

# 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, 2019



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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](http://www.cefi.ca) or SEDAR at [www.sedar.com](http://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, 2019, approximately 17.5% 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 increased by 2.67% compared to the prior year and totaled \$1.06 billion at the end of 2019. The overall Rate of Return on the Plans' investments in 2019 was 9.69%. 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 Index and the total return of the S&P 500 Index on a hedged basis. The benchmark return in 2019 was 9.33%.

## Market Commentary

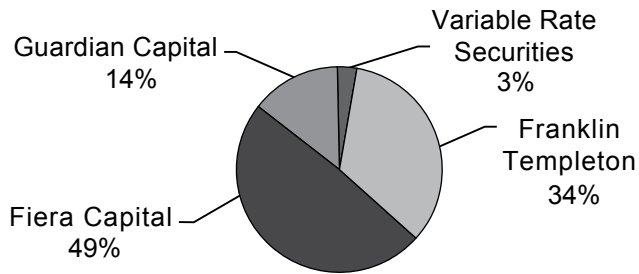
With growth slowing in the U.S. in the first quarter of 2019 the Federal Reserve pivoted from slowing the pace of rate hikes to talk of eliminating them all together. With this came the continued decline of interest rates across the yield curve. With financing for risk assets becoming more accommodative corporate bonds followed the lead of equities higher. As we moved through the year trade and political uncertainties occupied most of the headlines. The U.S. moved on from focusing on Canada and Mexico with the USMCA resolved and targeted China. These escalating trade tensions increased the possibility of monetary policy easing. Central Bankers were worried that global growth would be slow to recover with the uncertainty of tariffs along with political challenges from Brexit. The Federal Reserve lowered interest rates in July and continued with two additional decreases with the October move probably their last in either direction for the foreseeable future. Central banks globally also stepped up and pledged their support in 2019. The one exception was the Bank of Canada. Rates in Canada were already 75 basis points lower than the U.S. The Bank stated that the current policy remains appropriate at this time.

The safe haven bid was strongest in late summer when trade tensions were highest. As cooler heads prevailed interest rates stabilized and crept higher into the close of 2019. The 10 year Canada government bond fell 27 basis points to 1.70% for the year but had reached a low of 1.09% in mid August.

The Canadian bond universe ended 2019 with positive performance of 6.87%. With interest rates lower on the year all sectors had positive performance, but spreads narrowed throughout the year

therefore corporate bonds followed by provincials had the best performance with Federal bonds returning the lowest return.

As at December 31, 2019, the investment advisors managed the following percentage of assets on behalf of the Plan:



### Recent Developments

Overall, we see signs of a sluggish global economy. Growth in the U.S. and Canadian should slow to a 1.8% pace in the 1st quarter. Although slowing, we are optimistic on the U.S. economy over the next year, but the U.S. consumer will have to continue to be the driving economic force in coming months. Consumer sentiment is still high, fueled by a solid job market, wage gains, lower taxes and a strong housing market. Manufacturing has probably entered a mild recession caused by U.S. dollar strength, slowing global growth along with the uncertainty of tariffs and trade wars. The Canadian consumer is fatigued with high debt loads, Canadian fiscal policy is mildly stimulative, monetary policy is neutral but could shift to be more accommodative in coming months. Rising commodity prices (especially oil) will be a positive. All in all, Canada should avoid recession this year. Core inflation in Canada remains elevated but should reverse in coming months.

Staring 2020 we should see a movement to lower rates as the market has become quite oversold. The market could rally on any signs of an economic slowdown, a flare up in geopolitical tensions, or dovish central bank remarks. We believe rates are generally range bound for 2020 with 10-year Canada yields trading between 1.25% and 1.75%. We believe there is a chance longer yields could test the lows of last August in coming months.

COVID-19 is now present in over 100 countries and has officially been declared a pandemic by the World Health Organization. We believe the economic impact of COVID-19 will be significant. With supply chain disruptions, quarantine efforts and precautionary measures, business activity is decreasing. While these circumstances are likely to dampen economic activity in the short-term, central banks are also now responding with significant monetary stimulus and, in addition, fiscal measures are starting to develop across countries to support economic growth, as well as emergency spending for health care systems. The world economy was in reasonably solid shape in February 2020, before the virus began to spread globally, and there is reason to be hopeful that the monetary and fiscal measures that are being implemented will support a reacceleration of growth later this year.

### 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 2019, administration fees of \$5,690,366 were paid to the Scholarship Plan Dealer.

#### Depository Trustee Fee

During 2019, Scotiatrust, the Depository Trustee and Scholarship Trustee, was paid fees totaling \$162,400. 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 2019 portfolio management fee based on net assets was approximately 0.140%



## 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.

	2019	2018	2017	2016	2015
<b>Statement of Net Assets</b>					
Total Assets	\$1,072,545,123	\$1,053,579,056	\$1,107,085,557	\$1,095,969,301	\$1,126,506,297
Net Assets	\$1,063,315,699	\$1,035,622,999	\$1,095,677,352	\$1,079,414,014	\$1,028,615,084
% Change of Net Assets	3%	- 5%	2%	5%	-1%
<b>Statement of Operations</b>					
Net Investment Income	\$37,531,660	\$2,854,131	\$35,049,851	\$40,674,414	\$36,222,496
<b>Statement of Changes in Net Assets</b>					
Scholarship Awards	\$28,709,530	\$27,095,886	\$24,096,263	\$22,207,466	\$20,729,438
Grants	\$15,720,413	\$15,440,074	\$14,163,915	\$12,399,587	\$11,521,459
<b>Other</b>					
Total Number of Units in plans	534,501	567,382	595,028	618,960	632,307
% Change in the Total Number of Units	-6%	-5%	-4%	-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, 2019. 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, 2019 holdings was 9.33%.

	1 Year	3 Years	5 Years	10 Years
Net Plans Return (%)	9.69%	4.08%	3.84%	4.39%
FTSE TMX Canada All Government Bond Index (%)	6.42%	3.36%	2.95%	4.09%
Equity Benchmark (%)*	22.99%	6.10%	5.78%	n/a

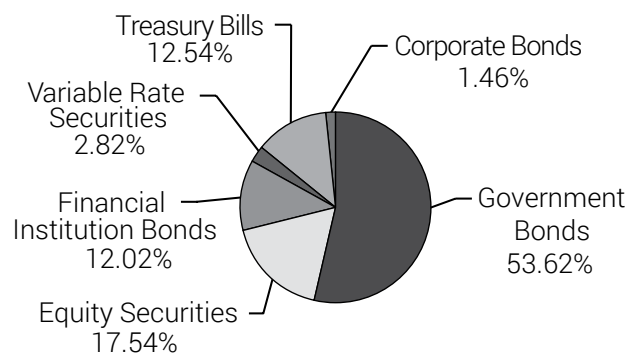
\*Note our equity allocation benchmark consists of 95% of the total return of the S&P / TSX Composite Index (prior to 2019 the S&P/TSX Composite High Dividend index) and 5% of the total return of the S&P 500 Index on a Canadian dollar hedged basis.

## Summary of Investment Portfolio

The allocation of the Plans' investments by asset class for the year ended December 31, 2019 is:

Asset class	% of Total
Government Bonds	53.62%
Equity Securities	17.54%
Financial Institution Bonds	12.02%
Variable Rate Securities	2.82%
Treasury Bills	12.54%
Corporate Bonds	1.46%
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, 2019

Face Value/ Shares	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	% of Portfolio
96,880,000	GOVERNMENT OF CANADA		20Feb2020	96,659,010	96,650,394	9.1%
51,805,000	GOVERNMENT OF CANADA	2.250%	01Jun2029	55,085,798	54,253,822	5.1%
23,819,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	30,169,893	29,119,442	2.7%
16,035,000	GOVERNMENT OF CANADA	4.000%	01Jun2041	21,604,261	22,334,991	2.1%
10,000,000	TORONTO-DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	16,713,000	1.6%
15,093,000	PROVINCE OF QUEBEC	2.380%	13Oct2024	15,225,704	15,382,333	1.4%
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	13,513,637	14,957,735	1.4%
12,076,000	PROVINCE OF QUEBEC	3.500%	01Dec2048	14,210,797	14,623,674	1.4%
10,058,000	TCHC ISSUER TRUST	5.395%	22Feb2040	13,054,516	13,782,377	1.3%
10,000,000	TORONTO-DOMINION BANK CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	13,285,000	1.2%
12,055,000	GOVERNMENT OF CANADA	0.000%	23Jan2020	12,042,524	12,042,824	1.1%
11,677,000	CANADA HOUSING TRUST NO.1	1.900%	15Sep2026	11,651,734	11,557,544	1.1%
11,155,000	GOVERNMENT OF CANADA	0.000%	09Jan2020	11,150,456	11,150,873	1.0%
10,598,000	CADILLAC FAIRVIEW FINANCE	4.310%	25Jan2021	10,725,760	10,860,618	1.0%
9,812,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	10,033,098	10,163,171	1.0%
215,883	BMO S&P 500 INDEX ETF			5,114,245	9,951,893	0.9%
9,600,000	CANADA HOUSING TRUST	2.100%	15Sep2029	9,797,423	9,579,744	0.9%
9,147,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	9,240,746	9,237,464	0.9%
9,029,000	CANADA HOUSING TRUST NO.1	2.400%	15Dec2022	9,142,722	9,172,019	0.9%
8,100,000	CANADA POST CORP	4.080%	16Jul2025	8,959,108	8,957,952	0.8%
8,795,000	GOVERNMENT OF CANADA		06Feb2020	8,780,185	8,780,136	0.8%
8,745,000	CANADA HOUSING TRUST NO.1	1.250%	15Jun2021	8,689,532	8,677,838	0.8%
8,285,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	8,550,418	8,532,224	0.8%
109,800	BROOKFIELD ASSET MANAGEMENT			6,121,719	8,222,922	0.8%
24,675	CANADIAN PACIFIC RAILWAY			6,389,517	8,155,088	0.8%
<b>Top 25 holdings as a percentage of the total investment portfolio</b>				<b>\$415,912,803</b>	<b>\$436,145,078</b>	<b>40.9%</b>

# 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

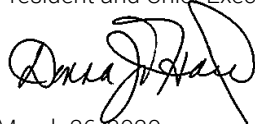
policies which management believes are appropriate for the Foundation are described in Note 3 to the financial statements.

