

Financial Statements of

LINCLUDEN BALANCED FUND

Years ended December 31, 2017 and 2016



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of the Lincluden Balanced Fund

We have audited the accompanying financial statements of Lincluden Balanced Fund, which comprise the statements of financial position as at December 31, 2017 and 2016, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes, comprising 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.

Auditors' 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 our 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, we consider 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 controls. 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.



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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Lincluden Balanced Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

March 28, 2018
Toronto, Canada

LINCLUDEN BALANCED FUND

Statements of Financial Position

December 31, 2017 and 2016

	2017	2016
Assets		
Non-derivative financial assets (note 8)	\$ 91,620,922	\$ 93,957,927
Cash	1,263,436	389,659
Subscription receivable	—	9,321
Interest receivable	160,514	182,233
Dividends receivable	160,070	159,249
Total assets	93,204,942	94,698,389
Liabilities		
Redemption payable	—	6,612
Accrued management fees	8,700	3,893
Other accrued expenses	8,715	8,714
Total liabilities	17,415	19,219
Net assets attributable to holders of redeemable units	\$ 93,187,527	\$ 94,679,170
Net assets attributable to holders of redeemable units per class:		
Series A	\$ 995,791	\$ 1,195,695
Series O	34,315,114	93,483,475
Class F	57,876,622	—
Units outstanding by series (note 5):		
Series A	62,076	76,113
Series O	2,026,372	5,644,495
Class F	3,442,518	—
Net assets attributable to holders of redeemable units per unit (note 5):		
Series A	\$ 16.04	\$ 15.71
Series O	16.93	15.56
Class F	16.81	—

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

On behalf of the Fund Manager,
Lincluden Management Limited, as Trustee:



Adam Morin
Vice President



Philip R. Evans
President

LINCLUDEN BALANCED FUND

Statements of Comprehensive Income

Years ended December 31, 2017 and 2016

	2017	2016
Income:		
Interest for distribution purposes	\$ 948,242	\$ 876,916
Dividend	1,780,302	1,643,164
Other	3,913	1,685
Other changes in fair value of investments and derivatives:		
Net realized gain on investments	1,989,747	1,279,507
Net realized gain (loss) on derivatives	(366)	1,434
Net foreign exchange loss on cash	(71,475)	(2,995)
Net other loss	(53,051)	(40,082)
Change in unrealized foreign exchange loss on cash	(18,883)	(1,171)
Change in unrealized appreciation of investments and derivatives	282,067	5,556,622
	<u>4,860,496</u>	<u>9,315,080</u>
Expenses:		
Management fees (note 6)	23,114	20,659
Audit fees (note 6)	29,475	22,500
Custodian fees (note 6)	26,125	39,806
Independent review committee fees (note 6)	35,000	35,000
Recordkeeping and accounting	114,652	108,640
Commissions and other security transaction costs (note 7)	35,726	43,108
Withholding expenses	129,417	97,734
Operating fees	50,013	43,902
Harmonized sales tax	28,183	27,564
	<u>471,705</u>	<u>438,913</u>
Expenses waived or absorbed by manager (note 6)	<u>(228,299)</u>	<u>(222,454)</u>
	<u>243,406</u>	<u>216,459</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 4,617,090</u>	<u>\$ 9,098,621</u>
Increase (decrease) in net assets attributable to holders of redeemable units per class:		
Series A	\$ 27,988	\$ 86,113
Series O	4,896,934	9,012,508
Class F	(307,832)	—
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 0.42	\$ 1.09
Series O	0.91	1.69
Class F	(0.08)	—

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

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Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2017 and 2016

Series A	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ 1,195,695	\$ 1,264,097
Increase in net assets attributable to holders of redeemable units	27,988	86,113
Distributions paid or payable to holders of redeemable units:		
From net investment income	(9,031)	(8,614)
Redeemable unit transactions (note 5):		
Amount received from the issuance of units	9,939	–
Amount received from reinvestment of distributions	9,031	8,614
Amount paid on redemptions of units	(237,831)	(154,515)
Net decrease from redeemable unit transactions	(218,861)	(145,901)
Net decrease in net assets attributable to holders of redeemable units	(199,904)	(68,402)
Net assets attributable to holders of redeemable units, end of year	\$ 995,791	\$ 1,195,695

Series O	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ 93,483,475	\$ 45,616,870
Increase in net assets attributable to holders of redeemable units	4,896,934	9,012,508
Distributions paid or payable to holders of redeemable units:		
From net investment income	(2,175,630)	(2,204,962)
Redeemable unit transactions (note 5):		
Amount received from the issuance of units	3,429,497	46,763,242
Amount received from reinvestment of distributions	2,175,628	2,204,962
Amount paid on redemptions of units	(67,494,790)	(7,909,145)
Net increase (decrease) from redeemable unit transactions	(61,889,665)	41,059,059
Net increase (decrease) in net assets attributable to holders of redeemable units	(59,168,361)	47,866,605
Net assets attributable to holders of redeemable units, end of year	\$ 34,315,114	\$ 93,483,475

