

# Annual Financial Statements – as at December 31, 2016



**ivari**<sup>™</sup> CI Portfolios

ivari CI Canadian Balanced Portfolio



Canada's Investment Company



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# ivari CI Portfolios

## *Independent Auditor's Report*

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To the Unitholders and Trustee of:

ivari CI Balanced Portfolio  
ivari CI Canadian Balanced Portfolio  
ivari CI Conservative Portfolio  
ivari CI Growth Portfolio  
ivari CI Maximum Growth Portfolio  
(collectively the "Funds")

We have audited the accompanying financial statements of each of the Funds, which comprise the statements of financial position as at December 31, 2016 and 2015 and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended and the related notes, which comprise 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 the financial statements of each of the Funds 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 the financial statements of each of the Funds 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 audits 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 each of our audits is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the financial statements of each of the Funds present fairly, in all material respects, the financial position of each of the Funds as at December 31, 2016 and 2015 and the financial performance and cash flows of each of the Funds for the years then ended in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants  
Toronto, Ontario  
March 15, 2017

# ivari CI Canadian Balanced Portfolio

## Financial Statements

### Statements of Financial Position

as at December 31

(in \$000's except for per unit amounts and units outstanding)

	2016	2015
<b>Assets</b>		
<b>Current assets</b>		
Investments*	83,132	74,124
Cash	532	377
Fees rebate receivable	1	-
Dividends receivable	11	-
Interest receivable	-	-
Receivable for distribution from investments	331	-
Receivable for investments sold	-	-
Receivable for unit subscriptions	10	51
	84,017	74,552
<b>Liabilities</b>		
<b>Current liabilities</b>		
Bank overdraft	-	-
Payable for investments purchased	-	-
Payable for unit redemptions	217	314
Distributions payable to holders of redeemable units	1	-
	218	314
<b>Net assets attributable to holders of redeemable units</b>	83,799	74,238
*Investments at cost	76,087	66,341
<b>Net assets attributable to holders of redeemable units per unit:</b>		
Class I	11.08	11.17
<b>Number of redeemable units outstanding:</b>		
Class I	7,565,507	6,648,573

### Statements of Comprehensive Income

for the years ended December 31

(in \$000's except for per unit amounts and number of units)

	2016	2015
<b>Income</b>		
Net gain (loss) on investments and derivatives		
Dividends	11	-
Interest for distribution purposes	2	3
Income distributions from investments	1,642	1,960
Capital gain distributions from investments	1,913	1,539
Net realized gain (loss) on sale of investments and derivatives	1,850	825
Change in unrealized appreciation (depreciation) in value of investments and derivatives	(738)	(2,693)
<b>Total net gain (loss) on investments and derivatives</b>	4,680	1,634
Other income		
Foreign exchange gain (loss) on cash	-	-
Fees rebate (Note 5)	978	938
<b>Total other income</b>	978	938
<b>Total income</b>	5,658	2,572
<b>Expenses</b>		
Management and administration fees (Note 5)	-	-
Commissions and other portfolio transaction costs	1	-
Harmonized sales tax	-	-
<b>Total expenses</b>	1	-
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	5,657	2,572
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit:</b>		
Class I	0.84	0.41
<b>Weighted average number of units:</b>		
Class I	6,739,385	6,248,507

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

# ivari CI Canadian Balanced Portfolio

## Financial Statements

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

for the years ended December 31 (in \$000's)

	2016	2015
<b>Class I</b>		
<b>Net assets attributable to holders of redeemable units at the beginning of year</b>	74,238	74,273
Increase (decrease) in net assets attributable to holders of redeemable units	5,657	2,572
<b>Distributions to holders of redeemable units</b>		
From net investment income	(2,887)	(2,901)
From net realized gains	(3,515)	(2,364)
Return of capital	-	-
<b>Total distributions to holders of redeemable units</b>	(6,402)	(5,265)
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	13,292	7,181
Reinvestment of distributions to holders of redeemable units	6,402	5,265
Redemption of redeemable units	(9,388)	(9,788)
<b>Net increase (decrease) from redeemable unit transactions</b>	10,306	2,658
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	9,561	(35)
<b>Net assets attributable to holders of redeemable units at the end of year</b>	83,799	74,238

### Statements of Cash Flows

for the years ended December 31 (in \$000's)

