

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively
referred to as The Children's Education Trust of Canada)

Management Report of Fund Performance and Audited Financial Statements

December 31, 2018



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Management Report of Fund Performance

This annual management report of fund performance contains financial highlights and the complete annual audited financial statements of The Children's Education Trust of Canada (the "Plans"). You may obtain a copy of the annual financial statements at your request, and at no cost, by calling our Customer Service at 1-800-246-1203, by writing to us at 3221 North Service Road, Burlington, Ontario, L7N 3G2 or by visiting our website at www.cefi.ca or SEDAR at www.sedar.com.

Plan holders may also contact us using one of these methods to request a copy of the Foundation's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Investment Objective

The Plans invest funds contributed by parents, grandparents and others to fund tuition and other expenses for children who intend to pursue a post-secondary education (the "Beneficiaries"). The Plans' primary investment objectives are achieving long-term growth of income on Savings while ensuring the preservation of Savings. In an effort to provide investment returns superior to the benchmark index, our fixed-income Investment Advisors utilize active portfolio management strategies. These strategies include yield curve and duration management, sector allocation, credit analysis, intra-market-spread trades and investment in variable rate securities with a guarantee of principal. Beginning in May 2014, pursuant to an undertaking executed on November 22, 2013, the Income of each Plan may now be invested in exchange-traded equity securities listed on a Canadian stock exchange.

Investment Strategies

In order to achieve the investment objectives of the Plans, savings and investment income earned on savings are invested according to the standard investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators and, as such, shall always be limited to "qualified investments" as defined under the Income Tax Act in respect of Registered Education Savings Plans ("RESP").

The Plans are invested primarily in bonds, which have been issued or guaranteed by either the Federal or any Provincial Government, and Financial Institution bonds, corporate bonds and Government of Canada Treasury Bills. All of the variable rate securities held in the portfolio have an "approved credit rating" as defined in National Instrument 81-102.

Pursuant to an undertaking executed November 22, 2013, the Income of each Plan may now be invested exchange-traded equity securities listed on a stock exchange in Canada including ETFs subject to certain restrictions. As at December 31, 2018, approximately 15% of plan assets had been invested in common shares of Canadian listed equity securities.

Assets of the Plans are managed by our investment advisors: Fiera Capital; Franklin Templeton and Guardian Capital. Assets are allocated across market segments and sectors according to the investment advisors' outlook, the Foundation Investment Policy, and securities regulation. Ongoing allocations to each of the investment advisors are based on the results of regular internal performance reviews, quarterly meetings with the investment advisors and qualitative assessment of the investment advisors as deemed by the Plans' management to be important to the management of the assets.

Risk

Beginning in May 2014, the Income of each Plan is now being invested in exchange-traded equity securities listed on a Canadian stock exchange which entails the undertaking of equity risk, the financial risk involved in holding equities in a particular investment.

However, this risk is mitigated through our investment policy statement with the equity manager which stipulates, among other things, concentration limits, sector and individual security exposure parameters as well as minimum market capitalization requirements for securities held in order to minimize the liquidity risk inherent in certain equity securities.

With respect to variable rate securities, these assets carry a guarantee of principal and a minimum interest yield when specified. The value of the securities and amount of interest payable at maturity may fluctuate based on the performance of the underlying market index. Though variable rate securities enhance portfolio diversification, there currently is no active secondary market in which these securities trade. However, at this time, the Foundation's strategy is to hold all variable rate securities until maturity.

Results of Operations

Assets of the Plans decreased by 5.48% compared to the prior year and totaled \$1.04 billion at the end of 2018. The overall Rate of Return on the Plans' investments in 2018 was negative 1.68%. The benchmark used for comparison purposes is comprised of the FTSE TMX Canada All Government Bond Index, the total return of the S&P/TSX Composite High Dividend Index and the total return of the S&P 500 Index on a hedged basis. The benchmark return in 2018 was -0.26%.

Market Commentary

Investor worries hung over Canada throughout the year: escalating global trade war rhetoric from the Trump White House, tightening monetary conditions, a flattening yield curve, tight labour markets pinching margins, elections of populist governments, and record levels of consumer debt. Canadian investors are said to be a patient bunch but this was severely tested at the end of August when the Federal Court of Appeal overturned the Canadian Federal Government's approval of the Trans Mountain Pipeline expansion. Foreign investors took notice of the inability of a resource based economy to figure out a way to move its resources to market. They also must be acutely aware of Canada's 'little-brother-getting-picked-on' status in ongoing NAFTA negotiations.

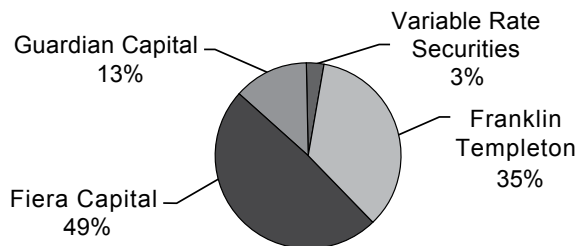
The Canadian bond universe ended 2018 with a positive performance of 1.41%. Although Canada government bonds traded at the highest yield of the year in October with Canada 10-year bonds reaching over 2.60% they recovered to close the year at 1.97%. Yields were rising with the prospect of economic growth, rising inflation and low unemployment. This came to an abrupt halt and a flight to quality developed with escalation of trade wars between the U.S. and China, Brexit uncertainty and softening of economic data. Interest rates declined for the remainder of the year and closed the year marginally lower than where they started.

After a solid 2017, Canadian stocks had a weak start to 2018, with S&P/TSX Composite Index declining 4.5% in the first quarter. Despite a slight rebound in Q2, the Canadian market was flat in Q3 and then ended the year in a negative territory with a return of -10.1% in Q4. The high dividend yield portion of the Canadian equity

market (as measured by the S&P/TSX High Dividend Index) posted significantly negative performance in 2018 with a return of -10.8% to December 31st 2018. Of the larger sectors in the Index, the largest detractors were Consumer Discretionary (-29.7%), Industrials (-22.4%) and Materials (-18.9%).

The S&P/TSX Composite Index has recovered in the first two months of 2019 with a return of 11.7% to February 28, 2019.

As at December 31, 2018, the investment advisors managed the following percentage of assets on behalf of the Plan:



Recent Developments

Inflation is currently not a problem in the U.S. or Canada. Inflation pressures eased with low energy prices, slowing health care costs, stabilizing rents, and weak auto prices. For 2019, we see fairly contained inflation pressures. Trade wars and tariffs will move prices higher but secular forces including demographics, automation and globalization will continue to keep inflation in check.

The Fed began to raise interest rates in late 2015 and has continued hiking rates as recently as December. It is expected that the Fed will raise rates twice in 2019 but it will be data dependent. The Fed will continue with its gradual balance sheet normalization program. The Bank of Canada started raising rates in 2017 and fifth rate increase was in October. The BoC have turned somewhat dovish, stating "there may be additional room for non-inflationary growth". It is expected that there will be two more hikes in 2019 by the BoC depending on economic data.

The Canadian economy should slow slightly from the 2.0% pace in 2018. Canada is facing a few unique challenges including a highly indebted consumer and a slowing housing sector. Lack of pipeline capacity had created a glut of oil in Canada and has resulted in plummeting oil prices. Alberta has had to implement mandatory production cuts. This has slowed the economy in the last couple of months of 2018 and into 2019.

There are signs of a moderation in the global economy with growth in the U.S. estimated at 2.5% for 2019. A recession by 2020 is becoming a small possibility. There is optimism on the U.S. economy over the next year with help from tax reform and deregulation. The U.S. consumer will be the driving economic force in coming months. Consumer sentiment is very high fueled by a solid job market, wage gains, lower taxes and significantly lower gas prices. Manufacturing has become more cautious considering U.S. dollar strength slowing global growth along with tariffs and trade wars.

The longer-term trend is to slightly higher yields. We think the market has starting pricing in a weaker economy with contained inflation and a more dovish Fed and BoC. The bond market could selloff on any signs of an economic pickup, hints of rising inflation or hawkish central bank remarks. A resolution to the US/China trade war could be the catalyst to a bond selloff. We believe longer yields are generally range bound in 2019 with 10-year Canada yields trading between 1.90% and 2.60%.

Accounting Changes

Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial instruments. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from January 1, 2018.

Although these amendments apply for the first time in 2018, they do not have a material effect on the Financial Statements. The nature and impact of the adoption of the new standard is described in note 3 of the financial statements.

Related Party Transactions

Children's Education Funds Inc. ("CEFI") is registered as a scholarship plan dealer under the securities legislation in each of the provinces and territories of Canada. It has been approved by Canada Revenue Agency ("CRA") to operate Registered Education Saving Plans and approved by Human Resources and Skills Development Canada ("HRSDC") to process deposits from Planholders to obtain government grants (Canada Education Savings Grants, Canada Learning Bond, British Columbia Training and Education Savings Grant and Quebec Education Savings Incentive on behalf of the Planholders.

By agreement with the Foundation, Children's Education Funds Inc. has been appointed as the Scholarship Plan Dealer for the Children's Educational Foundation of Canada and as such is the exclusive distributor and administrator of the Plans. Under the terms of this agreement and in accordance with the prospectus, the Scholarship Plan Dealer is entitled to receive sales charges, depository charges, administrative fees and service charges. Since the Scholarship Plan Dealer is a marketing and administrative organization which is beneficially owned by a Director of the Foundation, the Scholarship Plan Dealer is considered to be a related party.

Management Fees

Annual Administration Fee

All expenses of distribution and administration of the Plans are currently paid by the Scholarship Plan Dealer. Sales representatives across Canada provide distribution of the Plans. The administration of the Plans includes covering ongoing costs of maintaining and administering the Plans. The Scholarship Plan Dealer is compensated for its expenses by way of an annual administration fee calculated and payable semi-annually at the annual rate of 1/2% of all Savings for Subscribers under the Group Option Plan, 1½% of all Savings for Subscribers under the Self-Initiated Option Plan and 0.95% of all Savings for subscribers under the Achievers Plan, including any government grant plus all income earned. In 2018, administration fees of \$5,071,354 were paid to the Scholarship Plan Dealer.

Depository Trustee Fee

During 2018, Scotiabank, the Depository Trustee and Scholarship Trustee, was paid fees totaling \$167,198. In return for the fees, the Trustee receives monies for investment, receives income, settles investment trades, provides safekeeping of assets, and maintains investment records.

Portfolio Management Fee

The Plans retain the services of three professional investment advisors to manage the investments of the Plans. The fees are calculated monthly based on the ending value of the net assets managed by each investment advisor. The average 2018 portfolio management fee based on net assets was approximately 0.188%

Financial Highlights

The following tables show selected key financial information about the Plans and are intended to help you understand the financial performance for the past 5 years.

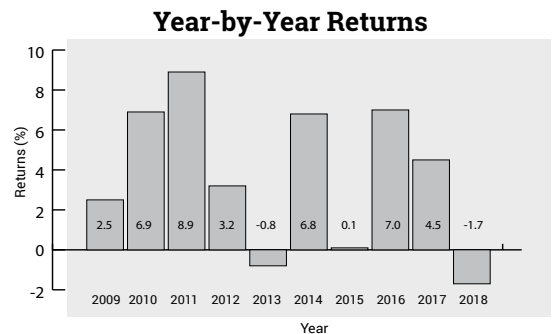
	2018	2017	2016	2015	2014
Statement of Net Assets					
Total Assets	\$1,053,579,056	\$1,107,085,557	\$1,095,969,301	\$1,126,506,297	\$1,057,673,411
Net Assets	\$1,035,622,999	\$1,095,677,352	\$1,079,414,014	\$1,028,615,084	\$1,039,541,482
% Change of Net Assets	-5%	2%	5%	-1%	7%
Statement of Operations					
Net Investment Income	\$2,854,131	\$35,049,851	\$40,674,414	\$36,222,496	\$48,277,019
Statement of Changes in Net Assets					
Scholarship Awards	\$27,095,886	\$24,096,263	\$22,207,466	\$20,729,438	\$20,022,866
Grants	\$15,440,074	\$14,163,915	\$12,399,587	\$11,521,459	\$10,341,768
Other					
Total Number of Units in plans	567,382	595,028	618,960	632,307	644,523
% Change in the Total Number of Units	-5%	-4%	-2%	-2%	-2%

Past Performance

The Plans achieved its investment objectives and produced positive results for the subscribers and beneficiaries of the plans. Past performance of the Plans does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following graph indicates the time-weighted Market Value Year-by-Year Rate of Return for the Plans after fees for the past 10 years in percentage terms.



Annual Compounded Returns

The following table illustrates the Plans' annual compounded returns for the periods ending December 31, 2018. The FTSE TMX Canada All Government Bond Index, a broad index of the Canadian investment-grade fixed income market, is the most appropriate measure for comparison purpose for the 3 year, 5 year and 10 year periods as equity trading did not begin until 2014. The 1 year weighted average of the FTSE TMX Canada All Government Bond Index and the equity benchmark based on December 31, 2018 holdings was -0.26%.