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**

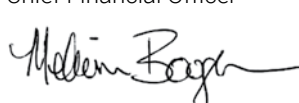
President and Chief Executive Officer



March 26, 2020

**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, 2019 and 2018
- 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, 2019.
- 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, 2019 and 2018, 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, 2020  
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, 2019

December 31, 2018

### Assets

Cash	-	\$2,582,184
Investments, at fair value (Note 6)	<b>1,065,405,314</b>	1,044,645,487
Accrued interest	<b>3,700,584</b>	4,060,884
Dividends receivable	<b>277,267</b>	235,798
Government grants receivable	<b>1,070,490</b>	2,054,703
Receivables for securities sold	<b>2,091,468</b>	-
<b>Total assets</b>	<b>1,072,545,123</b>	1,053,579,056


### Liabilities

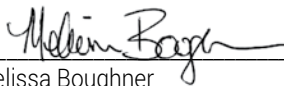
Bank indebtedness	<b>570,912</b>	-
Due to Scholarship Plan Dealer (Note 11)	<b>287,228</b>	826,643
Payables for securities purchased	-	8,991,001
Subscriber liability due to terminations	<b>8,371,284</b>	8,138,413
	<b>9,229,424</b>	17,956,057
<b>Net assets attributable to subscribers and beneficiaries</b>	<b>\$1,063,315,699</b>	\$1,035,622,999

### Net assets attributable to subscribers and beneficiaries represented by:

Subscriber deposits received in advance	<b>\$858,008</b>	\$863,094
Subscriber deposits under scholarship agreements	<b>526,692,357</b>	549,614,101
Subscriber deposits under escrow agreements	<b>2,324,482</b>	2,179,950
Accumulated investment income earned on subscriber deposits	<b>214,938,668</b>	191,539,442
Accumulated investment income earned under escrow agreements	<b>1,168,914</b>	998,844
Government grants (Note 3)	<b>217,264,565</b>	217,365,560
Accumulated investment income earned on government grants	<b>88,631,086</b>	69,675,090
Funds for Scholarship Enhancements (Note 9)	<b>11,167,229</b>	3,255,153
Funds for Enrichment (Note 9)	<b>270,390</b>	131,765
<b>Net assets attributable to subscribers and beneficiaries</b>	<b>\$1,063,315,699</b>	\$1,035,622,999

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)

	For the year ended December 31, 2019	For the year ended December 31, 2018
<b>Statements of Comprehensive Income / (Loss)</b>		
<b>Income</b>		
Interest income earned on subscriber deposits	\$15,515,250	\$14,885,692
Interest income earned on subscriber deposits under escrow agreements	71,757	68,280
Interest income earned on government grants	6,515,747	5,950,833
Interest income earned on funds for Scholarship Enhancements	83,567	77,185
Investment income earned on funds for Enrichment	2,794	2,063
Dividend income earned on subscriber deposits	2,773,210	7,961,119
Dividend income earned on government grants	1,328,893	2,540,920
Realized gains (losses) on sale of investments	13,490,410	(25,721,066)
Net change in unrealized gains (losses)	48,557,110	(19,064,071)
<b>Total income (loss)</b>	<b>88,338,738</b>	<b>(13,299,045)</b>
<b>Expenses</b>		
Administration fees	698,421	569,360
Trustee fees	162,400	167,198
Portfolio management fees	1,357,403	2,143,035
Independent Review Committee fees and expenses	19,475	18,781
Directors' fees	12,269	12,521
<b>Total expenses</b>	<b>2,249,968</b>	<b>2,910,895</b>
<b>Increase / (Decrease) in net assets attributable to subscribers and beneficiaries</b>	<b>\$86,088,770</b>	<b>(\$16,209,940)</b>

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, 2019	For the year ended December 31, 2018
<b>Net assets attributable to subscribers and beneficiaries, beginning of year</b>	<b>\$1,035,622,999</b>	\$1,095,677,352
Increase / (Decrease) in net assets attributable to subscribers and beneficiaries	<b>86,088,770</b>	(16,209,940)
<b>Transactions with subscribers and beneficiaries</b>		
Subscriber deposits	<b>53,591,939</b>	58,963,680
Fees deducted from subscriber deposits (Note 11)	<b>(11,305,597)</b>	(11,959,497)
Subscriber deposit withdrawals due to termination	<b>(6,930,356)</b>	(8,019,944)
Subscriber deposit withdrawals due to maturing plans	<b>(58,138,283)</b>	(52,855,493)
Canada Education Savings Grants	<b>8,082,801</b>	10,939,306
Canada Learning Bonds	<b>1,436,002</b>	1,259,900
Provincial Savings Grants	<b>601,238</b>	644,507
Income paid to Designated Educational Institutions	<b>(819,406)</b>	-
Total transactions with subscribers and beneficiaries	<b>(13,481,662)</b>	(1,027,541)
<b>Disbursements to beneficiaries</b>		
Education assistance payments		
Scholarships	<b>28,709,530</b>	27,095,886
Government grants	<b>15,720,413</b>	15,440,074
Refund of sales charge	<b>484,465</b>	280,912
Total disbursements to beneficiaries	<b>44,914,408</b>	42,816,872
Increase / (Decrease) in net assets attributable to subscribers and beneficiaries	<b>27,692,700</b>	(60,054,353)
<b>Net assets attributable to subscribers and beneficiaries, end of year</b>	<b>\$1,063,315,699</b>	\$1,035,622,999

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 Cash Flows

For the year ended  
December 31, 2019

For the year ended  
December 31, 2018

### Operating Activities

Increase / (Decrease) in net assets attributable to subscribers and beneficiaries	<b>\$86,088,770</b>	(\$16,209,940)
Non-cash items		
Realized (gains) losses on sale of investments	<b>(13,490,410)</b>	25,721,066
Net change in unrealized (gains) losses	<b>(48,557,110)</b>	19,064,071
Amortization of discounts and premiums on investments	<b>3,223,839</b>	2,065,047
Decrease in accrued interest	<b>360,300</b>	174,221
(Increase) decrease in dividends receivable	<b>(41,469)</b>	1,003,669
(Decrease) increase in due to Scholarship Plan Dealer	<b>(539,415)</b>	365,685
Purchases of investments	<b>(2,498,389,338)</b>	(2,971,117,444)
Proceeds from the sale of investments	<b>2,525,370,723</b>	2,982,438,093
	<hr/>	<hr/>
Cash flow from operating activities	<b>54,025,890</b>	43,504,468

### Financing Activities

Subscriber deposits received under scholarship agreements	<b>53,232,784</b>	58,597,154
Payments out of subscriber deposits under scholarship agreements	<b>(75,926,742)</b>	(71,078,420)
Subscriber deposits received under escrow agreements	<b>359,155</b>	366,530
Payments out of subscriber deposits under escrow agreements	<b>(214,623)</b>	(243,051)
Government grants received	<b>11,104,254</b>	12,130,982
Education assistance payments	<b>(44,429,943)</b>	(42,535,960)
Return of enrolment fees	<b>(484,465)</b>	(280,912)
Income paid to Designated Educational Institutions	<b>(819,406)</b>	-
	<hr/>	<hr/>
Cash flow used in financing activities	<b>(57,178,986)</b>	(43,043,677)
	<hr/>	<hr/>
Net (decrease) increase in cash	<b>(3,153,096)</b>	460,791
Cash, beginning of year	<b>2,582,184</b>	2,121,393
	<hr/>	<hr/>
<b>(Bank indebtedness) cash, end of year</b>	<b>(\$570,912)</b>	\$2,582,184
Supplemental information:		
Interest received	<b>\$28,718,724</b>	\$30,039,129
Dividends received, net of withholding tax	<b>\$4,060,635</b>	\$11,505,707

