

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



# **Canadian Scholarship Trust Family Savings Plan**

Audited Financial Statements and  
Management Report of Fund Performance

**October 31, 2017 and 2016**



## Contents

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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 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.

In the fourth quarter of Fiscal 2017, the Plan implemented changes to its investment structure to enhance diversification and improve yield. The Plan transitioned from an actively managed, blended mandate of Canadian government and corporate bonds to a separate passive government bond and actively managed financial institution bond mandate. A portion of the Plan’s fixed income assets were redistributed to passive U.S. equities, followed with the transfer of Canadian equity ETFs to an actively managed Canadian equity securities mandate.

With these changes, the Plan modified the blend of indices comprising its Benchmark beginning October 1, 2017 to the following, which more closely reflects the Plan’s new strategic investment mix (see *Annual Compound Returns* for further details):

13.0%	FTSE TMX Canada Provincial Bond Index
26.0%	FTSE TMX Canada Government Short Term Bond Index
26.0%	FTSE TMX Financial Institution Bond Index
26.0%	S&P US Total Market Index (CAD)
9.0%	S&P/TSX Capped Composite Index

The Plan is invested according to a strategic mix with Principal assets invested in a combination of government fixed income securities and Canadian financial institution debt rated A (mid) and above. Income assets are invested in U.S. equity Exchange Traded Funds (“ETFs”), and Canadian equity securities.

The Plan’s Canadian government fixed income securities are passively managed by TD Asset Management Inc. according to pre-specified duration targets. Financial institution debt securities are actively managed by TD Asset Management Inc. The active fixed income portfolios focus on strategies where value can be added on a sustainable basis and may rely upon sector allocation, credit research, and duration management, dependent upon the managers’ expertise and mandate.

The Plan’s US equity assets are managed by BlackRock Asset Management Canada Limited. These assets are allocated to ETFs traded on Canadian exchanges that replicate the performance of the S&P US Total Market Index. The Plan’s Canadian equity assets are

actively managed by CGOV Asset Management constructed according to a focused portfolio composed of Canadian companies identified as having effective management with superior long-term prospects. All the above listed assets and investment agreements are managed in accordance with our policies and agreements

## 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

### 2017 Plan Performance

For 2017, the Plan’s rate of return, net of fees, was 0.7% compared to the investment policy benchmark (“Benchmark”) return of 1.1% and the FTSE TMX Canada Short Term Government Bond Index return of -0.7% (“Broad-based Index”). The Plan’s return is after the deduction of fees and expenses of 1.3%, 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 transition to the current investment mix in combination with added value provided by the Canadian equity allocation were the most significant contributors to Plan relative returns over the fiscal year.

In comparison to the Broad-based Index, the Plan’s current allocation to U.S. equity ETFs and Canadian equity contributed to positive gains. Overall, the Plan significantly outperformed relative to the Broad-based Index.

## Economic Review

Global economic growth strengthened in 2017 with forecasts revised upwards to 3.6 percent in 2017 and 3.7 percent in 2018 according to the October 2017 World Economic Outlook (“WEO”). Global pickup in economic activity that started in the second half of 2016 gained further momentum in the first half of 2017. In advanced economies, growth was largely broad based, with stronger activity in the United States and Canada, the euro area and Japan. Financial market sentiment was generally strong, with continued gains in equity markets in both advanced and emerging market economies. Inflation remained soft and generally below target.

Economic growth in the United States rebounded in the second quarter with improved consumption growth and persistent business investment. The Federal Reserve Board raised interest rates in March and June of 2017 and announced in September plans to reduce quantitative easing measures. Core inflation marginally declined in 2017 with an expectation by the Federal Reserve Board of reaching 2 percent by 2019.

The Canadian economy grew rapidly in the second quarter of 2017, as growth was broad based across regions and industries. The Bank of Canada increased the overnight rate in July and September of 2017; however, elected to pause further tightening in light of uncertainty from geopolitical developments, notably the renegotiation of the North American Free Trade Agreement. Inflation marginally crept upwards through 2017 reflecting stronger economic activity and higher gasoline prices and is projected by the Bank of Canada to rise to 2 percent for the second half of 2018.

The Canadian fixed income market experienced negative returns following each of the Bank of Canada's interest rate hikes. Bond prices partially recovered in October as yields fell on the expectation the Bank of Canada would refrain from further rate hikes for the remainder of 2017. In this environment, long term federal bonds were amongst the worst performing market segment with losses exceeding 5% over the year. Provincial bonds outperformed relative to federals, however were still in negative territory. Corporate bonds including Financials generated positive returns over the year as spreads tightened in October.

U.S. equities, as represented by the S&P 500 (a broad index of U.S. large cap stocks), continued to soar with an annual return of 23.6% (USD). Index gains were widespread with 10 of the 11 S&P 500 sectors in positive territory with the majority providing double digit annual returns. Amongst the gainers, the Information Technology and Financials sectors were the strongest with annual returns in excess of 35%.

The S&P/TSX Capped Composite Index (a broad index of Canadian stocks) grew by 11.5% over the year with eight out of the eleven sectors in positive territory. Consumer Discretionary, Industrials, and Financials experienced strong growth with returns in excess of 20% over the period. Both the Energy and Materials sectors detracted over the period.

#### **Portfolio Manager Changes**

With the implementation of the current investment strategy, the Plan's portfolio managers and mandates were either re-aligned or changed. The fixed income portfolio managed by TD Asset Management was updated to a passive, customized blend of Canadian federal and provincial bonds in combination with an actively managed financial institution bond mandate. Canadian equity ETFs allocated to BlackRock Asset Management Canada were transitioned to an actively managed mandate of Canadian equity securities managed by CGOV Asset Management. A portion of Plan assets were allocated to BlackRock and are managed according to passive US equity ETF tracking the S&P US Total Market Index.

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

Recent Canadian economic data depicted mixed results as GDP unexpectedly shrank in August by 0.1 percent from July, followed with stronger than anticipated labour-force survey results released in October and November by Statistics Canada. The Bank of Canada announced on December 6, 2017 the decision to maintain the overnight rate at 1 per cent as a cautious approach in light of softening economic data and ongoing strained discussions related to the renegotiation of the North American Free Trade Act.

We are confident 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.

#### **Future Accounting Standards**

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology, and general hedge accounting. IFRS 9 (as revised in 2014) will supersede 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 15 was issued in May 2014, replacing existing guidance related to revenue recognition and will be effective for the Plan's financial statements during its fiscal 2019 year. IFRS 15 includes a single revenue recognition model based on the principal that revenue is recognized when control of a good or service is transferred to the customer. When appropriate, contracts with customers are divided into separate performance obligations, each of which represent promises to deliver distinct goods or services. IFRS 15 provides guidance for recognizing revenue from performance obligations that are delivered at a point in time, or delivered over time and also includes additional disclosure requirements.

#### **Change in Prior Period Financial Statement Comparative Amounts**

During fiscal 2017, management of C.S.T. Consultants Inc. discovered an error in the accounting and allocation of Government Grant investments and income that resulted in an understatement to income of the Plan in prior periods. The error was adjusted retrospectively in the Plan's financial statements. As a result,

comparative amounts presented in the current period's financial statements were adjusted as follows:

The following is a summary of the key account balances affected on the October 31, 2016 financial statements:

<b>Account</b>	<b>October 31, 2016 – Balance initially reported</b>	<b>Adjustment</b>	<b>October 31, 2016 – Restated</b>
<b>Statements of Financial Position</b>			
Accrued interest and other receivables	\$ 41,895	\$ 2,085	\$ 43,980
Accounts Payable, accrued liabilities and unclaimed subscribers' funds	\$ 453	\$ 568	\$ 1,021
Net Assets Attributable to Subscribers and Beneficiaries	\$ 292,134	\$ 1,517	\$ 293,651
Accumulated income held for future education assistance payments	\$ 52,382	\$ 1,517	\$ 53,899
<b>Statements of Comprehensive Income</b>			
Interest for allocation to subscriber accounts	\$ 6,307	\$ 365	\$ 6,672
Increase in Net Assets from Operations Attributable to Subscribers' and Beneficiaries	\$ 10,885	\$ 365	\$ 11,250
<b>Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries</b>			
Net Assets Attributable to Subscribers' and Beneficiaries, Beginning of Year	\$ 262,553	\$ 1,152	\$ 263,705
Increase in Net Assets from Operations Attributable to Subscribers' and Beneficiaries	\$ 10,885	\$ 365	\$ 11,250
Net Assets Attributable to Subscribers' and Beneficiaries, End of Year	\$ 292,134	\$ 1,517	\$ 293,651