	1 Year	3 Years	5 Years	10 Years
Net Plans Return (%)	-1.68%	3.22%	3.28%	3.68%
FTSE TMX Canada All Government Bond Index (%)	1.53%	1.53%	3.50%	3.60%
Equity Benchmark (%)*	-10.04%	7.37%	n/a	n/a

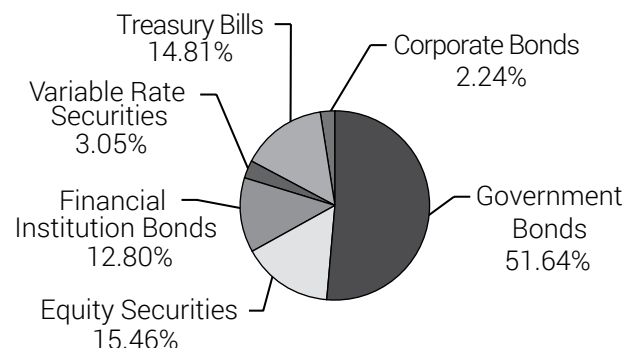
*Note our equity allocation benchmark consists of 95% of the total return of the S&P / TSX Composite Dividend Index and 5% of the total return of the S&P 500 Index on a Canadian dollar hedged basis.

Summary of Investment Portfolio

The allocation of the Plans' investments by asset class for the year ended December 31, 2018 is:

Asset class	% of Total
Government Bonds	51.64%
Equity Securities	15.46%
Financial Institution Bonds	12.80%
Variable Rate Securities	3.05%
Treasury Bills	14.81%
Corporate Bonds	2.24%
Total	100.00%

Asset Mix



THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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Top 25 holdings as a percentage of the total investment portfolio

December 31, 2018

Face Value/ Shares	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Portfolio
38,105,000	GOVERNMENT OF CANADA		07Mar2019	37,993,619	37,992,209	3.6%
37,945,000	GOVERNMENT OF CANADA		21Feb2019	37,855,573	37,856,209	3.6%
36,385,000	GOVERNMENT OF CANADA		07Feb2019	36,320,818	36,322,782	3.5%
29,170,000	GOVERNMENT OF CANADA	2.250%	01Jun2025	29,534,378	29,751,066	2.8%
19,978,000	PROVINCE OF QUEBEC	2.511%	13Oct2024	20,189,110	20,193,962	1.9%
16,259,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	18,109,829	18,283,408	1.8%
10,000,000	TORONTO DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	14,633,000	1.4%
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	13,837,515	14,569,930	1.4%
14,870,000	PROVINCE OF ONTARIO	2.279%	21 Aug2023	14,852,973	14,521,299	1.4%
14,032,000	PROVINCE OF QUEBEC	2.750%	01 Sept2025	14,264,030	14,150,991	1.4%
13,315,000	CANADA HOUSING TRUST NO. 1	2.000%	15Dec2019	13,309,752	13,319,660	1.3%
10,058,000	TCHC ISSUER TRUST	5.395%	22 Feb2040	13,224,479	12,659,904	1.2%
12,625,000	GOVERNMENT OF CANADA		10Jan2019	12,619,471	12,619,319	1.2%
12,323,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	12,179,090	12,359,723	1.2%
10,000,000	TORONTO DOMINION BANK CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	11,574,000	1.1%
10,598,000	CADILLAC FAIRVIEW FINANCE	4.310%	25Jan2021	10,847,130	11,036,757	1.1%
11,120,000	PROVINCE OF NEWFOUNDLAND	2.379%	27Feb2023	11,120,087	10,874,248	1.0%
10,585,000	GOVERNMENT OF CANADA		24Jan2019	10,573,105	10,573,568	1.0%
10,330,000	PROVINCE OF NOVA SCOTIA	2.320%	09Nov2022	10,351,457	10,238,373	1.0%
7,750,000	GOVERNMENT OF CANADA	4.000%	01Jun2041	9,804,502	10,205,743	1.0%
9,700,000	PROVINCE OF ALBERTA		08Jan2019	9,696,057	9,696,411	0.9%
8,745,000	PROVINCE OF QUEBEC	3.750%	01Sep2024	9,375,861	9,299,083	0.9%
8,575,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	9,047,041	8,929,148	0.9%
227,683	BMO S&P 500 INDEX ETF			5,333,422	8,540,389	0.8%
8,084,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	8,692,823	8,426,115	0.8%

Top 25 holdings as a percentage of the total investment portfolio

389,132,122

398,627,296

38.2%

Management's Responsibilities for Financial Reporting

The accompanying financial statements of the Children's Educational Foundation of Canada (the "Foundation") are prepared by management and are approved by the Board of Directors. Management is responsible for the information and representations contained in these financial statements.

Management maintains appropriate processes to ensure that relevant and reliable 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

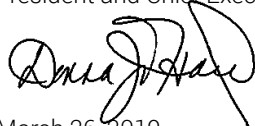
policies which management believes are appropriate for the Foundation are described in Note 3 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

KPMG LLP are the external auditors of the Foundation. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the Board of Directors their opinion on the financial statements. Their report is set out below.

Donna J. Haid

President and Chief Executive Officer



March 26, 2019

Melissa Boughner

Chief Financial Officer



Independent Auditor's Report

To the Board of Directors of The Children's Educational Foundation of Canada

Opinion

We have audited the financial statements of The Children's Educational Foundation of Canada (the Entity), which comprise:

- the statements of financial position as at December 31, 2018 and 2017
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to subscribers and beneficiaries for the years then ended
- the statements of cash flows for the years then ended
- the schedules of investment portfolio for subscriber deposits under scholarship agreements, government grants, subscriber deposits under scholarship enhancement fund and escrow agreements, and the summary investment portfolio as at December 31, 2018.
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "**Auditors' Responsibilities for the Audit of the Financial Statements**" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), 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.

Continued...

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Independent Auditor's Report (Continued)

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

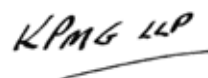
We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

March 26, 2019
Toronto, Canada



**Chartered Professional Accountants,
Licensed Public Accountants**

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Financial Position

December 31, 2018

December 31, 2017

Assets

Cash	\$2,582,184	\$2,121,393
Investments, at fair value (Note 6)	1,044,645,487	1,093,356,478
Accrued interest	4,060,884	4,235,105
Dividends receivable	235,798	1,239,467
Government grants receivable	2,054,703	1,341,972
Receivables for securities sold	-	4,791,142
Total assets	1,053,579,056	1,107,085,557


Liabilities

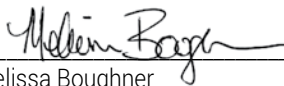
Due to Scholarship Plan Dealer (Note 11)	826,643	460,958
Payables for securities purchased	8,991,001	4,322,297
Subscriber liability due to terminations	8,138,413	6,624,950
	17,956,057	11,408,205
Net assets attributable to subscribers and beneficiaries	\$1,035,622,999	\$1,095,677,352

Net assets attributable to subscribers and beneficiaries represented by:

Subscriber deposits received in advance	\$863,094	\$914,802
Subscriber deposits under scholarship agreements	549,614,101	563,557,122
Subscriber deposits under escrow agreements	2,179,950	2,056,472
Accumulated investment income earned on subscriber deposits	191,539,442	225,727,534
Accumulated investment income earned under escrow agreements	998,844	970,017
Government grants (Note 3)	217,365,560	214,837,629
Accumulated investment income earned on government grants	69,675,090	79,269,370
Funds for Scholarship Enhancements (Note 9)	3,255,153	8,228,194
Funds for Enrichment (Note 9)	131,765	116,212
Net assets attributable to subscribers and beneficiaries	\$1,035,622,999	\$1,095,677,352

Approved by the Board of Directors of The Children's Educational Foundation of Canada:


Arie Gaertner Director


Melissa Boughner Director

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Comprehensive Income (Loss)	For the year ended December 31, 2018	For the year ended December 31, 2017
Income		
Interest income earned on subscriber deposits	\$14,885,692	\$13,696,601
Interest income earned on subscriber deposits under escrow agreements	68,280	73,541
Interest income earned on government grants	5,950,833	4,902,505
Interest income earned on funds for Scholarship Enhancements	77,185	70,094
Investment income earned on funds for Enrichment	2,063	822
Dividend income earned on subscriber deposits	7,961,119	8,910,099
Dividend income earned on government grants	2,540,920	2,571,704
Realized (losses) gains on sale of investments	(25,721,066)	6,962,493
Net change in unrealized (losses) gains	(19,064,071)	11,444,929
Total (loss) income	(13,299,045)	48,632,788
Expenses		
Administration fees	569,360	479,625
Trustee fees	167,198	162,840
Portfolio management fees	2,143,035	1,464,353
Independent Review Committee fees and expenses	18,781	19,190
Directors fees	12,521	12,000
Total expenses	2,910,895	2,138,008
(Decrease) / Increase in net assets attributable to subscribers and beneficiaries	(\$16,209,940)	\$46,494,780

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

	For the year ended December 31, 2018	For the year ended December 31, 2017
Net assets attributable to subscribers and beneficiaries, beginning of year	\$1,095,677,352	\$1,079,414,014
(Decrease) / Increase in net assets attributable to subscribers and beneficiaries	(16,209,940)	46,494,780
Transactions with subscribers and beneficiaries		
Subscriber deposits	58,963,680	64,025,691
Fees deducted from subscriber deposits (Note 11)	(11,959,497)	(12,877,962)
Subscriber deposit withdrawals due to termination	(8,019,944)	(7,874,152)
Subscriber deposit withdrawals due to maturing plans	(52,855,493)	(48,166,355)
Canada Education Savings Grants	10,939,306	11,191,693
Canada Learning Bonds	1,259,900	1,286,874
Provincial Savings Grants	644,507	687,176
Total transactions with subscribers and beneficiaries	(1,027,541)	8,272,965
Disbursements to beneficiaries		
Education assistance payments		
Scholarships	27,095,886	24,096,263
Government grants	15,440,074	14,163,915
Refund of sales charge	280,912	244,229
Total disbursements to beneficiaries	42,816,872	38,504,407
(Decrease) / Increase in net assets attributable to subscribers and beneficiaries	(60,054,353)	16,263,338
Net assets attributable to subscribers and beneficiaries, end of year	\$1,035,622,999	\$1,095,677,352

See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

	For the year ended December 31, 2018	For the year ended December 31, 2017
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Statements of Cash Flows

Operating Activities

(Decrease) / Increase in net assets attributable to subscribers and beneficiaries	(\$16,209,940)	\$46,494,780
Non-cash items		
Realized (gains) losses on sale of investments	25,721,066	(6,962,493)
Net change in unrealized (gains) losses	19,064,071	(11,444,929)
Amortization of discounts and premiums on investments	2,065,047	6,006,084
Decrease (Increase) in accrued interest	174,221	(170,141)
(Increase) decrease in dividends receivable	1,003,669	(35,685)
(Decrease) increase in amounts due to Scholarship Plan Dealer	365,685	(614,689)
Purchases of investments	(2,971,117,444)	(1,931,664,843)
Proceeds from the sale of investments	2,982,438,093	1,926,914,777
	43,504,468	28,522,861

Financing Activities

Subscriber deposits received under scholarship agreements	58,597,154	63,645,218
Payments out of subscriber deposits under scholarship agreements	(71,078,420)	(68,306,341)
Subscriber deposits received under escrow agreements	366,530	380,473
Payments out of subscriber deposits under escrow agreements	(243,051)	(230,922)
Government grants received	12,130,982	13,331,582
Education assistance payments	(42,535,960)	(38,260,178)
Return of enrolment fees	(280,912)	(244,229)

Cash flow used in financing activities	(43,043,677)	(29,684,397)
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Net increase (decrease) in cash	460,791	(1,161,536)
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Cash, beginning of year	2,121,393	3,282,929
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Cash, end of year	\$2,582,184	\$2,121,393
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Supplemental information:

Interest received	\$30,039,129	\$30,446,293
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Dividends received, net of withholding tax	\$11,505,707	\$11,446,118
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See accompanying notes to the audited financial statements.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2018

