
Financial statements of
The Foundation of Greater Montreal
Investment Fund

December 31, 2018 and December 31, 2017

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Independent Auditor's Report

To the Unitholders of
The Foundation of Greater Montreal Investment Fund

Opinion

We have audited the financial statements of The Foundation of Greater Montreal Investment Fund (the "Fund"), which comprise the statements of financial position as at December 31, 2018 and 2017, 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 then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund 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.

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 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.

In preparing the financial statements, management is responsible for assessing the Fund'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 Fund or to cease operations, or has no realistic alternative but to do so.

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

Auditor's 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 auditor's 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 GAAS 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 these financial statements.

As part of an audit in accordance with Canadian GAAS, 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 Fund'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 Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Fund 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.

We 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.

Deloitte LLP¹

March 27, 2019

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

The Foundation of Greater Montreal Investment Fund
Statements of financial position



As at December 31, 2018 and as at December 31, 2017

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

	2018	2017
	\$	\$
Assets		
Cash	7,529	17,529
Investments	254,946	236,648
	262,475	254,177
Net assets attributable to holders of redeemable units	262,475	254,177
Number of redeemable units outstanding		
Balance, beginning of year	226,744.570	165,398.989
Contributions	26,743.146	34,203.981
Reinvested distributions	12,172.217	34,437.635
Withdrawals	(15,337.661)	(7,296.035)
Balance, end of year	250,322.272	226,744.570
Net assets per redeemable unit	1,048.548	1,120.984

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

Years ended December 31, 2018 and December 31, 2017

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

	Notes	2018	2017
		\$	\$
Income			
Interest		22	33
Dividends		—	85
Income from partnership		86	28
Income from pooled funds		9,741	8,329
		9,849	8,475
Expenses			
Management fees	4	1,300	1,093
Transaction costs		—	33
		1,300	1,126
Net investment income		8,549	7,349
Realized net gains on disposal of investments		4,163	32,066
Unrealized change in fair value of investments		(16,819)	(20,557)
(Decrease) increase in net assets attributable to holders of redeemable units		(4,107)	18,858
Average number of redeemable units outstanding		230,916.435	174,360.226
(Decrease) increase in net assets attributable to holders of redeemable units per unit		(17.786)	108.155

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
Years ended December 31, 2018 and December 31, 2017
(In thousands of Canadian dollars)

	2018	2017
	\$	\$
Net assets attributable to holders of redeemable units, beginning of year	254,177	203,088
Contributions, reinvested distributions and withdrawals		
Contributions	29,780	41,460
Reinvested distributions	12,762	39,763
Withdrawals	(17,375)	(9,229)
	25,167	71,994
(Decrease) increase in net assets attributable to holders of redeemable units	(4,107)	18,858
Distributions to unitholders	(12,762)	(39,763)
Net assets attributable to holders of redeemable units, end of year	262,475	254,177

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

The Foundation of Greater Montreal Investment Fund
Statements of cash flows

Years ended December 31, 2018 and December 31, 2017
(In thousands of Canadian dollars)

	<u>2018</u>	<u>2017</u>
	\$	\$
Operating activities		
(Decrease) increase in net assets attributable to holders of redeemable units	(4,107)	18,858
Adjustments for		
Realized net gains on disposal of investments	(4,163)	(32,066)
Unrealized change in fair value of investments	16,819	20,557
Net investment acquisitions	(30,954)	(35,650)
	(22,405)	(28,301)
Financing activities		
Contributions	29,780	41,460
Withdrawals	(17,375)	(9,229)
	12,405	32,231
Net (decrease) increase in cash	(10,000)	3,930
Cash, beginning of year	17,529	13,599
Cash, end of year	7,529	17,529

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, 2018

(In Canadian dollars, except unit amounts)