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, 2019

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
<b>Fixed Income Securities</b>					
100,000	ROYAL BANK OF CANADA		02Jan2020	100,000	100,000
160,000	GOVERNMENT OF CANADA		06Jan2020	159,954	159,957
11,155,000	GOVERNMENT OF CANADA		09Jan2020	11,150,456	11,150,873
12,055,000	GOVERNMENT OF CANADA		23Jan2020	12,042,524	12,042,824
1,180,000	UNITED STATES TREASURY BILL		23Jan2020	1,557,842	1,531,519
8,660,000	GOVERNMENT OF CANADA		06Feb2020	8,645,412	8,645,365
96,005,000	GOVERNMENT OF CANADA		20Feb2020	95,786,014	95,777,468
1,000,000	ALTALINK LP	3.717%	03Dec2046	1,045,115	1,132,940
115,000	ANHEUSER-BUSCH INBEV FINANC	2.600%	15May2024	115,315	114,691
15,000	BANK OF AMERICA CORP	3.301%	24Apr2024	14,976	15,347
1,565,000	BANK OF MONTREAL	2.130%	30Mar2020	1,565,007	1,565,157
150,000	BANK OF MONTREAL	2.326%	13Jul2020	197,966	198,171
190,000	BANK OF MONTREAL	2.446%	13Apr2021	246,587	246,869
110,000	BANK OF MONTREAL	2.270%	11Jul2022	109,910	110,388
185,000	BANK OF MONTREAL	2.161%	01Feb2023	184,573	185,093
2,595,000	BANK OF MONTREAL	2.890%	20Jun2023	2,605,850	2,652,064
520,000	BANK OF MONTREAL	2.850%	06Mar2024	524,415	526,620
1,030,000	BANK OF MONTREAL	2.700%	11Sep2024	1,044,470	1,048,828
4,460,000	BANK OF MONTREAL	3.190%	01Mar2028	4,611,704	4,704,676
2,160,000	BANK OF NOVA SCOTIA	2.152%	02Apr2020	2,160,283	2,160,734
860,000	BANK OF NOVA SCOTIA	2.405%	20Apr2021	1,103,638	1,105,668
1,075,000	BANK OF NOVA SCOTIA	1.830%	27Apr2022	1,063,701	1,068,099
775,000	BANK OF NOVA SCOTIA	2.980%	17Apr2023	794,179	793,654
1,560,000	BANK OF NOVA SCOTIA	2.290%	28Jun2024	1,549,432	1,561,576
335,000	BANK OF NOVA SCOTIA	2.490%	23Sep2024	334,984	332,099
280,000	BANK OF NOVA SCOTIA	2.620%	02Dec2026	270,827	284,684
3,615,000	BANK OF NOVA SCOTIA	3.100%	02Feb2028	3,861,207	3,800,269
245,000	BHP BILLITON FINANCE	3.230%	15May2023	240,208	250,287
10,598,000	CADILLAC FAIRVIEW FINANCE	4.310%	25Jan2021	10,725,760	10,860,618
1,665,000	CANADA HOUSING TRUST	2.550%	15Dec2023	1,670,111	1,703,029
2,840,000	CANADA HOUSING TRUST	2.900%	15Jun2024	2,978,724	2,952,407
3,040,000	CANADA HOUSING TRUST	2.100%	15Sep2029	3,102,517	3,033,586
2,755,000	CANADA HOUSING TRUST NO.1	1.250%	15Jun2021	2,737,002	2,733,842
3,000,000	CANADA HOUSING TRUST NO.1	2.650%	15Mar2022	3,031,792	3,055,620
5,880,000	CANADA HOUSING TRUST NO.1	2.400%	15Dec2022	5,953,017	5,973,139
3,645,000	CANADA HOUSING TRUST NO.1	1.900%	15Sep2026	3,637,508	3,607,712
2,570,000	CANADA POST CORP	4.080%	16Jul2025	2,841,873	2,842,204
1,240,000	CANADA POST CORP	4.360%	16Jul2040	1,644,812	1,647,985
1,410,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.221%	08Dec2020	1,410,807	1,413,088
145,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.300%	11Jul2022	145,082	145,512
800,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.340%	17Mar2023	1,053,600	1,057,551
600,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.430%	09Jun2023	599,841	600,846
2,065,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.970%	11Jul2023	2,074,731	2,095,686
205,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.547%	13Sep2023	266,603	268,298
3,720,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.300%	26May2025	3,766,133	3,843,392
140,000	CANADIAN NATL RESOURCES	3.420%	01Dec2026	140,576	142,887
3,000,000	CANADIAN UTILITIES INC	2.963%	07Sep2049	2,906,753	2,923,950
951,000	CAPITAL DESJARDINS INC	4.954%	15Dec2026	1,020,924	995,906
120,000	CITIGROUP INC	4.090%	09Jun2025	123,662	125,796
155,000	ENBRIDGE INC	3.950%	19Nov2024	155,657	163,458
275,000	FEDERATION DES CAISSES	2.394%	25Aug2022	275,000	276,675
170,000	FEDERATION DES CAISSES	3.056%	11Sep2023	170,000	174,842
335,000	FEDERATION DES CAISSES	2.417%	04Oct2024	335,000	330,555
80,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	80,015	79,472
1,190,000	GOVERNMENT OF CANADA	0.500%	01Mar2022	1,155,524	1,159,964
510,000	GOVERNMENT OF CANADA	1.750%	01Mar2023	508,009	511,148
1,510,000	GOVERNMENT OF CANADA	2.000%	01Sep2023	1,537,401	1,526,202

# 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, 2019 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
3,525,000	GOVERNMENT OF CANADA	2.250%	01Mar2024	3,631,536	3,604,488
270,000	GOVERNMENT OF CANADA	2.250%	01Jun2025	274,718	277,925
595,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	605,086	588,098
5,000,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	5,245,980	5,107,550
51,805,000	GOVERNMENT OF CANADA	2.250%	01Jun2029	55,085,798	54,253,822
1,815,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	2,537,906	2,681,009
16,035,000	GOVERNMENT OF CANADA	4.000%	01Jun2041	21,604,261	22,334,991
922,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	1,269,771	1,251,394
23,819,000	GOVERNMENT OF CANADA	2.750%	01Dec2048	30,169,893	29,119,442
475,000	GREAT-WEST LIFECO	3.337%	28Feb2028	476,963	497,206
535,000	HSBC BANK CANADA	2.170%	29Jun2022	535,264	533,518
345,000	HSBC BANK CANADA	2.253%	15Sep2022	345,003	344,348
155,000	HSBC BANK CANADA	2.542%	31Jan2023	155,000	155,756
72,000	HYDRO ONE INC	6.930%	01Jun2032	102,187	102,485
65,000	HYDRO ONE INC	5.490%	16Jul2040	83,018	88,780
210,000	IGM FINANCIAL INC	3.440%	26Jan2027	210,718	215,622
1,290,000	LABRADOR-ISLAND LINK FDG TR	3.760%	01Jun2033	1,441,310	1,502,360
565,000	LABRADOR-ISLAND LINK FDG TR	3.860%	01Dec2045	695,700	725,494
160,000	MANUFACTURERS LIFE INS CO	3.181%	22Nov2027	161,558	163,566
2,475,000	MANULIFE BANK OF CANADA	2.340%	04Mar2021	2,476,047	2,485,073
215,000	MANULIFE BANK OF CANADA	2.082%	26May2022	214,961	214,432
105,000	MANULIFE BANK OF CANADA	2.844%	12Jan2023	103,940	106,671
1,000,000	MANULIFE BANK OF CANADA	2.378%	19Nov2024	1,000,000	995,510
70,000	MANULIFE FINANCIAL CORP	5.059%	15Dec2036	80,096	83,721
3,699,000	MCGILL UNIVERSITY HEALTH	5.360%	31Dec2043	4,639,834	4,944,748
725,000	MUSKRAT FALLS / LABRADOR	3.630%	01Jun2029	794,157	811,108
775,000	MUSKRAT FALLS / LABRADOR	3.860%	01Dec2048	1,018,861	1,016,816
25,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	24,922	24,994
378,996	NEW BRUNSWICK PROJECT	6.470%	30Nov2027	437,155	437,699
715,000	NHA MORTGAGE BACKED SECURITIES	1.720%	01Oct2020	670,415	473,401
1,465,000	NHA MORTGAGE BACKED SECURITIES	2.780%	01Apr2021	1,172,527	696,872
860,000	NHA MORTGAGE BACKED SECURITIES	2.124%	01Jun2021	768,248	678,788
125,000	NHA MORTGAGE BACKED SECURITIES	1.420%	01Jun2022	111,642	98,667
200,000	NHA MORTGAGE BACKED SECURITIES	1.890%	01Sep2022	180,306	167,769
375,000	NHA MORTGAGE BACKED SECURITIES	2.360%	01Dec2022	334,984	305,443
500,000	NHA MORTGAGE BACKED SECURITIES	1.690%	01Feb2023	439,231	420,915
115,000	NHA MORTGAGE BACKED SECURITIES	2.390%	01May2023	103,943	100,951
320,000	NHA MORTGAGE BACKED SECURITIES	2.690%	01Nov2023	294,954	295,210
325,000	NHA MORTGAGE BACKED SECURITIES	1.750%	01Jun2024	313,471	309,890
735,000	NHA MORTGAGE BACKED SECURITIES	1.800%	01Sep2024	720,452	713,459
225,000	NHA MORTGAGE BACKED SECURITIES	2.000%	01Oct2024	221,514	221,287
765,000	NHA MORTGAGE BACKED SECURITIES	5.375%	01Jul2028	507,054	411,528
170,000	NORTH WEST REDWATER	2.800%	01Jun2027	170,815	170,155
2,680,000	NORTH WEST REDWATER	4.150%	01Jun2033	2,674,639	2,933,072
60,000	NORTH WEST REDWATER	4.050%	22Jul2044	62,522	65,991
1,400,000	ONTARIO HYDRO		11Apr2031	1,023,615	1,028,594
4,170,000	OPB FINANCE TRUST	3.890%	04Jul2042	4,198,438	4,968,347
3,000,000	OPB FINANCE TRUST	2.980%	25Jan2027	2,998,897	3,111,150
4,149,813	ORNGE ISSUER TRUST	5.727%	11Jun2034	4,448,586	3,783,225
30,000	PEMBINA PIPELINE CORP	3.310%	01Feb2030	29,978	29,189
240,000	PEPSICO INC	2.150%	06May2024	235,799	239,047
2,434,000	PROVINCE OF ALBERTA	3.100%	01Jun2024	2,564,931	2,542,654
1,900,000	PROVINCE OF ALBERTA	2.350%	01Jun2025	1,936,266	1,920,254
731,000	PROVINCE OF ALBERTA	2.200%	01Jun2026	731,800	730,554
1,130,000	PROVINCE OF ALBERTA	2.550%	01Jun2027	1,098,314	1,149,899
285,000	PROVINCE OF ALBERTA	2.900%	20Sep2029	298,974	297,172
2,100,000	PROVINCE OF ALBERTA	2.050%	01Jun2030	2,090,575	2,028,096