Class F	2017	2016
Net assets attributable to holders of redeemable units, beginning of year	\$ –	\$ –
Decrease in net assets attributable to holders of redeemable units	(307,832)	–
Distributions paid or payable to holders of redeemable units:		
From net investment income	(339,340)	–
From net realized capital gains	(388,674)	–
Total distributions to holders of redeemable units	(728,014)	–
Redeemable unit transactions (note 5):		
Amount received from the issuance of units	59,349,166	–
Amount received from reinvestment of distributions	728,013	–
Amount paid on redemptions of units	(1,164,711)	–
Net increase from redeemable unit transactions	58,912,468	–
Net increase in net assets attributable to holders of redeemable units	57,876,622	–
Net assets attributable to holders of redeemable units, end of year	\$ 57,876,622	\$ –

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

LINCLUDEN BALANCED FUND

Statements of Cash Flows

Years ended December 31, 2017 and 2016

	2017	2016
Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 4,617,090	\$ 9,098,621
Adjustments for:		
Change in unrealized foreign exchange loss on cash	18,883	1,171
Net realized gain on investments	(1,989,747)	(1,279,507)
Change in unrealized appreciation of investments and derivatives	(282,067)	(5,556,622)
Purchase of investments	(29,679,348)	(76,527,094)
Proceeds from the sale and maturity of investments	34,288,166	35,905,602
Interest receivable	21,719	(91,577)
Dividends receivable	(820)	(69,094)
Other liabilities	4,808	6,055
	6,998,684	(38,512,445)
Cash flows from (used in) financing activities:		
Amount received from the issuance of units	62,797,923	46,773,421
Amount paid on redemptions of units	(68,903,944)	(8,172,596)
Distributions paid to unitholders	(3)	—
	(6,106,024)	38,600,825
Change in unrealized foreign exchange loss on cash	(18,883)	(1,171)
Increase in cash	873,777	87,209
Cash, beginning of year	389,659	302,450
Cash, end of year	\$ 1,263,436	\$ 389,659
Supplemental cash flow information:		
Interest received	\$ 969,962	\$ 785,339
Dividends received, net of withholding taxes	1,650,065	1,476,336

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

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Schedule of Investment Portfolio

December 31, 2017

Number of shares/ par value		Average cost	Fair value
Common shares - 59.30%			
Canadian equities - 31.20%			
Capital goods - 0.40%:			
2,640	ATS Automation Tooling Systems Inc.	\$ 25,157	\$ 41,052
12,675	CAE Inc.	153,421	295,961
2,925	Exco Technologies Ltd.	33,697	29,660
2,260	Superior Plus Corp.	23,533	26,826
		235,808	393,499
Consumer discretionary - 0.90%:			
2,125	Corus Entertainment Inc., Class 'B'	27,378	24,862
9,325	Magna International Inc.	335,807	664,313
5,370	Martinrea International Inc.	46,661	86,135
2,470	Pizza Royalty Corp.	43,069	40,014
1,165	Uni-Select Inc.	24,810	33,098
		477,725	848,422
Consumer staples - 1.40%:			
2,015	Corby Spirit and Wine Ltd.	43,390	46,566
11,195	Metro Inc., Class 'A'	357,563	450,599
27,200	North West Co. Inc. (The)	721,157	817,904
		1,122,110	1,315,069
Energy - 6.00%:			
4,980	Birchcliff Energy Ltd.	26,724	21,912
2,235	Bonterra Energy Corp.	36,530	34,195
18,095	Canadian Natural Resources Ltd.	537,923	812,827
123,430	Cenovus Energy Inc.	1,991,487	1,416,976
26,085	Ensign Energy Services Inc.	224,919	168,770
2,270	HNZ Group Inc.	30,505	42,404
90,509	Husky Energy Inc.	1,449,827	1,606,535
22,440	Pason Systems Inc.	358,772	408,184
1,035	Peyto Exploration & Development Corp.	21,140	15,556
2,935	Spartan Energy Corp.	22,133	21,103
21,415	Suncor Energy Inc.	707,302	988,302
6,325	TORC Oil & Gas Ltd.	36,052	47,691
		5,443,314	5,584,455
Financial services - 12.10%:			
5,745	AGF Management Ltd., Class 'B'	34,082	46,994
6,780	Bank of Montreal	454,924	682,000
25,290	Bank of Nova Scotia	1,393,581	2,051,525
6,335	Canaccord Genuity Group Inc.	33,620	36,743
9,135	Canadian Imperial Bank of Commerce	807,014	1,119,403
9,130	CI Financial Corp.	260,798	271,800
5,690	Dream Industrial REIT	38,486	50,072
20,165	Gluskin Sheff + Associates Inc.	333,985	335,747
40,345	Home Capital Group Inc.	1,254,209	698,372
6,270	Intact Financial Corp.	538,450	658,287
3,650	InterRent REIT	29,086	33,325
710	Laurentian Bank of Canada	33,246	40,136
19,935	Manulife Financial Corp.	359,059	522,696
6,330	Plaza Retail REIT	28,400	26,966
21,470	Royal Bank of Canada	1,384,443	2,203,896
5,090	Sun Life Financial Inc.	186,983	264,069
29,505	Toronto-Dominion Bank (The)	1,328,876	2,173,043
3,400	Tricon Capital Group Inc.	39,087	39,270
		8,538,329	11,254,344

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Schedule of Investment Portfolio (continued)