## 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)	2017 <sup>1</sup>	2016 <sup>1</sup>	2015 <sup>1</sup>	2014 <sup>1</sup>	2013 <sup>2</sup>
<b>Statements of Financial Position</b>					
Total Assets	\$320,836	\$294,876	\$263,803	\$241,052	\$222,055
Net Assets	317,663	293,651	262,553	239,036	97,784
% Change of Net Assets Attributable to Subscribers and Beneficiaries	8.2%	11.8%	9.8%	144.5%	11.8%
<b>Statements of Comprehensive Income</b>					
Net Investment Income	\$ 4,347	\$ 11,250	\$ 4,515	\$ 2,707	\$ 1,435
<b>Statements of Changes in Net Assets</b>					
Education Assistance Payments	\$ (12,992)	\$ (13,298)	\$ (13,299)	\$ (12,429)	\$ (12,097)
Government Grants Repaid (net of receipts)	(381)	(812)	(933)	(1,003)	(746)
Government Grant payments to Beneficiaries	(5,919)	(5,535)	(5,084)	(4,642)	(3,862)
<b>Other</b>					
Total number of Agreements	61,082	57,986	54,695	51,299	47,537
% Change in the total number of Agreements	5.3%	6.0%	6.6%	7.9%	10.5%

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 \$3,243 thousand (2016 – \$2,989 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 0.12%, including taxes, (2016 – 0.15%) 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 2017 these fees charged to the Plan amounted to \$94 thousand (2016 – \$48 thousand) and were 0.03% including taxes (2016 – 0.02%) of the average market value of assets.

## Summary of Plan Investment Portfolio

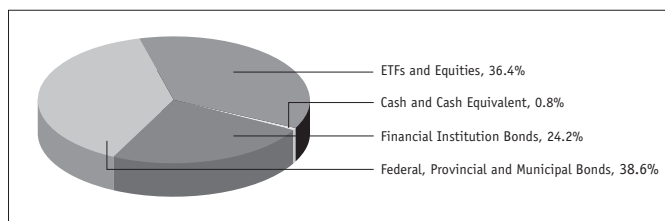
The Plan’s Total Portfolio Assets are comprised of the Principal and Income for all education savings plan agreements that have not been paid out to beneficiaries and/or withdrawn by subscribers.

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, reflects 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, 2017



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
iShares Core S&P U.S. Total Market Index ETF			61,861	28.1%
Province of Ontario	3.15%	02 Jun 2022	9,407	4.3%
Province of Ontario	4.00%	02 Jun 2021	6,035	2.7%
Province of Ontario	4.20%	02 Jun 2020	6,032	2.7%
Royal Bank of Canada	2.86%	04 Mar 2021	5,846	2.7%
Bank of Montreal	3.40%	23 Apr 2021	5,825	2.6%
Province of Québec	4.50%	01 Dec 2020	5,674	2.6%
Toronto Dominion Bank	3.23%	24 Jul 2024	5,556	2.5%
Caisse Centrale Desjardins	2.44%	17 Jul 2019	5,340	2.4%
Province of Québec	4.25%	01 Dec 2021	5,175	2.3%
National Bank of Canada	2.11%	18 Mar 2022	5,089	2.3%
Province of Québec	4.50%	01 Dec 2019	4,570	2.1%
Province of Ontario	4.40%	02 Jun 2019	4,336	2.0%
Manufacturers Life Insurance Company	2.10%	01 Jun 2025	3,972	1.8%
HSBC Bank Canada	2.91%	29 Sep 2021	3,652	1.7%
Toronto Dominion Bank	2.05%	08 Mar 2021	3,152	1.4%
Province of Québec	4.50%	01 Dec 2018	2,478	1.1%
Royal Bank of Canada	4.93%	16 Jul 2025	2,253	1.0%
Province of Ontario	2.10%	08 Sep 2019	2,121	1.0%
Province of Alberta	4.00%	01 Dec 2019	2,071	0.9%
Province of British Columbia	3.70%	18 Dec 2020	2,013	0.9%
Province of New Brunswick	4.40%	03 Jun 2019	1,603	0.7%
Bank of Nova Scotia	1.90%	02 Dec 2021	1,353	0.6%
Province of New Brunswick	4.80%	03 Jun 2041	1,263	0.6%
Province of Alberta	1.35%	01 Sep 2021	1,258	0.6%
<b>Top 25 long positions as a percentage of Total Portfolio Assets of the Plan</b>				<b>71.6%</b>

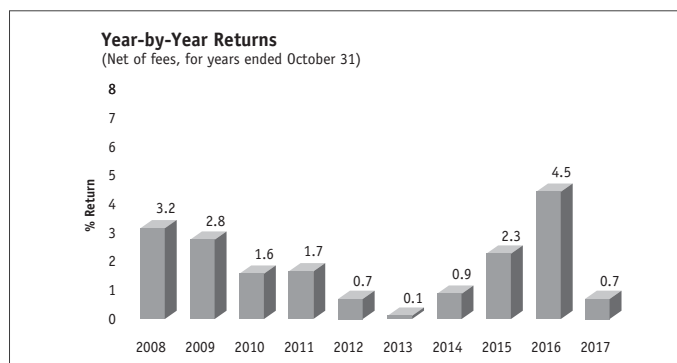
## Past Performance

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.

Plan changes as described within the Investment Objective and Strategy section could have affected the performance of the Plan’s Total Portfolio Assets had they been in effect throughout the performance measurement periods presented.

### Year-by-Year Returns

The following bar chart illustrates the annual performance in each of the past ten years to October 31, 2017 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	From: July 2, 2011 To: July 31, 2014		From: Aug 1, 2014 To: Sep 30, 2017		From: Oct 1, 2017 To: Current
	Prior to: July 1, 2011	To: July 31, 2014	To: Sep 30, 2017	From: Aug 1, 2014	
FTSE TMX Canada All Gov't Bond Index			62.0%		
FTSE TMX Canada Provincial Bond Index					13.0%
FTSE TMX Canada Financial Bond Index					26.0%
FTSE TMX Canada Short Term Gov't Bond Index	70.0%	64.0%			26.0%
FTSE TMX Canada Short Term Corporate Bond Index			6.0%		
FTSE TMX Canada All Corporate Bond Index				21.0%	
FTSE TMX Canada 91 Day Treasury Bill	30.0%	30.0%	10.0%		
S&P US Total Market Index (CAD)					26.0%
S&P/TSX Capped Composite			7.0%		9.0%

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 Provincial Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Provinces of Canada, including Crown Corporations, with maturities greater than 1 year.

The FTSE TMX Canada Financial Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by bank, insurance, financial service, and auto finance corporations, with maturities greater than one year.

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 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 US Total Market CAD Index is designed to track the broad U.S. equity market, including large, mid, small, and micro-cap stocks.

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 following table illustrates the annual compound returns of the Plan's Total Portfolio for the periods shown ending on October 31, 2017.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
Net Plan Return*	0.7	2.5	1.7	1.8
Benchmark	1.1	3.4	2.7	3.1
Broad-based Index: FTSE TMX Canada Short Term Government Bond Index	-0.7	1.2	1.4	2.9

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 three and five-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.

Securities regulations require that we also show Benchmark returns that would have been applicable to the time periods if the Benchmark was not modified as previously described (the "Former Benchmark"). The Former Benchmark return for the above time periods were 0.4% (1 Year), 3.1% (3 Year), 2.6% (5 Year) and 3.1% (10 Year).

The Former Benchmark is comprised of the following specified indices in the weights and for the periods of time as indicated:

Index	From: July 2, 2011 To: July 31, 2014		From: Aug 1, 2014 To: Sep 30, 2017	
	Prior to: July 1, 2011	To: July 31, 2014	To: Sep 30, 2017	From: Aug 1, 2014
FTSE TMX Canada All Gov't Bond Index			62.0%	
FTSE TMX Canada Provincial Bond Index				
FTSE TMX Canada Financial Bond Index				
FTSE TMX Canada Short Term Gov't Bond Index	70.0%	64.0%		
FTSE TMX Canada Short Term Corporate Bond Index			6.0%	
FTSE TMX Canada All Corporate Bond Index				21.0%
FTSE TMX Canada 91 Day Treasury Bill	30.0%	30.0%	10.0%	
S&P US Total Market Index (CAD)				26.0%
S&P/TSX Capped Composite			7.0%	

In comparison to the Former Benchmark, an overweight to U.S. equities, transition to the current investment asset mix, and outperformance by the actively managed Canadian equity allocation were the most significant contributors to Plan relative returns over the fiscal year.

