
Financial statements of
The Foundation of Greater Montreal
Investment Fund

December 31, 2017 and December 31, 2016

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Independent Auditor's Report

To the holders of redeemable units of
The Foundation of Greater Montreal Investment Fund

We have audited the accompanying financial statements of The Foundation of Greater Montreal Investment Fund, which comprise the statements of financial position as at December 31, 2017 and as at December 31, 2016, and the statements of net income and comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended December 31, 2017 and December 31, 2016, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Deloitte LLP

March 29, 2018

¹ CPA auditor, CA, public accountancy permit No. A125888

The Foundation of Greater Montreal Investment Fund
Statements of financial position


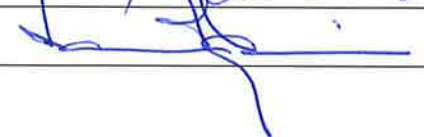
As at December 31, 2017 and as at December 31, 2016

(In thousands of Canadian dollars, except for number of redeemable units outstanding and amounts per redeemable unit)

	2017	2016
	\$	\$
Assets		
Cash	17,529	13,599
Investments	236,648	189,489
	254,177	203,088
Net assets attributable to holders of redeemable units		
	254,177	203,088
Number of redeemable units outstanding		
Balance, beginning of year	165,398.989	154,810.814
Contributions	34,203.981	9,310.911
Reinvested distributions	34,437.635	8,175.573
Withdrawals	(7,296.035)	(6,898.309)
Balance, end of year	226,744.570	165,398.989
	\$	\$
Net assets per redeemable unit		
	1,120.984	1,227.870

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

Approved by the Board


 _____, Director

 _____, Director

The Foundation of Greater Montreal Investment Fund
Statements of net income and comprehensive income

For the years ended December 31, 2017 and December 31, 2016

(In thousands of Canadian dollars, except for number of redeemable units outstanding and amounts per redeemable unit)

	Notes	2017	2016
		\$	\$
Income			
Interest		33	3,859
Dividends		85	2,856
Income from pooled funds		8,329	—
Other income		28	—
		8,475	6,715
Expenses			
Management fees	3	1,093	944
Income taxes withheld on dividend income		—	110
Transaction costs		33	38
		1,126	1,092
Net investment income		7,349	5,623
Realized net gains on disposal of investments		32,066	4,381
Unrealized change in fair value of investments		(20,557)	4,605
Increase in net assets attributable to holders of redeemable units		18,858	14,609
Average number of redeemable units outstanding		174,360.226	155,518.294
		\$	\$
Increase in net assets attributable to holders of redeemable units per unit		108.155	93.938

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

The Foundation of Greater Montreal Investment Fund
Statements of changes in net assets attributable to holders of redeemable units
For the years ended December 31, 2017 and December 31, 2016
(In thousands of Canadian dollars)

	2017	2016
	\$	\$
Net assets attributable to holders of redeemable units, beginning of year	203,088	185,307
Contributions, reinvested distributions and withdrawals		
Contributions	41,460	11,541
Reinvested distributions	39,763	9,994
Withdrawals	(9,229)	(8,369)
	71,994	13,166
Increase in net assets attributable to holders of redeemable units	18,858	14,609
Distributions to unitholders	(39,763)	(9,994)
Net assets attributable to holders of redeemable units, end of year	254,177	203,088

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

The Foundation of Greater Montreal Investment Fund
Statements of cash flows

For the years ended December 31 2017, and December 31, 2016
(In thousands of Canadian dollars)

	<u>2017</u>	<u>2016</u>
	\$	\$
Operating activities		
Increase in net assets attributable to holders of redeemable units	18,858	14,609
Adjustments for:		
Realized net gains on disposal of investments	(32,066)	(4,381)
Unrealized change in fair value of investments	20,557	(4,605)
Net investment acquisitions	(35,650)	(1,665)
	(28,301)	3,958
Financing activities		
Contributions	41,460	11,541
Withdrawals	(9,229)	(8,369)
	32,231	3,172
Increase in cash	3,930	7,130
Cash balance, beginning of year	13,599	6,469
Cash balance, end of year	17,529	13,599