December 31, 2017

Number of shares/ par value		Average cost	Fair value
	Industrials - 1.40%:		
1,105	Badger Daylighting Ltd.	28,823	30,034
93,760	Bird Construction Inc.	829,224	950,726
9,790	Richelieu Hardware Ltd.	307,896	335,699
		1,165,943	1,316,459
	Information technology - 2.90%:		
500	Calian Technologies Ltd.	14,018	16,025
1,815	Celestica Inc.	23,822	23,922
15,185	CGI Group Inc., Class 'A'	718,511	1,037,136
85,915	Computer Modelling Group Ltd.	796,409	824,784
920	Constellation Software Inc.	363,705	701,058
5,840	EXFO Inc.	26,020	32,120
830	Sierra Wireless Inc.	13,011	21,331
		1,955,496	2,656,376
	Materials - 3.20%:		
27,215	Capstone Mining Corp.	15,732	39,190
1,225	Cascades Inc.	8,725	16,684
17,025	CCL Industries Inc., Class 'B'	977,277	988,812
2,450	Detour Gold Corp.	33,275	36,211
5,705	Hudbay Minerals Inc.	34,432	63,497
2,590	Intertape Polymer Group Inc.	59,611	55,659
21,490	Potash Corp. of Saskatchewan Inc.	524,338	554,012
20,045	Stella-Jones Inc.	807,976	1,012,272
7,870	Teck Resources Ltd., Class 'B'	140,431	258,687
		2,601,797	3,025,024
	Telecommunications services - 1.50%:		
14,255	BCE Inc.	650,028	860,717
3,875	Rogers Communications Inc., Class 'B'	166,514	248,194
5,555	TELUS Corp.	224,204	264,529
		1,040,746	1,373,440
	Transportation - 1.40%:		
12,475	Canadian National Railway Co.	939,785	1,293,034
16,540	Horizon North Logistics Inc.	47,721	25,471
		987,506	1,318,505
	Total Canadian equities	23,568,774	29,085,593
	United States equities - 15.90%		
	Consumer staples - 2.70%:		
9,560	Coca-Cola Co. (The)	491,673	551,336
4,751	Procter & Gamble Co. (The)	409,991	548,708
7,436	Walgreens Boots Alliance Inc.	602,953	678,783
5,948	Wal-Mart Stores Inc.	463,251	738,318
		1,967,868	2,517,145
	Energy - 1.40%:		
3,075	Chevron Corp.	371,187	483,894
6,572	Devon Energy Corp.	247,963	342,006
4,749	Exxon Mobil Corp.	464,936	499,288
		1,084,086	1,325,188

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Schedule of Investment Portfolio (continued)

December 31, 2017

Number of shares/ par value		Average cost	Fair value
Financial services - 4.50%:			
6,565	American International Group Inc.	386,771	491,666
14,268	Bank of America Corp.	250,176	529,438
8,179	Citigroup Inc.	456,190	765,009
3,848	JPMorgan Chase & Co.	251,384	517,262
8,302	MetLife Inc.	433,880	527,625
8,788	Morgan Stanley	249,130	579,611
30,855	Washington Prime Group Inc.	452,863	276,147
5,993	Wells Fargo & Co.	290,768	457,039
		2,771,162	4,143,797
Health care- 1.60%:			
3,292	Johnson & Johnson	350,660	578,168
9,056	Pfizer Inc.	293,161	412,306
3,576	Zimmer Biomet Holdings Inc.	404,776	542,416
		1,048,597	1,532,890
Industrials - 1.40%:			
5,026	Honeywell International Inc.	511,536	968,880
1,850	Union Pacific Corp.	198,117	311,843
		709,653	1,280,723
Information technology - 3.30%:			
20,029	Cisco Systems Inc.	691,837	964,258
18,636	Corning Inc.	392,522	749,380
7,854	Microsoft Corp.	399,057	844,492
9,038	Oracle Corp.	382,351	537,137
		1,865,767	3,095,267
Telecommunications services - 1.00%:			
13,873	Verizon Communications Inc.	758,077	923,012
	Total United States equities	10,205,210	14,818,022
	International equities - 12.20%		
France - 2.70%:			
14,525	AXA, ADR	450,059	541,621
25,953	Orange SA, ADR	541,939	567,639
7,142	Sanofi SA, ADR	362,229	386,032
4,265	Total SA, ADR	259,057	296,362
5,710	Vinci SA	428,369	733,302
		2,041,653	2,524,956
Germany - 2.40%:			
3,445	Deutsche Boerse AG	299,770	502,952
3,446	Henkel AG & Co. KGaA	308,505	519,730
4,003	SAP SE, ADR	348,696	565,370
7,611	Siemens AG, ADR	482,664	662,708
		1,439,635	2,250,760
Hong Kong - 0.40%:			
6,225	China Mobile Ltd., ADR	415,929	395,467
Japan - 0.90%:			
35,500	Nissan Motor Co. Ltd.	416,617	444,948
3,570	SECOM Co. Ltd.	255,669	338,807
		672,286	783,755