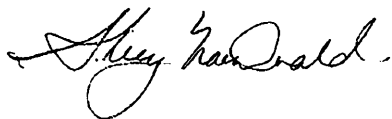


# Management's Responsibility for Financial Reporting

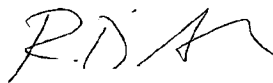
The accompanying financial statements of the Canadian Scholarship Trust Family Savings Plan (the "Plan") are prepared by management and are approved by the Board of Directors of Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations 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  
December 19, 2017

## 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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016 and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.



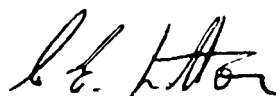
Chartered Professional Accountants  
Licensed Public Accountants  
December 19, 2017

# Statements of Financial Position


As at October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
		<i>(Restated)</i> <i>Note 8</i>
<b>Assets</b>		
Cash and cash equivalents	\$ 2,409	\$ 14,184
Receivables for securities sold	213	59
Investments, at fair value <i>(Note 4 and Schedule I)</i>	314,679	236,466
Accrued interest and other receivables	3,363	43,980
Government grants receivable	172	187
	<b>320,836</b>	<b>294,876</b>
<b>Liabilities</b>		
Payables for securities purchased	585	204
Accounts payable, accrued liabilities and unclaimed subscribers' funds	2,588	1,021
	<b>3,173</b>	<b>1,225</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>317,663</b>	<b>293,651</b>
<b>Represented by:</b>		
<b>Non-Discretionary Funds</b>		
Accumulated income held for future education assistance payments	57,279	53,899
Subscribers' deposits <i>(Schedule II)</i>	164,310	152,813
Government grants	65,676	58,338
Income on Government grants	23,863	21,873
<b>Unrealized Gains</b>	<b>6,535</b>	<b>6,728</b>
	<b>\$317,663</b>	<b>\$293,651</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, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
		<i>(Restated)</i> <i>Note 8</i>
<b>Income</b>		
Interest for allocation to subscriber accounts	\$6,441	\$ 6,672
Realized gains on sale of investments	1,082	949
Change in unrealized gains (losses)	(193)	6,382
Dividends	776	655
	<b>8,106</b>	<b>14,658</b>
<b>Expenses</b>		
Administration and account maintenance fees <i>(Note 3(a))</i>	3,243	2,989
Portfolio management fees	417	366
Custodian and Trustee fees	94	48
Independent Review Committee fees	5	5
	<b>3,759</b>	<b>3,408</b>
<b>Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries</b>	<b>\$4,347</b>	<b>\$11,250</b>

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

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
		<i>(Restated)</i> <i>Note 8</i>
<b>Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Year</b>	<b>\$293,651</b>	<b>\$263,705</b>
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	4,347	11,250
Transfers from internal and external plans	27,746	27,513
	<b>32,093</b>	<b>38,763</b>
<b>Receipts</b>		
Net increase in Subscribers' deposits <i>(Schedule II)</i>	11,497	11,078
<b>Disbursements</b>		
Government grants repaid (net of receipts)	(381)	(812)
Payments to beneficiaries		
Education assistance payments	(12,992)	(13,298)
Government grants	(5,919)	(5,535)
Return of interest	(286)	(250)
<b>Total payments to beneficiaries</b>	<b>(19,197)</b>	<b>(19,083)</b>
<b>Receipts less Disbursements</b>	<b>(8,081)</b>	<b>(8,817)</b>
<b>Change in Net Assets Attributable to Subscribers and Beneficiaries</b>	<b>24,012</b>	<b>29,946</b>
<b>Net Assets Attributable to Subscribers and Beneficiaries, End of Year</b>	<b>\$317,663</b>	<b>\$293,651</b>

# Statements of Cash Flows

For the years ended October 31, 2017 and 2016 (in thousands of Canadian dollars)

	2017	2016
		<i>(Restated)</i> <i>Note 8</i>
<b>Operating Activities</b>		
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 4,347	\$ 11,250
Net proceeds for investment transactions	(77,097)	(14,078)
Items not affecting cash		
Realized gains on sale of investments	(1,082)	(949)
Change in unrealized (gains) losses	193	(6,382)
Change in non-cash operating working capital		
Decrease (increase) in Accrued interest and other receivables	40,617	(7,531)
Decrease (increase) in Government grants receivable	15	(50)
Increase (decrease) in Accounts payable, accrued liabilities and unclaimed subscribers' funds	1,567	(157)
<b>Cash flow used in Operating Activities</b>	<b>(31,440)</b>	<b>(17,897)</b>
<b>Financing Activities</b>		
Transfers from internal and external plans	27,746	27,513
Government grants repaid (net of receipts)	(381)	(812)
Net increase in Subscribers' deposits <i>(Schedule II)</i>	11,497	11,078
Payments to beneficiaries	(19,197)	(19,083)
<b>Cash flow from Financing Activities</b>	<b>19,665</b>	<b>18,696</b>
<b>Net (decrease) increase in Cash and cash equivalents</b>	<b>(11,775)</b>	<b>799</b>
<b>Cash and cash equivalents, Beginning of Year</b>		
Cash	1,076	342
Cash equivalents	13,108	13,043
	<b>14,184</b>	<b>13,385</b>
<b>Cash and cash equivalents, End of Year</b>		
Cash	761	1,076
Cash equivalents	1,648	13,108
	<b>\$ 2,409</b>	<b>\$ 14,184</b>
<b>Supplemental cash flow information:</b>		
Withholding Taxes	\$ 105	\$ 91
Interest Income Received	7,030	6,253