# 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, 2019 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
1,825,000	PROVINCE OF ALBERTA	3.500%	01Jun2031	1,929,928	2,008,212
3,220,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	3,566,655	3,720,581
745,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	826,546	850,753
1,023,000	PROVINCE OF ALBERTA	3.300%	01Dec2046	1,029,594	1,153,729
924,000	PROVINCE OF ALBERTA	3.050%	01Dec2048	900,043	1,003,390
3,623,000	PROVINCE OF BRITISH COLUMBIA	3.250%	18Dec2021	3,722,759	3,722,162
4,305,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	5,314,271	5,545,055
2,360,000	PROVINCE OF BRITISH COLUMBIA	6.350%	18Jun2031	3,052,038	3,302,112
1,445,000	PROVINCE OF BRITISH COLUMBIA	4.300%	18Jun2042	1,686,466	1,903,108
2,232,000	PROVINCE OF BRITISH COLUMBIA	2.800%	18Jun2048	2,151,690	2,403,775
820,000	PROVINCE OF MANITOBA	2.600%	02Jun2027	812,176	837,794
1,165,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	1,527,517	1,593,545
630,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	875,017	895,388
1,730,000	PROVINCE OF MANITOBA	4.650%	05Mar2040	2,071,455	2,263,065
940,000	PROVINCE OF MANITOBA	4.050%	05Sep2045	1,041,261	1,183,112
1,176,000	PROVINCE OF MANITOBA	2.850%	05Sep2046	1,171,269	1,219,830
485,000	PROVINCE OF MANITOBA	3.400%	05Sep2048	570,758	559,423
1,272,000	PROVINCE OF NEW BRUNSWICK	1.550%	04May2022	1,258,705	1,262,295
1,010,000	PROVINCE OF NEW BRUNSWICK	4.550%	26Mar2037	1,153,829	1,262,046
1,715,000	PROVINCE OF NEW BRUNSWICK	4.800%	26Sep2039	2,104,361	2,245,947
1,175,000	PROVINCE OF NEWFOUNDLAND	2.115%	27Feb2023	1,175,007	1,178,560
2,750,000	PROVINCE OF NEWFOUNDLAND	2.181%	17Mar2024	2,750,000	2,752,915
760,000	PROVINCE OF NEWFOUNDLAND	4.500%	17Apr2037	858,649	928,446
2,529,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	2,390,418	2,709,571
285,000	PROVINCE OF NOVA SCOTIA	4.450%	24Oct2021	296,744	297,965
6,356,000	PROVINCE OF NOVA SCOTIA	2.150%	01Jun2025	6,304,283	6,368,903
525,000	PROVINCE OF NOVA SCOTIA	5.800%	01Jun2033	729,371	721,056
3,962,000	PROVINCE OF NOVA SCOTIA	4.400%	01Jun2042	4,530,151	5,179,285
5,152,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	5,204,668	5,202,953
8,285,000	PROVINCE OF ONTARIO	4.000%	02Jun2021	8,550,418	8,532,224
1,440,000	PROVINCE OF ONTARIO	1.350%	08Mar2022	1,426,990	1,423,613
7,025,000	PROVINCE OF ONTARIO	2.600%	02Jun2025	7,091,210	7,205,191
1,955,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	1,981,612	1,980,122
3,345,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	4,289,434	4,486,916
3,290,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	4,263,255	4,545,892
2,328,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	2,678,713	3,045,862
2,365,000	PROVINCE OF ONTARIO	4.650%	02Jun2041	2,853,097	3,188,020
2,643,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	2,829,000	3,105,446
1,822,000	PROVINCE OF ONTARIO	2.800%	02Jun2048	1,825,736	1,931,138
1,500,000	PROVINCE OF PRINCE EDWARD ISLAND	6.100%	29Jul2027	1,592,120	1,869,615
4,320,000	PROVINCE OF QUEBEC	4.250%	01Dec2021	4,513,790	4,513,666
6,133,000	PROVINCE OF QUEBEC	3.750%	01Sep2024	6,512,177	6,606,345
4,469,000	PROVINCE OF QUEBEC	2.380%	13Oct2024	4,508,686	4,554,671
9,570,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	9,786,633	9,912,510
1,325,000	PROVINCE OF QUEBEC	8.500%	01Apr2026	1,760,525	1,810,679
740,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	967,468	1,041,839
1,130,000	PROVINCE OF QUEBEC	5.750%	01Dec2036	1,503,254	1,638,975
12,076,000	PROVINCE OF QUEBEC	3.500%	01Dec2048	14,210,797	14,623,674
1,220,000	PROVINCE OF SASKATCHEWAN	2.650%	02Jun2027	1,192,231	1,250,939
470,000	PROVINCE OF SASKATCHEWAN	6.400%	05Sep2031	619,553	656,031
425,000	PROVINCE OF SASKATCHEWAN	5.800%	05Sep2033	542,168	583,916
305,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	402,956	423,383
1,210,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	1,495,783	1,609,917
2,223,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	2,246,008	2,510,701
1,865,000	PROVINCE OF SASKATCHEWAN	2.750%	02Dec2046	1,794,704	1,909,629
1,078,000	PROVINCE OF SASKATCHEWAN	3.300%	02Jun2048	1,079,348	1,227,961
2,186,000	PSP CAPITAL INC	3.290%	04Apr2024	2,191,918	2,299,781
245,000	ROYAL BANK OF CANADA	1.968%	02Mar2022	240,404	244,035

# 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, 2019 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
1,545,000	ROYAL BANK OF CANADA	2.112%	27Jun2022	1,545,000	1,536,441	
205,000	ROYAL BANK OF CANADA	2.949%	01May2023	205,000	209,854	
180,000	ROYAL BANK OF CANADA	3.296%	26Sep2023	180,000	185,609	
210,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	210,000	210,758	
1,380,000	ROYAL BANK OF CANADA	2.609%	01Nov2024	1,386,733	1,375,184	
1,662,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	1,873,015	1,887,384	
12,284,000	ROYAL OFFICE FINANCE LP	5.209%	12Nov2032	13,513,637	14,957,735	
65,000	SCOTIABANK CAPITAL TRUST	5.650%	31Dec2056	76,271	82,554	
1,500,000	SINAI HEALTH SYSTEM	3.527%	09Jun2056	1,500,000	1,648,275	
170,000	SMART REAL ESTATE INVT TR	3.444%	28Aug2026	167,943	173,322	
930,083	SNC-LAVALIN INNISFREE	6.632%	30Jun2044	1,172,216	1,218,957	
150,000	SUNCOR ENERGY INC	3.000%	14Sep2026	150,094	152,957	
10,058,000	TCHC ISSUER TRUST	5.395%	22Feb2040	13,054,516	13,782,377	
710,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	854,245	907,352	
1,500,000	THE HOSPITAL FOR SICK CHILDREN	3.416%	07Dec2057	1,500,000	1,657,425	
610,000	TORONTO-DOMINION BANK	2.495%	18Feb2020	610,352	610,061	
35,000	TORONTO-DOMINION BANK	2.621%	22Dec2021	35,321	35,340	
1,185,000	TORONTO-DOMINION BANK	3.005%	30May2023	1,185,270	1,215,893	
170,000	TORONTO-DOMINION BANK	1.909%	18Jul2023	170,000	168,230	
335,000	TORONTO-DOMINION BANK	2.850%	08Mar2024	335,000	340,605	
1,425,000	TORONTO-DOMINION BANK	2.282%	28Jun2024	1,425,000	1,425,157	
790,000	TORONTO-DOMINION BANK	3.226%	24Jul2024	825,364	822,303	
2,400,000	TORONTO-DOMINION BANK	4.859%	04Mar2031	2,663,072	2,658,816	
960,000	TORONTO-DOMINION BANK	3.060%	26Jan2032	972,564	960,211	
200,000	TRANSCANADA PIPELINES LTD	3.000%	18Sep2029	199,435	196,942	
100,000	TRANSCANADA TR	4.650%	18May2077	100,159	96,743	
310,000	UNITED STATES TREASURY BONDS	3.125%	15May2048	387,103	465,508	
2,830,000	VILLE DE QUEBEC CITY	1.900%	26Sep2024	2,798,995	2,793,776	
675,000	WATERLOO ONTARIO REGIONAL	2.150%	04Oct2025	674,164	668,129	
675,000	WATERLOO ONTARIO REGIONAL	2.200%	04Oct2026	673,612	665,435	
675,000	WATERLOO ONTARIO REGIONAL	2.250%	04Oct2027	672,951	663,545	
675,000	WATERLOO ONTARIO REGIONAL	2.300%	04Oct2028	672,983	657,740	
125,000	WELLS FARGO & CO	3.874%	21May2025	127,729	129,973	
1,725,000	YUKON DEVELOPMENT CORP	5.000%	29Jun2040	2,154,939	2,312,276	
	<b>Total Fixed Income Securities</b>			<b>\$584,987,816</b>	<b>\$593,952,029</b>	79.3%
	<b>Variable Rate Securities</b>					
10,000,000	TORONTO-DOMINION CANADIAN INDEX LINKED NOTE		11Oct2022	10,000,000	13,285,000	
10,000,000	TORONTO-DOMINION BANK US INDEX LINKED NOTE		11Oct2022	10,000,000	16,713,000	
	<b>Total Variable Rate Securities</b>			<b>\$20,000,000</b>	<b>\$29,998,000</b>	4.0%
<b>Shares / Units</b>	<b>Equity Securities</b>					
118,200	ALIMENTATION COUCHE-TARD			4,043,164	4,856,838	
73,425	ATCO LTD-CL I NON-VTG			3,105,912	3,654,362	
36,300	BANK OF MONTREAL			3,538,861	3,648,150	
52,075	BANK OF NOVA SCOTIA			3,719,117	3,813,452	
144,525	BMO S&P 500 INDEX ETF			3,459,327	6,662,393	
73,550	BROOKFIELD ASSET MANAGEMENT			4,101,291	5,508,160	
37,750	CAE INC			1,141,879	1,296,335	
39,325	CANADIAN NATIONAL RAILWAY			4,141,501	4,609,283	
16,500	CANADIAN PACIFIC RAILWAY			4,273,232	5,453,250	
60,750	CCL INDUSTRIES INC			3,288,115	3,352,185	
41,550	CGI INC			3,585,970	4,504,436	
3,990	CONSTELLATION SOFTWARE INC			3,681,763	5,026,721	
68,425	DOLLARAMA INC			2,162,361	3,044,913	
51,825	GREAT-WEST LIFECO INC			1,742,709	1,720,590	
78,425	IMPERIAL OIL LTD			2,866,124	2,686,841	
25,050	INTACT FINANCIAL CORP			2,575,238	3,505,497	

