</b>	<b>\$ -</b>	<b>\$ 173,605</b>

For the year ended October 31, 2015 and 2014, there were no transfers between Levels 1 or 2.



# Notes to the Financial Statements (continued)

October 31, 2015 and 2014 and November 1, 2013 (in thousands of Canadian dollars)

## Note 7. Transition to IFRS

This note summarizes the effect of the Plan's transition to IFRS.

### (a) First-time adoption of IFRS

The adoption of IFRS requires the application of IFRS 1, which provides guidance for an entity's initial adoption of IFRS. IFRS 1 generally requires retrospective application of IFRS effective at the end of an entity's first annual IFRS reporting period. However, IFRS 1 also provides certain optional exemptions and mandatory exceptions to this retrospective treatment.

The Plan has elected to apply one optional exemption and designate its Investments, at fair value as FVTPL at the transition date (November 1, 2013). Investments, at fair value were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. This designation did not have any effect on the Plan's financial statements on adoption of IFRS.

The Plan has not elected to apply any other optional exemptions under IFRS 1.

IFRS 1 does not permit changes to estimates that have been made previously. Estimates used in the preparation of the Plan's opening IFRS statement of financial position, and other comparative information restated to comply with IFRS, are consistent with those made previously under Canadian GAAP.

### (b) Changes in accounting policies

In accordance with IAS 32 "Financial Instruments – Presentation", the subscribers' deposits are classified with other amounts owing to Subscribers and beneficiaries, renamed Net Assets Attributable to Subscribers and Beneficiaries. The amounts were previously presented as liabilities under Canadian GAAP.

The adoption of IFRS did not result in any other changes to the accounting policies of the Plan as compared with its most recent annual financial statements prepared under Canadian GAAP. Aside from the reclassification of Subscribers' deposits, the adoption of IFRS had no other effect on the presentation or measurement of the assets, liabilities, total equity, income or expenses of the Plan.

### (c) Reconciliations of Net assets and Comprehensive Income

	October 31, 2014	November 1, 2013
Net assets available for education assistance payments under Canadian GAAP	\$ 108,614	\$ 97,784
Reclassification of subscribers' deposits	130,422	120,349
Net assets attributable to subscribers and beneficiaries under IFRS	\$ 239,036	\$ 218,133

The adoption of IFRS had no effect on Net Income and Comprehensive Income Attributable to Subscribers and Beneficiaries or the Statements of Cash Flows. As such, no reconciliation has been provided.