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

The Foundation of Greater Montreal Investment Fund

Statement of investment portfolio

As at December 31, 2017

(In Canadian dollars except unit amounts)

	Number of units	Average cost \$	Fair value \$
Pooled funds (92.3 %)			
Fixed income funds (35.5%)			
Mercer Universe Bond Fund	6,495,206	68,794,934	64,861,123
Mercer Opportunistic Fixed Income	2,162,701	24,179,255	23,889,190
Mercer Money Market Fund	170,536	1,705,359	1,705,359
HRS Holdings Ltd.	278	35,898	—
		<u>94,715,446</u>	<u>90,455,672</u>
Canadian equity funds (13.3%)*			
WindWise S&P/TSX Composite Index NL FD	3,510,884	32,238,839	33,736,088
Foreign equity funds (43.5%)			
Mercer Global Low Volatility Equity Fund	1,407,204	23,577,348	23,394,775
SSGA MSCI Emerging Markets Index NT CTF	527,730	16,822,829	19,961,078
SSGA MSCI EAFE Small Cap Index NL	485,261	8,760,424	10,051,745
UBS (Lux) Equity Fund – Global Sustainable (USD) (CAD) I-X-acc	76,247	8,850,000	12,108,801
WindWise MSCI EAFE Index NL Fund for Exempt Organizations	1,228,894	11,989,645	12,102,143
Mercer Canada U.S. Passive Equity Fund	830,927	12,587,117	11,932,937
SSGA Russel 2000 Index NL CTF	145,508	9,832,353	9,330,112
RBC Global Equity Focus Fund	714,278	11,966,136	11,605,440
		<u>104,385,852</u>	<u>110,487,031</u>
Total pooled funds		<u>231,340,137</u>	<u>234,678,791</u>
Limited partnership (0.8%)			
Greystone Real Estate	168,598	1,966,162	1,969,568
Cash and other net assets elements (6.9 %)			<u>17,528,494</u>
Net assets (100.0 %)			<u>254,176,853</u>

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

1. Description of the fund

The Foundation of Greater Montreal Investment Fund (the "Fund") was created under the laws of the Province of Québec by a declaration of trust dated July 5, 2001.

The Fund is domiciled in Canada and its registered office is 505 René-Lévesque Boulevard West, Suite 1000, Montréal, Québec, H2Z 1Y7.

The Foundation of Greater Montreal (the FGM) acts as the Fund Manager and the National Bank Trust as Trustee and Mercer Global Investment Canada Limited as the main external investment manager.

These financial statements were approved by the Board on March 28, 2018.

2. Accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the significant accounting policies are as follows:

Basis of evaluation

These financial statements have been prepared using fair value.

Investment fund

The Fund is an investment entity as described in IFRS 10, *Consolidated Financial Statements* (IFRS 10), as the following conditions are met:

- (a) The Fund obtains capital from many investors to manage their funds;
- (b) The Fund commits to its investors that its investment activities aim to generate returns and provide investment income in accordance with its mission; and
- (c) The Fund measures and evaluates the performance of its investments on a fair value basis.

Financial instruments

The Fund classifies its financial instruments by category depending on their nature and their characteristics. Management determines the classification at initial recognition, which generally corresponds to the transaction date. As a result, the Fund has classified its financial assets as follows:

- Cash is classified as loans and receivables and is measured at amortized cost using the effective interest rate method;
- Investments are classified as financial assets at fair value through profit or loss (FVTPL) and are reported at fair value. Revaluation gains and losses are included in the unrealized change in fair value of investments.

Transaction costs related to financial assets at FVTPL are expensed as incurred.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

2. Accounting policies (continued)

Valuation of investments

Investments are recorded at fair value in the statements of financial position. 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 money market securities corresponds to their acquisition cost plus accrued interest.
- The fair value of bonds, listed shares, index equivalents and options on bonds is valued at the closing price at the date of the financial statements, provided it is between the bid and ask prices.
- The pooled funds do not have a quoted market price in an active market. The fair value is based on the unit value provided by the fund manager, which is determined based on the fair value of the underlying investments of each fund.