	2016	2015
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	5,657	2,572
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(1,850)	(825)
Unrealized foreign exchange (gain) loss on cash	-	-
Commissions and other portfolio transaction costs	1	-
Change in unrealized (appreciation) depreciation in value of investments and derivatives	738	2,693
Proceeds from sale and maturity of investments and derivatives	21,690	5,118
Purchase of investments and derivatives	(26,363)	(4,010)
Non-cash distributions from investments	(3,555)	(3,499)
(Increase) decrease in dividends receivable	(11)	-
(Increase) decrease in interest receivable	-	-
Change in other accounts receivable and payable	(1)	-
<b>Net cash from (used in) operating activities</b>	(3,694)	2,049
<b>Cash flows from (used in) financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	1	(2)
Proceeds from issuance of redeemable units	13,333	7,171
Amounts paid on redemption of redeemable units	(9,485)	(9,704)
<b>Net cash from (used in) financing activities</b>	3,849	(2,535)
Unrealized foreign exchange gain (loss) on cash	-	-
Net increase (decrease) in cash	155	(486)
Cash (bank overdraft), beginning of year	377	863
<b>Cash (bank overdraft), end of year</b>	532	377
<b>Supplementary Information:</b>		
Dividends received, net of withholding tax*	-	-
Interest received, net of withholding tax*	2	3
Dividends paid*	-	-
Interest paid*	-	-

\*Dividends and interest received as well as dividends and interest paid relate to operating activities of the Fund.  
The accompanying notes are an integral part of these financial statements.

# ivari CI Canadian Balanced Portfolio

Schedule of Investment Portfolio as at December 31, 2016

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
<b>FUNDS (96.4%)</b>			
284,035	Cambridge Canadian Dividend Corporate Class (A Shares) <sup>†</sup>	3,033,352	3,272,078
425,301	Cambridge Canadian Equity Corporate Class (A Shares) <sup>†</sup>	5,627,865	7,651,160
228,334	Cambridge Global Equity Corporate Class (A Shares) <sup>†</sup>	2,813,535	3,822,303
297,889	Cambridge Income Corporate Class (A Shares) <sup>†</sup>	3,134,031	3,738,512
154,766	CI American Value Corporate Class (A Shares) <sup>†</sup>	2,057,029	2,954,490
260,870	CI Canadian Investment Corporate Class (A Shares) <sup>†</sup>	4,817,156	5,890,434
304,542	CI Income Fund (Class C) <sup>†</sup>	3,741,432	3,541,828
123,051	CI International Value Corporate Class (A Shares) <sup>†</sup>	1,451,942	1,858,075
2,075,887	Foresters Asset Management Canadian Bond Pool	20,847,073	20,507,899
212,708	Harbour Corporate Class (A Shares) <sup>†</sup>	5,512,093	5,562,320
882,486	Signature Canadian Bond Fund (Class I) <sup>†</sup>	9,403,214	9,257,283
328,991	Signature Corporate Bond Fund (Class I) <sup>†</sup>	3,542,485	3,536,656
113,186	Signature Select Canadian Corporate Class (A Shares) <sup>†</sup>	2,514,618	3,000,559
356,049	Synergy Canadian Corporate Class (A Shares) <sup>†</sup>	5,326,347	6,227,296
		<b>73,822,172</b>	<b>80,820,893</b>
<b>EXCHANGE-TRADED FUND (2.8%)</b>			
81,425	First Asset MSCI World Low Risk Weighted ETF <sup>††</sup>	2,265,983	2,311,249
<b>Commissions and other portfolio transaction costs</b>			
		(814)	
	<b>Total Investments (99.2%)</b>	<b>76,087,341</b>	83,132,142
	<b>Other Net Assets (Liabilities) (0.8%)</b>		666,631
	<b>Net Assets Attributable to Holders of Redeemable Units (100.0%)</b>		<b>83,798,773</b>

<sup>†</sup>The Fund invests in Underlying Funds. The Fund and the Underlying Funds are commonly managed by CI Investments Inc.

<sup>††</sup>The Fund invests in Underlying Fund that is managed by First Asset Investment Management Inc. CI Investments Inc., the Manager of the Fund, and First Asset Investment Management Inc. are both controlled by CI Financial Corp.

Percentages shown in brackets relate investments at fair value to net assets attributable to holders of redeemable units of the Fund.