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
Fixed Income Securities					
1,705,000	GOVERNMENT OF CANADA		04Jan2019	1,704,677	1,704,693
12,625,000	GOVERNMENT OF CANADA		10Jan2019	12,619,471	12,619,319
10,520,000	GOVERNMENT OF CANADA		24Jan2019	10,508,178	10,508,638
36,275,000	GOVERNMENT OF CANADA		07Feb2019	36,211,011	36,212,970
37,795,000	GOVERNMENT OF CANADA		21Feb2019	37,705,929	37,706,560
38,075,000	GOVERNMENT OF CANADA		07Mar2019	37,963,707	37,962,298
9,700,000	PROVINCE OF ALBERTA		08Jan2019	9,696,057	9,696,411
6,880,000	PROVINCE OF ONTARIO		13Mar2019	6,854,301	6,855,782
100,000	ROYAL BANK OF CANADA	1.650%	02Jan2019	100,000	100,000
2,930,000	407 INTERNATIONAL INC	3.830%	11May2046	2,914,009	2,914,618
1,000,000	ALTALINK LP	3.717%	03Dec2046	1,046,828	985,600
115,000	ANHEUSER-BUSCH INBEV FINANCE	2.600%	15May2024	115,387	109,114
115,000	BANK OF AMERICA CORP	3.301%	24Apr2024	114,774	114,899
1,715,000	BANK OF MONTREAL	2.973%	30Mar2020	1,715,039	1,689,858
150,000	BANK OF MONTREAL	2.776%	13Jul2020	185,605	203,615
535,000	BANK OF MONTREAL	1.880%	31Mar2021	535,407	525,734
190,000	BANK OF MONTREAL	2.896%	13Apr2021	240,463	257,586
165,000	BANK OF MONTREAL	2.270%	11Jul2022	164,788	161,705
185,000	BANK OF MONTREAL	2.398%	01Feb2023	184,436	183,061
2,835,000	BANK OF MONTREAL	2.890%	20Jun2023	2,827,283	2,856,263
405,000	BANK OF MONTREAL	2.700%	11Sep2024	404,957	398,889
3,915,000	BANK OF MONTREAL	3.190%	01Mar2028	3,892,408	3,919,502
2,445,000	BANK OF NOVA SCOTIA	2.222%	02Apr2020	2,446,577	2,461,039
245,000	BANK OF NOVA SCOTIA	3.270%	11Jan2021	250,182	247,771
860,000	BANK OF NOVA SCOTIA B C	2.909%	20Apr2021	1,049,472	1,164,490
650,000	BANK OF NOVA SCOTIA	2.799%	02Dec2021	634,053	633,900
2,440,000	BANK OF NOVA SCOTIA	1.830%	27Apr2022	2,378,678	2,360,285
1,650,000	BANK OF NOVA SCOTIA	2.980%	17Apr2023	1,649,974	1,669,866
2,150,000	BANK OF NOVA SCOTIA	2.290%	28Jun2024	2,126,995	2,074,385
430,000	BANK OF NOVA SCOTIA	2.620%	02Dec2026	413,955	415,316
3,280,000	BANK OF NOVA SCOTIA	3.100%	02Feb2028	3,254,439	3,263,600
245,000	BHP BILLITON FINANCE	3.230%	15May2023	238,805	244,500
10,598,000	CADILLAC FAIRVIEW FINANCE	4.310%	25Jan2021	10,847,130	11,036,757
100,000	CAMECO CORPORATION	5.670%	02Sep2019	101,872	101,888
13,315,000	CANADA HOUSING TRUST NO. 1	2.000%	15Dec2019	13,309,752	13,319,660
2,440,000	CANADA HOUSING TRUST NO. 1	1.450%	15Jun2020	2,441,882	2,421,895
5,370,000	CANADA HOUSING TRUST NO. 1	3.350%	15Dec2020	5,524,247	5,511,714
5,555,000	CANADA HOUSING TRUST NO. 1	2.400%	15Dec2022	5,615,997	5,588,330
1,200,000	CANADA HOUSING TRUST NO. 1	2.350%	15Sep2023	1,248,137	1,202,628
1,520,000	CANADA HOUSING TRUST NO. 1	3.150%	15Sep2023	1,572,046	1,578,535
3,040,000	CANADA HOUSING TRUST NO. 1	2.550%	15Dec2023	3,051,729	3,076,662
1,715,000	CANADA HOUSING TRUST NO. 1	2.900%	15Jun2024	1,819,457	1,763,826
1,790,000	CANADA HOUSING TRUST NO. 1	1.950%	15Dec2025	1,728,803	1,736,469
1,330,000	CANADA HOUSING TRUST NO. 1	1.900%	15Sep2026	1,280,833	1,279,859
620,000	CANADA HOUSING TRUST NO. 1	2.350%	15Jun2027	620,319	614,352
1,130,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	1,110,550	1,147,323
270,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	268,659	274,139
140,000	CANADIAN NATURAL RESOURCES	3.420%	01Dec2026	140,660	133,986
98,000	CANADIAN UTILITIES LTD.	3.122%	09Nov2022	101,022	98,891
750,000	CAPITAL DESJARDINS INC.	5.187%	05May2020	775,774	772,478
1,051,000	CAPITAL DESJARDINS INC.	4.954%	15Dec2026	1,142,362	1,106,072
1,650,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.920%	08Dec2020	1,651,950	1,666,121
455,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.900%	26Apr2021	455,319	446,583
145,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.300%	11Jul2022	145,114	142,106
2,200,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.970%	11Jul2023	2,199,410	2,200,902
205,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.439%	13Sep2023	262,454	274,825
1,690,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.300%	26May2025	1,697,139	1,733,332

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2018 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
105,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.450%	04Apr2028	104,969	104,351
6,632,000	CDP FINANCIAL INC	4.600%	15Jul2020	6,833,000	6,864,186
120,000	CITIGROUP INC	4.090%	09Jun2025	124,346	120,131
155,000	ENBRIDGE INC	3.950%	19Nov2024	155,802	157,926
375,000	FEDERATION DES CAISSES	2.394%	25Aug2022	375,000	368,348
650,000	FEDERATION DES CAISSES	3.056%	11Sep2023	650,000	657,527
362,000	GOVERNMENT OF CANADA	1.750%	01Mar2019	362,721	362,138
180,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	180,089	176,659
211,000	GOVERNMENT OF CANADA	3.250%	01Jun2021	222,937	217,921
29,170,000	GOVERNMENT OF CANADA	2.250%	01Jun2025	29,534,378	29,751,066
695,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	708,768	674,921
9,984,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	9,876,410	10,013,752
1,815,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	2,602,070	2,631,859
7,750,000	GOVERNMENT OF CANADA	4.000%	01Jun2041	9,804,502	10,205,743
1,397,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	1,849,702	1,763,992
16,259,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	18,109,829	18,283,408
2,150,000	GREATER TORONTO AIRPORTS AUTHORITY	5.300%	25Feb2041	2,658,855	2,700,250
615,000	GREAT-WEST LIFECO INC	4.650%	13Aug2020	641,336	634,237
625,000	GREAT-WEST LIFECO INC	3.337%	28Feb2028	627,900	628,513
665,000	HSBC BANK CANADA	2.170%	29Jun2022	665,460	645,782
740,000	HSBC BANK CANADA	2.542%	31Jan2023	740,000	723,180
65,000	HYDRO ONE INC	5.490%	16Jul2040	84,012	79,415
210,000	IGM FINANCIAL INC	3.440%	26Jan2027	210,820	207,373
1,615,000	LABRADOR-ISLAND LINK FUNDING TRUST	3.760%	01Jun2033	1,813,090	1,773,399
565,000	LABRADOR-ISLAND LINK FUNDING TRUST	3.860%	01Dec2045	701,304	645,100
445,000	MANUFACTURERS LIFE INSURANCE CO	2.811%	21Feb2024	450,343	444,996
260,000	MANUFACTURERS LIFE INSURANCE CO	3.181%	22Nov2027	262,827	260,286
1,735,000	MANULIFE BANK OF CANADA	2.534%	27Jan2020	1,735,000	1,713,850
985,000	MANULIFE BANK OF CANADA	2.082%	26May2022	984,748	956,622
615,000	MANULIFE BANK OF CANADA	2.844%	12Jan2023	606,762	609,539
345,000	MANULIFE FINANCIAL CORP	7.405%	31Dec2108	382,612	359,231
3,699,000	MCGILL UNIVERSITY HEALTH CARE	5.360%	31Dec2043	4,683,822	4,765,274
725,000	MUSKRAT FALLS LABRADOR TRANSMISSION FUNDING	3.630%	01Jun2029	801,873	781,376
435,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	433,119	424,612
414,192	NEW BRUNSWICK PROJECT	6.470%	30Nov2027	486,442	477,895
715,000	NHA MTGE BACKED SECURITIES	1.720%	01Oct2020	644,429	534,169
2,465,000	NHA MTGE BACKED SECURITIES	2.329%	01Apr2021	1,845,999	1,415,955
860,000	NHA MTGE BACKED SECURITIES	2.124%	01Jun2021	772,940	754,082
415,000	NHA MTGE BACKED SECURITIES	1.450%	01Oct2021	366,947	336,727
250,000	NHA MTGE BACKED SECURITIES	1.620%	01Mar2022	224,173	209,330
260,000	NHA MTGE BACKED SECURITIES	1.420%	01Jun2022	240,731	250,718
200,000	NHA MTGE BACKED SECURITIES	1.890%	01Sep2022	186,605	192,915
375,000	NHA MTGE BACKED SECURITIES	2.360%	01Dec2022	330,841	314,096
500,000	NHA MTGE BACKED SECURITIES	1.690%	01Feb2023	466,705	467,880
115,000	NHA MTGE BACKED SECURITIES	2.390%	01May2023	110,699	114,825
320,000	NHA MTGE BACKED SECURITIES	2.690%	01Nov2023	317,089	322,589
765,000	NHA MTGE BACKED SECURITIES	5.375%	01Jul2028	511,864	450,975
165,000	NORTH WEST REDWATER	3.200%	22Jul2024	167,989	163,918
2,680,000	NORTH WEST REDWATER	4.150%	01Jun2033	2,674,240	2,714,492
60,000	NORTH WEST REDWATER	4.050%	22Jul2044	62,626	58,679
250,000	OMERS REALTY CORP	2.858%	23Feb2024	250,621	247,963
1,400,000	ONTARIO HYDRO	0.000%	11Apr2031	995,604	960,442
4,170,000	OPB FINANCE TRUST	3.890%	04Jul2042	4,199,705	4,463,068
3,000,000	OPB FINANCE TRUST	2.980%	25Jan2027	2,998,741	2,995,680
4,329,536	ORNGE ISSUER TRUST	5.727%	11Jun2034	4,663,625	4,305,217
125,000	PEMBINA PIPELINE CORP	3.540%	03Feb2025	122,306	122,646
340,000	PEPSICO INC	2.150%	06May2024	332,692	325,020

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2018 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
2,756,000	PROVINCE OF ALBERTA	2.200%	01Jun2026	2,759,484	2,651,382
1,410,000	PROVINCE OF ALBERTA	2.550%	01Jun2027	1,365,352	1,381,645
405,000	PROVINCE OF ALBERTA	2.900%	01Dec2028	403,776	405,166
1,425,000	PROVINCE OF ALBERTA	3.500%	01Jun2031	1,502,485	1,490,051
2,770,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	3,065,484	3,013,871
525,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	558,372	539,102
1,059,000	PROVINCE OF ALBERTA	3.300%	01Dec2046	1,066,081	1,058,778
1,472,000	PROVINCE OF ALBERTA	3.050%	01Dec2048	1,432,534	1,410,191
3,750,000	PROVINCE OF BRITISH COLUMBIA	3.250%	18Dec2021	3,906,831	3,858,675
4,535,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	5,722,000	5,703,488
2,360,000	PROVINCE OF BRITISH COLUMBIA	6.350%	18Jun2031	3,121,307	3,207,547
1,445,000	PROVINCE OF BRITISH COLUMBIA	4.300%	18Jun2042	1,698,099	1,734,910
2,310,000	PROVINCE OF BRITISH COLUMBIA	2.800%	18Jun2048	2,224,021	2,193,507
2,504,000	PROVINCE OF MANITOBA	3.300%	02Jun2024	2,528,959	2,594,470
770,000	PROVINCE OF MANITOBA	2.600%	02Jun2027	748,237	756,248
980,000	PROVINCE OF MANITOBA	3.000%	02Jun2028	970,151	988,408
1,365,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	1,832,094	1,804,080
300,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	401,576	399,009
2,085,000	PROVINCE OF MANITOBA	4.600%	05Mar2038	2,522,393	2,470,621
1,080,000	PROVINCE OF MANITOBA	4.050%	05Sep2045	1,201,114	1,210,334
1,217,000	PROVINCE OF MANITOBA	2.850%	05Sep2046	1,211,921	1,103,454
1,316,000	PROVINCE OF NEW BRUNSWICK	1.550%	04May2022	1,296,416	1,281,955
435,000	PROVINCE OF NEW BRUNSWICK	5.500%	27Jan2034	558,323	550,549
1,995,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	2,355,644	2,331,956
805,000	PROVINCE OF NEW BRUNSWICK	4.550%	26Mar2037	918,526	935,338
4,030,000	PROVINCE OF NEWFOUNDLAND	2.379%	27Feb2023	4,030,032	3,940,937
2,750,000	PROVINCE OF NEWFOUNDLAND	2.499%	17Mar2024	2,750,000	2,741,833
980,000	PROVINCE OF NEWFOUNDLAND	4.500%	17Apr2037	1,114,962	1,125,128
2,730,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	2,577,761	2,642,340
3,500,000	PROVINCE OF NOVA SCOTIA	2.060%	09Nov2022	3,507,270	3,468,955
6,578,000	PROVINCE OF NOVA SCOTIA	2.150%	01Jun2025	6,514,690	6,389,014
4,100,000	PROVINCE OF NOVA SCOTIA	4.400%	01Jun2042	4,715,892	4,875,269
6,700,000	PROVINCE OF ONTARIO	2.100%	08Sep2019	6,708,991	6,708,844
8,575,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	9,047,041	8,929,148
5,035,000	PROVINCE OF ONTARIO	2.279%	21Aug2023	5,029,215	4,916,929
6,025,000	PROVINCE OF ONTARIO	2.600%	02Jun2025	6,062,528	6,017,830
1,320,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	1,330,759	1,291,792
2,185,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	2,134,230	2,157,251
1,025,000	PROVINCE OF ONTARIO	2.900%	02Jun2028	1,005,694	1,043,204
3,560,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	4,691,230	4,676,701
2,640,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	3,451,550	3,476,537
1,540,000	PROVINCE OF ONTARIO	5.600%	02Jun2035	2,059,208	2,028,750
1,250,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	1,309,620	1,520,075
2,365,000	PROVINCE OF ONTARIO	4.650%	02Jun2041	2,878,181	2,910,062
3,703,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	3,978,365	3,859,711
1,886,000	PROVINCE OF ONTARIO	2.800%	02Jun2048	1,890,003	1,749,359
8,048,000	PROVINCE OF PRINCE EDWARD ISLAND	4.250%	24Sep2019	8,096,620	8,179,021
1,500,000	PROVINCE OF PRINCE EDWARD ISLAND	6.100%	29Jul2027	1,604,687	1,845,255
415,000	PROVINCE OF QUEBEC	4.500%	01Dec2020	432,666	433,679
5,060,000	PROVINCE OF QUEBEC	4.250%	01Dec2021	5,390,382	5,346,143
1,295,000	PROVINCE OF QUEBEC	9.375%	16Jan2023	1,619,547	1,639,263
8,745,000	PROVINCE OF QUEBEC	3.750%	01Sep2024	9,375,861	9,299,083
7,015,000	PROVINCE OF QUEBEC	2.511%	13Oct2024	7,089,452	7,090,832
11,226,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	11,477,421	11,321,196
825,000	PROVINCE OF QUEBEC	8.500%	01Apr2026	1,127,320	1,135,159
840,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	1,122,150	1,144,567
2,040,000	PROVINCE OF QUEBEC	5.750%	01Dec2036	2,780,286	2,787,109
4,189,000	PROVINCE OF QUEBEC	3.500%	01Dec2048	4,604,348	4,487,634