Recognition of investment income

Investment transactions are recorded on trade date. Interest income is recognized as it is earned and dividend income is recorded on the ex-dividend date. Gains and losses on disposal of investments and unrealized changes in fair value of investments are calculated using the average cost method.

Allocation to holders of redeemable units

The allocation to holders of redeemable units of net investment income and realized net capital gains on disposal of investments are calculated on the last day of the evaluation period indicated below. At that time, these amounts are paid to the Fund's holders of redeemable units of record at the previous valuation day, in proportion to the units they hold.

Net investment income	Monthly allocation
Realized net gains on disposal of investments	Yearly allocation in December of each year

Valuation of redeemable units

The unit value of redeemable units is determined on the last business day of each month by dividing the net asset value of the Fund by the total number of redeemable units outstanding on that date.

Foreign currency translation

The fair values of investments and other assets in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the date of the statements of financial position.

Purchases and sales of investments as well as investment income in foreign currencies are translated into Canadian dollars at the exchange rate in effect on the date of the transaction. Realized gains or losses are recorded in income for the year and reported as gains or losses on disposal of investments. Unrealized gains or losses are recorded in income for the year and are included in the unrealized change in fair value of investments.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

2. Accounting policies (continued)

Use of estimates

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of net assets attributable to holders of redeemable units, as well as disclosures of contingent assets and liabilities at the date of the financial statements, and reported amounts of investment income and expenses during the reporting period. Actual results could differ from these estimates.

IFRS issued but not yet effective

The relevant accounting standards that have not yet been adopted by the Fund, and for which the Fund is assessing their impact on its financial statements, are as follows:

IFRS 9, Financial Instruments (revised in 2014) (Effective for fiscal years beginning on January 1, 2018)

In July 2014, the International Accounting Standards Board finalized the reform of the accounting for financial instruments and issued IFRS 9 (revised in 2014), which contains the requirements for: a) classification and measurement of financial assets and financial liabilities; b) the impairment method; and c) general hedge accounting. IFRS 9 (revised in 2014) will replace IAS 39, *Financial Instruments – Recognition and Measurement* on its effective date. The Fund is currently evaluating the impact this standard will have on its financial statements and does not anticipate any significant impact.

3. Management fees

Management fees charged by the Fund Manager were \$1,093,355 (\$944,181 in 2016), representing annual administrative fees of 0.5% (0.5% in 2016) of the fair value of managed funds, payable in monthly instalments, according to the number of days in the month. These fees are used to pay the investment management fees, trustee fees and various charges.

4. Income taxes

The Fund meets the definition of a mutual fund trust under the *Income Tax Act* (Canada). All net investment income of the Fund for tax purposes and a sufficient share of net gains on disposal of investments during any period must be distributed to unitholders of redeemable units so that the Fund has no tax liability. The Fund therefore recognizes no income taxes.

The Fund is currently subject to withholding taxes on investment income and capital gains in some foreign countries. These revenue and gains are recognized at the gross income amount and withholding taxes relating thereto are presented as a separate charge in the statements of net income and comprehensive income.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

5. Financial instruments and financial risk management

The Fund's investment activities expose it to certain financial risks. The Fund Manager minimizes these risks by entrusting the management of the Fund's portfolio to experienced investment advisors who manage it day-to-day in accordance with market events and the Fund's investment policy.

The Fund has determined that all its investments in underlying funds and mortgage/asset-backed securities are investments in unconsolidated structured entities. The Fund may invest in unconsolidated structured entities to achieve capital growth. The underlying funds are managed by asset managers that apply various investment strategies to accomplish their objectives. The Fund's investments in underlying funds are subject to the terms and conditions of the respective underlying funds and are susceptible to market price risk arising from uncertainty about the future values of those underlying funds. The Fund's maximum exposure to loss from their interests in unconsolidated structured entities is equal to the total carrying value of their investments in unconsolidated structured entities. The statement of investment portfolio presents the carrying value of funds invested in unconsolidated structured entities.

Market risk

Market risk is the risk of loss resulting from changes in market prices, interest rates or foreign exchange rates.