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>					<b>Bonds (continued)</b>				
<b>Federal – 20.0%</b>					<b>Municipal and Provincial – 29.8% (continued)</b>				
Government of Canada					Alberta Capital Finance Authority				
0.43%	31 Dec 2015	535	535	535	4.45%	15 Dec 2025	1,785	2,089	2,052
0.42	14 Jan 2016	675	674	674	Province of Alberta				
1.50	1 Sep 2017	6,566	6,676	6,615	4.00	1 Dec 2019	155	171	171
2.05	15 Jun 2018	13,179	13,580	13,481	1.25	1 Jun 2020	1,902	1,888	1,883
1.75	1 Sep 2019	1,200	1,246	1,246	3.90	1 Dec 2033	1,972	2,157	2,120
1.50	1 Mar 2020	2,500	2,577	2,577	3.45	1 Dec 2043	995	1,012	1,043
3.50	1 Jun 2020	3,000	3,361	3,361	Province of British Columbia				
0.75	1 Sep 2020	3,200	3,180	3,179	4.70	1 Dec 2017	4,000	4,314	4,416
3.25	1 Jun 2021	3,000	3,365	3,364	2.05	2 Jun 2019	1,000	1,023	1,024
2.75	1 Jun 2022	1,500	1,649	1,649	3.30	18 Dec 2023	2,500	2,716	2,591
1.50	1 Jun 2023	3,400	3,439	3,221	5.70	18 Jun 2029	2,000	2,645	2,675
2.25	1 Jun 2025	8,600	9,137	9,193	6.35	18 Jun 2031	2,800	3,972	3,990
1.50	1 Jun 2026	3,000	2,943	2,968	4.70	18 Jun 2037	4,920	6,051	6,017
8.00	1 Jun 2027	2,000	3,300	3,357	4.95	18 Jun 2040	3,700	4,752	4,777
5.75	1 Jun 2029	9,600	13,941	14,098	4.30	18 Jun 2042	9,230	10,931	10,618
5.75	1 Jun 2033	7,700	11,737	11,841	3.20	18 Jun 2044	1,000	992	956
5.00	1 Jun 2037	17,910	26,164	24,891	Province of Manitoba				
4.00	1 Jun 2041	15,570	20,587	20,287	1.85	5 Sep 2018	400	409	401
3.50	1 Dec 2045	18,000	22,640	23,038	5.50	15 Nov 2018	1,000	1,130	1,154
2.75	1 Dec 2048	8,500	9,310	9,439	3.85	1 Dec 2021	1,000	1,117	1,088
2.75	1 Dec 2064	3,800	4,325	4,386	4.40	5 Sep 2025	2,800	3,230	3,148
Canada Housing Trust					4.10	5 Mar 2041	6,100	6,729	6,923
1.04	1 Apr 2016	931	472	473	3.35	5 Mar 2043	1,300	1,268	1,298
1.85	15 Dec 2016	6,000	6,079	6,089	4.05	5 Sep 2045	11,150	12,339	13,263
2.05	15 Jun 2017	5,200	5,311	5,324	Province of New Brunswick				
1.75	15 Jun 2018	1,220	1,248	1,227	4.45	26 Mar 2018	400	432	435
2.05	1 Nov 2018	251	206	207	4.40	3 Jun 2019	1,400	1,552	1,556
1.95	15 Jun 2019	5,500	5,676	5,646	2.85	2 Jun 2023	850	886	833
1.75	1 Aug 2019	280	262	263	3.65	3 Jun 2024	900	984	944
1.16	1 Dec 2019	1,475	1,341	1,349	6.47	30 Nov 2027	5,721	7,161	7,097
1.26	1 Feb 2020	3,776	3,732	3,490	5.65	27 Dec 2028	1,195	1,532	1,466
3.75	15 Mar 2020	3,685	4,088	4,090	5.50	27 Jan 2034	2,075	2,674	2,441
3.80	15 Jun 2021	130	146	144	4.65	26 Sep 2035	710	835	739
2.40	15 Dec 2022	9,103	9,523	9,512	4.55	26 Mar 2037	1,700	1,972	1,986
2.90	15 Jun 2024	9,410	10,117	10,104	4.80	26 Sep 2039	1,200	1,446	1,494
1.95	15 Dec 2025	8,000	7,859	7,895	3.55	3 Jun 2043	2,000	2,003	2,016
				220,426	219,213				
<b>Municipal and Provincial – 29.8%</b>					Province of Newfoundland and Labrador				
City of Montreal					2.30	2 Jun 2025	1,100	1,067	1,095
3.00	1 Sep 2025	750	751	755	6.15	17 Apr 2028	600	796	799
City of Toronto					6.55	17 Oct 2030	600	838	839
3.90	29 Sep 2023	1,200	1,324	1,329	3.83	1 Jun 2037	4,000	4,595	4,414
					4.65	17 Oct 2040	1,350	1,588	1,593
					3.86	1 Dec 2045	2,200	2,602	2,641

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, 2015 (in thousands of Canadian dollars)

Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>					<b>Bonds (continued)</b>				
<b>Corporate – 31.4% (continued)</b>					<b>Corporate – 31.4% (continued)</b>				
Cogeco Cable Inc.					Manufacturers Life Insurance Company (continued)				
4.18%	26 May 2023	1,469	1,521	1,528	2.39%	5 Jan 2026	4,438	4,408	4,408
CSS Partnership					Manulife Finance L.P.				
6.92	31 Jul 2042	2,187	2,803	2,800	4.45	15 Dec 2026	8,146	8,381	8,423
DEPFA Bank plc.					Maritimes and Northeast Pipelines Limited Partnership				
5.25	31 Mar 2025	2,623	3,112	3,207	4.34	30 Nov 2019	2,588	2,665	2,674
4.90	24 Aug 2035	2,115	2,443	2,585	6.90	30 Nov 2019	744	823	840
Enbridge Inc.					Master Asset Vehicle Trust				
1.73	13 Mar 2017	792	784	787	0.78	15 Jul 2056	36	36	36
4.57	11 Mar 2044	431	386	400	Milit-Air Inc.				
EUROFIMA					5.75 30 Jun 2019 2,202 2,381 2,412				
4.55	30 Mar 2027	913	1,027	1,022	National Bank of Canada				
GE Capital Canada Funding Company					2.02 13 Apr 2017 1,891 1,908 1,911				
1.62	15 Feb 2022	1,966	1,951	1,803	2.69 21 Aug 2017 19,914 20,337 20,391				
2.18	6 Feb 2023	3,071	3,098	3,071	NAV Canada				
Greater Toronto Airport Authority					7.56 1 Mar 2027 3,444 4,444 4,335				
6.45	30 Jul 2029	2,140	2,725	2,631	North Battleford Power L.P.				
Heathrow Funding Limited					4.96 31 Dec 2032 1,011 1,139 1,028				
3.25	21 May 2027	414	411	410	Ontrea Inc.				
HSBC Bank Canada					4.62 9 Apr 2018 1,990 2,126 2,040				
2.90	13 Jan 2017	5,855	5,959	5,975	Ornge Issuer Trust				
3.56	4 Oct 2017	1,832	1,898	1,903	5.73 11 Jun 2034 3,416 4,015 3,879				
2.45	29 Jan 2021	1,111	1,109	1,111	Pearson International Fuel Facilities Corporation				
2.91	29 Sep 2021	11,840	12,023	12,041	5.09 9 Mar 2032 2,203 2,398 2,362				
Hydro-Québec					Public Sector Pension Investment Board				
6.50	15 Feb 2035	1,000	1,449	1,463	3.27 12 Jun 2020 2,836 2,924 2,836				
6.00	15 Feb 2040	8,000	11,414	11,489	Royal Bank of Canada				
5.00	15 Feb 2045	1,450	1,880	1,901	3.66 25 Jan 2017 1,160 1,194 1,196				
5.00	15 Feb 2050	1,500	1,988	2,014	2.58 13 Apr 2017 9,860 10,033 10,049				
Kraft Canada Inc.					2.36 21 Sep 2017 2,390 2,429 2,435				
2.30	6 Jul 2020	3,800	3,724	3,800	2.26 12 Mar 2018 9,478 9,620 9,649				
Kreditanstalt für Wiederaufbau Global					2.77 11 Dec 2018 22,122 22,811 22,815				
5.05	4 Feb 2025	1,196	1,448	1,474	1.63 11 Feb 2020 333 328 333				
Loblaw Companies Limited					1.39 23 Mar 2020 5,878 5,821 5,878				
6.50	22 Jan 2029	1,827	2,210	2,268	1.97 2 Mar 2022 3,140 3,057 3,066				
6.54	17 Feb 2033	595	719	737	Shaw Communications Inc.				
Manufacturers Life Insurance Company					6.75 9 Nov 2039 1,894 2,212 2,311				
2.81	21 Feb 2024	1,479	1,511	1,514	SP1 Limited Partnership				
2.64	15 Jan 2025	1,479	1,501	1,501	3.21 15 Jun 2019 3,026 2,914 2,837				
2.10	1 Jun 2025	1,479	1,461	1,462					