# 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, 2019 (Continued)

Shares/ Units	Security Description	Average Cost (\$)	Fair Value (\$)	
62,075	LOBLAW COMPANIES LTD	3,944,924	4,146,610	
89,550	METRO INC	4,273,059	4,787,343	
57,750	NATIONAL BANK OF CANADA	3,437,623	4,151,648	
79,025	OPEN TEXT CORP	3,628,278	4,517,858	
96,400	QUEBECOR INC	2,814,439	3,181,200	
35,475	RESTAURANT BRANDS	2,622,320	2,935,911	
23,800	ROGERS COMMUNICATIONS INC	1,679,258	1,530,816	
53,175	ROYAL BANK OF CANADA	4,575,270	5,458,413	
54,375	SAPUTO INC	2,222,837	2,179,350	
89,375	SHAW COMMUNICATIONS INC	2,342,823	2,350,563	
34,575	TELUS CORPORATION	1,622,904	1,736,357	
43,525	THOMSON REUTERS CORP	2,994,155	4,031,721	
42,825	TMX GROUP LIMITED	3,408,037	4,800,683	
72,875	TOROMONT INDUSTRIES LTD	4,122,311	5,133,314	
68,500	TORONTO-DOMINION BANK	4,336,829	4,987,485	
23,950	WASTE CONNECTIONS INC	2,496,553	2,818,676	
65,275	WINPAK LTD	2,960,635	3,062,050	
<b>Total Equity Securities</b>		<b>\$104,908,819</b>	<b>\$125,153,404</b>	16.7%
		<b>\$709,896,635</b>	<b>\$749,103,433</b>	100.0%

## Schedule of Investment Portfolio for Government Grants

December 31, 2019

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
<b>Fixed Income Securities</b>					
200,000	ROYAL BANK OF CANADA		02Jan2020	200,000	200,000
2,315,000	UNITED STATES TREASURY BILL		23Jan2020	3,054,738	3,004,633
135,000	GOVERNMENT OF CANADA		06Feb2020	134,773	134,772
875,000	GOVERNMENT OF CANADA		20Feb2020	872,995	872,926
190,000	ANHEUSER-BUSCH INBEV FINANC	2.600%	15May2024	190,521	189,489
195,000	BANK OF AMERICA CORP	3.301%	24Apr2024	194,689	199,510
3,230,000	BANK OF MONTREAL	2.130%	30Mar2020	3,230,014	3,230,323
250,000	BANK OF MONTREAL	2.326%	13Jul2020	329,943	330,284
325,000	BANK OF MONTREAL	2.446%	13Apr2021	421,793	422,276
280,000	BANK OF MONTREAL	2.270%	11Jul2022	279,498	280,988
305,000	BANK OF MONTREAL	2.161%	01Feb2023	304,297	305,153
4,305,000	BANK OF MONTREAL	2.890%	20Jun2023	4,331,204	4,399,667
1,130,000	BANK OF MONTREAL	2.850%	06Mar2024	1,139,635	1,144,385
2,085,000	BANK OF MONTREAL	2.700%	11Sep2024	2,113,636	2,123,114
1,250,000	BANK OF MONTREAL	3.190%	01Mar2028	1,245,855	1,318,575
4,490,000	BANK OF NOVA SCOTIA	2.152%	02Apr2020	4,490,607	4,491,527
1,440,000	BANK OF NOVA SCOTIA	2.405%	20Apr2021	1,847,877	1,851,279
2,120,000	BANK OF NOVA SCOTIA	1.830%	27Apr2022	2,097,129	2,106,390
1,725,000	BANK OF NOVA SCOTIA	2.980%	17Apr2023	1,764,977	1,766,521
395,000	BANK OF NOVA SCOTIA	2.290%	28Jun2024	388,666	395,399
665,000	BANK OF NOVA SCOTIA	2.490%	23Sep2024	664,969	659,241
725,000	BANK OF NOVA SCOTIA	2.620%	02Dec2026	701,308	737,129
970,000	BANK OF NOVA SCOTIA	3.100%	02Feb2028	969,733	1,019,713
390,000	BHP BILLITON FINANCE	3.230%	15May2023	382,372	398,416
4,050,000	CANADA HOUSING TRUST	2.550%	15Dec2023	4,062,324	4,142,502
2,915,000	CANADA HOUSING TRUST	2.900%	15Jun2024	3,052,410	3,030,376
6,560,000	CANADA HOUSING TRUST	2.100%	15Sep2029	6,694,906	6,546,158
5,990,000	CANADA HOUSING TRUST NO.1	1.250%	15Jun2021	5,952,530	5,943,997
2,830,000	CANADA HOUSING TRUST NO.1	2.400%	15Dec2022	2,867,264	2,874,827
7,850,000	CANADA HOUSING TRUST NO.1	1.900%	15Sep2026	7,833,575	7,769,695

# THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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## Schedule of Investment Portfolio for Government Grants

December 31, 2019

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
5,500,000	CANADA POST CORP	2.600%	16Jul2025	6,084,510	6,082,560
2,835,000	CANADA POST CORP	4.360%	16Jul2040	3,760,517	3,767,771
3,005,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.221%	08Dec2020	3,006,720	3,011,581
250,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.300%	11Jul2022	250,136	250,883
1,700,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.340%	17Mar2023	2,238,900	2,247,296
1,275,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.430%	09Jun2023	1,274,662	1,276,798
990,000	CANADIAN IMPERIAL BANK OF COMMERCE	2.970%	11Jul2023	1,012,756	1,004,711
295,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.439%	13Sep2023	383,648	386,087
1,200,000	CANADIAN IMPERIAL BANK OF COMMERCE	3.300%	26May2025	1,203,638	1,239,804
245,000	CANADIAN NATL RESOURCES	3.420%	01Dec2026	246,008	250,052
2,000,000	CAPITAL DESJARDINS INC	4.954%	15Dec2026	2,145,558	2,094,440
205,000	CITIGROUP INC	4.090%	09Jun2025	211,143	214,902
265,000	ENBRIDGE INC	3.950%	19Nov2024	264,650	279,461
625,000	FEDERATION DES CAISSES	2.394%	25Aug2022	624,182	628,806
305,000	FEDERATION DES CAISSES	3.056%	11Sep2023	305,000	313,686
665,000	FEDERATION DES CAISSES	2.417%	04Oct2024	665,000	656,175
465,000	GOVERNMENT OF CANADA	0.750%	01Sep2020	465,126	461,931
1,340,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	1,357,687	1,324,456
2,003,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	2,732,390	2,718,592
1,145,000	GREAT-WEST LIFE CO	3.337%	28Feb2028	1,149,732	1,198,529
1,335,000	HSBC BANK CANADA	2.170%	29Jun2022	1,335,137	1,331,302
800,000	HSBC BANK CANADA	2.253%	15Sep2022	800,007	798,488
400,000	HSBC BANK CANADA	2.542%	31Jan2023	399,537	401,952
122,000	HYDRO ONE INC	6.930%	01Jun2032	173,150	173,655
110,000	HYDRO ONE INC	5.490%	16Jul2040	140,492	150,244
370,000	IGM FINANCIAL INC	3.440%	26Jan2027	371,266	379,905
2,730,000	LABRADOR-ISLAND LINK FDG TR	3.760%	01Jun2033	3,034,575	3,179,412
925,000	LABRADOR-ISLAND LINK FDG TR	3.860%	01Dec2045	1,140,558	1,187,756
420,000	MANUFACTURERS LIFE INS CO	3.181%	22Nov2027	423,912	429,362
5,245,000	MANULIFE BANK OF CANADA	2.340%	04Mar2021	5,247,234	5,266,346
625,000	MANULIFE BANK OF CANADA	2.082%	26May2022	623,364	623,350
325,000	MANULIFE BANK OF CANADA	2.844%	12Jan2023	322,007	330,171
2,000,000	MANULIFE BANK OF CANADA	2.378%	19Nov2024	2,000,000	1,991,020
130,000	MANULIFE FINANCIAL CORP	5.059%	15Dec2036	148,751	155,483
1,330,000	MUSKRAT FALLS / LABRADOR	3.630%	01Jun2029	1,450,560	1,487,964
1,555,000	MUSKRAT FALLS / LABRADOR	3.860%	01Dec2048	2,044,296	2,040,191
110,000	NATIONAL BANK OF CANADA	2.105%	18Mar2022	109,369	109,975
1,175,000	NHA MORTGAGE BACKED SECURITIES	1.720%	01Oct2020	1,101,040	777,966
4,360,000	NHA MORTGAGE BACKED SECURITIES	2.780%	01Apr2021	3,536,261	2,073,966
1,440,000	NHA MORTGAGE BACKED SECURITIES	2.124%	01Jun2021	1,286,369	1,136,575
430,000	NHA MORTGAGE BACKED SECURITIES	1.420%	01Jun2022	384,129	339,413
330,000	NHA MORTGAGE BACKED SECURITIES	1.890%	01Sep2022	297,552	276,819
610,000	NHA MORTGAGE BACKED SECURITIES	2.360%	01Dec2022	544,865	496,853
1,000,000	NHA MORTGAGE BACKED SECURITIES	1.690%	01Feb2023	878,462	841,830
195,000	NHA MORTGAGE BACKED SECURITIES	2.124%	01May2023	176,251	171,178
550,000	NHA MORTGAGE BACKED SECURITIES	2.690%	01Nov2023	506,953	507,392
605,000	NHA MORTGAGE BACKED SECURITIES	1.750%	01Jun2024	583,538	576,872
1,750,000	NHA MORTGAGE BACKED SECURITIES	1.800%	01Sep2024	1,717,199	1,698,711
565,000	NHA MORTGAGE BACKED SECURITIES	2.000%	01Oct2024	556,247	555,675
1,255,000	NHA MORTGAGE BACKED SECURITIES	5.375%	01Jul2028	831,020	675,122
380,000	NORTH WEST REDWATER	2.800%	01Jun2027	381,821	380,346
100,000	NORTH WEST REDWATER	4.050%	22Jul2044	104,203	109,985
2,300,000	ONTARIO HYDRO		11Apr2031	1,703,263	1,689,833
225,000	PEMBINA PIPELINE CORP	3.310%	01Feb2030	224,834	218,914
565,000	PEPSICO INC	2.150%	06May2024	554,902	562,757
2,610,000	PROVINCE OF ALBERTA	2.550%	01Jun2027	2,536,730	2,655,962
760,000	PROVINCE OF ALBERTA	2.900%	20Sep2029	797,263	792,460
4,505,000	PROVINCE OF ALBERTA	2.050%	01Jun2030	4,485,544	4,350,748
3,890,000	PROVINCE OF ALBERTA	3.500%	01Jun2031	4,118,023	4,280,516
3,475,000	PROVINCE OF ALBERTA	3.900%	01Dec2033	3,843,385	4,015,224
1,580,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	1,750,710	1,804,281

# THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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## Schedule of Investment Portfolio for Government Grants

December 31, 2019 (Continued)

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
1,340,000	PROVINCE OF BRITISH COLUMBIA	5.700%	18Jun2029	1,644,323	1,725,987	
1,945,000	PROVINCE OF MANITOBA	2.600%	02Jun2027	1,930,183	1,987,207	
2,540,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	3,326,494	3,474,339	
1,365,000	PROVINCE OF MANITOBA	5.700%	05Mar2037	1,890,011	1,940,006	
3,830,000	PROVINCE OF MANITOBA	4.650%	05Mar2040	4,588,270	5,010,138	
2,020,000	PROVINCE OF MANITOBA	4.050%	05Sep2045	2,247,102	2,542,433	
2,345,000	PROVINCE OF NEW BRUNSWICK	4.550%	26Mar2037	2,682,653	2,930,195	
3,590,000	PROVINCE OF NEW BRUNSWICK	4.800%	26Sep2039	4,405,047	4,701,428	
2,435,000	PROVINCE OF NEWFOUNDLAND	2.098%	27Feb2023	2,435,015	2,442,378	
4,720,000	PROVINCE OF NEWFOUNDLAND	2.181%	17Mar2024	4,720,000	4,725,003	
1,785,000	PROVINCE OF NEWFOUNDLAND	4.500%	17Apr2037	2,021,451	2,180,627	
2,265,000	PROVINCE OF NEWFOUNDLAND	3.300%	17Oct2046	2,209,144	2,426,721	
800,000	PROVINCE OF NOVA SCOTIA	4.450%	24Oct2021	833,056	836,392	
1,235,000	PROVINCE OF NOVA SCOTIA	5.800%	01Jun2033	1,715,759	1,696,198	
3,890,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	3,929,998	3,928,471	
2,785,000	PROVINCE OF ONTARIO	1.350%	08Mar2022	2,759,489	2,753,307	
4,080,000	PROVINCE OF ONTARIO	2.400%	02Jun2026	4,132,239	4,132,428	
2,165,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	2,780,225	2,904,088	
2,265,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	2,887,269	2,963,435	
2,840,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	3,056,067	3,336,915	
10,305,000	PROVINCE OF QUEBEC	2.380%	13Oct2024	10,397,744	10,502,547	
2,925,000	PROVINCE OF QUEBEC	8.500%	01Apr2026	3,893,180	3,997,159	
1,540,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	2,019,019	2,168,151	
1,110,000	PROVINCE OF SASKATCHEWAN	6.400%	05Sep2031	1,462,330	1,549,349	
610,000	PROVINCE OF SASKATCHEWAN	5.600%	05Sep2035	812,326	846,765	
2,560,000	PROVINCE OF SASKATCHEWAN	4.750%	01Jun2040	3,174,946	3,406,106	
597,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	615,645	674,264	
660,000	ROYAL BANK OF CANADA	1.968%	02Mar2022	649,496	657,400	
3,345,000	ROYAL BANK OF CANADA	2.112%	27Jun2022	3,345,000	3,326,469	
415,000	ROYAL BANK OF CANADA	2.949%	01May2023	416,320	424,827	
320,000	ROYAL BANK OF CANADA	3.296%	26Sep2023	321,881	329,971	
360,000	ROYAL BANK OF CANADA	2.333%	05Dec2023	360,000	361,300	
2,975,000	ROYAL BANK OF CANADA	2.609%	01Nov2024	2,989,752	2,964,617	
3,412,000	ROYAL BANK OF CANADA	4.930%	16Jul2025	3,842,731	3,874,701	
110,000	SCOTIABANK CAPITAL TRUST	5.650%	31Dec2056	129,074	139,707	
260,000	SMART REAL ESTATE INVT TR	3.444%	28Aug2026	255,755	265,080	
456,000	SUNCOR ENERGY INC	3.000%	14Sep2026	456,334	464,988	
1,390,000	THE CANADA LIFE ASSURANCE	6.400%	11Dec2028	1,660,926	1,776,364	
1,300,000	TORONTO-DOMINION BANK	2.495%	18Feb2020	1,300,751	1,300,130	
255,000	TORONTO-DOMINION BANK	2.621%	22Dec2021	257,476	257,474	
145,000	TORONTO-DOMINION BANK	3.005%	30May2023	145,000	148,780	
330,000	TORONTO-DOMINION BANK	1.909%	18Jul2023	330,000	326,565	
665,000	TORONTO-DOMINION BANK	2.850%	08Mar2024	666,043	676,125	
3,140,000	TORONTO-DOMINION BANK	2.282%	28Jun2024	3,140,000	3,140,345	
1,685,000	TORONTO-DOMINION BANK	3.226%	24Jul2024	1,759,996	1,753,900	
365,000	TRANSCANADA PIPELINES LTD	3.000%	18Sep2029	363,968	359,419	
180,000	TRANSCANADA TR	4.650%	18May2077	180,286	174,137	
515,000	UNITED STATES TREASURY BONDS	3.125%	15May2048	643,090	773,344	
355,000	WELLS FARGO & CO	3.874%	21May2025	363,011	369,122	
<b>Total Fixed Income Securities</b>				<b>\$246,006,855</b>	<b>\$247,970,562</b>	80.1%
<b>Shares / Units</b>	<b>Equity Securities</b>					
58,250	ALIMENTATION COUCHE-TARD			1,991,797	2,393,492	
36,175	ATCO LTD-CL I NON-VTG			1,529,923	1,800,430	
17,895	BANK OF MONTREAL			1,743,709	1,798,448	
25,675	BANK OF NOVA SCOTIA			1,834,661	1,880,180	
71,358	BMO S&P 500 INDEX ETF			1,654,918	3,289,500	
36,250	BROOKFIELD ASSET MANAGEMENT			2,020,427	2,714,763	
18,575	CAE INC			561,882	637,866	
19,400	CANADIAN NATIONAL RAILWAY			2,048,377	2,273,874	

# 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, 2019 (Continued)

Shares / Units	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
8,175	CANADIAN PACIFIC RAILWAY			2,116,285	2,701,837	
30,000	CCL INDUSTRIES INC			1,623,723	1,655,400	
20,500	CGI INC			1,768,497	2,222,405	
1,969	CONSTELLATION SOFTWARE INC			1,820,135	2,480,605	
33,800	DOLLARAMA INC			1,067,056	1,504,100	
25,600	GREAT-WEST LIFECO INC			820,147	849,920	
38,750	IMPERIAL OIL LTD			1,416,314	1,327,575	
12,350	INTACT FINANCIAL CORP			1,268,927	1,728,259	
30,650	LOBLAW COMPANIES LTD			1,947,158	2,047,420	
44,200	METRO INC			2,108,734	2,362,932	
28,525	NATIONAL BANK OF CANADA			1,697,667	2,050,662	
38,975	OPEN TEXT CORP			1,788,258	2,228,201	
47,600	QUEBECOR INC			1,389,723	1,570,800	
17,500	RESTAURANT BRANDS			1,294,463	1,448,300	
11,825	ROGERS COMMUNICATIONS INC			834,353	760,584	
26,250	ROYAL BANK OF CANADA			2,335,887	2,694,562	
26,850	SAPUTO INC			1,097,549	1,076,148	
44,125	SHAW COMMUNICATIONS INC			1,157,226	1,160,488	
17,050	TELUS CORPORATION			800,286	856,251	
21,500	THOMSON REUTERS CORP			1,478,865	1,991,545	
21,150	TMX GROUP LIMITED			1,684,262	2,370,915	
35,925	TOROMONT INDUSTRIES LTD			2,031,287	2,530,557	
33,775	TORONTO-DOMINION BANK			2,212,362	2,459,158	
11,800	WASTE CONNECTIONS INC			1,229,620	1,388,742	
32,175	WINPAK LTD			1,459,975	1,509,329	
	<b>Total Fixed Income Securities</b>			<b>\$51,834,453</b>	<b>\$61,765,248</b>	19.9%
				<b>\$297,841,308</b>	<b>\$309,735,810</b>	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, 2019