(a) Price risk

Price risk is the risk of change in the value of a financial instrument resulting from a change in market prices caused by factors specific to the security, its issuer or any other factor concerning a market or market segment. The Fund is exposed to price risk since all of its investments are exposed to market factor volatility and to the risk of capital loss. The maximum risk to which financial instruments are exposed is equal to their fair value.

The following table presents the impact on the Fund's net assets if the return on the Fund's benchmark index had increased or decreased by 10%, all other things being equal. The impact is presented according to a 36-month historical correlation between the fluctuations in the Fund's return and in the benchmark index's return.

In practice, actual results may differ from this sensitivity analysis and the variance may be significant.

	2017		2016	
	Impact on net assets and results	Percentage of net assets	Impact on net assets and results	Percentage of net assets
	\$	%	\$	%
Composition of the Fund's benchmark index*	21,452,526	8.4	18,988,773	9.4

* In 2017, the composition of the benchmark was the following: Index S&P/TSX Composite (14%), Index FTSE TMX Canada Universe bond (27%), Index Russell 2000 (4%), Index MSCI World (20%), Index MSCI EAFE (5%), Index MSCI Emerging Markets (8%), FTSE TMX Canada 91-Day Tbill Index (2%), MSCI EAFE small cap (4%), Index RUSSELL 1000 (5%), Index JP Morgan GBI - EM Diversified Global (5%), Index BOFA/ML high yield bonds (5%), REALpac/IPD Canada Quarterly Property Index (1%). In 2016, the composition of the benchmark was the following: Index FTSE TMX Canada bond short-term (10%), Index FTSE TMX Canada Universe bond (40%), Index S&P/TSX RT (20%) and Index MSCI World RT (30%).

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

5. Financial instruments and financial risk management (continued)

Market risk (continued)

(b) Interest rate risk

Changes in interest rates offered on the market expose income securities, such as bonds, to interest rate risk. The Fund, which holds income securities, is therefore exposed to this risk because interest rates in effect on the market have an impact on the fair value of income securities. The Fund's sensitivity to interest rate fluctuations has been assessed based on the weighted-average term of its portfolio.

For 2016, the following table quantifies the interest rate risks related to the investment portfolio held by the Fund.

	<u>2016</u>
	\$
Fixed income securities – by maturity date	
Less than 5 years	<u>214,925</u>

In 2017, the Fund mostly holds interests in pooled funds that hold debt securities. The fair value of these interests may therefore be indirectly exposed to this risk.

(c) Foreign exchange risk

The fluctuations in the value of the Canadian dollar in relation to other currencies have an impact on the value, in Canadian dollars, of foreign securities held by the Fund.

The following table quantifies the foreign exchange risk related to the investment portfolio held by the Fund:

	<u>2017</u>		<u>2016</u>	
	<u>Fair value</u>	<u>Percentage of net assets</u>	<u>Fair value</u>	<u>Percentage of net assets</u>
	\$	%	\$	%
Currencies				
Danish krone	—	—	589,538	0.3
Norwegian krone	—	—	127,578	0.1
American dollar	39,342,935	15.5	20,204,945	9.9
Australian dollar	—	—	330,994	0.2
Singapore dollar	—	—	137,865	0.1
Euro	—	—	7,895,485	3.9
Swiss franc	—	—	1,094,564	0.5
Pound sterling	—	—	1,339,481	0.7
Yen	—	—	2,068,475	1.0
	39,342,935	15.5	<u>33,788,925</u>	<u>16.7</u>

If the Canadian dollar had risen or fallen in value by 5% in relation to all other currencies, all other things being equal, the Fund's net assets and net income would have changed by \$1,967,147 (\$1,689,446 as at December 31, 2016).

The Fund also holds interests in pooled funds that hold foreign securities. The fair value of these interests may therefore be indirectly exposed to this risk.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2017 and December 31, 2016

(In Canadian dollars)

5. Financial instruments and financial risk management (continued)

Credit risk

Credit risk is the risk that a commitment to the Fund will not be respected by the counterparty to a financial instrument. The Fund also holds interests in pooled funds that hold debt securities. The fair value of these interests may therefore be indirectly exposed to this risk. In accordance with the Fund's investment policy, credit risk is regularly monitored by the Fund Manager.