# Schedule I – Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>						<b>Bonds (continued)</b>					
<b>Federal – 3.1%</b>						<b>Provincial – 35.5% (continued)</b>					
Canada Housing Trust	2.35	15 Dec 2018	225	227	227	Province of Newfoundland and Labrador	3.00	2 Jun 2026	125	128	126
Canada Housing Trust	1.95	15 Jun 2019	580	584	591	Province of Nova Scotia	4.15	25 Nov 2019	500	526	525
Canada Housing Trust	2.00	15 Dec 2019	445	449	456	Province of Nova Scotia	4.10	1 Jun 2021	650	699	696
Canada Housing Trust	1.25	15 Jun 2021	200	196	200	Province of Nova Scotia	2.10	1 Jun 2027	75	72	71
Canada Housing Trust	1.50	15 Dec 2021	350	345	348	Province of Ontario	4.40	2 Jun 2019	4,150	4,336	4,535
Canada Housing Trust	1.75	15 Jun 2022	120	119	122	Province of Ontario	2.10	8 Sep 2019	2,100	2,121	2,115
Canada Housing Trust	2.40	15 Dec 2022	350	357	355	Province of Ontario	4.20	2 Jun 2020	5,675	6,032	6,012
Canada Housing Trust	2.55	15 Mar 2025	275	282	280	Province of Ontario	4.00	2 Jun 2021	5,625	6,035	6,008
Government of Canada	0.50	1 Feb 2019	725	718	716	Province of Ontario	1.35	8 Mar 2022	207	201	201
Government of Canada	0.75	1 Sep 2020	100	98	98	Province of Ontario	3.15	2 Jun 2022	8,970	9,407	9,481
Government of Canada	3.25	1 Jun 2021	1,050	1,113	1,147	Province of Ontario	2.85	2 Jun 2023	650	673	667
Government of Canada	0.50	1 Mar 2022	118	113	115	Province of Ontario	3.50	2 Jun 2024	575	617	610
Government of Canada	1.00	1 Sep 2022	200	194	193	Province of Ontario	2.60	2 Jun 2025	750	759	749
Government of Canada	1.50	1 Jun 2023	210	208	208	Province of Ontario	2.40	2 Jun 2026	375	371	366
Government of Canada	1.50	1 Jun 2026	400	388	402	Province of Ontario	2.60	2 Jun 2027	300	300	295
Government of Canada	1.00	1 Jun 2027	460	422	423	Province of Ontario	6.50	8 Mar 2029	175	239	235
Government of Canada	5.00	1 Jun 2037	275	394	402	Province of Ontario	5.85	8 Mar 2033	125	170	168
Government of Canada	4.00	1 Jun 2041	200	261	267	Province of Ontario	4.70	2 Jun 2037	600	749	719
Government of Canada	3.50	1 Dec 2045	200	248	269	Province of Ontario	4.60	2 Jun 2039	700	871	813
Government of Canada	2.75	1 Dec 2048	125	137	139	Province of Ontario	4.65	2 Jun 2041	500	633	602
				6,853	6,958	Province of Ontario	3.45	2 Jun 2045	425	454	439
						Province of Ontario	2.90	2 Dec 2046	550	531	510
						Province of Ontario	2.80	2 Jun 2048	550	522	518
						Province of Québec	4.50	1 Dec 2018	2,400	2,478	2,586
						Province of Québec	4.50	1 Dec 2019	4,315	4,570	4,784
						Province of Québec	4.50	1 Dec 2020	5,250	5,674	5,716
						Province of Québec	4.25	1 Dec 2021	4,750	5,175	5,196
						Province of Québec	3.50	1 Dec 2022	465	496	507
						Province of Québec	3.75	1 Sep 2024	370	403	398
						Province of Québec	2.75	1 Sep 2025	400	409	404
						Province of Québec	2.50	1 Sep 2026	325	324	320
						Province of Québec	2.75	1 Sep 2027	125	127	125
						Province of Québec	6.25	1 Jun 2032	200	280	274
						Province of Québec	5.75	1 Dec 2036	200	280	273
						Province of Québec	5.00	1 Dec 2041	400	532	516
						Province of Québec	4.25	1 Dec 2043	300	363	351
						Province of Québec	3.50	1 Dec 2045	425	459	443
						Province of Québec	3.50	1 Dec 2048	400	436	420
						Province of Saskatchewan	1.95	1 Mar 2019	520	523	524
						Province of Saskatchewan	3.20	3 Jun 2024	125	132	136
						Province of Saskatchewan	5.80	5 Sep 2033	125	169	166
						Province of Saskatchewan	2.75	2 Dec 2046	300	278	277
									78,191	78,636	
						<b>Corporate – 24.2%</b>					
						Bank of Montreal	3.40	23 Apr 2021	5,590	5,825	5,800
						Bank of Nova Scotia	2.09	9 Sep 2020	285	285	284
						Bank of Nova Scotia	3.27	11 Jan 2021	800	829	825
						Bank of Nova Scotia	2.87	4 Jun 2021	340	348	347
						Bank of Nova Scotia	1.90	2 Dec 2021	1,370	1,353	1,352
						Bank of Nova Scotia	1.84	27 Apr 2022	1,240	1,216	1,215
						Bank of Nova Scotia	2.29	28 Jun 2024	370	364	361
						Caisse Centrale Desjardins	2.44	17 Jul 2019	5,285	5,340	5,324

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

# Schedule I – Statement of Investment Portfolio (continued)

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>						<b>Equities – 8.3%</b>			
<b>Corporate – 24.2% (continued)</b>									
Canadian Imperial Bank of Commerce	2.04	21 Mar 2022	270	268	266	Agrium Inc.	7	920	872
HSBC Bank Canada	2.45	29 Jan 2021	560	565	564	Alimentation Couche-Tard Inc.	13	810	792
HSBC Bank Canada	2.91	29 Sep 2021	3,570	3,652	3,628	Bank of Nova Scotia	10	866	828
HSBC Bank Canada	2.17	29 Jun 2022	1,160	1,149	1,145	Birchcliff Energy Ltd.	70	369	431
Manufacturers Life Insurance Company	2.64	15 Jan 2025	260	263	262	CAE Inc.	18	416	378
Manufacturers Life Insurance Company	2.10	1 Jun 2025	3,985	3,972	3,961	Canadian National Railway Company	4	426	413
Manufacturers Life Insurance Company	2.39	5 Jan 2026	290	291	290	Canadian Pacific Railway Company	3	761	707
Manufacturers Life Insurance Company	3.18	22 Nov 2027	785	807	811	CCL Industries Inc.	11	678	644
National Bank of Canada	2.11	18 Mar 2022	5,125	5,089	5,058	Enbridge Inc.	22	1,078	1,100
National Bank of Canada	1.96	30 Jun 2022	290	286	283	Enerflex Ltd.	40	697	744
Royal Bank of Canada	1.92	17 Jul 2020	290	290	288	Franco-Nevada Corporation	12	1,178	1,126
Royal Bank of Canada	2.86	4 Mar 2021	5,710	5,846	5,818	Freehold Royalties Ltd.	54	845	807
Royal Bank of Canada	2.03	15 Mar 2021	265	264	263	Intact Financial Corporation	9	917	890
Royal Bank of Canada	1.58	13 Sep 2021	960	939	933	Loblaw Companies Limited	15	1,019	1,020
Royal Bank of Canada	1.97	2 Mar 2022	1,135	1,122	1,115	Magna International Inc.	12	865	809
Royal Bank of Canada	4.93	16 Jul 2025	1,945	2,253	2,227	Maxar Technologies Ltd.	11	865	745
Toronto Dominion Bank	2.56	24 Jun 2020	265	269	268	Mullen Group Ltd.	41	697	714
Toronto Dominion Bank	2.05	8 Mar 2021	3,155	3,152	3,130	Pason System Inc.	29	544	556
Toronto Dominion Bank	2.62	22 Dec 2021	280	285	283	Ritchie Brothers Auctioneers Inc.	22	799	860
Toronto Dominion Bank	1.99	23 Mar 2022	855	847	840	Suncor Energy Inc.	21	929	905
Toronto Dominion Bank	1.91	18 Jul 2023	620	603	599	TELUS Corporation	10	476	452
Toronto Dominion Bank	3.23	24 Jul 2024	5,325	5,556	5,481	Toromont Industries Ltd.	8	466	470
				53,328	53,021	Toronto Dominion Bank	14	1,032	978
						Westshore Terminals Investment Corporation	25	617	607
								18,270	17,848
<b>Total Fixed Income – 62.8%</b>			<b>138,372</b>	<b>138,615</b>		<b>Exchange-traded Funds – 28.1%</b>			
						iShares Core S&P U.S. ETF	2,420	61,861	58,024
						<b>Total Equities and ETFs – 36.4%</b>			
								<b>80,131</b>	<b>75,872</b>
						<b>Total Investments – 99.2%</b>			
								<b>218,503</b>	<b>214,487</b>
						<b>Cash and cash equivalents – 0.8%</b>			
								<b>1,754</b>	<b>1,753</b>
						<b>Total Portfolio Assets – 100.0%</b>			
								<b>220,257</b>	<b>216,240</b>
						<b>Investments Allocation (Note 4)</b>			
						<b>Government Grants (Appendix I)</b>			
								96,176	93,658
						<b>Cash and cash equivalents (Appendix I)</b>			
								655	655
						<b>Total Investment Fund</b>			
								<b>317,088</b>	<b>310,553</b>
						<b>Represented by :</b>			
						<b>Cash and cash equivalents</b>			
								2,409	
						<b>Investments, at fair value</b>			
								314,679	
								<b>317,088</b>	

## Schedule II – Subscribers’ Deposits and Accumulated Income

As at October 31, 2017 and 2016 (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
57,986	9,773	6,677	61,082	\$164,310	\$57,279

The changes in Subscribers’ deposits are as follows:

	2017	2016
Net payments from subscribers <sup>1</sup>	\$ 8,739	\$ 8,314
Inter-plan principal transfers	43,168	43,183
Return of principal	(40,410)	(40,419)
Net increase in Subscribers’ deposits	11,497	11,078
<b>Balance, Beginning of Year</b>	<b>152,813</b>	141,735
<b>Balance, End of Year</b>	<b>\$164,310</b>	\$152,813

<sup>1</sup> Net of Sales charges collected of \$10 (2016 – \$9)

# Notes to the Financial Statements

October 31, 2017 and 2016 (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 Quebec Education Savings Incentive (“QESI”), the Saskatchewan Advantage Grant for Education Savings (“SAGES”) and the British Columbia Training and Education Savings Grant (“BCTESG”) (collectively, “Government Grants”). The Government of Saskatchewan has announced a temporary suspension of the SAGES program effective January 1, 2018.

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 financial statements were approved by the Board of Directors of the Foundation on December 19, 2017.