	Number of units	Average cost \$	Fair value \$
Pooled funds (94.9%)			
Fixed income funds (38.2%)			
Mercer Universe Bond Fund	7,152,579	75,122,218	69,880,696
Mercer Opportunistic Fixed Income Fund	2,462,998	27,511,751	27,425,478
Mercer Money Market Fund	288,172	2,881,717	2,881,717
HRS Holdings Ltd.	278	35,898	—
		<u>105,551,584</u>	<u>100,187,891</u>
Canadian equity funds (13.6%)			
WindWise S&P/TSX Composite Index NL FD	4,213,136	38,529,239	35,622,066
Foreign equity funds (43.1%)			
Mercer Global Low Volatility Equity Fund	1,539,242	25,838,297	26,156,345
SSGA MSCI Emerging Markets Index NT CTF	549,808	18,804,643	19,267,948
SSGA MSCI EAFE Small Cap Index NL	485,261	10,225,814	8,962,674
UBS (Lux) Equity Fund – Global Sustainable (USD) (CAD) I-X-acc	76,247	8,850,000	12,250,620
Mercer International Equity Fund	1,265,233	12,463,310	11,990,609
Mercer Canada U.S. Passive Equity Fund	1,187,647	16,627,652	12,948,915
SSGA Russel 2000 Index NL CTF	144,946	12,189,169	8,989,228
RBC Global Equity Focus Fund	808,160	13,480,676	12,622,001
		<u>118,479,561</u>	<u>113,188,340</u>
Total pooled funds		<u>262,560,384</u>	<u>248,998,297</u>
Limited partnership (2.3%)			
Greystone Real Estate	483,130	5,862,172	5,947,328
Cash and other net assets elements (2.8%)			<u>7,529,484</u>
Net assets (100.0%)			<u>262,475,109</u>

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(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, the National Bank Trust as the trustee and Mercer Global Investment Canada Limited as the main external investment manager.

These financial statements were approved by the Board on March 27, 2019.

2. Adoption of IFRS 9 Financial Instruments

In the current year, the Fund has applied IFRS 9 *Financial Instruments* (as revised in July 2014) and the related consequential amendments to other IFRSs retrospectively in advance of their effective dates, with the Fund utilizing the provisions allowed in the standard to not restate prior period comparative information. However, the Fund decided to restate comparative information in regards to the classification and the valuations of financial instruments.

Upon adoption of IFRS 9, the Fund's financial assets and liabilities previously classified as at fair value through profit or loss and amortized cost under IAS 39, *Financial Instruments: Recognition and Measurement*, continued to be classified as at fair value through profit or loss and amortized cost, respectively.

(a) Classification and measurement of financial instruments

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is January 1, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that have not been derecognized as at January 1, 2018 and has not applied the requirements to instruments that have already been derecognized as at January 1, 2018.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at amortized cost;
- debt investments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are subsequently measured at fair value through other comprehensive income;
- all other debt investments and equity investments are subsequently measured at fair value through profit or loss.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

2. Adoption of IFRS 9 Financial Instruments (continued)

(a) Classification and measurement of financial instruments (continued)

Financial assets measured at fair value through profit or loss

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income.

Consequently, these financial assets are mandatorily measured at fair value through profit or loss.

Financial assets at amortized cost

The financial assets measured at amortized cost include cash. IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model (ECL) as the new impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss allowance on other receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. Therefore, credit losses can be recognized prior to events influencing the credit occurring. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12-month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material.

(b) Disclosures in relation to the initial application of IFRS 9

The table below illustrates the classification and measurement of financial assets and financial liabilities under IFRS 9 and IAS 39 as at January 1, 2018.

<u>Financial instrument</u>	<u>Category under IAS 39</u>	<u>Category under IFRS 9</u>
Investments	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss
Cash	Loans and receivables	Amortized cost
Net assets attributable to holders of redeemable units	Other financial liabilities	Amortized cost

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

3. Accounting policies (continued)

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 on a fair value basis.

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

Initial recognition

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets when they are classified at amortized cost.

Classification and subsequent valuation

Upon initial recognition, the fund classifies its investment at fair value through profit or loss (FVTPL). Cash is classified in the amortized cost category.

Net assets attributable to holders of redeemable shares are classified as financial liabilities and are presented at redemption value, which equates to fair value.

Transaction costs related to financial assets at FVTPL are recognized when incurred.

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 pooled funds does 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.
- The real estate fund does not have a quoted market price in an active market. The fair value is based on the unit value provided by the Fund Manager, and is based on recognized valuation methods driven from data that is not obtained exclusively from observable markets.
- 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.

Derecognition

The Fund derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or have expired.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

3. Accounting policies (continued)

Recognition of investment income

Investment transactions are recorded on the trade date. Pooled fund revenues are recognized when earned. Interest income is recognized as it is earned and dividend income is recorded on the ex-dividend date. Realized net gains on disposal of investments and unrealized change 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 gains on disposal of investments is 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 recorded 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 are reported as realized net gains 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.

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.

Critical judgments

The following are the critical judgments that management has made in the process of applying the Fund's accounting policies and that have the most significant effect on the amounts recognized in the financial statements.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

3. Accounting policies (continued)

Units classification

As per IAS 32 – *Financial Instruments: Disclosure*, the net assets attributable to holders of redeemable units must be classified as a liability in the statement of financial position, unless all conditions to classify them as equity are met. The net assets attributable to holders of redeemable units are presented as liabilities.