LINCLUDEN BALANCED FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

Number of shares/ par value		Average cost	Fair value
Netherlands - 1.70%:			
4,935	Akzo Nobel NV	400,735	543,490
21,376	ING Groep NV, ADR	346,177	496,013
5,950	Royal Dutch Shell PLC, ADR, Class 'A'	379,550	498,934
		1,126,462	1,538,437
Switzerland - 1.30%:			
14,864	ABB Ltd., ADR	324,925	501,106
7,350	Aryzta AG, Registered	417,654	366,448
3,347	Nestlé SA, ADR, Registered	244,491	361,691
		987,070	1,229,245
United Kingdom - 2.80%:			
12,743	GlaxoSmithKline PLC, ADR	649,569	568,157
27,104	National Grid PLC	440,379	402,539
3,720	Reckitt Benckiser Group PLC	433,902	436,821
32,185	Tate & Lyle PLC	369,390	383,996
5,950	Unilever PLC	336,014	416,592
10,540	Vodafone Group PLC, ADR	445,470	422,636
		2,674,724	2,630,741
Total international equities		9,357,759	11,353,361
Total equities		43,131,743	55,256,976
Bonds - 38.30%			
Government of Canada - 12.50%:			
830,000	Government of Canada, 1.750%, 01/09/19	846,907	831,172
4,540,000	Government of Canada, 0.750%, 01/03/21	4,548,345	4,398,293
1,940,000	Government of Canada, 0.500%, 01/03/22	1,840,982	1,837,343
4,045,000	Government of Canada, 2.250%, 01/06/25	4,288,508	4,116,649
460,000	Government of Canada, 1.000%, 01/06/27	413,310	419,217
		11,938,052	11,602,674
Provincial government - 11.30%:			
275,000	Province of Alberta, 2.350%, 01/06/25	273,260	271,620
865,000	Province of British Columbia, 3.250%, 18/12/21	939,510	903,423
320,000	Province of Manitoba, 2.450%, 02/06/25	323,050	317,809
235,000	Province of New Brunswick, 3.650%, 03/06/24	258,930	251,122
4,380,000	Province of Ontario, 3.150%, 02/06/22	4,665,835	4,556,961
480,000	Province of Ontario, 3.500%, 02/06/24	538,589	510,924
475,000	Province of Ontario, 2.600%, 02/06/25	488,343	478,095
1,390,000	Province of Quebec, 4.250%, 01/12/21	1,580,321	1,500,830
260,000	Province of Quebec, Series 'B113', 3.750%, 01/09/24	296,666	281,306
1,285,000	Province of Quebec, 2.750%, 01/09/25	1,338,092	1,307,455
165,000	Province of Saskatchewan, 3.200%, 03/06/24	176,342	172,725
		10,878,938	10,552,270
Municipal government - 0.40%:			
290,000	Greater Toronto Airports Authority, Series '2009-1', 5.960%, 20/11/19	327,994	310,004
30,000	Greater Toronto Airports Authority, Series '97-3', 6.450%, 03/12/27	40,286	39,630
		368,280	349,634

LINCLUDEN BALANCED FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

Number of shares/ par value		Average cost	Fair value
Corporate - 14.10%:			
245,000	407 International Inc., Callable, 4.300%, 26/05/21	274,694	260,073
65,000	407 International Inc., Callable, 2.430%, 04/05/27	64,976	63,305
135,000	Alectra Inc., Series 'A', Callable, 2.488%, 17/05/27	135,000	131,177
85,000	AltaGas Ltd., Callable, 3.570%, 12/06/23	85,190	86,722
60,000	AltaGas Ltd., Callable, 4.120%, 07/04/26	59,966	62,355
175,000	AltaGas Ltd., Callable, 3.980%, 04/10/27	175,680	178,196
740,000	Bank of Montreal, 2.430%, 04/03/19	753,052	744,122
265,000	Bank of Montreal, 1.880%, 31/03/21	266,054	261,019
50,000	Bank of Montreal, Callable, 3.400%, 23/04/21	53,394	51,611
105,000	Bank of Montreal, 2.700%, 11/09/24	104,986	104,964
680,000	Bank of Nova Scotia, 2.873%, 04/06/21	710,061	690,399
395,000	Bank of Nova Scotia, 2.360%, 08/11/22	394,945	391,264
125,000	Bank of Nova Scotia, 2.290%, 28/06/24	124,992	121,892
45,000	Bell Canada, 5.520%, 26/02/19	46,319	46,770
135,000	Bell Canada, Callable, 3.540%, 12/06/20	141,204	138,758
285,000	Bell Canada, Callable, 3.150%, 29/09/21	296,544	290,568
80,000	Bell Canada, Callable, 2.700%, 27/02/24	79,909	78,688
190,000	Bell Canada, Callable, 3.550%, 02/03/26	190,064	193,297
75,000	Bell Canada, Callable, 2.900%, 12/08/26	74,800	72,502
105,000	Cameco Corp., Series 'D', Callable, 5.670%, 02/09/19	113,534	108,922
135,000	Cameco Corp., Series 'E', 3.750%, 14/11/22	138,701	133,341
100,000	Cameco Corp., Callable, 4.190%, 24/06/24	100,916	99,266
305,000	Canadian Imperial Bank of Commerce, 1.850%, 14/07/20	305,679	302,033
140,000	Canadian Imperial Bank of Commerce, 1.900%, 26/04/21	140,239	137,950
85,000	Canadian Imperial Bank of Commerce, 2.040%, 21/03/22	84,972	83,525
210,000	Canadian Imperial Bank of Commerce, 2.300%, 11/07/22	209,989	208,124
145,000	Dollarama Inc., Restricted, 2.337%, 22/07/21	145,000	143,870
50,000	Enbridge Income Fund (The), Callable, 3.950%, 19/11/24	50,000	51,598
25,000	Enbridge Pipelines Inc., Callable, 4.490%, 12/11/19	24,980	26,135
610,000	Enbridge Pipelines Inc., Callable, 4.450%, 06/04/20	665,906	639,257
75,000	ENMAX Corp., Callable, 3.805%, 05/12/24	75,000	76,051
275,000	Hydro One Inc., Callable, 3.200%, 13/01/22	294,620	283,772
25,000	Inter Pipeline Ltd., Callable, 2.608%, 13/09/23	25,000	24,421
55,000	Inter Pipeline Ltd., Callable, 2.734%, 18/04/24	55,000	53,596
35,000	Inter Pipeline Ltd., Callable, 3.173%, 24/03/25	32,889	34,685
125,000	Inter Pipeline Ltd., Callable, 3.484%, 16/12/26	125,527	124,624
130,000	Manitoba Telecom Services Inc., Series '8', Callable, 5.625%, 16/12/19	145,144	138,264
205,000	Metro Inc., Callable, 3.390%, 06/12/27	204,879	203,651
135,000	National Bank of Canada, 1.809%, 26/07/21	135,028	132,252
40,000	North West Redwater Partnership/NWR Financing Co. Ltd., Series 'C', Restricted, Callable, 2.100%, 23/02/22	39,920	39,215
125,000	North West Redwater Partnership/NWR Financing Co. Ltd., Series 'A', Callable, 3.200%, 22/07/24	124,809	127,187
120,000	North West Redwater Partnership/NWR Financing Co. Ltd., Series 'F', Callable, 4.250%, 01/06/29	121,016	130,207