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, 2015 (in thousands of Canadian dollars)

Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
<b>Equities – 4.9% (continued)</b>			
Toronto Dominion Bank	70	3,738	3,571
Total Energy Services Inc.	26	388	390
Wajax Corporation	19	444	407
West Fraser Timber Co. Ltd.	6	281	282
Westshore Terminals Investment Corporation	64	1,384	1,584
Whistler Blackcomb Holdings Inc.	2	39	42
<b>Total Equities</b>	<b>1,990</b>	<b>54,652</b>	<b>52,463</b>
<b>Exchange-traded Funds – 13.2%</b>			
BMO S&P 500 Hedged to CAD Index ETF	2,305	73,753	70,306
iShares Core S&P 500 Hedged to CAD Index ETF	2,995	71,950	68,046
	5,300	145,703	138,352
<b>Total Equities and ETFs – 18.1%</b>		<b>200,355</b>	<b>190,815</b>
<b>Cash and cash equivalents – 0.7%</b>		<b>8,178</b>	<b>8,178</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>1,105,615</b>	<b>1,092,023</b>
<b>Government Grant Investment Allocation</b>			
Plan II		1,766	1,742
Founders' Plan		24,540	24,137
Group Savings Plan		168,034	165,542
Group Savings Plan 2001		826,581	816,801
Family Savings Plan		73,700	72,842
Individual Savings Plan		2,816	2,781
		<b>1,097,437</b>	<b>1,083,845</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		13	13
Founders' Plan		182	182
Group Savings Plan		1,249	1,249
Group Savings Plan 2001		6,163	6,163
Family Savings Plan		550	550
Individual Savings Plan		21	21
		<b>8,178</b>	<b>8,178</b>

# Canadian Scholarship Trust Plan

## Sponsor

Canadian Scholarship Trust Foundation  
2235 Sheppard Avenue East, Suite 1600  
Toronto, Ontario M2J 5B8  
1.877.333.RESP (7377)

## Investment Fund Manager and Distributor

C.S.T. Consultants Inc.  
2235 Sheppard Avenue East, Suite 1600  
Toronto, Ontario M2J 5B8

## Trustee

RBC Investor Services Trust  
155 Wellington Street West, 2nd Floor  
Toronto, Ontario M5V 3L3

## Auditor

Deloitte LLP  
Bay Adelaide East  
22 Adelaide Street West, Suite 200  
Toronto, Ontario M5H 0A9

## Bank

Royal Bank of Canada  
Royal Bank Plaza  
South Tower  
200 Bay Street, 10th Floor  
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For updates on your Plan account, login to Online Services at [www.cst.org](http://www.cst.org)  
In Quebec, Canadian Scholarship Trust Plan is distributed by  
C.S.T. Consultants Inc. Scholarship Plan Brokerage Firm.