### (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 standards

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

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

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which contains the requirements for the classification and measurement of financial assets and financial liabilities, impairment methodology, and general hedge accounting. IFRS 9 (as revised in 2014) will supersede 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 15 Revenue from Contracts with Customers (“IFRS 15”)*

IFRS 15 was issued in May 2014, replacing existing guidance related to revenue recognition and will be effective for the Plan’s financial statements during its fiscal 2019 year. IFRS 15 includes a single revenue recognition model based on the principal that revenue is recognized when control of a good or service is transferred to the customer. When appropriate, contracts with customers are divided into separate performance obligations, each of which represent promises to deliver distinct goods or services. IFRS 15 provides guidance for recognizing revenue from performance obligations that are delivered at a point in time, or delivered over time and also includes additional disclosure requirements.

### (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, 2017 and 2016 (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 subscribers' 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 in unrealized gains and losses recognized on the Statements of Comprehensive Income.

<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 on the Statements of Financial Position.

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

Note 7 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 and includes 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, 2017 and 2016 (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, 2017, \$3,243 was recognized as an expense for Administration and account maintenance fees (2016 – \$2,989). Administration and account maintenance fees included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2017 was \$222 (2016 – \$201).

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, 2017, \$4 was paid to C.S.T.C. from sales charges collected (2016 – \$9). Related amounts included in Accounts payable, accrued liabilities and unclaimed subscribers' funds at October 31, 2017 was \$634 (2016 – \$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, 2017, the Plan recognized an expense of \$5 (2016 – \$5) for the services of the IRC. IRC fees included in Accounts payable accrued liabilities and unclaimed subscribers' funds at October 31, 2017 was \$nil (2016 – \$nil).

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

Included in Portfolio management fees on the Statements of Comprehensive Income is \$62 (2016 – \$47) 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 \$2 owing to C.S.T.C. at October 31, 2017 (2016 – \$3) 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 is 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. Capital Risk Management

The Plan's capital consists of the components of the net assets attributable to subscribers' and beneficiaries as per the Statements of Financial Position. The Plan has obligations to return subscriber contributions upon maturity or termination as well as pay EAPs of investment income, grants and income on grants. The Plan invests

subscriber contributions and government grants received in appropriate investments in accordance with its stated investment objectives while maintaining sufficient liquidity to meet subscribers' obligations.

## Note 6. Risks Associated with Financial Instruments

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

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

### (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, 2017	Oct 31, 2016
Less than 1 year	1%	6%
1-3 years	14%	17%
3-5 years	27%	17%
Greater than 5 years	23%	48%
<b>Total debt instruments</b>	<b>65%</b>	<b>88%</b>

As at October 31, 2017, if prevailing interest rates had increased by 1%, the fair value of the Total Investment Fund of \$317,088 (2016 – \$250,650) as per the Schedule I – Statement of Investment Portfolio would have decreased by approximately \$11,000 (2016 – \$14,500). If prevailing interest rates had decreased by 1%, the fair value of the Total Investment Fund would have increased by approximately \$12,800 (2016 – \$17,500). 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

# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 6. Risks Associated with Financial Instruments (continued)

### (a) Market risk (continued)

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

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 classes that are most impacted by other price risk are the equities and ETFs of the Plan and Government Grants asset pool, which represent 35% (2016 – 12%) of the Total Investment Fund amount as at October 31, 2017.

As at October 31, 2017, if equity and underlying indices prices had increased or decreased by 1%, with all other variables held constant, the fair value of the Total Investment Fund as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately \$1,100 (2016 – \$300). 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	October 31, 2017		October 31, 2016	
	% of Total Investment Fund	Amount	% of Total Investment Fund	Amount
AAA	4%	\$ 13,942	18%	\$ 44,863
AA/AAH/AAL	41%	127,825	31%	77,068
A/AH/AL	19%	60,270	30%	74,794
BBB	0%	–	4%	9,459
R-1	1%	1,664	4%	11,297
Short-term unrated	0%	927	1%	3,053
<b>Total debt instruments</b>	<b>65%</b>	<b>\$ 204,628</b>	<b>88%</b>	<b>\$ 220,534</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 foreign ETFs which represent 28% (2016 – nil) of the Total Investment Fund. The fair value of the Total Investment Fund would increase or decrease by approximately \$880 (2016 – \$nil) in response to a 1% depreciation or appreciation of the Canadian dollar currency exchange rate. In practice the actual change may differ materially.

## Note 7. 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, 2017

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ –	\$ 202,219	\$ –	\$ 202,219
Equity Securities	112,460	–	–	112,460
<b>Total Investments, at fair value</b>	<b>\$ 112,460</b>	<b>\$ 202,219</b>	<b>\$ –</b>	<b>\$ 314,679</b>

#### Assets Measured at Fair Value as of October 31, 2016

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ –	\$ 206,350	\$ –	\$ 206,350
Equity Securities	30,116	–	–	30,116
<b>Total Investments, at fair value</b>	<b>\$ 30,116</b>	<b>\$ 206,350</b>	<b>\$ –</b>	<b>\$ 236,466</b>

# Notes to the Financial Statements (continued)

October 31, 2017 and 2016 (in thousands of Canadian dollars)

## Note 7. Fair Value Measurements and Disclosures (continued)

For the years ended October 31, 2017 and 2016, there were no transfers between Levels 1 or 2.

## Note 8. Change in Prior Period Comparative Amounts

During fiscal 2017, management of C.S.T.C. discovered an error in the accounting and allocation of Government Grant investments and income that resulted in an understatement to income of the Plan in prior periods. The error was adjusted retrospectively in these financial statements. As a result, comparative amounts presented in the current period's financial statements were adjusted as follows:

The following is a summary of the key account balances affected on the October 31, 2016 financial statements:

Account	October 31, 2016 – Balance initially reported	Adjustment	October 31, 2016 – Restated
<b>Statements of Financial Position</b>			
Accrued interest and other receivables	\$ 41,895	\$ 2,085	\$ 43,980
Accounts Payable, accrued liabilities and unclaimed subscribers' funds	\$ 453	\$ 568	\$ 1,021
Net Assets Attributable to Subscribers' and Beneficiaries	\$ 292,134	\$ 1,517	\$ 293,651
Accumulated income held for future education assistance payments	\$ 52,382	\$ 1,517	\$ 53,899
<b>Statements of Comprehensive Income</b>			
Interest for allocation to subscriber accounts	\$ 6,307	\$ 365	\$ 6,672
Increase in Net Assets from Operations Attributable to Subscribers' and Beneficiaries	\$ 10,885	\$ 365	\$ 11,250
<b>Statements of Changes in Net Assets Attributable to Subscribers' and Beneficiaries</b>			
Net Assets Attributable to Subscribers' and Beneficiaries, Beginning of Year	\$ 262,553	\$ 1,152	\$ 263,705
Increase in Net Assets from Operations Attributable to Subscribers' and Beneficiaries	\$ 10,885	\$ 365	\$ 11,250
Net Assets Attributable to Subscribers' and Beneficiaries, End of Year	\$ 292,134	\$ 1,517	\$ 293,651