LINCLUDEN BALANCED FUND

Schedule of Investment Portfolio (continued)

December 31, 2017

Number of shares/ par value		Average cost	Fair value
115,000	Reliance L.P., 4.075%, 02/08/21	115,391	117,987
175,000	Reliance L.P., Callable, 3.836%, 15/03/25	174,996	174,744
545,000	Rogers Communications Inc., Callable, 4.000%, 06/06/22	578,096	575,866
415,000	Royal Bank of Canada, 2.980%, 07/05/19	432,969	420,238
300,000	Royal Bank of Canada, 2.030%, 15/03/21	303,150	296,832
485,000	Royal Bank of Canada, 1.968%, 02/03/22	483,921	475,214
70,000	Royal Bank of Canada, Variable Rate, Callable, 2.990%, 06/12/24	70,000	70,921
130,000	Royal Bank of Canada, 4.930%, 16/07/25	159,325	148,787
70,000	Shaw Communications Inc., Callable, 5.500%, 07/12/20	69,744	75,922
20,000	Shaw Communications Inc., Callable, 4.350%, 31/01/24	19,995	21,327
130,000	SNC-Lavalin Group Inc., Callable, 6.190%, 03/07/19	148,047	137,050
30,000	Sun Life Financial Inc., Series 'D', Callable, 5.700%, 02/07/19	33,231	31,562
15,000	Sun Life Financial Inc., 4.570%, 23/08/21	16,005	16,074
240,000	TELUS Corp., Series 'CG', Callable, 5.050%, 04/12/19	253,609	252,783
195,000	TELUS Corp., 3.600%, 26/01/21	200,129	201,527
100,000	TELUS Corp., Callable, 3.750%, 17/01/25	99,775	103,723
65,000	Teranet Holdings L.P., Callable, 4.807%, 16/12/20	64,813	68,026
45,000	Toronto-Dominion Bank (The), 2.447%, 02/04/19	46,288	45,276
730,000	Toronto-Dominion Bank (The), 2.563%, 24/06/20	742,075	735,933
490,000	Toronto-Dominion Bank (The), 2.045%, 08/03/21	492,858	485,840
110,000	Toronto-Dominion Bank (The), 1.994%, 23/03/22	110,000	108,027
75,000	Toronto-Dominion Bank (The), 1.909%, 18/07/23	75,000	72,348
630,000	TransCanada PipeLines Ltd., Callable, 3.690%, 19/07/23	657,107	663,494
390,000	Wells Fargo Financial Canada Corp., 2.944%, 25/07/19	401,816	395,130
35,000	Westcoast Energy Inc., 3.883%, 28/10/21	35,000	36,681
125,000	Westcoast Energy Inc., Series 'W', 7.300%, 18/12/26	122,360	159,883
Total bonds		36,481,548	35,665,401
Short-term investments - 0.70%			
700,000	Government of Canada Treasury Bill, 0.950%, 22/03/18	698,327	698,545
Total investments		80,311,618	91,620,922
Transaction costs		(68,112)	—
Total investment portfolio - 98.30%		<u>\$ 80,243,506</u>	91,620,922
Other assets, net of liabilities - 1.70%			1,566,605
Total net assets attributable to holders of redeemable units - 100.00%			<u>\$ 93,187,527</u>

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

LINCLUDEN BALANCED FUND

Notes to Financial Statements

Years ended December 31, 2017 and 2016

1. Establishment of the Fund:

The Lincluden Balanced Fund (the "Fund") is an open-end mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated February 23, 2000. The address of the Fund's registered office is 200 City Centre Drive, Suite 201, Mississauga, Ontario. The Fund commenced operations on September 29, 2000. Lincluden Investment Management Limited acts as the Trustee and Investment Manager of the Fund (the "Fund Manager").