# ivari CI Canadian Balanced Portfolio

## Fund Specific Notes to Financial Statements

### Financial Instruments by Category (Note 2)

The following tables present the carrying amounts of the Fund's financial instruments by category:

as at December 31, 2016

	Held for Trading (in \$000's)	Financial Assets/ Liabilities as FVTPL Designated at Inception (in \$000's)	Total (in \$000's)	Financial Assets/ Liabilities at Amortized Cost (in \$000's)	Total (in \$000's)
<b>Assets</b>					
Investments	-	83,132	83,132	-	83,132
Cash	-	-	-	532	532
Fees rebate receivable	-	-	-	1	1
Dividends receivable	-	-	-	11	11
Interest receivable	-	-	-	-	-
Receivable for distribution from investments	-	-	-	331	331
Receivable for investments sold	-	-	-	-	-
Receivable for unit subscriptions	-	-	-	10	10
	-	83,132	83,132	885	84,017
<b>Liabilities</b>					
Bank overdraft	-	-	-	-	-
Payable for investments purchased	-	-	-	-	-
Payable for unit redemptions	-	-	-	217	217
Distributions payable to holders of redeemable units	-	-	-	1	1
	-	-	-	218	218

as at December 31, 2015

	Held for Trading (in \$000's)	Financial Assets/ Liabilities as FVTPL Designated at Inception (in \$000's)	Total (in \$000's)	Financial Assets/ Liabilities at Amortized Cost (in \$000's)	Total (in \$000's)
<b>Assets</b>					
Investments	-	74,124	74,124	-	74,124
Cash	-	-	-	377	377
Fees rebate receivable	-	-	-	-	-
Dividends receivable	-	-	-	-	-
Interest receivable	-	-	-	-	-
Receivable for distribution from investments	-	-	-	-	-
Receivable for investments sold	-	-	-	-	-
Receivable for unit subscriptions	-	-	-	51	51
	-	74,124	74,124	428	74,552
<b>Liabilities</b>					
Bank overdraft	-	-	-	-	-
Payable for investments purchased	-	-	-	-	-
Payable for unit redemptions	-	-	-	314	314
Distributions payable to holders of redeemable units	-	-	-	-	-
	-	-	-	314	314

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

# ivari CI Canadian Balanced Portfolio

## Fund Specific Notes to Financial Statements

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### Net Gain (Loss) on Financial Instruments (Note 2)

for the years ended December 31 (in \$000's)

The following table presents the net gain (loss) on financial instruments at FVTPL by category.

	2016	2015
<b>Financial Instruments at FVTPL</b>		
Held for trading	-	-
Designated at fair value through profit or loss	4,680	1,634
<b>Total</b>	<b>4,680</b>	<b>1,634</b>

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



# ivari CI Canadian Balanced Portfolio

## Fund Specific Notes to Financial Statements

### Interest in Non-Consolidated Structured Entities (Note 2)

The following tables present the Fund's interest in Non-Consolidated Structured Entities.

as at December 31, 2016

Non-Consolidated Structured Entities	Fair Value of the Underlying Funds / ETFs (in \$000's)	Fair Value of the Fund's Investment in the Underlying Funds / ETFs (in \$000's)	Ownership in the Underlying Funds / ETFs (%)
Foresters Asset Management Canadian Bond Pool	211,046	20,508	9.7
First Asset MSCI World Low Risk Weighted ETF	44,118	2,311	5.2
Cambridge Canadian Dividend Corporate Class	94,038	3,272	3.5
CI Canadian Investment Corporate Class	493,266	5,891	1.2
Harbour Corporate Class	725,319	5,562	0.8
Cambridge Income Corporate Class	441,489	3,739	0.8
Synergy Canadian Corporate Class	1,226,417	6,227	0.5
CI American Value Corporate Class	639,966	2,954	0.5
CI International Value Corporate Class	493,626	1,858	0.4
Signature Canadian Bond Fund	3,082,104	9,257	0.3
Signature Select Canadian Corporate Class	1,053,440	3,001	0.3
Cambridge Canadian Equity Corporate Class	4,676,744	7,651	0.2
Cambridge Global Equity Corporate Class	1,935,781	3,822	0.2
Signature Corporate Bond Fund	3,190,552	3,537	0.1
CI Income Fund	7,974,545	3,542	-

as at December 31, 2015

Non-Consolidated Structured Entities	Fair Value of the Underlying Funds / ETFs (in \$000's)	Fair Value of the Fund's Investment in the Underlying Funds / ETFs (in \$000's)	Ownership in the Underlying Funds / ETFs (%)
AEGON Capital Management Canadian Bond Pool	214,176	21,444	10.0
Cambridge Income Corporate Class	452,672	3,744	0.8
CI Canadian Investment Corporate Class	857,797	4,838	0.6
CI American Value Corporate Class	814,103	4,698	0.6
Synergy Canadian Corporate Class	1,127,720	5,122	0.5
Harbour Corporate Class	1,217,673	4,399	0.4
Signature Canadian Bond Fund	3,235,041	8,688	0.3
Signature Select Canadian Corporate Class	1,579,061	4,259	0.3
CI International Value Corporate Class	514,686	1,625	0.3
Cambridge Global Equity Corporate Class	1,912,660	3,173	0.2
Cambridge Canadian Equity Corporate Class	4,114,856	6,125	0.1
Signature High Income Fund	9,456,719	6,009	0.1