# Government Grants

## Appendix I to Schedule I

### Statement of Investment Portfolio

As at October 31, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds</b>						<b>Bonds (continued)</b>					
<b>Federal – 6.4%</b>						<b>Provincial – 33.7%</b>					
Canada Housing Trust	1.95	15 Jun 2019	3,000	3,023	3,080	Province of Alberta	4.00	1 Dec 2019	780	818	847
Canada Housing Trust	3.75	15 Mar 2020	3,685	3,870	4,090	Province of Alberta	1.25	1 Jun 2020	1,902	1,880	1,883
Canada Housing Trust	1.20	15 Jun 2020	825	816	816	Province of Alberta	1.35	1 Sep 2021	765	749	761
Canada Housing Trust	1.25	15 Dec 2020	1,500	1,479	1,516	Province of Alberta	1.60	1 Sep 2022	439	429	438
Canada Housing Trust	1.25	15 Jun 2021	1,477	1,449	1,491	Province of Alberta	2.55	15 Dec 2022	225	230	232
Canada Housing Trust	3.80	15 Jun 2021	130	139	144	Province of Alberta	2.35	1 Jun 2025	725	719	720
Canada Housing Trust	1.15	15 Dec 2021	589	572	584	Province of Alberta	4.45	15 Dec 2025	1,785	2,022	2,052
Canada Housing Trust	1.50	15 Dec 2021	688	678	688	Province of Alberta	2.20	1 Jun 2026	1,597	1,551	1,594
Canada Housing Trust	1.75	15 Jun 2022	1,243	1,233	1,249	Province of Alberta	2.55	1 Jun 2027	855	847	847
Canada Housing Trust	2.40	15 Dec 2022	7,518	7,666	7,830	Province of Alberta	2.90	20 Sep 2029	1,150	1,157	1,152
Canada Housing Trust	2.90	15 Jun 2024	1,685	1,764	1,809	Province of Alberta	3.50	1 Jun 2031	1,025	1,093	1,081
Canada Housing Trust	2.55	15 Mar 2025	1,500	1,536	1,598	Province of Alberta	3.90	1 Dec 2033	3,522	3,926	3,819
Canada Housing Trust	1.90	15 Sep 2026	823	795	813	Province of Alberta	4.50	1 Dec 2040	3,000	3,676	3,639
Canada Housing Trust	2.35	15 Jun 2027	860	857	868	Province of Alberta	3.45	1 Dec 2043	4,045	4,268	4,183
Canada Post Corporation	4.36	16 Jul 2040	375	458	472	Province of Alberta	3.30	1 Dec 2046	4,726	4,868	4,835
Government of Canada	0.73	2 Nov 2017	65	65	65	Province of Alberta	3.05	1 Dec 2048	3,054	3,012	2,978
Government of Canada	0.95	14 Dec 2017	275	274	274	Province of British Columbia	2.25	1 Mar 2019	250	253	254
Government of Canada	1.00	28 Dec 2017	100	100	100	Province of British Columbia	4.10	18 Dec 2019	1,200	1,263	1,315
Government of Canada	0.91	25 Jan 2018	100	100	100	Province of British Columbia	3.70	18 Dec 2020	1,025	1,086	1,129
Government of Canada	1.00	22 Feb 2018	1,635	1,627	1,627	Province of British Columbia	3.30	18 Dec 2023	900	957	937
Government of Canada	0.96	8 Mar 2018	100	100	100	Province of British Columbia	2.30	18 Jun 2026	898	887	900
Government of Canada	0.50	1 Nov 2018	1,600	1,587	1,598	Province of British Columbia	2.55	18 Jun 2027	1,511	1,512	1,504
Government of Canada	0.50	1 Feb 2019	1,175	1,163	1,167	Province of British Columbia	5.70	18 Jun 2029	2,825	3,663	3,753
Government of Canada	1.75	1 Mar 2019	1,525	1,534	1,548	Province of British Columbia	6.35	18 Jun 2031	2,950	4,137	4,199
Government of Canada	3.75	1 Jun 2019	1,950	2,023	2,034	Province of British Columbia	4.70	18 Jun 2037	3,345	4,212	4,092
Government of Canada	0.75	1 Aug 2019	350	346	347	Province of British Columbia	4.95	18 Jun 2040	5,000	6,610	6,480
Government of Canada	1.75	1 Sep 2019	1,304	1,313	1,345	Province of British Columbia	4.30	18 Jun 2042	3,955	4,849	4,623
Government of Canada	1.50	1 Mar 2020	1,500	1,503	1,538	Province of British Columbia	3.20	18 Jun 2044	1,750	1,813	1,741
Government of Canada	3.50	1 Jun 2020	2,825	2,973	3,080	Province of British Columbia	2.80	18 Jun 2048	3,197	3,081	3,041
Government of Canada	0.75	1 Sep 2020	1,475	1,446	1,466	Province of Manitoba	5.50	15 Nov 2018	514	535	591
Government of Canada	0.75	1 Mar 2021	2,798	2,730	2,760	Province of Manitoba	1.15	21 Nov 2019	253	251	253
Government of Canada	3.25	1 Jun 2021	1,602	1,699	1,753	Province of Manitoba	1.55	5 Sep 2021	373	368	373
Government of Canada	0.75	1 Sep 2021	835	811	827	Province of Manitoba	3.85	1 Dec 2021	1,000	1,073	1,088
Government of Canada	0.50	1 Mar 2022	682	651	650	Province of Manitoba	2.55	2 Jun 2023	400	407	413
Government of Canada	2.75	1 Jun 2022	699	735	752	Province of Manitoba	3.30	2 Jun 2024	2,408	2,547	2,618
Government of Canada	1.00	1 Sep 2022	1,407	1,366	1,387	Province of Manitoba	2.45	2 Jun 2025	250	250	252
Government of Canada	1.50	1 Jun 2023	2,800	2,772	2,843	Province of Manitoba	4.40	5 Sep 2025	1,300	1,472	1,462
Government of Canada	2.50	1 Jun 2024	1,575	1,647	1,701	Province of Manitoba	2.55	2 Jun 2026	655	653	669
Government of Canada	2.25	1 Jun 2025	769	792	791	Province of Manitoba	2.60	2 Jun 2027	388	386	386
Government of Canada	1.50	1 Jun 2026	1,388	1,345	1,386	Province of Manitoba	3.25	5 Sep 2029	950	986	982
Government of Canada	1.00	1 Jun 2027	556	510	508	Province of Manitoba	4.10	5 Mar 2041	5,400	6,218	6,101
Government of Canada	8.00	1 Jun 2027	150	229	242	Province of Manitoba	4.40	5 Mar 2042	3,300	3,977	3,894
Government of Canada	2.00	1 Jun 2028	250	250	246	Province of Manitoba	3.35	5 Mar 2043	1,300	1,334	1,298
Government of Canada	5.75	1 Jun 2029	1,100	1,518	1,551	Province of Manitoba	4.05	5 Sep 2045	3,300	3,812	3,925
Government of Canada	5.75	1 Jun 2033	1,100	1,619	1,676	Province of Manitoba	2.85	5 Sep 2046	196	183	181
Government of Canada	5.00	1 Jun 2037	1,297	1,857	1,823	Province of Manitoba	3.40	5 Sep 2048	802	837	802
Government of Canada	4.00	1 Jun 2041	875	1,142	1,148	Province of New Brunswick	4.40	3 Jun 2019	1,400	1,462	1,556
Government of Canada	3.50	1 Dec 2045	3,231	4,008	4,007	Province of New Brunswick	2.85	2 Jun 2023	700	723	720
Government of Canada	2.75	1 Dec 2048	1,908	2,095	2,101	Province of New Brunswick	3.65	3 Jun 2024	550	593	577
Government of Canada	2.75	1 Dec 2064	1,400	1,590	1,631	Province of New Brunswick	2.60	14 Aug 2026	167	167	167
Labrador-Island Link Funding Trust	3.76	1 Jun 2033	150	166	176	Province of New Brunswick	2.35	14 Aug 2027	445	431	436
Labrador-Island Link Funding Trust	3.86	1 Dec 2045	2,200	2,542	2,641	Province of New Brunswick	5.65	27 Dec 2028	245	309	300
Labrador-Island Link Funding Trust	3.85	1 Dec 2053	100	117	126	Province of New Brunswick	5.50	27 Jan 2034	1,075	1,404	1,265
Muskat Falls Funding Trust	3.83	1 Jun 2037	4,150	4,666	4,590	Province of New Brunswick	4.65	26 Sep 2035	710	859	739
Muskat Falls Funding Trust	3.86	1 Dec 2048	150	175	186	Province of New Brunswick	4.55	26 Mar 2037	1,700	2,041	1,986
				79,521	80,939	Province of New Brunswick	4.80	26 Sep 2039	950	1,190	1,183
						Province of New Brunswick	3.55	3 Jun 2043	3,950	4,172	3,980
						Province of New Brunswick	3.80	14 Aug 2045	2,550	2,817	2,727
						Province of New Brunswick	3.10	14 Aug 2048	299	293	293
						Province of Newfoundland and Labrador	1.95	2 Jun 2022	248	246	247