The investment objective of the Fund is to generate both capital appreciation and income, while maintaining a relatively low level of risk. To achieve its objectives, the Fund invests in a diverse portfolio of stocks, government and corporate bonds, and short-term instruments such as Government of Canada treasury bills.

2. Basis of preparation:

(a) Basis of accounting:

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These financial statements were authorized for issue by the Investment Manager on March 28, 2018.

(b) Basis of measurement:

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

(c) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Fund's functional currency.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies:

(a) Financial instruments:

(i) Recognition, initial measurement and classification:

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially recognized at fair value, with transaction costs recognized in profit or loss. Financial assets or financial liabilities not at FVTPL are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and subsequently measured at amortized cost.

The Fund classifies financial assets and financial liabilities into the following categories:

Financial assets at FVTPL:

- Held for trading: derivative financial instruments
- Designated as at FVTPL: debt securities and equity investments

Financial assets at amortized cost:

- Loans and receivables: all other financial assets

Financial liabilities at FVTPL

- Held for trading: derivative financial instruments

Financial liabilities at amortized cost: all other financial liabilities are classified as other financial liabilities.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies:

(ii) Fair value measurement

Investments in securities listed on a public securities exchange or traded on an over-the-counter market are valued at the closing sale price. Securities with no available closing prices are valued at the last available sale or close price. In respect of any unlisted or non-exchange traded securities, or securities for which a closing bid price or last closing sale price are unavailable or securities for which market quotations are, in the Fund Manager's opinion, inaccurate, unreliable, or not reflective of all available material information, such securities are valued at their fair value as determined by the Fund Manager. Short-term notes valued at cost plus accrued interest, which approximates fair value.

The Fund may enter into forward foreign exchange contracts with the intention to offset or reduce exchange rate risks associated with the investments. The value of these forward contracts is the gain or loss that would be realized if, on the valuation date, the positions were to be closed out and recorded as a derivative asset/liability in the statements of financial position. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income.

Investments in pooled funds are valued at the unit values supplied by the underlying fund's administrator.

The fair value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

Fair value policies used for financial reporting purposes are the same as those used to measure the net asset value ("NAV") for transactions with unitholders.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(iii) Offsetting:

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange losses.

(b) Cash:

Cash consists of cash on deposit with financial institutions.

(c) Investment transactions and income recognition:

The Fund follows the accrual method of recording investment income and expenses. Security transactions are recorded on the trade date. Dividends are accrued as at the ex-dividend date. Stock dividends are recorded in income based on the fair value of the security on the ex-dividend date.

The interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest earned by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Realized gain on sale of investments and unrealized appreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

(d) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other transaction costs.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(e) Foreign currency translation:

The fair values of foreign currency denominated investments are translated into Canadian dollars, using the prevailing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange losses are presented as net foreign exchange loss on cash, except for those arising from financial instruments at FVTPL which are recognized as a component within net realized gain on investments and change in unrealized appreciation in the statements of comprehensive income.

(f) Income taxes:

The Fund presently qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada), and accordingly, is not taxed on that portion of its taxable income, which is paid or payable to unitholders at the end of the taxation year. The Fund has elected for a December 15 taxation year end. The Fund pays out sufficient net income and net realized capital gains so that it will not be subject to income taxes. Accordingly, no provision for income taxes has been made in these financial statements.

Capital losses and non-capital losses incurred by the Funds cannot be allocated to unitholders but capital losses may be carried forward indefinitely to reduce future realized capital gains and non-capital losses may be carried forward for 20 taxation years to reduce future net income for tax purposes. As at December 31, 2017, the Fund has no non-capital losses (2016 - nil) and no capital losses carrying forward (2016 - nil).

Certain dividend and interest income received by the Fund is subject to withholding tax imposed in the country of origin. During the year, the average withholding tax rate was 15% (2016 - 15%).

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

(g) Redeemable units:

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit at the date of sale, which amount is included in net assets attributable to holders of redeemable units. Units are redeemable at the option of unitholders at their NAV on the redemption date. For each unit redeemed, net assets attributable to holders of redeemable units is reduced by the NAV of the unit at the date of redemption. The redeemable units, which are classified as financial liabilities, since the Fund's units do not meet the criteria in IAS 32, Financial Instruments: Presentation ("IAS 32") for classification as equity, are measured at the redemption amount and are considered a residual interest in the assets of the Fund after deducting all of its liabilities.

Net assets attributable to holders of redeemable units is calculated for each class of units of the Fund by taking the respective class' proportionate share of the Fund's net assets and dividing by the number of units of that class outstanding on the valuation date.

The increase in net assets attributable to holders of redeemable units per unit by class in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units attributable to each class divided by the weighted average number of units of that class outstanding during the reporting years. Income, expenses other than management fees, and realized and unrealized capital gains are distributed amongst the different classes of units in proportion to the amount invested in them.

(h) Receivable for investments sold/payable for investments purchased:

Amounts receivable for investments sold/payable for investments purchased represent amounts receivable/payable from/to brokers relating to transactions entered into but not yet settled for the sale/purchase of investments.