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

# ivari CI Canadian Balanced Portfolio

## Fund Specific Notes to Financial Statements

### Commissions (Note 2)

for the years ended December 31 (in \$000's)

	2016	2015
Brokerage commissions	1	-
Soft dollar commissions <sup>†</sup>	-	-

### Redeemable Unit Transactions (Note 4)

for the years ended December 31

	2016	2015
<b>Class I</b>		
<b>Number of redeemable units at the beginning of year</b>	6,648,573	6,391,945
Redeemable units issued for cash	1,166,434	597,781
Redeemable units issued for reinvested distributions	577,767	471,497
Redeemable units redeemed	(827,267)	(812,650)
<b>Number of redeemable units at the end of year</b>	<b>7,565,507</b>	<b>6,648,573</b>

### Management and Administration Fees (Note 5)

as at December 31, 2016 (%)

<b>Annual management and administration fee rate:</b>	Paid directly by investor
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### Loss Carry Forwards (Note 6)

as at December 31 (in \$000's)

	2016
<b>Net capital loss carried forward:</b>	-
<b>Non-capital losses expiring:</b>	
2026	-
2027	-
2028	-
2029	-
2030	-
2031	-
2032	-
2033	-
2034	-
2035	-
2036	-
<b>Total</b>	<b>-</b>

### Related Party Investments (Note 8)

as at December 31 (in \$000's)

Investments	2016
Cambridge Canadian Dividend Corporate Class (A Shares)	3,272
Cambridge Canadian Equity Corporate Class (A Shares)	7,651
Cambridge Global Equity Corporate Class (A Shares)	3,822
Cambridge Income Corporate Class (A Shares)	3,739
CI American Value Corporate Class (A Shares)	2,954
CI Canadian Investment Corporate Class (A Shares)	5,891
CI Income Fund (Class C)	3,542
CI International Value Corporate Class (A Shares)	1,858
First Asset MSCI World Low Risk Weighted ETF	2,311
Harbour Corporate Class (A Shares)	5,562
Signature Canadian Bond Fund (Class I)	9,257
Signature Corporate Bond Fund (Class I)	3,537
Signature Select Canadian Corporate Class (A Shares)	3,001
Synergy Canadian Corporate Class (A Shares)	6,227

Investments	2015
Cambridge Canadian Equity Corporate Class (A Shares)	6,125
Cambridge Global Equity Corporate Class (A Shares)	3,173
Cambridge Income Corporate Class (A Shares)	3,744
CI American Value Corporate Class (A Shares)	4,698
CI Canadian Investment Corporate Class (A Shares)	4,838
CI International Value Corporate Class (A Shares)	1,625
Harbour Corporate Class (A Shares)	4,399
Signature Canadian Bond Fund (Class I)	8,688
Signature High Income Fund (Class I)	6,009
Signature Select Canadian Corporate Class (A Shares)	4,259
Synergy Canadian Corporate Class (A Shares)	5,122

<sup>†</sup>A portion of brokerage commissions paid was used to cover research and market data services, termed soft dollar commissions. This amount has been estimated by the Manager of the Fund. The accompanying notes are an integral part of these financial statements.

# ivari CI Canadian Balanced Portfolio

## Fund Specific Notes to Financial Statements

### Financial Instruments Risks (Note 10)

#### Concentration Risk

The Fund's investments were concentrated in the following Underlying Funds.