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
37,000	CANADA HOUSING TRUST	2.000%	15Sep2020	36,950	37,040	
156,000	CANADA HOUSING TRUST	2.550%	15Dec2023	157,140	159,563	
135,000	CANADA HOUSING TRUST NO.1	1.250%	15Dec2020	134,827	134,318	
184,000	CANADA HOUSING TRUST NO.1	2.400%	15Dec2022	186,096	186,915	
104,000	CANADA HOUSING TRUST NO.1	1.900%	15Sep2026	103,179	102,936	
117,000	CANADA HOUSING TRUST NO.1	2.650%	15Dec2028	120,812	122,477	
128,000	CANADA HOUSING TRUST NO.1	2.100%	15Sep2029	134,011	128,401	
15,000	CANADA POST CORP	4.080%	16Jul2025	16,362	16,589	
247,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	246,453	244,135	
22,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	21,795	22,473	
24,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	33,767	35,451	
21,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	26,914	28,502	
110,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	113,245	125,615	
131,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	132,803	133,599	
96,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	122,396	131,314	
110,000	PROVINCE OF NEW BRUNSWICK	4.800%	26Sep2039	134,974	144,055	
38,000	PROVINCE OF NEWFOUNDLAND	2.115%	27Feb2023	38,000	38,115	
81,000	PROVINCE OF NEWFOUNDLAND	2.181%	17Mar2024	80,914	81,086	
150,000	PROVINCE OF NOVA SCOTIA	2.125%	09Nov2022	150,231	150,563	
60,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	60,616	60,593	
180,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	185,506	185,342	
135,000	PROVINCE OF ONTARIO	2.123%	27Jun2022	135,611	135,909	
320,000	PROVINCE OF ONTARIO	2.070%	21Aug2023	319,805	321,183	
29,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	28,089	29,681	
64,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	80,922	85,848	
50,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	63,862	69,087	
53,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	66,469	69,343	
247,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	258,838	288,936	
29,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	29,492	34,074	
29,000	PROVINCE OF QUEBEC	9.375%	16Jan2023	34,876	35,252	
179,000	PROVINCE OF QUEBEC	2.380%	13Oct2024	179,159	182,431	
139,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	141,584	143,975	
55,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	72,013	77,434	
21,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	21,626	23,718	
<b>Total Fixed Income Securities</b>				<b>\$3,669,337</b>	<b>\$3,765,953</b>	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, 2019

Face Value	Security Description	Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)	
37,000	CANADA HOUSING TRUST	2.000%	15Sep2020	36,957	37,040	
115,000	CANADA HOUSING TRUST	2.550%	15Dec2023	115,829	117,627	
95,000	CANADA HOUSING TRUST NO.1	1.250%	15Dec2020	94,927	94,520	
135,000	CANADA HOUSING TRUST NO.1	2.400%	15Dec2022	136,345	137,138	
78,000	CANADA HOUSING TRUST NO.1	1.900%	15Sep2026	77,472	77,202	
74,000	CANADA HOUSING TRUST NO.1	2.650%	15Dec2028	75,808	77,464	
97,000	CANADA HOUSING TRUST NO.1	2.100%	15Sep2029	101,555	97,304	
15,000	CANADA POST CORP	4.080%	16Jul2025	16,362	16,589	
185,000	GOVERNMENT OF CANADA	1.500%	01Jun2026	184,585	182,854	
17,000	GOVERNMENT OF CANADA	2.000%	01Jun2028	16,841	17,366	
19,000	GOVERNMENT OF CANADA	5.750%	01Jun2033	26,732	28,066	
11,000	GOVERNMENT OF CANADA	3.500%	01Dec2045	14,149	14,930	
86,000	PROVINCE OF ALBERTA	3.450%	01Dec2043	88,385	98,208	
103,000	PROVINCE OF MANITOBA	2.550%	02Jun2023	104,405	105,044	
72,000	PROVINCE OF MANITOBA	6.300%	05Mar2031	91,592	98,485	
85,000	PROVINCE OF NEW BRUNSWICK	4.800%	26Sep2039	104,298	111,315	
28,000	PROVINCE OF NEWFOUNDLAND	2.120%	27Feb2023	28,000	28,085	
62,000	PROVINCE OF NEWFOUNDLAND	2.181%	17Mar2024	61,951	62,066	
115,000	PROVINCE OF NOVA SCOTIA	2.085%	09Nov2022	115,177	115,431	
45,000	PROVINCE OF ONTARIO	4.200%	02Jun2020	45,462	45,445	
128,000	PROVINCE OF ONTARIO	3.150%	02Jun2022	132,445	131,799	
110,000	PROVINCE OF ONTARIO	2.123%	27Jun2022	110,498	110,740	
210,000	PROVINCE OF ONTARIO	2.070%	21Aug2023	209,888	210,776	
21,000	PROVINCE OF ONTARIO	2.600%	02Jun2027	20,339	21,493	
50,000	PROVINCE OF ONTARIO	6.500%	08Mar2029	63,232	67,069	
33,000	PROVINCE OF ONTARIO	5.850%	08Mar2033	42,103	45,597	
45,000	PROVINCE OF ONTARIO	4.700%	02Jun2037	56,436	58,876	
184,000	PROVINCE OF ONTARIO	3.500%	02Jun2043	192,859	215,240	
22,000	PROVINCE OF ONTARIO	3.450%	02Jun2045	22,373	25,849	
22,000	PROVINCE OF QUEBEC	9.375%	16Jan2023	26,458	26,743	
140,000	PROVINCE OF QUEBEC	2.380%	13Oct2024	140,115	142,684	
103,000	PROVINCE OF QUEBEC	2.750%	01Sep2025	104,880	106,686	
40,000	PROVINCE OF QUEBEC	6.250%	01Jun2032	52,373	56,316	
16,000	PROVINCE OF SASKATCHEWAN	3.400%	03Feb2042	16,477	18,071	
<b>Total Fixed Income Securities</b>				<b>\$2,727,308</b>	<b>\$2,800,118</b>	100.0%

## Summary of Schedules of Investment Portfolio

December 31, 2019

	Average Cost (\$)	Fair Value (\$)
Schedule of Investment Portfolio for Subscriber deposits under Scholarship Agreements	709,896,635	749,103,433
Schedule of Investment Portfolio for Government Grants	297,841,308	309,735,810
Schedule of Investment Portfolio for the Scholarship Enhancement Fund	3,669,337	3,765,953
Schedule of Investment Portfolio for Subscriber deposits under Escrow Agreements	2,727,308	2,800,118
	<b>\$1,014,134,588</b>	<b>\$1,065,405,314</b>

# 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, 2019

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### 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.

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### 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, 2020.

### 3. Summary of significant accounting policies

#### Financial Instruments

##### 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 and dividend income earned on subscriber deposits, accumulated investment income and dividend income earned on subscriber deposits under escrow agreements, government grants, accumulated investment income and dividend income earned on government grants, funds for Scholarship Enhancements and funds for Enrichment.

The Foundation's accounting policies related to financial liabilities are classified as amortized cost. The Foundation does not purchase or sell derivative financial instruments.

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 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

# 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, 2019

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### 3. Summary of significant accounting policies (continued)

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.

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.

#### 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 allocated to specific beneficiaries by the Foundation. As at December 31, 2019 there was a net unrealized gain of \$51,270,726 (2018 – gain of \$2,700,212) 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 uses an 'expected credit loss' (ECL) model. The impairment model applies to financial assets measured at amortized cost, but not to investments measured as FVPTL.

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 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 are eligible for an additional 20% of CESG on the first \$500 contributed. Families with annual income between and 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 are eligible for an

# 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, 2019

### 3. Summary of significant accounting policies (continued)

additional 10% on contributions to a maximum of \$50. Families with annual income between and 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.

### 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 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. 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:

	<b>December 31, 2019</b>	<b>December 31, 2018</b>
Cash	\$-	\$2,582,184
Investment in debt securities	<b>\$878,486,662</b>	883,128,815
	<b>\$878,486,662</b>	\$885,710,999

# 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, 2019

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

<b>Asset Class</b>	<b>December 31, 2019</b>	<u>December 31, 2018</u>
Government – Federal	<b>\$375,615,159</b>	\$305,960,032
Government – Provincial	<b>328,936,069</b>	387,100,553
Financial institution bonds	<b>128,329,320</b>	134,731,463
Corporate bonds	<b>15,608,114</b>	23,432,767
Equity-linked notes	<b>29,998,000</b>	31,904,000
	<b>\$878,486,662</b>	\$883,128,815

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*	
	<b>December 31, 2019</b>	<u>December 31, 2018</u>
AAA	35.3%	30.7%
AA	46.5%	43.3%
A	17.1%	24.9%
BBB	1.1%	1.1%

\* 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.

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



# THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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## Notes to the Financial Statements

December 31, 2019

### 6. Risks associated with financial instruments (continued)

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>2019</u>	<u>December 31,</u> <u>2018</u>
Due in one year or less	<b>20.2%</b>	22.5%
Due one year through five years	<b>28.2%</b>	34.3%
Due after five years	<b>51.6%</b>	43.2%

As at December 31, 2019, 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 \$848,488,662 (2018 - \$851,224,815) which excludes equity-linked notes would have decreased or increased by approximately \$14,628,000 (2018 - \$13,320,000). 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, 2019 was \$186,918,652 (2018 - \$161,516,673). As at December 31, 2019, 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 \$216,916,652 (2018 - \$193,420,673) would increase or decrease by approximately \$2,003,187 (2018 - \$1,761,667). 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 which holds 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, 2019 was \$32,866,874 (2018 - \$21,484,661).

As at December 31, 2019 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 \$1,643,344 (2018 - \$1,074,233).

#### 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. The carrying values of cash, accrued interest, dividends receivable, government grants receivable, bank indebtedness, 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 CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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## Notes to the Financial Statements

December 31, 2019

### 6. Risks associated with financial instruments (continued)

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, 2019 and December 31, 2018:

As at December 31, 2019

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equities	\$ 186,918,652	\$ -	\$ -	\$ 186,918,652
Bonds and treasury bills	619,744,218	\$ 228,744,444	-	848,488,662
Equity-linked notes	-	-	29,998,000	29,998,000
	<u>\$ 806,662,870</u>	<u>\$ 228,744,444</u>	<u>\$ 29,998,000</u>	<u>\$ 1,065,405,314</u>

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>

#### 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. In 2019, bonds totalling \$619,744,218 were transferred to Level 1 since these securities are traded in an active market.

#### 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 US Index Linked Note

#### Basis for underlying return

S&P TSX 60 index  
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, 2019</u>	<u>For the year ended December 31, 2018</u>
Balance - beginning of year	\$ 31,904,000	\$ 39,599,000
Maturity of Notes	(5,000,000)	(5,000,000)
Increase (decrease) in unrealized gains	3,094,000	(2,695,000)
Balance - end of year	<u>\$ 29,998,000</u>	<u>\$ 31,904,000</u>

# 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, 2019

### 7. Financial instruments by category

The following table presents the carrying amounts of the Foundation's financial assets by category as at December 31, 2019 and December 31, 2018. All of the Foundation's financial liabilities as at December 31, 2019 and December 31, 2018 were measured at amortized cost.