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, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>						<b>Bonds (continued)</b>					
<b>Provincial – 33.7% (continued)</b>						<b>Provincial – 33.7% (continued)</b>					
Province of Newfoundland and Labrador	2.30	2 Jun 2025	200	196	199	Province of Saskatchewan	2.55	2 Jun 2026	1,343	1,343	1,366
Province of Newfoundland and Labrador	3.00	2 Jun 2026	1,324	1,352	1,329	Province of Saskatchewan	2.65	2 Jun 2027	367	367	363
Province of Newfoundland and Labrador	6.15	17 Apr 2028	350	450	466	Province of Saskatchewan	6.40	5 Sep 2031	4,500	6,282	6,341
Province of Newfoundland and Labrador	6.55	17 Oct 2030	1,750	2,393	2,377	Province of Saskatchewan	4.75	1 Jun 2040	2,725	3,445	3,435
Province of Newfoundland and Labrador	4.65	17 Oct 2040	1,350	1,635	1,593	Province of Saskatchewan	3.90	2 Jun 2045	3,100	3,531	3,429
Province of Newfoundland and Labrador	3.30	17 Oct 2046	1,780	1,766	1,662	Province of Saskatchewan	2.75	2 Dec 2046	3,881	3,593	3,466
Province of Nova Scotia	4.10	1 Jun 2021	550	592	611	Province of Saskatchewan	3.30	2 Jun 2048	1,201	1,244	1,241
Province of Nova Scotia	2.10	1 Jun 2027	462	441	442	Province of Saskatchewan	3.75	5 Mar 2054	384	437	427
Province of Nova Scotia	5.80	1 Jun 2033	2,275	3,065	2,870					419,904	412,879
Province of Nova Scotia	4.40	1 Jun 2042	3,600	4,375	4,187	<b>Municipal – 1.3%</b>					
Province of Nova Scotia	3.45	1 Jun 2045	2,950	3,109	2,975	City of Montreal	5.45	1 Dec 2019	200	215	227
Province of Nova Scotia	3.50	2 Jun 2062	600	651	599	City of Montreal	3.50	1 Sep 2023	225	238	241
Province of Ontario	4.40	2 Jun 2019	3,675	3,840	4,032	City of Montreal	3.00	1 Sep 2025	831	850	837
Province of Ontario	4.20	2 Jun 2020	5,125	5,448	5,645	City of Montreal	2.75	1 Sep 2026	223	223	223
Province of Ontario	4.00	2 Jun 2021	5,890	6,319	6,419	City of Montreal	4.25	1 Dec 2032	350	395	384
Province of Ontario	1.35	8 Mar 2022	1,189	1,157	1,163	City of Montreal	4.10	1 Dec 2034	375	418	399
Province of Ontario	3.15	2 Jun 2022	4,800	5,034	5,105	City of Montreal	3.15	1 Dec 2036	900	885	898
Province of Ontario	1.95	27 Jan 2023	1,700	1,686	1,710	City of Montreal	6.00	1 Jun 2043	550	798	782
Province of Ontario	2.85	2 Jun 2023	3,350	3,469	3,349	City of Ottawa	4.60	14 Jul 2042	500	608	590
Province of Ontario	3.50	2 Jun 2024	2,765	2,966	2,857	City of Ottawa	3.10	27 Jul 2048	83	80	82
Province of Ontario	2.60	2 Jun 2025	2,150	2,176	2,193	City of Toronto	4.50	2 Dec 2019	225	238	250
Province of Ontario	2.40	2 Jun 2026	1,328	1,315	1,346	City of Toronto	3.50	6 Dec 2021	200	211	219
Province of Ontario	2.60	2 Jun 2027	1,046	1,045	1,044	City of Toronto	3.90	29 Sep 2023	1,200	1,299	1,329
Province of Ontario	7.60	2 Jun 2027	2,270	3,232	3,255	City of Toronto	2.40	24 Jun 2026	225	220	225
Province of Ontario	6.50	8 Mar 2029	8,825	12,029	12,295	City of Toronto	2.95	28 Apr 2035	300	290	277
Province of Ontario	6.20	2 Jun 2031	1,675	2,307	2,333	City of Toronto	3.50	2 Jun 2036	1,309	1,357	1,304
Province of Ontario	5.85	8 Mar 2033	5,975	8,140	8,182	City of Toronto	5.20	1 Jun 2040	1,350	1,754	1,764
Province of Ontario	5.60	2 Jun 2035	7,275	9,886	9,437	City of Toronto	4.70	10 Jun 2041	325	399	383
Province of Ontario	4.70	2 Jun 2037	8,145	10,165	9,520	City of Toronto	3.80	13 Dec 2042	550	594	578
Province of Ontario	4.60	2 Jun 2039	6,540	8,141	7,739	City of Toronto	4.15	10 Mar 2044	225	257	246
Province of Ontario	4.65	2 Jun 2041	18,475	23,395	22,654	City of Toronto	3.25	24 Jun 2046	109	108	109
Province of Ontario	3.50	2 Jun 2043	6,975	7,499	7,418	City of Vancouver	3.70	18 Oct 2052	145	156	166
Province of Ontario	3.45	2 Jun 2045	21,075	22,530	21,708	City of Winnipeg	4.10	1 Jun 2045	42	47	48
Province of Ontario	2.90	2 Dec 2046	12,063	11,656	11,366	City of Winnipeg	4.30	15 Nov 2051	450	529	512
Province of Ontario	2.80	2 Jun 2048	13,197	12,533	12,368	Municipal Finance Authority of British Columbia	5.10	20 Nov 2018	350	363	389
Province of Québec	4.50	1 Dec 2018	775	800	842	Municipal Finance Authority of British Columbia	4.88	3 Jun 2019	350	368	392
Province of Québec	4.50	1 Dec 2019	1,600	1,694	1,754	Municipal Finance Authority of British Columbia	4.15	1 Jun 2021	273	294	306
Province of Québec	4.50	1 Dec 2020	1,450	1,567	1,557	Municipal Finance Authority of British Columbia	3.75	26 Sep 2023	225	243	251
Province of Québec	4.25	1 Dec 2021	3,100	3,377	3,481	Municipal Finance Authority of British Columbia	2.50	19 Apr 2026	822	815	823
Province of Québec	3.50	1 Dec 2022	2,100	2,242	2,297	Region of Peel	2.30	2 Nov 2026	77	74	77
Province of Québec	3.00	1 Sep 2023	3,250	3,393	3,467	Region of Peel	5.10	29 Jun 2040	550	709	694
Province of Québec	3.75	1 Sep 2024	6,584	7,174	7,277	Region of Peel	3.85	30 Oct 2042	300	327	317
Province of Québec	2.50	1 Sep 2026	1,279	1,277	1,304	Regional Municipality of York	2.60	15 Dec 2025	1,350	1,348	1,317
Province of Québec	2.75	1 Sep 2027	2,570	2,602	2,620	Regional Municipality of York	2.50	2 Jun 2026	77	76	79
Province of Québec	6.00	1 Oct 2029	1,650	2,189	2,204	Regional Municipality of York	4.00	31 May 2032	300	330	329
Province of Québec	6.25	1 Jun 2032	4,400	6,153	6,156	Regional Municipality of York	4.05	1 May 2034	625	695	688
Province of Québec	5.25	1 Jun 2034	3,000	3,859	3,800					17,811	17,735
Province of Québec	5.75	1 Dec 2036	8,915	12,465	12,161	<b>Corporate – 24.7%</b>					
Province of Québec	5.00	1 Dec 2038	4,015	5,236	4,460	Bank of Montreal	2.10	6 Oct 2020	9,796	9,814	9,885
Province of Québec	5.00	1 Dec 2041	16,925	22,494	21,898	Bank of Montreal	1.88	31 Mar 2021	661	656	661
Province of Québec	4.25	1 Dec 2043	7,625	9,225	9,007	Bank of Montreal	3.40	23 Apr 2021	18,515	19,294	19,687
Province of Québec	3.50	1 Dec 2045	9,550	10,311	9,773	Bank of Montreal	2.70	11 Sep 2024	2,729	2,752	2,729
Province of Québec	3.50	1 Dec 2048	7,857	8,563	8,380	Bank of Montreal	4.61	10 Sep 2025	1,825	2,075	2,116
Province of Saskatchewan	3.20	3 Jun 2024	80	84	83	Bank of Nova Scotia	2.46	14 Mar 2019	7,494	7,568	7,683