as at December 31, 2016

Funds	Net Assets (%)
Foresters Asset Management Canadian Bond Pool	24.6
Signature Canadian Bond Fund (Class I)	11.0
Cambridge Canadian Equity Corporate Class (A Shares)	9.1
Synergy Canadian Corporate Class (A Shares)	7.4
CI Canadian Investment Corporate Class (A Shares)	7.0
Harbour Corporate Class (A Shares)	6.6
Cambridge Global Equity Corporate Class (A Shares)	4.6
Cambridge Income Corporate Class (A Shares)	4.5
CI Income Fund (Class C)	4.2
Signature Corporate Bond Fund (Class I)	4.2
Cambridge Canadian Dividend Corporate Class (A Shares)	3.9
Signature Select Canadian Corporate Class (A Shares)	3.6
CI American Value Corporate Class (A Shares)	3.5
First Asset MSCI World Low Risk Weighted ETF	2.8
CI International Value Corporate Class (A Shares)	2.2
Other Net Assets (Liabilities)	0.8

as at December 31, 2015

Funds	Net Assets (%)
AEGON Capital Management Canadian Bond Pool	28.9
Signature Canadian Bond Fund (Class I)	11.7
Cambridge Canadian Equity Corporate Class (A Shares)	8.3
Signature High Income Fund (Class I)	8.1
Synergy Canadian Corporate Class (A Shares)	6.9
CI Canadian Investment Corporate Class (A Shares)	6.5
CI American Value Corporate Class (A Shares)	6.3
Harbour Corporate Class (A Shares)	5.9
Signature Select Canadian Corporate Class (A Shares)	5.7
Cambridge Income Corporate Class (A Shares)	5.0
Cambridge Global Equity Corporate Class (A Shares)	4.3
CI International Value Corporate Class (A Shares)	2.2
Other Net Assets (Liabilities)	0.2

#### Other Price Risk

As at December 31, 2016 and 2015, the Fund indirectly bears the other price risk exposure of the Underlying Funds.

As at December 31, 2016, had the equities in the investment portfolios of the Underlying Funds increased or decreased by 10% (December 31, 2015 - 10%), with all other variables held constant, net assets attributable to holders of redeemable units of the Fund would have increased or decreased, respectively, by approximately \$8,313,000 (December 31, 2015 - \$7,412,000). In practice, actual results may differ from this analysis and the difference may be material.

Refer to Note 10 for discussion of other financial instrument risks.

#### Fair Value Hierarchy

The tables below summarize the inputs used by the Fund in valuing the Fund's investments and derivatives carried at fair value.

Long Positions at fair value as at December 31, 2016

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Funds	80,821	-	-	80,821
Exchange-traded Fund	2,311	-	-	2,311
<b>Total</b>	<b>83,132</b>	<b>-</b>	<b>-</b>	<b>83,132</b>

Long Positions at fair value as at December 31, 2015

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Funds	74,124	-	-	74,124
<b>Total</b>	<b>74,124</b>	<b>-</b>	<b>-</b>	<b>74,124</b>

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2016 and 2015.

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

# ivari CI Portfolios

## Notes to the Financial Statements

### 1. THE FUNDS

The following Funds are unincorporated open-end trusts created under the laws of the Province of Ontario. The address of the Funds' registered office is 2 Queen Street East, Twentieth Floor, M5C 3G7, Toronto, Ontario. These financial statements were authorized for issue by CI Investments Inc. (the "Manager") on March 15, 2017. CI Investments Inc. is a subsidiary of CI Financial Corp.

The objective of each Fund is to pool and manage money contributed by investors (the "Unitholders") with similar investment goals. The Funds invest in underlying funds. Investments may be held for income or capital appreciation or both. Unitholders share the Fund's income, expenses, and any gains or losses a Fund makes on its investments generally in proportion to the value of the units they own.

Fund	Inception Date
ivari CI Balanced Portfolio	September 1, 2012
ivari CI Canadian Balanced Portfolio	September 1, 2012
ivari CI Conservative Portfolio	September 1, 2012
ivari CI Growth Portfolio	September 1, 2012
ivari CI Maximum Growth Portfolio	September 1, 2012

(collectively the "Funds", individually a "Fund")

CI Investments Inc. is the trustee (the "Trustee") of the Funds. RBC Investor Services Trust is the custodian (the "Custodian") of the Funds.

Each Fund offers Class I units.

The Statements of Financial Position are as at December 31, 2016 and 2015. The Statements of Comprehensive Income, Changes in Net Assets Attributable to Holders of Redeemable Units and Cash Flows are for the years ended December 31, 2016 and 2015.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with *International Financial Reporting Standards* ("IFRS") as published by the *International Accounting Standards Board* ("IASB"). The following is a summary of the significant accounting policies of the Funds:

#### a. Classification and recognition of financial instruments

The Funds recognize financial instruments at fair value upon initial recognition, inclusive of transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Funds' investments and derivative assets and liabilities are measured at fair value through profit or loss ("FVTPL"). The Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amount, which approximates their fair value. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

#### b. Fair valuation of financial investments

At the financial reporting date, listed securities are valued based on the last traded market price for financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the existing market conditions. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Unlisted warrants, if any, are valued based on a pricing model

which considers factors such as the market value of the underlying security, strike price, and terms of the warrant. Fixed income securities, debentures and other debt instruments, including short-term investments, are valued at the quotation from recognized investment dealers. Underlying funds are valued on each business day at their net asset value as reported by the underlying funds' managers.