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2018 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
1,220,000	PROVINCE OF SASKATCHEWAN	2.650%	02Jun2027	1,188,540	1,206,348	
570,000	PROVINCE OF SASKATCHEWAN	6.400%	05Sep2031	769,052	771,888	
425,000	PROVINCE OF SASKATCHEWAN	5.800%	05Sep2033	551,897	557,341	
305,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	410,172	398,745	
1,410,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	1,761,305	1,736,612	
2,343,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	2,370,513	2,395,483	
1,930,000	PROVINCE OF SASKATCHEWAN	2.750%	02Dec2046	1,854,608	1,746,322	
1,116,000	PROVINCE OF SASKATCHEWAN	3.300%	02Jun2048	1,117,445	1,126,278	
2,330,000	PSP CAPITAL INC	3.290%	04Apr2024	2,337,789	2,414,160	
885,000	ROYAL BANK OF CANADA	2.658%	23Mar2020	888,307	875,840	
280,000	ROYAL BANK OF CANADA	2.030%	15Mar2021	280,546	275,836	
980,000	ROYAL BANK OF CANADA	1.968%	02Mar2022	953,261	954,334	
600,000	ROYAL BANK OF CANADA	2.949%	01May2023	600,000	605,310	
650,000	ROYAL BANK OF CANADA	3.296%	26Sep2023	650,000	663,000	
210,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	210,000	204,198	
1,802,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	2,074,846	1,997,949	
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	13,837,515	14,569,930	
65,000	SCOTIABANK CAPITAL TRUST	5.650%	31Dec2056	76,601	76,626	
1,500,000	SINAI HEALTH SYSTEM	3.527%	09Jun2056	1,500,000	1,492,545	
170,000	SMART REIT	3.444%	28Aug2026	167,636	159,741	
945,805	SNC-LAVALIN INNISFREE	6.632%	30Jun2044	1,203,338	1,214,376	
140,000	SUNCOR ENERGY INC	3.000%	14Sep2026	139,944	135,034	
625,000	SUNLIFE CAP TRUST II	5.863%	31Dec2108	698,154	640,819	
10,058,000	TCHC ISSUER TRUST	5.395%	22Feb2040	13,224,479	12,659,904	
860,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	1,055,552	1,063,287	
1,500,000	THE HOSPITAL FOR SICK KIDS	3.416%	07Dec2057	1,500,000	1,424,040	
1,670,000	TORONTO DOMINION BANK	1.831%	18Feb2020	1,678,166	1,675,060	
170,000	TORONTO DOMINION BANK	2.045%	08Mar2021	170,385	167,690	
825,000	TORONTO DOMINION BANK	1.680%	08Jun2021	810,027	807,601	
155,000	TORONTO DOMINION BANK	2.621%	22Dec2021	157,463	154,254	
1,450,000	TORONTO DOMINION BANK	3.005%	30May2023	1,450,349	1,468,227	
1,760,000	TORONTO DOMINION BANK	2.325%	28Jun2024	1,760,000	1,757,008	
850,000	TORONTO DOMINION BANK	3.226%	24Jul2024	892,170	859,316	
1,375,000	TORONTO DOMINION BANK	3.589%	14Sep2028	1,371,226	1,375,743	
2,730,000	TORONTO DOMINION BANK	4.859%	04Mar2031	2,730,000	2,896,557	
170,000	TORONTO DOMINION BANK ONT DEP	1.909%	18Jul2023	170,000	162,948	
360,000	TRANSCANADA PIPELINES LTD	3.300%	17Jul2025	374,236	356,234	
801,000	TRANSCANADA PIPELINES LTD	8.050%	17Feb2039	1,214,937	1,139,583	
100,000	TRANSCANADA TR	4.650%	18May2077	100,162	92,116	
310,000	UNITED STATES TREASURY BOND	3.125%	15May2048	385,792	430,361	
225,000	WELLS FARGO	3.874%	21May2025	230,308	223,409	
650,000	WELLS FARGO	2.975%	19May2026	638,776	618,995	
1,725,000	YUKON DEVELOPMENT CORP	5.000%	29Jun2040	2,178,450	2,198,202	
	Total Fixed Income Securities			\$608,825,570	\$608,360,439	81.1%
	Variable Rate Securities					
5,000,000	TORONTO DOMINION BANK NORTH AMERICAN COMPANIES LINKED NOTE		03Apr2019	5,000,000	5,697,000	
10,000,000	TORONTO DOMINION BANK CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	11,574,000	
10,000,000	TORONTO DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	14,633,000	
	Total Variable Rate Securities			\$25,000,000	\$31,904,000	4.3%
Shares / Units	Equity Securities					
62,900	ALIMENTATION COUCHE-TARD - CLASS B SUB-VOTING			4,292,027	4,257,701	
54,300	ATCO LTD-CLASS I NON-VOTING			2,194,878	2,092,179	
28,000	BANK OF MONTREAL			2,719,354	2,494,800	
55,400	BANK OF NOVA SCOTIA			3,956,879	3,763,876	

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements

December 31, 2018 (Continued)

Shares/ Units	Security Description	Average Cost (\$)	Fair Value (\$)	
153,875	BMO S&P 500 INDEX ETF	3,642,003	5,771,851	
78,200	BROOKFIELD ASSET MANAGEMENT - CLASS A	4,353,635	4,082,040	
41,800	CANADIAN NATIONAL RAILWAY	4,393,521	4,213,022	
17,600	CANADIAN PACIFIC RAILWAY	4,548,495	4,253,568	
56,000	CCL INDUSTRIES INC - CLASS B SUB-VOTING	3,014,472	2,797,200	
44,200	CGI GROUP INC-CLASS A SUB-VOTING	3,807,567	3,688,932	
5,300	CONSTELLATION SOFTWARE INC	4,869,138	4,609,357	
72,800	DOLLARAMA INC	2,286,992	2,357,264	
88,200	GREAT-WEST LIFECO INC	2,969,085	2,478,420	
70,300	IMPERIAL OIL LTD NEW	2,577,549	2,426,053	
24,500	INTACT FINANCIAL CORP	2,484,017	2,422,070	
18,600	KINAXIS INC	1,303,059	1,220,532	
45,800	LOBLAW COMPANIES LTD	2,824,449	2,795,632	
83,500	METRO INC	3,956,284	3,942,870	
52,400	NATIONAL BANK OF CANADA	3,089,620	2,934,400	
84,100	OPEN TEXT CORP	3,852,426	3,728,994	
124,900	PRAIRIESKY ROYALTY LTD	2,060,508	2,191,995	
140,600	QUEBECOR INC	4,100,869	4,021,160	
38,200	RESTAURANT BRANDS	2,753,356	2,724,424	
48,400	ROGERS COMMUNICATIONS INC	3,416,387	3,374,448	
52,300	ROYAL BANK OF CANADA	4,411,695	4,878,021	
72,100	SAPUTO INC	2,949,353	2,819,831	
74,200	SHAW COMMUNICATIONS INC	1,946,512	1,827,546	
69,000	TELUS CORPORATION	3,236,996	3,120,180	
52,400	THOMSON REUTERS CORP	3,584,692	3,444,252	
17,000	TMX GROUP LIMITED	1,283,025	1,200,370	
71,000	TOROMONT INDUSTRIES LTD	3,963,213	3,842,520	
63,100	TORONTO-DOMINION BANK	3,857,660	4,278,180	
27,900	WASTE CONNECTIONS INC	2,907,320	2,816,226	
57,600	WINPAK LTD	2,622,924	2,748,672	
Total Equity Securities		\$110,229,960	\$109,618,587	14.6%
		\$744,055,530	\$749,883,026	100.0%

Schedule of Investment Portfolio for Government Grants

December 31, 2018

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
Fixed Income Securities					
90,000	GOVERNMENT OF CANADA		04Jan2019	89,980	89,984
65,000	GOVERNMENT OF CANADA		24Jan2019	64,927	64,930
110,000	GOVERNMENT OF CANADA		07Feb2019	109,807	109,812
150,000	GOVERNMENT OF CANADA		21Feb2019	149,643	149,649
30,000	GOVERNMENT OF CANADA		07Mar2019	29,912	29,911
900,000	ROYAL BANK OF CANADA	1.650%	02Jan2019	900,000	900,000
190,000	ANHEUSER-BUSCH INBEV FINANCE	2.600%	15May2024	190,640	180,276
195,000	BANK OF AMERICA CORP	3.301%	24Apr2024	194,617	194,828
3,230,000	BANK OF MONTREAL	2.973%	30Mar2020	3,230,069	3,182,648
250,000	BANK OF MONTREAL	2.776%	13Jul2020	309,342	339,358
1,065,000	BANK OF MONTREAL	1.880%	31Mar2021	1,064,840	1,046,554
325,000	BANK OF MONTREAL	2.896%	13Apr2021	411,319	440,608
280,000	BANK OF MONTREAL	2.270%	11Jul2022	279,302	274,408
305,000	BANK OF MONTREAL	2.398%	01Feb2023	304,069	301,804
2,955,000	BANK OF MONTREAL	2.890%	20Jun2023	2,943,633	2,977,163
650,000	BANK OF MONTREAL	2.700%	11Sep2024	649,931	640,192
1,250,000	BANK OF MONTREAL	3.190%	01Mar2028	1,245,350	1,251,438