Assessment as investment entity

The Manager has concluded that the Fund meets the definition of an investment entity in conformity with *IFRS 10 – Consolidated Financial Statements* and, therefore, is required to measure its subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely of returns from capital appreciation, investment income or both;
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The main judgment in order to conclude whether the Fund respects the definition mentioned above is the fact that the Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Fair value of the financial instruments

The Fund takes a position when the security price is not part of the bid-ask spread. IFRS stipulate that the Fund must determine the price considered most representative of the fair value based on facts and circumstances. Management has taken a position that when this situation occurs, investments are valued at bid price.

Additionally, management uses judgment in regards to the valuation method of the financial instruments which are not traded on open markets. The method used are the methods that are used in the market.

4. Management fees

Management fees charged by the Fund Manager were \$1,300,455 (\$1,093,355 in 2017), representing annual administrative fees of 0.5% (0.5% in 2017) 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.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

5. 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 realized 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 makes such distributions and 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.

6. 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 its interests in unconsolidated structured entities is equal to the total carrying value of its 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.

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

6. Financial instruments and financial risk management (continued)

Market risk (continued)

(a) Price risk (continued)

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

	2018		2017	
	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*	22,310,384	8.5	21,452,526	8.4

* In 2018, the composition of the benchmark index was the following: S&P/TSX Composite Index (14%) – FTSE Canada Universe Bond Index (26%) – Russell 2000 Index (4%) – MSCI World Index (20%) – MSCI EAFE Index (5%) – MSCI Emerging Markets Index (8%) – FTSE Canada T-Bill 91 Day Index (2%) – MSCI EAFE Small Cap Index (4%) – Russell 1000 Index (5%) – JP Morgan GBI – EM Diversified Global Index (5%) – BOFA/ML High Yield Bonds Index (5%) – REALpac/IPD Canada Quartely Property Index (2%). In 2017, the composition of the benchmark index was the following: S&P/TSX Composite (14%) – FTSE TMX Canada Universe Bond Index (27%) – Russell 2000 Index (4%) – MSCI World Index (20%) – MSCI EAFE Index (5%) – MSCI Emerging Markets Index (8%) – FTSE TMX Canada 91-Day T-Bill Index (2%) – MSCI EAFE Small Cap Index (4%) – Russell 1000 Index (5%) – JP Morgan GBI – EM Diversified Global Index (5%) – BOFA/ML High Yield Bonds Index (5%) – REALpac/IPD Canada Quartely Property Index (1%).

(b) Interest rate risk

Changes in interest rates offered on the market expose income securities, such as fixed income funds, 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 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:

	2018		2017	
	Fair value	Percentage of net assets	Fair value	Percentage of net assets
	\$	%	\$	%
Currency				
American dollar	37,219,862	14.6	39,342,935	15.5

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

6. Financial instruments and financial risk management (continued)

Market risk (continued)

(c) Foreign exchange risk (continued)

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 \$1,860,993 (\$1,967,147 as at December 31, 2017).

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.

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 security 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 Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

6. Financial instruments and financial risk management (continued)

Fair value hierarchy (continued)

The hierarchy that applies in the determination of fair value requires the use of observable market data whenever such data exist. 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.

				2018
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Pooled funds	—	248,998,297	—	248,998,297
Limited partnership	—	—	5,947,328	5,947,328
Total investments	—	248,998,297	5,947,328	254,945,625

				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

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 year ended December 31, 2018, there were no significant transfers between Levels 1, 2 and 3.

Reconciliation of level 3 fair value measurements of financial instruments

The following table only includes financial assets.

	\$
Value as at January 1, 2017	—
Acquisitions	1,966,162
Unrealized change in fair value	3,406
Value as at January 1, 2018	1,969,568
Acquisitions	3,797,838
Unrealized change in fair value	179,922
Value as at December 31, 2018	5,947,328

The Foundation of Greater Montreal Investment Fund

Notes to the financial statements

December 31, 2018 and December 31, 2017

(In Canadian dollars)

7. 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, 2018 and 2017, the Fund complies with the regulatory requirements.

8. 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:

	2018		2017	
	Number of redeemable units	Fair value \$	Number of redeemable units	Fair value \$
Funds held by the FGM	138,952.469	145,690,968	116,385.036	130,465,645
Funds entrusted to the FGM by various entities	111,369.803	116,784,141	110,359.534	123,711,163
	250,322.272	262,475,109	226,744.570	254,176,808

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 composed of salaries only for an amount of \$212,608 (\$207,961 in 2017).