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, 2017 (in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
<b>Bonds (continued)</b>						<b>Equities – 6.3%</b>			
<b>Corporate – 24.7% (continued)</b>									
Bank of Nova Scotia	2.40	28 Oct 2019	10,382	10,493	10,616	Agrium Inc.	18	2,571	2,210
Bank of Nova Scotia	2.09	9 Sep 2020	3,849	3,855	3,893	Alimentation Couche-Tard Inc.	37	2,243	2,200
Bank of Nova Scotia	3.27	11 Jan 2021	725	751	747	ATCO Ltd.	15	713	657
Bank of Nova Scotia	2.87	4 Jun 2021	690	707	703	AutoCanada Inc.	22	508	496
Bank of Nova Scotia	1.90	2 Dec 2021	8,725	8,617	8,737	Bank of Nova Scotia	52	4,343	3,302
Bank of Nova Scotia	1.84	27 Apr 2022	8,846	8,677	8,670	Birchcliff Energy Ltd.	152	797	993
Bank of Nova Scotia	2.29	28 Jun 2024	910	896	899	Boardwalk Real Estate Investment Trust	30	1,197	1,451
Caisse Centrale Desjardins	2.80	19 Nov 2018	3,676	3,717	3,803	Brookfield Asset Management Inc.	25	1,339	1,062
Caisse Centrale Desjardins	2.44	17 Jul 2019	14,140	14,288	14,241	Brookfield Infrastructure Partners L.P.	15	800	643
Canadian Imperial Bank of Commerce	2.30	11 Jul 2022	7,501	7,503	7,474	Brookfield Renewable Partners L.P.	15	637	608
Great-West Lifeco Inc.	6.67	21 Mar 2033	1,506	2,029	2,011	CAE Inc.	37	848	565
HSBC Bank Canada	2.08	26 Nov 2018	9,595	9,627	9,655	Canadian National Railway Company	17	1,786	1,361
HSBC Bank Canada	2.91	29 Sep 2021	12,680	12,972	12,932	Canadian Natural Resources Limited	33	1,466	906
HSBC Bank Canada	2.17	29 Jun 2022	2,469	2,445	2,466	Canadian Pacific Railway Company	7	1,616	1,318
Hydro One Inc.	8.90	18 Aug 2022	1,000	1,306	1,422	Canadian Western Bank	12	441	279
Hydro One Inc.	8.25	22 Jun 2026	2,950	4,209	4,397	CCL Industries Inc.	24	1,461	1,224
Hydro-Québec	1.00	25 May 2019	775	769	772	CGI Group Inc.	16	1,126	983
Hydro-Québec	11.00	15 Aug 2020	3,000	3,747	4,332	CI Financial Corp.	50	1,429	1,358
Hydro-Québec	6.50	15 Feb 2035	1,000	1,470	1,463	Computer Modeling Group Ltd.	45	456	450
Hydro-Québec	6.00	15 Feb 2040	8,000	11,760	11,489	DREAM Unlimited Corporation	57	418	414
Hydro-Québec	5.00	15 Feb 2045	1,450	1,960	1,901	Empire Company Limited	73	1,620	1,484
Hydro-Québec	5.00	15 Feb 2050	1,500	2,097	2,014	Enbridge Inc.	47	2,325	2,404
Hydro-Québec	4.00	15 Feb 2055	546	662	639	Enerflex Ltd.	86	1,504	1,252
Manufacturers Life Insurance Company	2.93	29 Nov 2023	2,448	2,473	2,505	Fairfax Financial Holdings Limited	2	1,509	1,372
Manufacturers Life Insurance Company	2.81	21 Feb 2024	1,030	1,040	1,053	Finning International Inc.	36	1,121	714
Manufacturers Life Insurance Company	2.64	15 Jan 2025	5,649	5,710	5,733	FirstService Corporation	6	562	320
Manufacturers Life Insurance Company	2.10	1 Jun 2025	3,629	3,617	3,599	Franco-Nevada Corporation	25	2,511	1,947
Manufacturers Life Insurance Company	2.39	5 Jan 2026	5,188	5,198	5,163	Freehold Royalties Ltd.	115	1,815	1,327
Manufacturers Life Insurance Company	3.18	22 Nov 2027	5,844	6,007	5,997	Granite REIT Holdings Limited Partnership	11	561	440
National Bank of Canada	1.49	26 Mar 2018	115	114	114	Great Canadian Gaming Corporation	28	850	538
National Bank of Canada	2.11	18 Mar 2022	13,740	13,643	13,562	Great-West Lifeco Inc.	31	1,098	1,035
National Bank of Canada	1.96	30 Jun 2022	795	783	776	IGM Financial Inc.	16	714	562
Royal Bank of Canada	2.86	4 Mar 2021	15,320	15,686	15,603	Imperial Oil Limited	39	1,618	1,558
Royal Bank of Canada	2.03	15 Mar 2021	6,829	6,810	6,874	Industrial Alliance Insurance and Financial Services Inc.	3	196	195
Royal Bank of Canada	1.65	15 Jul 2021	13,971	13,722	13,857	Intact Financial Corporation	32	3,351	2,934
Royal Bank of Canada	1.58	13 Sep 2021	6,175	6,038	6,158	Laurentian Bank of Canada	7	439	364
Royal Bank of Canada	1.97	2 Mar 2022	875	865	871	Loblaw Companies Limited	33	2,179	2,291
Royal Bank of Canada	2.00	21 Mar 2022	11,538	11,415	11,472	Magna International Inc.	27	1,872	1,495
Royal Bank of Canada	4.93	16 Jul 2025	2,180	2,526	2,497	Maxar Technologies Ltd.	23	1,860	1,561
Sun Life Capital Trust	7.09	30 Jun 2052	3,955	5,245	5,142	Methanex Corporation	13	818	620
Toronto Dominion Bank	2.45	2 Apr 2019	9,202	9,293	9,421	METRO Inc.	18	743	754
Toronto Dominion Bank	2.05	8 Mar 2021	14,615	14,600	14,502	Morguard Corporation	3	511	387
Toronto Dominion Bank	1.68	8 Jun 2021	6,444	6,359	6,382	Mullen Group Ltd.	90	1,515	1,499
Toronto Dominion Bank	2.62	22 Dec 2021	770	783	776	Onex Corporation	5	523	438
Toronto Dominion Bank	1.99	23 Mar 2022	800	792	785	Pason System Inc.	60	1,121	1,098
Toronto Dominion Bank	1.91	18 Jul 2023	855	832	851	PrairieSky Royalty Ltd.	55	1,881	1,322
Toronto Dominion Bank	3.23	24 Jul 2024	11,290	11,780	11,810	Restaurant Brands International Inc.	7	562	428
Wells Fargo Financial Corporation Canada	3.04	29 Jan 2021	735	755	763	Ritchie Brothers Auctioneers Inc.	47	1,714	1,801
Wells Fargo Financial Corporation Canada	3.46	24 Jan 2023	4,844	5,078	5,059	ShawCor Ltd.	35	985	1,034
				307,880	309,362	Stella-Jones Inc.	15	735	618
						Suncor Energy Inc.	65	2,861	2,305
<b>Total Fixed Income – 66.1%</b>				<b>825,116</b>	<b>820,915</b>	TELUS Corporation	45	2,112	1,896
						Toromont Industries Ltd.	16	881	524
						Toronto Dominion Bank	64	4,722	3,499
						Total Energy Services Inc.	36	553	515

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, 2017 (in thousands of Canadian dollars)

Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
<b>Equities – 6.3% (continued)</b>			
Tucows Inc.	2	141	135
Wajax Corporation	20	462	421
Westshore Terminals Investment Corporation	53	1,313	1,206
Winpak Ltd.	11	569	551
		78,622	67,324
<b>Exchange-traded Funds – 27.0%</b>			
BMO S&P 500 Index ETF	2,625	95,904	89,783
iShares Core S&P U.S. Total Market Index ETF	9,423	240,853	225,342
<b>Total Equities and ETFs – 33.3%</b>		<b>415,379</b>	<b>382,449</b>
<b>Total Investments – 99.4%</b>		<b>1,240,495</b>	<b>1,203,364</b>
<b>Cash and cash equivalents – 0.6%</b>		<b>8,413</b>	<b>8,413</b>
<b>Total Portfolio Assets – 100.0%</b>		<b>1,248,908</b>	<b>1,211,777</b>
<b>Government Grant Investment Allocation</b>			
Plan II		902	860
Founders' Plan		14,796	13,985
Group Savings Plan		125,695	119,941
Group Savings Plan 2001		999,796	971,884
Family Savings Plan		96,176	93,658
Individual Savings Plan		3,130	3,036
		<b>1,240,495</b>	<b>1,203,364</b>
<b>Cash and Short-term Investments Allocation</b>			
Plan II		6	6
Founders' Plan		98	98
Group Savings Plan		839	839
Group Savings Plan 2001		6,794	6,794
Family Savings Plan		655	655
Individual Savings Plan		21	21
		<b>8,413</b>	<b>8,413</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, 2<sup>nd</sup> Floor  
Toronto, Ontario M5V 3L3

## Auditor

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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, 10<sup>th</sup> 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.