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Government Grants

December 31, 2018

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
4,360,000	BANK OF NOVA SCOTIA	2.222%	02Apr2020	4,362,813	4,388,602
485,000	BANK OF NOVA SCOTIA	3.270%	11Jan2021	494,159	490,485
1,250,000	BANK OF NOVA SCOTIA	2.799%	02Dec2021	1,219,332	1,219,038
2,150,000	BANK OF NOVA SCOTIA	1.830%	27Apr2022	2,114,127	2,079,760
1,440,000	BANK OF NOVA SCOTIA B C	2.909%	20Apr2021	1,757,138	1,949,843
1,415,000	BANK OF NOVA SCOTIA	2.980%	17Apr2023	1,415,354	1,432,037
1,260,000	BANK OF NOVA SCOTIA	2.290%	28Jun2024	1,234,655	1,215,686
725,000	BANK OF NOVA SCOTIA	2.620%	02Dec2026	697,952	700,241
970,000	BANK OF NOVA SCOTIA	3.100%	02Feb2028	969,700	965,150
490,000	BHP BILLITON FINANCE	3.230%	15May2023	477,611	489,000
175,000	CAMECO CORPORATION	5.670%	02Sep2019	178,277	178,304
1,685,000	CANADA HOUSING TRUST NO. 1	2.400%	15Dec2022	1,673,053	1,695,110
2,273,000	CANADA HOUSING TRUST NO. 1	2.350%	15Sep2023	2,356,914	2,277,978
5,450,000	CANADA HOUSING TRUST NO. 1	2.550%	15Dec2023	5,470,781	5,515,727
2,280,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	2,240,756	2,314,952
615,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	612,054	624,428
245,000	CANADIAN NATURAL RESOURCES	3.420%	01Dec2026	246,155	234,475
166,000	CANADIAN UTILITIES LTD.	3.122%	09Nov2022	171,119	167,509
1,330,000	CAPITAL DESJARDINS INC.	5.187%	05May2020	1,379,246	1,369,860
2,000,000	CAPITAL DESJARDINS INC.	4.954%	15Dec2026	2,167,344	2,104,800
3,005,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.920%	08Dec2020	3,008,552	3,034,359
790,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.900%	26Apr2021	789,809	775,385
250,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.300%	11Jul2022	250,189	245,010
940,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.970%	11Jul2023	939,847	940,385
295,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.439%	13Sep2023	377,677	395,480
1,140,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.300%	26May2025	1,140,000	1,169,230
180,000	CANADIAN IMPERIAL BANK OF COMMERCE	1.920%	04Apr2028	179,947	178,888
305,000	CITIGROUP INC	4.090%	09Jun2025	315,876	305,332
265,000	ENBRIDGE INC	3.950%	19Nov2024	264,594	270,003
625,000	FEDERATION DES CAISSES	2.394%	25Aug2022	623,876	613,913
1,250,000	FEDERATION DES CAISSES	3.056%	11Sep2023	1,250,000	1,264,475
760,000	GOVERNMENT OF CANADA	1.750%	01Mar2019	761,412	760,289
465,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	465,314	456,370
346,000	GOVERNMENT OF CANADA	3.250%	01Jun2021	365,958	357,349
1,340,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	1,360,462	1,301,287
2,300,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	2,264,086	2,306,854
2,673,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	3,506,482	3,375,197
1,125,000	GREAT-WEST LIFECO INC	4.650%	13Aug2020	1,170,722	1,160,190
1,145,000	GREAT-WEST LIFECO INC	2.980%	28Feb2028	1,150,313	1,151,435
1,225,000	HSBC BANK CANADA	2.170%	29Jun2022	1,225,848	1,189,598
1,260,000	HSBC BANK CANADA	2.542%	31Jan2023	1,258,630	1,231,360
110,000	HYDRO ONE INC	5.490%	16Jul2040	142,175	134,395
370,000	IGM FINANCIAL INC	3.440%	26Jan2027	371,445	365,371
2,730,000	LABRADOR-ISLAND LINK FUNDING TRUST	3.760%	01Jun2033	3,058,576	2,997,758
925,000	LABRADOR-ISLAND LINK FUNDING TRUST	3.860%	01Dec2045	1,149,808	1,056,137
780,000	MANUFACTURERS LIFE INSURANCE CO	2.811%	21Feb2024	790,963	779,992
420,000	MANUFACTURERS LIFE INSURANCE CO	3.181%	22Nov2027	424,409	420,462
3,230,000	MANULIFE BANK OF CANADA	2.534%	27Jan2020	3,230,000	3,190,626
1,855,000	MANULIFE BANK OF CANADA	2.082%	26May2022	1,847,267	1,801,557
1,045,000	MANULIFE BANK OF CANADA	2.844%	12Jan2023	1,030,771	1,035,720
690,000	MANULIFE FINANCIAL CORP	7.405%	31Dec2108	765,223	718,463
1,330,000	MUSKRAT FALLS LABRADOR TRANSMISSION FUNDING	3.630%	01Jun2029	1,463,982	1,433,421
720,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	714,659	702,806
1,175,000	NHA MTGE BACKED SECURITIES	1.720%	01Oct2020	1,057,953	877,831
4,360,000	NHA MTGE BACKED SECURITIES	2.329%	01Apr2021	3,257,600	2,504,489
1,440,000	NHA MTGE BACKED SECURITIES	2.124%	01Jun2021	1,294,225	1,262,650
680,000	NHA MTGE BACKED SECURITIES	1.450%	01Oct2021	601,308	551,745
415,000	NHA MTGE BACKED SECURITIES	1.620%	01Mar2022	372,317	347,488
430,000	NHA MTGE BACKED SECURITIES	1.420%	01Jun2022	398,238	414,649
330,000	NHA MTGE BACKED SECURITIES	1.890%	01Sep2022	307,960	318,310
610,000	NHA MTGE BACKED SECURITIES	2.360%	01Dec2022	538,112	510,930

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Government Grants

December 31, 2018 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
1,000,000	NHA MTGE BACKED SECURITIES	1.690%	01Feb2023	933,411	935,760
195,000	NHA MTGE BACKED SECURITIES	2.124%	01May2023	187,706	194,704
550,000	NHA MTGE BACKED SECURITIES	2.690%	01Nov2023	544,998	554,450
1,255,000	NHA MTGE BACKED SECURITIES	3.250%	01Jul2028	838,913	739,835
365,000	NORTH WEST REDWATER	3.200%	22Jul2024	370,193	362,606
100,000	NORTH WEST REDWATER	4.050%	22Jul2044	104,377	97,799
505,000	OMERS REALTY CORP	2.858%	23Feb2024	506,224	500,884
215,000	PEMBINA PIPELINE CORP	3.540%	03Feb2025	211,382	210,952
565,000	PEPSICO INC	2.150%	06May2024	552,607	540,106
2,610,000	PROVINCE OF ALBERTA	2.550%	01Jun2027	2,527,019	2,557,513
765,000	PROVINCE OF ALBERTA	2.900%	01Dec2028	762,688	765,314
2,480,000	PROVINCE OF ALBERTA	3.500%	01Jun2031	2,609,412	2,593,212
3,575,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	3,982,462	3,889,743
945,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	1,008,076	970,383
1,340,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	1,680,243	1,685,264
1,345,000	PROVINCE OF MANITOBA	2.600%	02Jun2027	1,306,985	1,320,978
1,805,000	PROVINCE OF MANITOBA	3.000%	02Jun2028	1,786,860	1,820,487
2,540,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	3,407,723	3,357,042
495,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	663,259	658,365
3,785,000	PROVINCE OF MANITOBA	4.600%	05Mar2038	4,580,200	4,485,036
2,020,000	PROVINCE OF MANITOBA	4.050%	05Sep2045	2,256,438	2,263,774
905,000	PROVINCE OF NEW BRUNSWICK	5.500%	27Jan2034	1,159,469	1,145,395
3,595,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	4,252,569	4,202,196
1,355,000	PROVINCE OF NEW BRUNSWICK	4.550%	26Mar2037	1,547,197	1,574,388
6,930,000	PROVINCE OF NEWFOUNDLAND	2.379%	27Feb2023	6,930,054	6,776,847
4,720,000	PROVINCE OF NEWFOUNDLAND	2.499%	17Mar2024	4,720,000	4,705,982
1,785,000	PROVINCE OF NEWFOUNDLAND	4.500%	17Apr2037	2,030,455	2,049,341
2,365,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	2,304,604	2,289,060
6,560,000	PROVINCE OF NOVA SCOTIA	2.060%	09Nov2022	6,573,626	6,501,813
9,290,000	PROVINCE OF ONTARIO	2.279%	21Aug2023	9,279,158	9,072,150
2,335,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	2,358,070	2,285,101
4,145,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	4,046,261	4,092,359
1,805,000	PROVINCE OF ONTARIO	2.900%	02Jun2028	1,771,003	1,837,057
2,165,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	2,851,997	2,844,117
2,861,000	PROVINCE OF ONTARIO	5.600%	02Jun2035	3,825,119	3,768,996
4,330,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	4,662,558	4,513,246
735,000	PROVINCE OF QUEBEC	4.500%	01Dec2020	766,288	768,082
2,240,000	PROVINCE OF QUEBEC	9.375%	16Jan2023	2,801,379	2,835,482
12,610,000	PROVINCE OF QUEBEC	2.511%	13Oct2024	12,746,291	12,746,314
2,465,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	2,438,321	2,485,903
1,585,000	PROVINCE OF QUEBEC	8.500%	01Apr2026	2,169,415	2,180,881
1,540,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	2,057,274	2,098,373
1,735,000	PROVINCE OF QUEBEC	5.750%	01Dec2036	2,395,290	2,370,409
1,110,000	PROVINCE OF SASKATCHEWAN	6.400%	05Sep2031	1,497,232	1,503,151
660,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	890,135	862,858
2,560,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	3,208,577	3,152,998
597,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	616,502	610,373
1,490,000	ROYAL BANK OF CANADA	2.658%	23Mar2020	1,495,568	1,474,579
645,000	ROYAL BANK OF CANADA	2.030%	15Mar2021	644,005	635,409
1,740,000	ROYAL BANK OF CANADA	1.968%	02Mar2022	1,692,524	1,694,429
1,000,000	ROYAL BANK OF CANADA	2.949%	01May2023	1,000,000	1,008,850
1,250,000	ROYAL BANK OF CANADA	3.296%	26Sep2023	1,250,000	1,275,000
360,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	360,000	350,053
3,352,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	3,861,054	3,716,496
110,000	SCOTIABANK CAPITAL TRUST	5.650%	31Dec2056	129,632	129,675
260,000	SMART REIT	3.444%	28Aug2026	255,124	244,309
256,000	SUNCOR ENERGY INC	3.000%	14Sep2026	255,897	246,920
1,185,000	SUNLIFE CAP TRUST II	5.863%	31Dec2108	1,319,820	1,214,992
1,390,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	1,694,295	1,718,568
3,130,000	TORONTO DOMINION BANK	1.831%	18Feb2020	3,145,304	3,139,484
390,000	TORONTO DOMINION BANK	2.045%	08Mar2021	390,472	384,700

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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Schedule of Investment Portfolio for Government Grants

December 31, 2018 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
1,575,000	TORONTO DOMINION BANK	1.680%	08Jun2021	1,546,415	1,541,783	
255,000	TORONTO DOMINION BANK	2.621%	22Dec2021	258,737	253,773	
560,000	TORONTO DOMINION BANK	3.005%	30May2023	560,000	567,039	
3,140,000	TORONTO DOMINION BANK	2.325%	28Jun2024	3,140,000	3,134,652	
1,545,000	TORONTO DOMINION BANK	3.226%	24Jul2024	1,623,458	1,561,933	
330,000	TORONTO DOMINION BANK ONT DEP	1.909%	18Jul2023	330,000	316,312	
670,000	TRANSCANADA PIPELINES LTD	3.300%	17Jul2025	696,829	662,992	
180,000	TRANSCANADA TR	4.650%	18May2077	180,291	165,809	
515,000	UNITED STATES TREASURY BONDS	3.125%	15May2048	640,912	714,954	
355,000	WELLS FARGO	3.874%	21May2025	364,516	352,490	
1,250,000	WELLS FARGO	2.975%	19May2026	1,228,416	1,190,375	
2,300,000	ONTARIO HYDRO	0.000%	11Apr2031	1,658,526	1,577,869	
Total Fixed Income Securities				\$239,334,321	\$236,544,261	82.0%
Shares / Units	Equity Securities					
29,700	ALIMENTATION COUCHE-TARD-CLASS B SUB-VOTING			2,026,601	2,010,393	
25,700	ATCO LTD-CLASS I NON-VOTING			1,038,828	990,221	
13,245	BANK OF MONTREAL			1,285,496	1,180,130	
26,250	BANK OF NOVA SCOTIA			1,875,843	1,783,425	
73,808	BMO S&P 500 INDEX ETF			1,691,419	2,768,538	
37,000	BROOKFIELD ASSET MANAGEMENT-CLASS A			2,059,904	1,931,400	
19,750	CANADIAN NATIONAL RAILWAY			2,081,946	1,990,603	
8,300	CANADIAN PACIFIC RAILWAY			2,145,028	2,005,944	
26,500	CCL INDUSTRIES INC-CLASS B NON-VOTING			1,426,491	1,323,675	
20,900	CGI GROUP INC-CLASS A SUB-VOTING			1,800,411	1,744,314	
2,500	CONSTELLATION SOFTWARE INC			2,296,764	2,174,225	
34,400	DOLLARAMA INC			1,080,667	1,113,872	
41,750	GREAT-WEST LIFECO INC			1,338,247	1,173,175	
33,300	IMPERIAL OIL LTD NEW			1,220,944	1,149,183	
11,600	INTACT FINANCIAL CORP			1,176,106	1,146,776	
8,800	KINAXIS INC			616,501	577,456	
21,700	LOBLAW COMPANIES LTD			1,338,222	1,324,568	
39,500	METRO INC			1,871,536	1,865,190	
24,800	NATIONAL BANK OF CANADA			1,462,263	1,388,800	
39,800	OPEN TEXT CORP			1,823,146	1,764,732	
59,100	PRAIRIESKY ROYALTY LTD			974,988	1,037,205	
66,500	QUEBECOR INC			1,939,601	1,901,900	
18,100	RESTAURANT BRANDS			1,304,601	1,290,892	
22,900	ROGERS COMMUNICATIONS INC			1,616,431	1,596,588	
24,775	ROYAL BANK OF CANADA			2,171,628	2,310,764	
34,100	SAPUTO INC			1,394,909	1,333,651	
35,125	SHAW COMMUNICATIONS INC			921,907	865,129	
32,600	TELUS CORPORATION			1,529,363	1,474,172	
24,800	THOMSON REUTERS CORP			1,696,572	1,630,104	
8,100	TMX GROUP LIMITED			611,323	571,941	
33,600	TOROMONT INDUSTRIES LTD			1,875,549	1,818,432	
29,875	TORONTO-DOMINION BANK			1,905,513	2,025,525	
13,200	WASTE CONNECTIONS INC			1,375,507	1,332,408	
27,300	WINPAK LTD			1,243,157	1,302,756	
Total Equity Securities				\$52,217,412	\$51,898,087	18.0%
				\$291,551,733	\$288,442,348	100.0%

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Scholarship Enhancement Fund