(i) Future accounting changes:

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that are not yet effective.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

3. Significant accounting policies (continued):

IFRS 9, Financial Instruments ("IFRS 9"):

In July 2014, the IASB issued IFRS 9 to replace International Accounting Standard 39, Financial Instruments - Recognition and Measurement. IFRS 9 addresses classification and measurement, impairment and hedge accounting. The new standard requires assets to be classified based on the Fund's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. Financial assets will be measured at FVTPL unless certain conditions are met which permit measurement at amortized cost or value through other comprehensive income. The classification and measurement of liabilities remain generally unchanged, with the exception of liabilities recorded at FVTPL. For financial liabilities designated at FVTPL, IFRS 9 requires the presentation of the effects of changes in the Fund's own credit risk in other comprehensive income instead of net income.

IFRS 9 is effective for fiscal years beginning on January 1, 2018, though early adoption is permitted. The Manager is currently assessing the impact of this new standard on the Fund's financial statements.

Based on the Fund Manager's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- the financial instruments classified as held-for-trading under IAS 39 (derivatives) will continue to be measured at FVTPL and classified as such under IFRS 9;
- financial instruments currently measured at FVTPL under IAS 39 are designated into this category because they are managed on a fair value basis in accordance with a documented investment strategy. Accordingly, these financial instruments will be measured at FVTPL under IFRS 9; and
- financial instruments currently measured at amortized cost are: cash balances, receivables and payables. These instruments meet the solely payments of principal and interest ("SPPI") criterion and are held in a held-to-collect business model.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

4. Critical accounting estimates and judgments:

In preparing these financial statements, the Fund Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively. The most significant accounting judgement and estimate that the Fund has made in preparing the financial statements is determining the fair value measurement of derivatives and investments not quoted in an active market, if any. See note 8 for more information on the fair value measurement of the Fund's financial instruments.

5. Redeemable units:

The Fund is authorized to issue an unlimited number of units in Series A, Class F, Series I and Series O. Series A Units, the Class F Units, the Series I Units and the Series O Units all have the same attributes, except that:

- (a) a different management fee may be payable by the Fund in respect of the Series A Units and Class F Units.
- (b) no management fee shall be payable by the Fund in respect of the Series I Units or Series O Units.

Further information on the rights, privileges and restrictions attaching to each series is set out in the Fund's Declaration of Trust and Prospectus.

The Fund is required to distribute any net income and capital gains that it has earned in the year. Income earned by the Fund is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash or reinvested by unitholders into additional units of the Fund. Distributions payable to holders of redeemable units are recognized in the statements of changes in net assets attributable to holders of redeemable units. The units of the Fund are classified as financial liabilities as there is a requirement to distribute net income and capital gains and the Fund has multiple series of units with different features.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

5. Redeemable units (continued):

Unit transactions for the years ended December 31, 2017 and 2016 are as follows:

Series A	Number of units	
	2017	2016
Opening	76,113	86,144
Subscriptions	633	—
Distributions reinvested	575	570
Redemptions	(15,245)	(10,601)
Closing	62,076	76,113
Average	66,489	78,935

Series O	Number of units	
	2017	2016
Opening	5,644,494	2,954,688
Subscriptions	205,476	3,051,960
Distributions reinvested	131,588	138,293
Redemptions	(3,955,186)	(500,446)
Closing	2,026,372	5,644,495
Average	5,430,252	5,322,396

Class F	Number of units	
	2017	2016
Opening	—	—
Subscriptions	3,467,467	—
Distributions reinvested	43,303	—
Redemptions	(68,252)	—
Closing	3,442,518	—
Average	3,421,629	—

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

6. Related party transactions and fund expenses:

(a) Management fees and other expenses:

Each series of the Fund is allocated its own expenses and its proportionate share of the Fund's expenses that are common to all series. Expenses may include legal fees, audit fees, custodial fees, taxes and servicing costs. The Fund Manager may absorb some or all of these expenses. The absorbed expenses are reflected in the statements of comprehensive income. The Fund Manager may cease to absorb expenses at any time.

For Series A, the management fee is 1.75% plus GST/HST and it is charged directly to the Fund. For Series O, the Fund Manager receives no management fees directly from the Fund for management of the Fund, but instead charges management fees directly to unitholders. As such, the management fee is not an expense of the Fund for Series O.

(b) Independent Review Committee:

The total remuneration paid to independent review committee members amounted to \$35,000 (2016 - \$35,000).

(c) Related party share holdings:

Directors of the Fund and employees of the Investment Manager held 756,794 redeemable units in the Fund (2016 - 103,480).

7. Transaction costs:

The total brokerage fees and commissions paid on the purchase and sale of investments for the year ended December 31, 2017 amounted to \$35,726 (2016 - \$43,108). The Fund recognizes that it has a duty to its clients to seek the most favourable execution terms that are reasonably available given the circumstances of each trade. While the ability to trade at the best price is normally the most important consideration in determining best execution consideration is also given to the full range and quality of a broker's services in placing brokerage including, among other things, the value of research provided as well as execution capability, commission rate, financial responsibility, and responsiveness. The Fund Manager does not use any of the commission dollars to pay for any of the services required for the operation of the Fund or the firm ("soft dollars").

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management:

The Fund's investment activities expose it to various types of risks associated with the financial instruments in which it invests directly. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus and annual information form for a complete discussion of the risks attributed to an investment in the units of the Fund. Significant financial instrument risks that are relevant to the Fund and an analysis of how they are managed are presented below.

(a) Currency risk:

The Fund invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets.