#### c. Financial assets and liabilities at fair value

The Funds classify their investments in equity, fixed income securities and derivatives as financial assets or financial liabilities at fair value through profit or loss.

This category has two sub-categories: financial assets or financial liabilities held for trading and those designated at fair value through profit or loss at inception.

##### **Financial assets or financial liabilities held for trading**

A financial asset or financial liability is classified as held for trading ("HFT") if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking. As at December 31, 2016 and 2015, the Funds do not hold any HFT financial assets or liabilities.

##### **Financial assets or financial liabilities designated at fair value through profit or loss at inception**

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as HFT but are managed, and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy. As at December 31, 2016 and 2015, the Funds' investments are designated as FVTPL.

#### d. Cash

Cash is comprised of cash on deposit.

#### e. Cost of investments

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

#### f. Investment transactions and income recognition

Investment transactions are recorded on the trade date – the date on which a Fund commits to purchase or sell the investment. The "Interest for distribution purposes" shown on the Statements of Comprehensive Income represents the coupon interest received by the Funds and is accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Distributions received from underlying funds holdings are recorded as income, capital gains or a return of capital, based on the best information available to the Manager. Due to the nature of these investments, actual allocations could vary from this information. Distributions from underlying funds that are treated as a return of capital for income tax purposes reduce the average cost of the underlying funds.

#### g. Foreign exchange

The Funds' functional and presentation currency is Canadian dollar. Foreign currency amounts are translated into the functional currency as follows: fair value of investments, foreign currency forward contracts and other assets and liabilities at the closing rate of exchange on each business day; income and expenses, purchases and sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) relating to cash are presented

# ivari CI Portfolios

## Notes to the Financial Statements (cont'd)

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as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss) on sale of investments" and "Change in unrealized appreciation (depreciation) in value of investments" in the Statements of Comprehensive Income.

### **h. Unit valuation**

Net asset value ("NAV") per unit is calculated at the end of each day on which the Toronto Stock Exchange is open for business by dividing the total NAV of a Fund by the number of units outstanding. The NAV is computed by calculating the value of the Fund's assets less the Fund's liabilities.

As at December 31, 2016 and 2015, there were no differences between the NAV used for transactions with unitholders and the net assets attributable to holders of redeemable units used for reporting purposes under IFRS.

### **i. Classification of units**

The units of each Fund have been classified as liabilities, because each Fund has a fixed termination date.

### **j. Commissions and other portfolio transaction**

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities, are included in "Commissions and other portfolio transaction costs" in the Statements of Comprehensive Income.

Funds that invest only in units of underlying funds are not subject to transaction costs.

### **k. Increase (decrease) in net assets attributable to holders of redeemable units per unit**

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statements of Comprehensive Income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units of a Fund by the weighted average number of units outstanding during the year.

### **l. Investments in associates, joint ventures, subsidiaries and structured entities**

Subsidiaries are entities, including investments in other investment entities, over which a Fund has control. A Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Associates and joint ventures are investments over which a Fund has significant influence or joint control. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factors in deciding who controls the entity, or when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Manager has determined that underlying funds or exchange-traded funds held typically by the Funds meet the definition of structured entities. The Funds account for their investments in unconsolidated structured entities at fair value through profit or loss.

The Funds that invest in underlying funds are subject to the terms and conditions of the respective underlying funds' offering documents and are susceptible to market price risk arising from uncertainties about future values of those underlying funds. All of the underlying funds in the investment portfolio are managed by portfolio managers who are compensated by the respective underlying funds for their services. Such compensation generally consists of an asset-based fee and is reflected in the valuation of each of the underlying funds, except when the Funds invest in certain classes of the underlying funds where the compensation to portfolio managers is negotiated and paid outside each of the underlying funds. The underlying funds finance their operations by issuing redeemable units that entitle the holders to an equal beneficial interest in the corresponding underlying fund. The Funds can

redeem their investments in the underlying funds on a daily basis. These investments are included in "Investments" at fair value through profit or loss in the Statements of Financial Position. The Funds' maximum exposure to loss from their interest in underlying funds is equal to the total fair value of their investments in underlying funds.