December 31, 2018

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
147,000	CANADA HOUSING TRUST NO. 1	2.254%	15Sep2020	146,600	147,589	
110,000	CANADA HOUSING TRUST NO. 1	1.250%	15Dec2020	109,980	108,510	
84,000	CANADA HOUSING TRUST NO. 1	2.400%	15Dec2022	84,137	84,504	
131,000	CANADA HOUSING TRUST NO. 1	2.550%	15Dec2023	131,504	132,580	
55,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	54,755	55,843	
247,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	246,370	239,864	
22,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	21,770	22,066	
24,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	34,636	34,801	
21,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	27,173	26,517	
110,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	113,382	112,955	
131,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	133,334	131,325	
96,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	125,084	126,880	
113,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	130,493	132,086	
90,000	PROVINCE OF NEWFOUNDLAND	2.379%	27Feb2023	90,001	88,011	
81,000	PROVINCE OF NEWFOUNDLAND	2.499%	17Mar2024	80,893	80,759	
150,000	PROVINCE OF NOVA SCOTIA	2.060%	09Nov2022	150,312	148,670	
75,000	PROVINCE OF ONTARIO	2.190%	27Oct2021	75,652	75,544	
136,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	142,092	139,585	
195,000	PROVINCE OF ONTARIO	2.454%	27Jun2022	196,238	195,450	
320,000	PROVINCE OF ONTARIO	2.279%	21Aug2023	319,753	312,496	
143,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	137,938	141,184	
92,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	119,143	120,859	
100,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	130,029	131,687	
247,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	259,356	259,009	
29,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	29,511	30,227	
198,000	PROVINCE OF QUEBEC	2.511%	13Oct2024	198,213	200,140	
193,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	197,176	194,637	
55,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	73,591	74,942	
21,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	21,655	21,470	
Total Fixed Income Securities				\$3,580,771	\$3,570,190	100.0%

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Schedule of Investment Portfolio for Subscriber deposits under Escrow Agreements December 31, 2018

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
117,000	CANADA HOUSING TRUST NO. 1	2.254%	15Sep2020	116,681	117,469	
85,000	CANADA HOUSING TRUST NO. 1	1.250%	15Dec2020	84,985	83,848	
65,000	CANADA HOUSING TRUST NO. 1	2.400%	15Dec2022	65,106	65,390	
102,000	CANADA HOUSING TRUST NO. 1	2.550%	15Dec2023	102,392	103,230	
45,000	CANADA HOUSING TRUST NO. 1	2.650%	15Dec2028	44,798	45,690	
185,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	184,521	179,655	
17,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	16,823	17,051	
19,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	27,420	27,551	
16,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	20,774	20,203	
86,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	88,486	88,310	
103,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	104,820	103,255	
72,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	93,585	95,160	
88,000	PROVINCE OF NEW BRUNSWICK	4.650%	26Sep2035	101,868	102,863	
70,000	PROVINCE OF NEWFOUNDLAND	2.379%	27Feb2023	70,001	68,453	
62,000	PROVINCE OF NEWFOUNDLAND	2.499%	17Mar2024	61,939	61,816	
120,000	PROVINCE OF NOVA SCOTIA	2.060%	09Nov2022	120,249	118,936	
60,000	PROVINCE OF ONTARIO	2.190%	27Oct2021	60,522	60,435	
105,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	109,703	107,768	
155,000	PROVINCE OF ONTARIO	2.454%	27Jun2022	155,984	155,358	
225,000	PROVINCE OF ONTARIO	2.279%	21Aug2023	224,846	219,725	
110,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	106,095	108,603	
75,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	97,126	98,526	
78,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	101,346	102,716	
189,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	198,497	198,189	
22,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	22,388	22,931	
155,000	PROVINCE OF QUEBEC	2.511%	13Oct2024	155,154	156,676	
148,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	151,112	149,255	
40,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	53,521	54,503	
16,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	16,499	16,358	
Total Fixed Income Securities				\$2,757,241	\$2,749,923	100.0%

Summary of Schedules of Investment Portfolio

December 31, 2018

	Average Cost (\$)	Fair Value (\$)
Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements	744,055,530	749,883,026
Schedule of Investment Portfolio for Government Grants	291,551,733	288,442,348
Schedule of Investment Portfolio for the Scholarship Enhancement Fund	3,580,771	3,570,190
Schedule of Investment Portfolio for Subscriber deposits under Escrow Agreements	2,757,241	2,749,923
	\$1,041,945,275	\$1,044,645,487

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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Notes to the Financial Statements

December 31, 2018

1. Nature of business

The Children's Educational Foundation of Canada (the "Foundation") was incorporated as a non-profit corporation under the laws of Canada on April 23, 1990. During 1991, the Foundation commenced offering scholarship agreements through its exclusive Scholarship Plan Dealer, Children's Education Funds Inc. These agreements are collectively referred to as The Children's Education Trust of Canada (the "Plans").

The Foundation offers scholarship plans to enable the subscriber and their designated beneficiaries to save for a beneficiary's post-secondary education. The Foundation's assets are invested in equity securities, bonds and treasury bills, and equity-linked notes in accordance with the guidelines of the Foundation's investment policy statement established by the Trustees and also within the investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators. Under an agreement with the securities regulators in May, 2014, the Foundation was allowed to invest in equity securities and was no longer permitted to acquire any new equity-linked notes (the "Undertaking").

The Foundation is not a trust company and, accordingly, is not registered under any federal or provincial trust company legislation nor does it carry on, or intends to carry on, the business of a trust company.

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 ("RESPs") under the Income Tax Act (Canada). The current tax legislation provides that income credited to subscribers' principal is not taxable income of the subscriber unless withdrawn as an accumulated income payment subject to certain eligibility requirements being met. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Government grants and investment income earned on Government grants will constitute taxable income of that student in the year that the payments are made.

The address of the head office is 3221 North Service Road, Burlington, Ontario.

The financial statements include the education assistance payments (including scholarships and government grants) paid to beneficiaries in the fiscal year. Most payments are typically paid out in September of each fiscal year and, therefore, education assistance payments will be significantly higher in the last six months of the year.

2. Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") and under the historical cost convention, as modified by revaluation of certain financial assets. Accounting policies are consistently applied to all years presented, unless otherwise stated.

The financial statements were authorized for issue by the Board of Directors of the Foundation on March 26, 2019.

3. Summary of significant accounting policies

Financial Instruments

IFRS 9 sets out requirements for recognizing and measuring financial instruments. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement with effect from January 1, 2018.

Although these amendments apply for the first time in 2018, they do not have a material effect on the Financial Statements. The nature and impact of the adoption of the new standard is described below.

Recognition, initial measurement and classification

The Foundation's financial instruments consist of cash, accrued interest, dividend receivable, government grants receivable, receivables for securities sold, investments, due to Scholarship Plan Dealer, payables for securities purchased, subscriber liability due to terminations and the Foundation's obligation for net assets attributable to subscribers and beneficiaries. Net assets attributable to subscribers and beneficiaries comprise subscriber deposits received in advance, subscriber deposits under scholarship agreements, subscriber deposits under escrow agreements, accumulated investment income earned on subscriber deposits, accumulated investment income earned on subscriber deposits under escrow agreements, government grants, accumulated investment income earned on government grants, funds for Scholarship Enhancements and funds for Enrichment.

The adoption of IFRS 9 has not had a significant effect on the Foundation's accounting policies related to financial liabilities which are classified as amortized cost. The Foundation does not purchase or sell derivative financial instruments.

IFRS 9 eliminates some of the previous IAS 39 categories for financial assets. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

On initial recognition, a financial asset is classified as measured at: amortized cost; Fair Value through Other Comprehensive Income ("FVOCI"); or Fair Value Through Profit or Loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets held within a business model whose objective is to both collect contractual cash flows and to sell the financial asset are measured at FVOCI. All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Foundation may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Plans' have a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis that is primarily

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

(relating to a group of Registered Education Savings Plans collectively referred to as The Children's Education Trust of Canada)

Notes to the Financial Statements

December 31, 2018

3. Summary of significant accounting policies (continued)

focused on fair value information and uses that information to assess the investments performance in accordance with the Plans' investment strategy. For such a portfolio the collection of contractual cash flows is only incidental to achieving the Plans' investment objectives. The assessment and decision on the business model approach used is an accounting judgement. The Plans have elected to designate investments in fixed income securities at fair value upon adoption of IFRS 9 in order to eliminate a measurement inconsistency, as the obligation for net assets attributable to subscribers and beneficiaries are measured at FVTPL.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition. Transaction costs are expensed as incurred for items measured as FVTPL.

The following table below explains the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Foundation's financial assets as at 1 January 2018.

Financial assets	Original classification under IAS 39	New classification under IFRS 9
Bonds and treasury bills	Designated as at FVTPL	FVTPL
Equity linked notes	Designated as at FVTPL	Designated at FVTPL
Equity securities (a)	Designated as at FVTPL	FVTPL
Receivables	Loans and receivables	Amortized cost
Cash and cash equivalents	Loans and receivables	Amortized cost

(a) Under IAS 39, these equity securities were designated as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as measured at FVTPL under IFRS 9.

Net assets attributable to subscribers and beneficiaries is measured at redemption amount and is considered to be a residual interest in the assets of the Plan after deducting all of its liabilities. Net assets attributable to subscribers and beneficiaries are classified as a financial liability given the Foundation's obligation to pay out. The increase or decrease in the redemption amount is shown in the Statements of Comprehensive Income as a change in the net assets attributable to subscribers and beneficiaries.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets that are traded in active markets, which includes equity securities, bonds and treasury bills, are based on quoted market prices at the close of trading on the reporting date. The Foundation uses the last bid price to value these financial assets at each reporting date.

The fair value of financial assets that are not traded in an active market, which includes equity-linked notes, is determined using valuation techniques. Valuation techniques include discounted cash flow analysis, reference to other instruments, comparable recent arm's-length transactions, and making maximum use of observable inputs. Equity-linked notes are valued at fair values using external pricing models to value their components. The Foundation uses an external pricing model that values its equity-linked notes based on

the price at which these securities could be sold to the counterparty. These equity-linked notes have been issued by a Canadian bank.

Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied prospectively and the Foundation has taken an exemption not to restate comparative information for prior periods with respect to measurement requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 but rather those of IAS 39.

Investment transactions and income recognition

Interest income from investments in bonds and treasury bills are recognized at the effective interest rate. Dividends are recognized as income on the ex-dividend date. Accrued interest and dividends receivable are calculated as the difference between amounts received and amounts earned which have been recorded in income.

Realized gains and losses from investment transactions are calculated with reference to the amortized cost of the related investments and are recognized in the period in which these occurred.

Unrealized gains and losses are calculated as the difference between fair value and the amortized cost of the related investments at the dates of the statements of financial position. Unrealized gains and losses are not allocated to specific beneficiaries until they are realized by the Foundation. As at December 31, 2018 there was a net unrealized gain of \$2,700,212 (2017 – gain of \$21,725,135) included in net assets attributable to subscribers and beneficiaries.

Foreign currency

The financial statements are presented in Canadian dollars, which is the Foundation's functional and presentation currency.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, but not to investments measured as FVTPL. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Subscribers' deposits

Subscribers' principal balances reflect only amounts received from subscribers and do not include amounts receivable on outstanding agreements, as subscribers may terminate their plans at any time. The principal deposits are returned to the subscriber (or the subscriber's beneficiary if certain conditions are met) either on termination or maturity of the scholarship agreement. Subscriber deposits, upon termination of the plan or cancellation by the subscriber, are shown in liabilities. The financial statements reflect all other subscriber deposits in net assets attributable to subscribers

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Notes to the Financial Statements

December 31, 2018

3. Summary of significant accounting policies (continued)

and beneficiaries. As the subscriber deposits are due on demand, they are recorded at their fair value. Subscriber deposits received in advance of plan payments terms are recorded in subscriber deposits received in advance. Subscriber deposits received prior to receipt of the beneficiary's social insurance number are held in subscriber deposits under escrow agreements.

The Foundation deducts sales charges, depository fees, administrative fees, where applicable, and other service charges and insurance premiums from deposits made by subscribers in accordance with the terms of the Prospectus (see Note 11).

Government grants

Since January 1998, the Government of Canada has provided for the payment of Canada Education Savings Grants ("CESG") on behalf of eligible beneficiaries of the Foundation's RESPs. Eligible beneficiaries are entitled to CESG equal to 20% of the eligible contributions. *The Canada Education Savings Act*, passed into law on December 15, 2004, enhanced the CESG program by providing additional grant amounts to beneficiaries based upon family income. Generally, families with annual income less than \$47,630 are eligible for an additional 20% of CESG on the first \$500 contributed. Families with annual income between \$47,630 and \$95,259 are eligible for an additional 10% of CESG on the first \$500 contributed. In addition, the *Canada Education Savings Act* introduced the Canada Learning Bond ("CLB"). Children born on or after January 1, 2004 will be eligible for CLB in each year that the beneficiary's family is entitled to the National Child Benefit Supplement up to and including the year in which the beneficiary turns 15 years of age. CLB is \$500 in the first year of entitlement and \$100 thereafter.

In 2007, the Government of Quebec introduced an education savings incentive for beneficiaries residing in the Province of Quebec. The incentive is applicable for contributions made after February 20, 2007 and is equal to 10% of the first \$2,500 contributed. Generally, families with annual income less than \$43,790 are eligible for an additional 10% on contributions to a maximum of \$50. Families with annual income between \$43,791 and \$87,575 are eligible for an additional 5% on contributions to a maximum of \$25. Family income thresholds are indexed for inflation and will be revised annually by the Quebec Ministry of Revenue. The maximum lifetime education savings incentive is \$3,600 per beneficiary.