The tables below indicate the currencies to which the Fund had significant exposure at year end, on both its trading monetary assets and liabilities as well as the underlying principal amount of foreign exchange forward contracts.

2017	Currency risk exposed holdings	Total exposure	As a % of net assets
U.S. dollar	\$ 22,116,908	\$ 22,116,908	23.73
Euro	2,313,550	2,313,550	2.48
British pound	1,651,985	1,651,985	1.77
Japanese yen	783,755	783,755	0.84
Swiss franc	366,448	366,448	0.39

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management (continued):

2016	Currency risk exposed holdings	Total exposure	As a % of net assets
U.S. dollar	\$ 23,676,616	\$ 23,676,616	25.01
Euro	1,848,352	1,848,352	1.95
British pound	1,646,176	1,646,176	1.74
Japanese yen	868,467	868,467	0.92
Swiss franc	478,459	478,459	0.51

As at December 31, 2017, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by \$1,361,632 (2016 - \$1,425,904). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(b) Interest rate risk:

The Fund invests in interest-bearing securities. The income of the Fund may be affected by changes to interest rates relevant to particular securities or as a result of management being unable to secure similar returns on the sale of securities.

Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio such as bonds. The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

The tables below summarize the Fund's exposure to interest rate risks. It includes the Fund's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates. The interest rate risk associated with short-term investments is minimal and therefore not included in the tables below.

2017	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Total
Bonds	\$ -	\$ 5,447,357	\$ 18,617,882	\$ 11,600,162	\$ 35,665,401

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management (continued):

2016	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Total
Bonds	\$ 1,011,555	\$ 5,579,026	\$ 16,791,654	\$ 12,986,485	\$ 36,368,720

As at December 31, 2017, had the prevailing interest rates raised or lowered by 1%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by \$1,568,207 (2016 - \$1,626,843).

(c) Credit risk:

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of counterparty on its obligation to the Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and balances due from brokers and receivables. Credit risk is managed by dealing with counterparties the Fund believes to be creditworthy and by regular monitoring of credit exposures.

The Fund manages credit risk within its debt portfolio by: complementing the research of rating agencies by its own internal analysis, diversifying the portfolio by issuer, controlling exposure to individual issues and maintaining exposure across industry sectors.

As at December 31, 2017 and, 2016, the Fund invested in debt securities with the following credit characteristics:

Bond rating	% of net assets	
	2017	2016
AAA	13.42	10.09
AA	8.09	5.52
A	11.15	17.72
BBB	5.61	5.07
	38.27	38.40

The Fund's maximum credit risk exposure as at the reporting dates is represented by the respective carrying amounts of the financial assets in the statements of financial position.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management (continued):

The Fund's activities may give rise to settlement risk. 'Settlement risk' is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

(d) Other market risk:

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. This risk is managed through careful selection of securities and other financial instruments within specified limits. The Fund's overall market positions are monitored on a daily basis.

As at December 31, 2017, a 5% change in stock prices would have changed the Fund's net assets attributable to holders of redeemable units by \$2,762,849 (2016 - \$2,854,482) with all other factors held constant. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

(e) Liquidity risk:

The Fund is exposed to daily cash redemptions of units. It therefore invests its assets in investments that are traded in an active market and can be readily disposed of. The Fund's listed securities are considered readily realizable.

The Fund's liquidity position is monitored on a daily basis and all the Fund's financial liabilities are short-term in nature and due within 90 days.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management (continued):

(f) Fair value hierarchy:

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The Fund recognizes transfers between levels of the fair value hierarchy as at the end of the reporting years during which change has occurred. There was no transfers from Level 1 to Level 2 as at December 31, 2017 (2016 - nil).

The following is a summary of the inputs used in valuing the Fund's investments carried at fair values as at December 31, 2017 and 2016:

2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Equities	\$ 53,690,956	\$ 1,566,020	\$ –	\$ 55,256,976
Bonds	–	35,665,401	–	35,665,401
Short-term investments	–	698,545	–	698,545
	\$ 53,690,956	\$ 37,929,966	\$ –	\$ 91,620,922

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

8. Financial instruments and risk management (continued):

2016	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)	Total
Equities	\$ 57,089,646	\$ –	\$ –	\$ 57,089,646
Bonds	–	36,368,720	–	36,368,720
Short-term investments	–	499,561	–	499,561
	\$ 57,089,646	\$ 36,868,281	\$ –	\$ 93,957,927

9. Capital management:

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net assets attributable to holders of redeemable units per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statements of changes in net assets attributable to holders of redeemable units. The Fund endeavours to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

LINCLUDEN BALANCED FUND

Notes to Financial Statements (continued)

Years ended December 31, 2017 and 2016

10. Net changes from financial instruments at FVTPL:

Net changes in fair value on financial assets and financial liabilities at FVTPL presented in the table below are comprised of the following: net realized gain (loss) on investments and derivatives, change in unrealized appreciation of investments and derivatives, net other loss, other income, dividend income and interest income for distribution purposes. The classifications between held for trading and designated at fair value are presented in the following table:

Net gains (losses) on financial instruments:

Category	Net gains (losses)	
	2017	2016
Financial instruments at FVTPL:		
Held for trading	\$ (366)	\$ 1,434
Designated at inception	4,951,220	9,317,812
	<u>\$ 4,950,854</u>	<u>\$ 9,319,246</u>