As at December 31, 2019

#### Financial assets at fair value

	<u>FVTPL</u>	<u>Designated at FVTPL</u>	<u>Financial assets at amortized cost</u>	<u>Total</u>
Investments	\$1,035,407,314	\$29,998,000	\$ -	\$1,065,405,314
Cash	-	-	-	-
Accrued interest	-	-	3,700,584	3,700,584
Dividends receivable	-	-	277,267	277,267
Government grants receivable	-	-	1,070,490	1,070,490
Receivables for securities sold	-	-	2,091,468	2,091,468
	<u>\$1,035,407,314</u>	<u>\$29,998,000</u>	<u>\$7,139,809</u>	<u>\$1,072,545,123</u>

As at December 31, 2018

#### Financial assets at fair value

	<u>FVTPL</u>	<u>Designated at FVTPL</u>	<u>Financial assets at amortized cost</u>	<u>Total</u>
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>

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.

# 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, 2019

### 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>	<b>For the year ended December 31, 2019</b>	<i>For the year ended December 31, 2018</i>
Balance, beginning of year	<b>\$3,255,153</b>	\$ 8,228,194
Interest and dividend income after maturity date	<b>12,744,541</b>	626,839
Investment income earned on fund balance	<b>102,576</b>	54,228
Return of sales charges	<b>(469,228)</b>	(269,929)
Net change in unrealized gains (losses)	<b>107,197</b>	(26,154)
Additional educational assistance payments	<b>(4,573,010)</b>	(5,358,025)
Balance, end of year	<b>\$11,167,229</b>	\$ 3,255,153

<i>Funds for Enrichment</i>	<b>For the year ended December 31, 2019</b>	<i>For the year ended December 31, 2018</i>
Balance, beginning of year	<b>\$131,765</b>	\$ 116,212
Interest and dividend income after maturity date	<b>151,069</b>	24,473
Investment income earned on fund balance	<b>2,794</b>	2,063
Return of sales charges	<b>(15,238)</b>	(10,983)
Balance, end of year	<b>\$270,390</b>	\$ 131,765

### 10. Education assistance payments

	<b>2019</b>	<b>2018</b>
Number of units		
First scholarship	<b>22,145</b>	19,242
Second scholarship	<b>17,372</b>	16,251
Third scholarship	<b>14,150</b>	12,400
Amount of scholarships per unit		
First scholarship	<b>\$460</b>	\$500
Second scholarship	<b>\$441</b>	\$500
Third scholarship	<b>\$462</b>	\$500

The education assistance payments comprise the specified per unit scholarship payments as well as additional payments of \$2,227,097 (2018 - \$2,135,546) for students where the qualifying programs are less than four full years.

The Foundation also made education assistance payments of \$602,000 (2018 - \$642,345) and \$205,592 (2018 - \$184,055) 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 \$245,669 (2018 - \$211,359). During the year, scholarships for late applications totaling \$1,535,270 were paid based on the 2018 Scholarship rate. Total scholarships paid in 2019 for 53,667 units (2018 - 47,893 units) of \$460 per unit (2018 - \$500) for the first scholarship, \$441 per unit (2018 - \$500) for the second scholarship and \$462 per unit (2018 - \$500) for the third scholarship, net of the above adjustments, and including the payments of \$2,227,097 (2018 - \$2,135,546), \$602,000 (2018 - \$642,348) and \$205,592 (2018 - \$184,055) for programs less than 4 years, payments under the self-initiated option and Achievers plans respectively, were \$28,709,530 (2018 - \$27,095,886)

# 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, 2019

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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, 2019 and December 31, 2018 are as follows:

	<b><u>For the year ended</u></b> <b><u>December 31, 2019</u></b>	<u>For the year ended</u> <u>December 31, 2018</u>
<i>Paid directly by subscriber</i>		
Sales charges	<b>\$ 2,067,963</b>	\$ 2,389,440
Group insurance premiums	<b>2,047,676</b>	2,199,432
Depository fees	<b>1,117,618</b>	1,169,452
Annual administration fees on subscriber deposits	<b>4,991,945</b>	5,071,354
Service charges	<b>1,080,395</b>	1,129,819
<i>Deducted from Foundation's income</i>		
Administration fees	<b>\$ 698,421</b>	\$ 569,360

#### *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, 2019 were \$31,744 (2018 - \$ 31,302).

# THE CHILDREN'S EDUCATIONAL FOUNDATION OF CANADA

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## Schedule of Scholarship and Escrow Agreements

December 31, 2019 (Unaudited)

Year of eligibility	Opening units	Inflow units <sup>1</sup>	Outflow units <sup>2</sup>	Closing units	Principal deposits	Investment income	Government grants	Investment income on government grants
Plans eligible for assistance payments						\$23,335,617	\$22,883,952	\$17,990,183
2020	46,349	5	13,989	32,365	\$7,955,492	27,487,629	14,784,325	8,295,608
2021	39,235	11,734	-	50,969	87,896,852	39,079,467	23,194,499	11,348,636
2022	39,908	10	-	39,918	66,672,919	25,989,806	17,840,093	7,319,493
2023	42,751	28	238	42,541	65,206,996	23,353,648	20,469,016	7,939,957
2024	43,295	4	391	42,908	58,929,077	19,904,977	20,590,246	8,192,172
2025	42,123	15	572	41,566	52,578,194	16,102,594	19,200,451	7,065,818
2026	36,397	59	342	36,114	41,951,213	11,317,998	15,422,800	5,048,983
2027	32,943	50	472	32,521	34,064,162	8,244,895	12,853,237	3,815,319
2028	29,195	85	638	28,642	27,062,903	5,750,619	10,392,680	2,823,526
2029	26,386	66	500	25,952	21,622,751	4,029,968	8,591,464	2,082,753
2030	23,718	132	481	23,369	16,883,072	2,724,872	6,930,077	1,487,528
2031	20,762	160	564	20,358	12,572,047	1,636,799	5,199,245	897,423
2032	16,076	151	421	15,806	8,277,084	872,231	3,509,630	496,883
2033	12,689	328	336	12,681	4,968,923	420,624	2,262,527	269,177
2034	10,755	409	457	10,707	3,092,663	222,392	1,528,072	137,587
2035	9,197	507	550	9,154	1,622,445	94,732	1,007,140	66,725
2036	7,621	1,114	435	8,300	753,087	38,664	641,195	32,552
2037	4,430	3,560	1,265	6,725	237,527	7,809	310,282	10,977
2038	-	4,214	116	4,098	56,954	(130)	62,147	(58)
Self-initiated	4,427	1,202	536	5,093	8,392,946	3,977,410	6,075,286	2,416,956
Achievers	49,630	798	5,714	44,714	8,219,532	1,514,961	3,516,201	892,888
	537,887	24,631	28,017	534,501	\$529,016,839	\$216,107,582	\$217,264,565	\$88,631,086

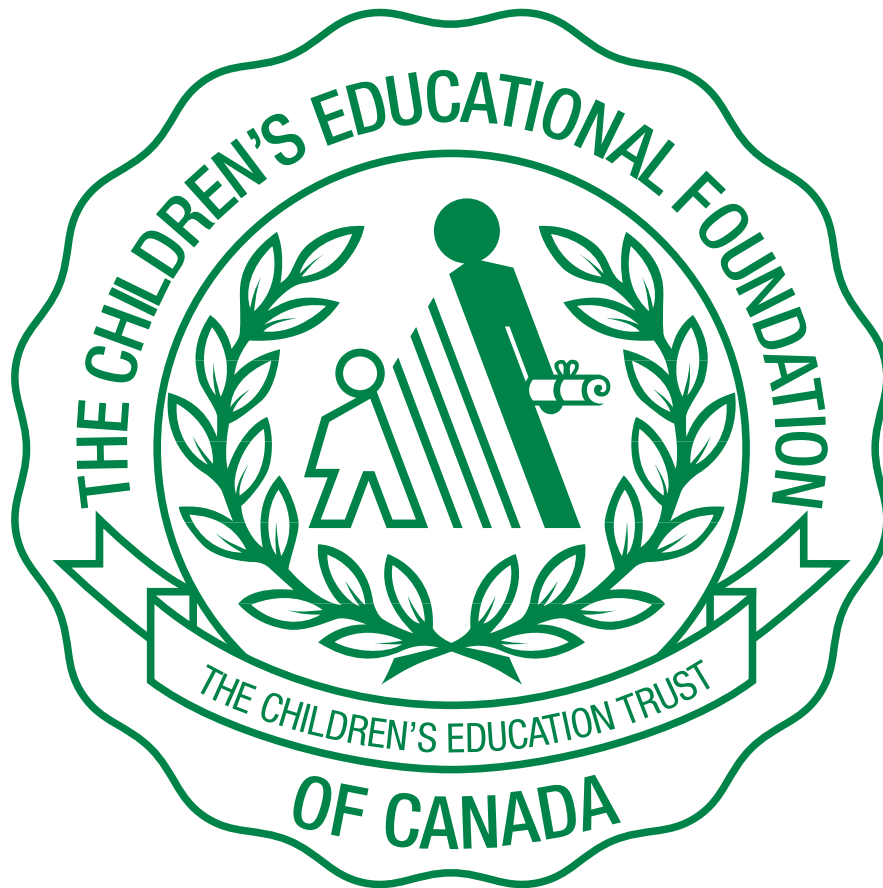
Represented by:

Scholarship agreements	526,692,357	214,938,668
Escrow agreements	2,324,482	1,168,914
	<u>\$529,016,839</u>	<u>\$216,107,582</u>

Note: Subscriber deposits held are fully refundable to subscribers

<sup>1</sup> Inflow units are comprised of purchases and transfers-in

<sup>2</sup> Outflow units are comprised of terminations and transfers-out



THE CHILDREN'S EDUCATION  
TRUST OF CANADA

Offered to the public by  
CHILDREN'S EDUCATION FUNDS INC.

Administered by

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