The Government of Saskatchewan introduced the *Saskatchewan Advantage Grant for Education Savings* ("SAGES") that provides a grant of 10% on contributions made since January 1, 2013, into the RESP of a beneficiary who is a Saskatchewan resident to a maximum of \$250 per beneficiary per year. The maximum lifetime SAGES grant is \$4,500 per beneficiary. The Government of Saskatchewan has suspended SAGES effective January 1, 2018.

Effective August 15, 2015, the Government of British Columbia introduced a one-time grant (*British Columbia Training and Education Savings Grant*) of \$1,200 into the RESP for any British Columbia resident child who is born on or after January 1, 2006.

The Foundation is receiving grants in respect of eligible RESPs. The financial statements reflect the funds received for these grants in net assets attributable to subscribers and beneficiaries and an accrual for the estimated amount of grants receivable based on subscriber deposits. Grants are recorded at their face value as

they are due on demand. Repayable government grants are netted against government grants receivable if a plan is terminated by the Foundation or cancelled by the subscriber as the funds must be reimbursed to the government.

Operating segments

The Foundation is organized into one main operating segment, which invests contributed funds in order to provide investment returns. Accordingly, all significant operating decisions are based upon an analysis of the Foundation as one operating segment. Substantially all of the investment income is derived from Canadian investments with foreign investments accounting for approximately 1% of investments as at December 31, 2018. The financial results of this segment are equivalent to the financial statements of the Foundation as a whole.

Revenue from Contracts with Customers (IFRS 15)

IFRS 15 came into effect on January 1, 2018 and its adoption by the Foundation had no material effect for the Financial Statements.

4. Tax status

Scholarship agreements are submitted to Canada Revenue Agency for registration as RESPs under the Income Tax Act (Canada). The Plans are exempt from income taxes under 146.1 of the Income Tax Act (Canada). As a result of such registration, investment income earned on the net assets attributable to subscribers and beneficiaries of the Foundation will not be subject to current income tax. Qualifying beneficiaries are taxed at the time amounts of accumulated investment income are disbursed.

5. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Foundation has made in preparing the financial statements:

Fair value measurement of securities not quoted in an active market

The Foundation holds financial assets that are not traded in an active market, including equity-linked notes, whose fair value is determined using valuation techniques. Valuation techniques which make maximum use of observable inputs are used. Refer to Note 6 for further information.

Application of IFRS 9

In the application of IFRS 9, management has made judgements about the business model applicable to financial assets held. These judgements impact the classification of financial assets between amortized cost, FVOCI, and FVTPL. The most significant judgements made include management's assertion that equity-linked notes may be measured as Designated as at FVTPL.

The Plans' have a portfolio of financial assets that is managed and whose performance is evaluated on a fair value basis that is primarily focused on fair value information and uses that information to assess the investments performance in accordance

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Notes to the Financial Statements

December 31, 2018

5. Critical accounting estimates and judgments (continued)

with the Plans' investment strategy. For such a portfolio the collection of contractual cash flows is only incidental to achieving the Plans' investment objectives. The assessment and decision on the business model approach used is an accounting judgement. The Plans have elected to designate investments in fixed income securities at fair value upon adoption of IFRS 9 in order to eliminate a measurement inconsistency, as the obligation for net assets attributable to subscribers and beneficiaries are measured at FVTPL.

6. Risks associated with financial instruments

The Foundation is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk and market risk (which includes interest rate risk, price risk and currency risk). These risks and related risk management practices employed by the Foundation are discussed below. There have been no changes in the risks and management of such risks from the previous year.

Credit risk

The Foundation is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Foundation is exposed arises from cash and its investments in debt securities and equity-linked notes. Credit risk relating to cash relates to the financial institution where the cash is held. The Foundation maintains its cash with a single Canadian financial institution. Credit risk for the investment in debt securities relates to the capability of the issuer of debt securities to make interest payments and repay the principal. The Foundation's maximum exposure to credit risk is limited to the carrying amount of cash and investments in debt securities as summarized below:

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Cash	\$ 2,582,184	\$ 2,121,393
Investment in debt securities	883,128,815	833,062,203
	\$ 885,710,999	\$ 835,183,596

The table below analyzes the investment in debt securities by type of counterparty:

Asset Class	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Government – Federal	\$305,960,032	\$ 223,758,397
Government – Provincial	387,100,553	487,953,677
Financial institution bonds	134,731,463	57,549,425
Corporate bonds	23,432,767	24,201,704
Equity-linked notes	31,904,000	39,599,000
	\$ 883,128,815	\$ 833,062,203

The debt securities (and all other securities) are invested according to the standard investment restrictions and practices contained in National Policy 15 of the Canadian Securities Administrators. The investments in the Foundation primarily comprise of bonds which have been issued or guaranteed by either the Federal or any provincial government, and financial institution bonds, corporate bonds and

Government of Canada treasury bills. All of the variable rate securities held in the portfolio have an "approved credit rating" as defined in National Instrument 81-102. In addition, the Foundation invests in equity-linked notes. Under the terms of the Undertaking described in Note 1, the Foundation may no longer purchase equity-linked notes. These equity-linked notes are issued or guaranteed by a Canadian chartered bank. Risk is managed through guidelines mandated by the Canadian Securities Administrators. The Foundation is invested in debt instruments with the following credit ratings:

Debt instruments* by credit rating	Percentage of total debt instruments*	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
AAA	30.7%	30.5%
AA	43.3%	46.4%
A	24.9%	21.8%
BBB	1.1%	1.3%

* Excludes Government of Canada treasury bills and Money Market deposits

All investments represent a risk of loss of capital. The investment advisors of the Foundation moderate this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Foundation's investment objective, policies and restrictions. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Foundation's overall market positions are monitored on a daily basis by the investment advisors of the Foundation.

The Foundation'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 Plans mitigate this risk by conducting settlements through an intermediary to ensure that the trade is settled only when both parties have fulfilled their contractual settlement obligations.

Liquidity risk

Liquidity risk is defined as the risk that the Foundation may not be able to settle or meet its obligations on time. The Foundation's exposure to liquidity risk is concentrated in principal repayments to subscribers and payments of educational assistance payments. The Foundation moderates liquidity risk by investing primarily in bonds and treasury bills that are traded in an active secondary market. The Foundation also invests in equity securities of issuers traded on a Canadian stock exchange which may contain inactive issuers with wide bid-ask spreads. This risk is mitigated by the Investment Policy Statement which stipulates investment in equity securities with a sufficiently large market capitalization to ensure adequate liquidity in execution and minimization of trading costs.

Equity-linked notes, however, do not trade on stock exchanges or other secondary markets. These investments are considered to be buy-and-hold investments and it is the intention of the Foundation to hold these investments until maturity. The Foundation was limited to a weighting of 30% of the aggregate amount of Subscribers' deposits in equity-linked notes and pursuant to the Undertaking, is no longer permitted to purchase equity-linked notes.

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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Notes to the Financial Statements

December 31, 2018

6. Risks associated with financial instruments (continued)

All of the Foundation's financial liabilities are due on demand.

The Foundation retains sufficient cash to meet liquidity requirements.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, price risk and currency risk.

The value of the investments within the Foundation can fluctuate on a daily basis and the level of risk depends on the Foundation's investment objectives and the securities it invests in. The investment objective of the Foundation is to achieve long-term growth of income on subscribers' savings while ensuring the preservation of those savings. In an effort to provide investment returns superior to the benchmark index, the investment advisors of the Foundation utilize active portfolio management strategies. These strategies include duration management, sector allocation, credit analysis and investment in equity-linked notes with a guarantee of principal. Pursuant to an Undertaking, interest and dividend income on subscribers' savings and government grants may be invested in equity securities traded on a Canadian stock exchange. As such, beginning May 2014, the Foundation began investing in equity securities. Currently, the Foundation utilizes the investment advisory services of three registered investment advisors to assist the Foundation in investing subscriber savings and government grants and interest and dividend income earned thereon. Each of these investment advisors provides advisory and discretionary managed account services with respect to purchasing, selling and otherwise dealing in securities and other investments comprising the investment portfolios. The investment advisors are charged with broad diversification across issuers and securities and constantly monitor how the various risks affect the investment portfolios.

(i) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of investments. If interest rates decrease or increase, the value of the investments will increase or decrease, respectively. The Foundation's investment advisors are required to manage the investments in accordance with their Investment Policy Statement. To moderate risk, the investment advisors must maintain a modified duration of their portfolio within approved limits of the benchmark index, the FTSE TMX Canada All Government Bond Index.

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

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Due in one year or less	22.5%	12.5%
Due one year through five years	34.3%	33.6%
Due after five years	43.2%	53.9%

As at December 31, 2018, if prevailing interest rates had increased or decreased by 25 basis points, assuming a parallel shift in the yield curve with all other variables held constant, the investment portfolio of debt instruments of \$851,224,815 (2017 - \$793,463,203) which

excludes equity-linked notes would have decreased or increased by approximately \$13,320,000 (2017 - \$15,481,000). In practice, the actual trading results may differ materially.

(ii) Price risk

Price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). Financial instruments held are susceptible to market price risk arising from uncertainties about future prices of instruments. Equity securities and equity-linked notes are most impacted by price risk. The total fair value of equity securities on hand as at December 31, 2018 was \$161,516,673 (2017 - \$260,295,275). As at December 31, 2018, if underlying index prices increased or decreased by 1%, with all other variables held constant, the investment portfolio of equity securities and equity-linked notes of \$193,420,673 (2017 - \$299,893,275) would increase or decrease by approximately \$1,761,667 (2017 - \$2,913,555). In practice, the actual trading results may differ materially. Investments in equity-linked notes carry a guarantee at maturity of principal. The amount of interest, if any, payable on equity-linked notes at maturity will be based on the performance of the underlying assets or market index. Investments in equity-linked notes are made on a long buy and hold basis.

The equity-linked notes are subject to pricing based on the returns on the underlying investments for each note. The pricing is also impacted by the value attributable to the extent of principal protection provided in the note.

(iii) Currency risk

The Foundation invests in an exchange-traded fund ("ETF") denominated in Canadian dollars and US dollar investments. These investments create currency risk as the underlying investments within this ETF are exposed to the US dollar and therefore the Foundation is directly and indirectly exposed to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The total fair value of equity ETFs and US dollar investments exposed to the US dollar as at December 31, 2018 was \$21,484,661 (2017 - \$32,148,147). As at December 31, 2018, if the Canadian dollar had strengthened or weakened by 5%, with all other variables held constant, the total value of equity ETFs and US dollar investments exposed to the US dollar would increase or decrease by approximately \$1,074,233 (2017 - \$1,607,407).

Fair value of financial instruments

Financial instrument disclosures require a three-level fair value hierarchy. Level 1 financial instruments are valued using quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 financial instruments are valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 financial instruments are valued using unobservable inputs. If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. The Foundation's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the transaction giving rise to the transfer.

Investments are measured at fair value on a recurring basis.

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6. Risks associated with financial instruments (continued)

The carrying values of cash, accrued interest, dividends receivable, government grants receivable, receivables for securities sold, due to Scholarship Plan Dealer, payables for securities purchased, subscriber liability due to terminations and the Foundation's obligation for net assets attributable to subscribers and beneficiaries approximate their fair values due to their short-term nature.

The Foundation's management is responsible for performing the fair value measurements, including Level 3 measurements. The Foundation's management obtains pricing from a third party pricing vendor.

The following is a summary of the classification of the Foundation's investments, the only financial instrument measured at fair value, as at December 31, 2018 and December 31, 2017:

As at December 31, 2018

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 161,516,673	\$ -	\$ -	\$ 161,516,673
Bonds and treasury bills	-	851,224,814	-	851,224,814
Equity-linked notes	-	-	31,904,000	31,904,000
	<u>\$ 161,516,673</u>	<u>\$ 851,224,814</u>	<u>\$ 31,904,000</u>	<u>\$ 1,044,645,487</u>

As at December 31, 2017

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 260,294,275	\$ -	\$ -	\$ 260,294,275
Bonds and treasury bills	-	793,463,203	-	793,463,203
Equity-linked notes	-	-	\$ 39,599,000	39,599,000
	<u>\$ 260,294,275</u>	<u>\$ 793,463,203</u>	<u>\$ 39,599,000</u>	<u>\$ 1,093,356,478</u>

Equities

The Foundation's equity positions are classified as Level 1 when the security is actively traded and a quoted price is available.

Bonds and treasury bills

Bonds and treasury bills traded on secondary markets are classified as Level 2. The Foundation uses the last bid price to value these financial assets at each reporting date.