Liquidity risk

Liquidity risk is defined as the risk that an entity may experience difficulties respecting its obligations or commitments and cause the other party thereto to suffer a financial loss. Holders of redeemable units may redeem their units on every valuation day. In accordance with securities regulations, at least 90% of a portfolio's assets must be composed of liquid investments traded on active markets that can easily be disposed by the Fund. Since the Fund invests on active markets, it can sell its assets on short notice. The Fund maintains a level of cash and short-term investments that the Fund Manager deems to be sufficient to maintain necessary liquidities.

Fair value hierarchy

For presentation purposes, financial instruments must be classified according to a hierarchy of fair value measurements. This three-level hierarchy is established based on the following criteria:

Level 1 – fair values based on quoted prices in active markets for identical instruments;

Level 2 – fair values based on quoted market prices for similar instruments or on valuation techniques for which all the significant inputs are derived from observable market data;

Level 3 – fair values based on recognized valuation techniques for which not all significant inputs are derived from observable market data.

The hierarchy that applies in the determination of fair value requires the use of observable market data whenever such data exists. A financial instrument is classified at the lowest level of the hierarchy for which a significant input was taken into account in determining its fair value. The following table presents the breakdown of the securities held by the Fund according to levels.

				2017
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Pooled funds	—	234,678,791	—	234,678,791
Limited partnership	—	—	1,969,568	1,969,568
Total investments	—	234,678,791	1,969,568	236,648,359

The Foundation of Greater Montreal Investment Fund
Notes to the financial statements
December 31, 2017 and December 31, 2016
(In Canadian dollars)

5. Financial instruments and financial risk management (continued)

Fair value hierarchy (continued)

				2016
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Money market	—	214,925	—	214,925
Common shares	68,637,864	—	—	68,637,864
Pooled funds	—	114,169,285	—	114,169,285
Index equivalents	6,466,678	—	—	6,466,678
Total investments	75,104,542	114,384,210	—	189,488,752

During the year ended December 31, 2017, as a result of a change in its investment policy, the Fund sold all Level 1 securities for the purpose of investing in Level 2 pooled funds and Level 3 limited partnership. During the years ended December 31, 2017, and December 31, 2016, there were no significant transfers between Levels 1, 2 and 3.

6. Capital management

The Fund defines its capital as its assets less its liabilities (adjusted to take into account certain factors). The Fund's objective in managing capital is to maintain an optimal structure and preserve the assets of the Fund so that it can continue its activities.

The Fund holds sufficient assets to meet its financial obligations as they arise. The Fund monitors its capital and is required to maintain a level of capital in accordance with its regulatory requirements. For the years ended December 31, 2017 and 2016, the Fund complies with the regulatory requirements.

7. Related party transactions

Through the Fund, the FGM (manager of the Fund) manages its capital in addition to the funds entrusted to it by various entities. The fair value of the funds managed by the Fund for the FGM and the number of redeemable units are as follows:

	2017		2016	
	Number of redeemable units	Fair value	Number of redeemable units	Fair value
		\$		\$
Funds held by FGM	116,385.036	130,465,645	74,969.305	92,049,862
Funds entrusted to the FMG by various entities	110,359.534	123,711,163	90,429.684	111,038,624
	226,744.570	254,176,808	165,398.989	203,088,486

There are no employees in the Fund. Therefore, key management compensation of the Fund was established as the portion of the compensation paid to executives of the FGM to manage the Fund's operations in relation to the time spent managing the Fund. Key management compensation related to the Fund's operations is comprised of salaries only for an amount of \$207,961 (\$209,658 in 2016).

The Foundation of Greater Montreal Investment Fund
Notes to the financial statements
December 31, 2017 and December 31, 2016
(In Canadian dollars)

8. Subsequent events

Close to the year-end, the Fund received a contribution in the amount of \$16,206,545, which significantly increased the cash balance as at December 31, 2017. This contribution was invested in pooled funds in the beginning of fiscal year 2018.