The Funds invest in ETFs ("Exchange-Traded Funds" or "ETFs") which are disclosed on the Schedule of Investment Portfolio. The Funds have determined that their investments in ETFs meet definition of unconsolidated structured entities. These ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in each ETF's net asset value. The ETFs are domiciled in Canada and listed on recognized public stock exchanges. The Funds' maximum exposure to loss from their interest in ETFs is equal to the total fair value of their investments in the ETFs.

Information related to Interest in Non-Consolidated Structured Entities for each Fund appears under the Fund Specific Notes to Financial Statements.

### **m. Harmonized sales tax**

Certain provinces including Ontario, Prince Edward Island, Nova Scotia, New Brunswick and Newfoundland and Labrador (each a Participating Tax Jurisdiction) have harmonized their provincial sales tax ("PST") with the federal goods and services tax ("GST"). The Harmonized Sales Tax ("HST") combines the federal GST rate of 5% with the PST rate of the participating province. The province of Quebec also applies the Quebec sales tax ("QST") of 9.975%. The Provincial HST liability or refund is calculated using the residency of unitholders and the value of their interest in the Fund as at specific times, rather than the physical location of the Fund. The effective sales tax rate charged to each class of the Fund is based on the unitholders' proportionate investments by province, using each province's HST rate, GST rate in the case of non-participating provinces and/or QST rate. All amounts are presented as "Harmonized sales tax" in the Statements of Comprehensive Income.

### **n. Accounting standards issued but not yet adopted**

#### ***IFRS 9, Financial Instruments***

The final version of IFRS 9, *Financial Instruments*, was issued by the IASB in July 2014 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of own credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognized in profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Funds' Manager is in the process of assessing the impact of IFRS 9 on the Funds and has not yet determined when it will adopt the new standard.

### **3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES**

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during their reporting year.

The following discusses the most significant accounting judgments and estimates that the Funds have made in preparing their financial statements:

### **Fair value measurement of investments and derivatives not quoted in active market**

The fair value of investments in underlying funds that are not quoted in active markets is determined primarily by reference to the latest available net asset value of such units for each underlying fund, as determined by the underlying funds' managers.

### **Classification and measurement of investments and application of the fair value option**

In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for the financial assets under IAS 39 *Financial Instruments: Recognition and Measurement*. The most significant judgment made includes the determination that the fair value option can be applied to those investments that are not HFT.

## **4. REDEEMABLE UNITS**

Redeemable units issued and outstanding represent the capital of each Fund.

Each Fund is authorized to issue an unlimited number of redeemable, transferable units of one class. Generally the Funds have no restrictions or specific capital requirements, except for the minimum initial investment which is determined when an investor enters into agreement with the Manager. The relevant changes pertaining to subscription and redemption of each Fund's units are disclosed in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the objectives and risk management policies outlined in Note 1 and 10, the Funds endeavor to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions through utilizing a short-term borrowing facility or disposal of investments when necessary.

Redeemable unit transactions information appears in the Fund Specific Notes to Financial Statements of each of the Funds.

## **5. FEES AND OTHER EXPENSES**

The Manager of each Fund provides management and administrative services required in the day-to-day operations of each of the Funds.

The Funds offer only Class I units. Class I units are only available to institutional clients and investors who have been approved by the Manager. With respect to Class I units, no management fees are charged directly to the Funds; each investor negotiates a separate fee which is payable directly to the Manager.

A Fund that invests in units of underlying funds will not pay a duplicate management fees on the portion of assets that are invested in units of underlying funds. During the reporting period, a Fund may have receive a management fee rebates from the underlying funds' Manager relating to its investment in the underlying funds. The management fee rebates are included in "Fees rebate receivable" and in "Fees rebate" as reflected in the Statements of Financial Position and Statements of Comprehensive Income of each Fund, as applicable.

## **6. TAXATION**

The Funds qualify as unit trusts under the provisions of the *Income Tax Act* (Canada) and are not subject to tax on net income, including net realized taxable capital gains for the taxation year, which is paid or payable to unitholders at the end of the taxation year. However, such part of each Fund's taxable income and net realized capital gains that is not so paid or payable to its unitholders will be taxable to that Fund.

It is the intention of each Fund to distribute all net taxable income and sufficient net realized capital gains so that the Fund will not be subject to income tax. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as deferred income tax asset. Occasionally, a Fund may distribute more than it earns. This excess distribution is a return of capital and is not taxable to unitholders.

Refer to Fund Specific Notes to Financial Statements for each of the Funds for further information relating to Loss Carry Forwards.