Equity-linked notes

Equity-linked notes are not traded in an active market nor otherwise valued using observable inputs. The Foundation uses an external pricing model that values its equity-linked notes based on the price for which these securities could be sold to the counterparty. The unobservable inputs used in the external pricing model relate to the impact of the following attributes of each individual note: all notes have principal protection which relies on the credit capacity of TD Bank, which is the issuer of each note. The notes are non-interest bearing and the return on the notes to the maturity date of the note are a basket of specific securities or specific indices as follows:

Equity-linked note

TD Bank Canadian Index Linked Note
 TD Bank North American Companies Linked Note
 TD Bank US Index Linked Note

Basis for underlying return

S&P TSX 60 index
 Ten North American publicly traded companies
 Two US equity indices

The reconciliation of financial instruments measured at fair value using unobservable inputs (Level 3) is presented as follows:

Level 3 – Equity-linked notes

	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Balance - beginning of year	\$ 39,599,000	\$ 47,653,000
Maturity of Notes	(5,000,000)	(10,000,000)
Increase (decrease) in unrealized gains	(2,695,000)	1,946,000
Balance - end of year	<u>\$ 31,904,000</u>	<u>\$ 39,599,000</u>

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December 31, 2018

7. Financial instruments by category

The following table presents the carrying amounts of the Foundation's financial assets by category as at December 31, 2018 and December 31, 2017. All of the Foundation's financial liabilities as at December 31, 2018 and December 31, 2017 were measured at amortized cost.

As at December 31, 2018

	Financial assets at fair value		Financial assets at	Total
	FVTPL	Designated at	amortized cost	
		FVTPL		
Investments	\$1,012,741,487	\$31,904,000	\$ -	\$1,044,645,487
Cash	-	-	2,582,184	2,582,184
Accrued interest	-	-	4,060,884	4,060,884
Dividends receivable	-	-	235,798	235,798
Government grants receivable	-	-	2,054,703	2,054,703
Receivables for securities sold	-	-	-	-
	<u>\$1,012,741,487</u>	<u>\$31,904,000</u>	<u>\$8,933,569</u>	<u>\$1,053,579,056</u>

As at December 31, 2017

	Financial assets at fair value		Financial assets at	Total
	FVTPL	Designated at	amortized cost	
		FVTPL		
Investments	\$1,053,757,478	\$39,599,000	\$ -	\$1,093,356,478
Cash	-	-	2,121,393	2,121,393
Accrued interest	-	-	4,235,105	4,235,105
Dividends receivable	-	-	1,239,467	1,239,467
Government grants receivable	-	-	1,341,972	1,341,972
Receivables for securities sold	-	-	4,791,142	4,791,142
	<u>\$1,053,757,478</u>	<u>\$39,599,000</u>	<u>\$13,729,079</u>	<u>\$1,107,085,557</u>

Equity-linked notes are recorded at FVTPL. These financial assets are part of a group of financial assets that are managed and their performance evaluated on a fair value basis, in accordance with the documented investment strategy, and information about the financial assets as a group is provided internally on that basis to the Foundation's key management personnel.

8. Capital risk management

The capital of the Plans is represented by subscribers' units in the Plans. The units of the Plans are entitled to subscribers' contributions, government grants received and the accumulated income thereon. At maturity or cancellation, subscribers will be entitled to their net contributions, as outlined in the Plans' Prospectus. Restrictions on Subscribers' contributions, are outlined in the Plans' Prospectus and defined by the Income Tax Act (Canada). Restrictions on payments from the Plans are also outlined in the Plans' Prospectus and are dependent on whether the beneficiary qualifies for payments under the Plan. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries. The Foundation endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet its obligations.

9. Funds for Scholarship Enhancements and Enrichment

Under the terms of the Scholarship Plan agreements, there are specified periods, whereby investment income is accrued to the beneficiaries (typically to Maturity Date which is an earlier date than the payment of Educational Assistance Payments). Investment income after Maturity Date and other discretionary contributions made by the Scholarship Plan Dealer in any year are excluded from comprehensive income.

These amounts are then allocated to funds for Scholarship Enhancements and Enrichment for additional Educational Assistance Payments, the timing of which is at the discretion of the Foundation's Trustees. The Trustees determine the amount of any Scholarship Enhancements and Enrichment on an annual basis. The payments of Scholarship Enhancements and Enrichments are included as distributions to beneficiaries in the Statement of Changes in Net Assets Attributable to Subscribers and Beneficiaries.

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December 31, 2018

9. Funds for Scholarship Enhancements and Enrichment (continued)

The balance of the funds for Scholarship Enhancements and funds for Enrichment at each year end is determined as follows:

<i>Funds for Scholarship Enhancements</i>	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Balance, beginning of year	\$ 8,228,194	\$ 8,083,953
Interest and dividend income after maturity date	626,839	4,234,227
Investment income earned on fund balance	54,228	72,364
Return of sales charges	(269,929)	(227,911)
Net change in unrealized (losses) gains	(26,154)	31,522
Additional educational assistance payments	(5,358,025)	(3,965,961)
Balance, end of year	\$ 3,255,153	\$ 8,228,194

<i>Funds for Enrichment</i>	<u>For the year ended December 31, 2018</u>	<u>For the year ended December 31, 2017</u>
Balance, beginning of year	\$ 116,212	\$ 90,089
Interest and dividend income after maturity date	24,473	41,619
Investment income earned on fund balance	2,063	822
Return of sales charges	(10,983)	(16,318)
Balance, end of year	\$ 131,765	\$ 116,212

10. Education assistance payments

	2018	2017
Number of units		
First scholarship	19,242	17,265
Second scholarship	16,251	13,754
Third scholarship	12,400	10,443
Amount of scholarships per unit		
First scholarship	\$500	\$500
Second scholarship	\$500	\$500
Third scholarship	\$500	\$500

The education assistance payments comprise the specified per unit scholarship payments as well as additional payments of \$2,135,546 (2017 - \$2,140,600) for students where the qualifying programs are less than four full years.

The Foundation also made education assistance payments of \$642,345 (2017 - \$582,172) and \$184,055 (2017 - \$145,030) for students enrolled in plans under the self-initiated option and Achievers plans, respectively.

Under the Group Option Plan, a beneficiary may advance the year of eligibility to an earlier year. Such advancement may result in a present valued education assistance payment. In addition, late applications for education assistance payments are subject to fees. The adjustments to scholarship payments as a result of the above amounted to \$211,359 (2017 - \$212,845). During the year, scholarships for late applications totaling \$398,796 were paid based on the 2017 Scholarship rate. Total scholarships paid in 2018 for 47,893 units (2017 - 41,462 units) of \$500 per unit (2017 - \$500), net of the above adjustments, and including the payments of \$2,135,546 (2017 - \$2,140,000), \$642,348 (2017 - \$582,172) and \$184,055 (2017 - \$145,030) for programs less than 4 years, payments under the self-initiated option and Achievers plans respectively, were \$27,095,886 (2017 - \$24,096,263)

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11. Related party transactions

Fees to Scholarship Plan Dealer

The distribution and administration of the Plans is carried out on behalf of the Foundation by the Scholarship Plan Dealer, Children's Education Funds Inc. By agreement with the Foundation, the Scholarship Plan Dealer has been appointed as exclusive distributor and administrator of the Plans. Under the terms of a distribution and administration agreement and in accordance with the Prospectus, the Scholarship Plan Dealer is entitled to receive fees which are approved on an annual basis and consequently, occur at the negotiated exchange amount in accordance with the agreement. Fees charged in the years ended December 31, 2018 and December 31, 2017 are as follows:

	<u>For the year ended</u> <u>December 31, 2018</u>	<u>For the year ended</u> <u>December 31, 2017</u>
<i>Paid directly by subscriber</i>		
Sales charges	\$ 2,389,440	\$ 2,836,642
Group insurance premiums	2,199,432	2,376,334
Depository fees	1,169,452	1,240,499
Annual administration fees on subscriber deposits	5,071,354	5,302,110
Service charges	1,129,819	1,122,377
<i>Deducted from Foundation's income</i>		
Administration fees	\$ 569,360	\$ 479,625

Independent Review Committee and Directors' Fees

The total remuneration paid to members of the Independent Review Committee and Directors during the year ended December 31, 2018 were \$31,302 (2017 - \$ 31,190).

THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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Schedule of Scholarship and Escrow Agreements

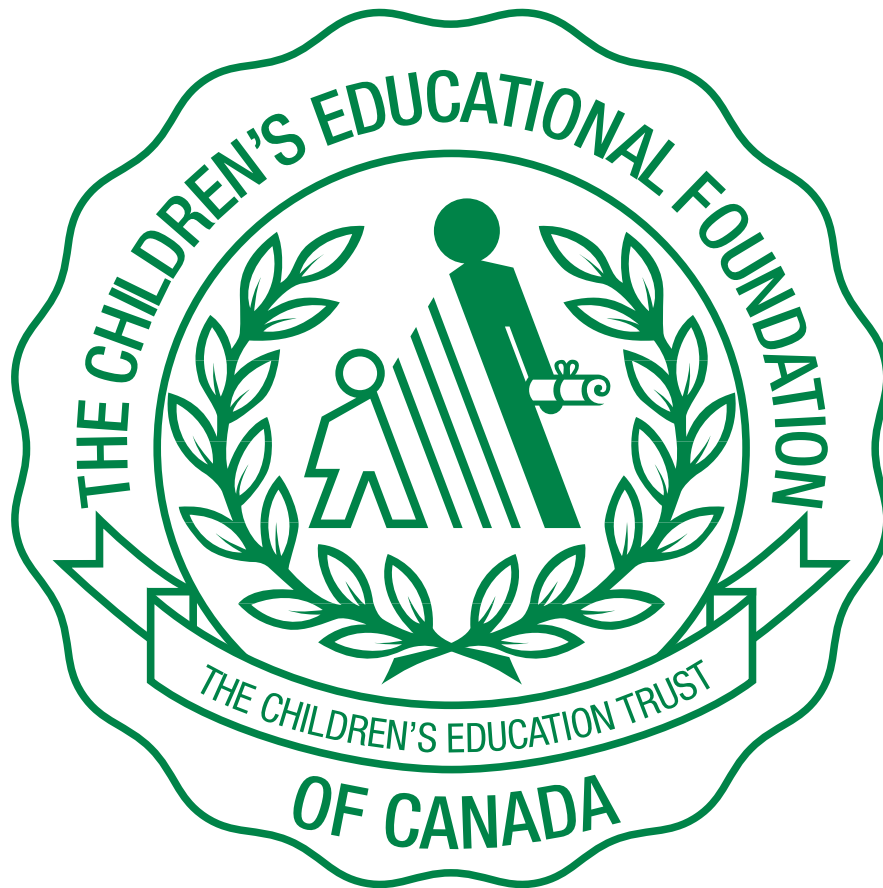
December 31, 2018 (Unaudited)

Year of eligibility	Opening units	Inflow units	Outflow units	Closing units	Principal deposits	Investment income	Government grants	Investment income on government grants
Plans eligible for assistance payments						\$22,179,619	\$19,133,134	\$13,762,505
2019	42,258	1	12,762	29,497	\$8,663,379	25,080,453	13,915,883	6,921,141
2020	35,180	11,169	-	46,349	82,364,393	32,591,858	21,707,478	9,339,764
2021	39,369	-	134	39,235	65,996,968	21,783,959	17,193,722	6,154,261
2022	40,143	13	248	39,908	62,396,154	18,830,056	16,956,515	5,478,629
2023	43,006	3	257	42,752	60,881,682	16,605,308	19,497,955	5,892,247
2024	43,835	10	550	43,295	55,199,822	13,918,634	19,711,754	6,162,463
2025	42,606	38	522	42,122	49,050,143	10,873,429	18,163,867	5,218,291
2026	36,695	52	350	36,397	38,504,244	7,221,222	14,519,464	3,585,235
2027	33,312	131	500	32,943	30,973,945	5,043,352	12,058,218	2,647,622
2028	29,705	105	616	29,194	24,352,409	3,286,753	9,732,612	1,900,375
2029	26,800	123	538	26,385	19,072,758	2,113,914	7,926,054	1,341,854
2030	24,323	188	793	23,718	14,513,549	1,272,700	6,266,344	904,677
2031	20,926	341	505	20,762	10,493,922	639,136	4,626,698	494,751
2032	16,355	326	605	16,076	6,640,726	253,751	3,051,029	241,463
2033	12,622	477	410	12,689	3,584,282	82,499	1,896,250	112,026
2034	10,797	567	609	10,755	1,931,360	24,581	1,204,512	35,800
2035	8,433	1,070	306	9,197	830,122	6,521	713,146	3,754
2036	5,195	3,493	1,067	7,621	301,090	(216)	362,220	(2,383)
2037	-	4,718	288	4,430	44,205	(45)	73,907	(995)
Self-initiated	3,863	973	409	4,427	7,535,575	3,128,247	5,052,074	1,946,847
Achievers	53,524	1,494	5,388	49,630	8,521,826	1,019,103	3,602,724	644,153
	<u>568,947</u>	<u>25,292</u>	<u>26,857</u>	<u>567,382</u>	<u>\$551,852,554</u>	<u>185,954,834</u>	<u>\$217,365,560</u>	<u>72,784,480</u>
Unrealized gains(losses)						<u>5,820,176</u>		<u>(3,109,390)</u>
						<u>\$191,775,010</u>		<u>\$69,675,090</u>

Represented by:

Scholarship agreements	549,672,604	190,776,166
Escrow agreements	<u>2,179,950</u>	<u>998,844</u>
	<u>\$551,852,554</u>	<u>\$191,775,010</u>

Note: Subscriber deposits held are fully refundable to subscribers



THE CHILDREN'S EDUCATION
TRUST OF CANADA
Offered to the public by
CHILDREN'S EDUCATION FUNDS INC.

Administered by
THE CHILDREN'S EDUCATIONAL
FOUNDATION OF CANADA

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