## **7. REINVESTMENT OF DISTRIBUTIONS**

When a Fund pays a distribution to a unitholder, it will be paid in the same currency in which the units are held. Distributions are automatically reinvested without charge in the same Fund or paid out in cash to the unitholder at the unitholder discretion.

## **8. RELATED PARTY TRANSACTIONS**

The Funds may have direct or indirect holdings in CI Financial Corp. or its affiliates or other funds managed by the Manager as identified in the Fund Specific Notes to Financial Statements.

## **9. NOTICE OF FILING EXEMPTION**

On behalf of each Fund, the Funds' Manager has advised the Ontario Securities Commission ("OSC") that each Fund is relying on the filing exemption in accordance with part 2.11 of National Instrument 81-106. Consequently, these financial statements will not be filed with the OSC.

## **10. FINANCIAL INSTRUMENTS RISK**

### **Risk management**

The Funds invest in units of underlying funds and are exposed to a variety of financial instruments risks: credit risk, liquidity risk and market risk (including other price risk, currency risk and interest rate risk). The level of risk to which each Fund is exposed depends on the investment objective and the type of investments held by the underlying funds. The value of investments within an underlying fund portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions and company specific news related to investments held by the underlying fund and this will affect the value of each of the Funds. The Manager of the underlying fund may minimize potential adverse effects of these risks by, but not limited to, regular monitoring of the underlying fund's positions and market events, diversification of the investment portfolio by asset type, country, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

### **Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, product type, industry sector or counterparty.

Details of each Fund's exposure to concentration risk are available in the Fund Specific Notes to Financial Statements of each of the Fund.

### **Credit risk**

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration for the credit worthiness of the debt issuer.

Credit ratings for debt securities, preferred securities and derivative instruments are obtained from S&P Global Ratings, where available, otherwise ratings are obtained from: Moody's Investors Service or Dominion Bond Rating Service, respectively.

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## Notes to the Financial Statements (cont'd)

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The Funds invest only in units of underlying funds and are exposed to indirect credit risk in the event that the underlying funds invest in debt instruments, preferred securities and derivatives.

Cash balances as disclosed in the Statements of Financial Position are maintained by the Custodian. The Manager monitors the credit worthiness of the Custodian on a regular basis. The credit rating of the Custodian as at December 31, 2016 was AA- (December 31, 2015 – AA-).

### Liquidity risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations, on time or at a reasonable price. The Funds are exposed to daily cash redemption of redeemable units. The Funds invest all of their assets in underlying funds which can be readily disposed of. All financial liabilities are due within three months.

### Market risk

The Funds' investments are subject to market risk which is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market conditions.

#### *Other Price Risk*

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to significant other price risk.

#### *Currency Risk*

Currency risk arises from financial instruments that are denominated in a currency other than, Canadian dollars, the functional currency of the Funds and the underlying funds. As a result, the Funds and the underlying funds may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities traded in foreign markets are also exposed to currency risk as the prices denominated in foreign currencies are converted to underlying funds' functional currency to determine their fair value.

The Funds invest only in units of underlying funds and are exposed to indirect currency risk in the event that the underlying funds invest in financial instruments that are denominated in a currency other than the functional currency of the Fund.

#### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of the underlying funds that invest in debt securities and/or income trusts will be affected by changes in applicable interest rates. If interest rates fall, the fair value of existing debt securities may increase due to increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities may decrease which may then lead to a decrease in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies to convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

The Funds invest only in units of underlying funds and are exposed to indirect interest rate risk in the event that the underlying funds invest in interest bearing financial instruments.

### Fair value hierarchy

The Funds are required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level may include publicly traded equities, exchange traded and retail mutual funds, exchange traded warrants, futures contracts, traded options, American depositary receipts ("ADRs") and Global depositary receipts ("GDRs").

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These may include fixed income securities, mortgage backed securities ("MBS"), short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments may include private equities, private term loans, private equity funds and certain derivatives. As observable prices are not available for these securities, the Funds may use a variety of valuation techniques to derive their fair value.

The Funds invest only in other investment funds and these investments are classified as Level 1. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

Details of each Fund's exposure to financial instruments risks including fair value hierarchy classification are available in the Fund Specific Notes to Financial Statements of each Fund.

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2 Queen Street East, Twentieth Floor, Toronto, Ontario M5C 3G7 | [www.ci.com](http://www.ci.com)

**Head Office / Toronto**  
416-364-1145  
1-800-268-9374

**CI Managed Solutions Team**  
1-888-800-0042