FINANCIAL STATEMENTS

For the years ended December 31, 2018 and 2017

UNIVERSITAS PLAN

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The UNIVERSITAS Plan

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Independent Auditor’s Report

To the subscribers of
The UNIVERSITAS Plan

Opinion

We have audited the financial statements of the UNIVERSITAS Plan (the “Plan”), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of net income and comprehensive income, statements of changes in net assets attributable to contracts and statements of 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 Plan 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 Plan in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor’s report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor’s report. We have nothing to report in this regard.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with 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 Plan’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 Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan’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 Plan’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 Plan’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 Plan 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor’s report is Haik (Haig) Vanlian.

/s/ Deloitte LLP[1]

Quebec City, Quebec

March 22, 2019

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[1] CPA auditor, CA, public accountancy permit No. A123838

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Statements of financial position

(in thousands of Canadian $)

	Notes	**December 31, 2018**	December 31, 2017
Assets			
Cash	10	**5,974**	8,100
Sales pending settlement		**-**	570
Other accounts receivable	9	**1,472**	2,130
Dividends receivable		**550**	481
Interest receivable		**2,274**	2,039
Canada Education Savings Grant (CESG) receivable	12	**622**	636
Quebec Education Savings Incentive (QESI) receivable		**3,049**	3,384
Insurance experience refunds receivable		**506**	506
Investments	5	**639,108**	688,687
		653,555	706,533
Liabilities			
Purchases pending settlement		**582**	601
Accounts payable and other liabilities	7	**2,924**	2,791
Quebec Education Savings Incentive (QESI) refundable		**426**	453
		3,932	3,845
Net assets attributable to contracts		**649,623**	702,688

The notes are an integral part of these financial statements.

Statements of net income and comprehensive income

for the years ended December 31 (in thousands of Canadian $)	Notes	**2018**	2017
Revenues from ordinary activities			
Interest income for educational assistance payments		**13,400**	11,849
Dividends		**6,495**	7,842
Insurance experience refunds		**-**	387
Realized gain (loss) on disposal of investments		**1,617**	14,484
Change in unrealized gain (loss) on investments		**(21,623)**	(7,778)
		(111)	26,784
Operating expenses			
Brokerage fee		**57**	124
Portfolio management fees		**678**	833
Trustee fee		**14**	17
Custodian fee		**102**	114
Administration fee	9	**8,996**	9,355
Independent Review Committee fee		**17**	21
		9,864	10,464
Net income and comprehensive income attributable to contracts		**(9,975)**	16,320

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Statements of changes in net assets attributable to contracts

for the years ended December 31
(in thousands of Canadian $)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
Net assets as at December 31, 2017	344,905	37,387	100,048	121,546	46,999	42,133	9,670	702,688
Net income and comprehensive income	-	-	(995)	-	(7,048)	-	(1,932)	(9,975)
Increase								
Subscribers' savings	29,855	-	-	-	-	-	-	29,855
Change in the SCROM	-	1,188	-	-	-	-	-	1,188
Grants received from the government	-	-	-	6,306	-	3,082	-	9,388
Others	-	-	-	4	-	1	-	5
	29,855	1,188	-	6,310	-	3,083	-	40,436
Decrease								
Refund of savings at maturity	(29,335)	-	-	-	-	-	-	(29,335)
Pre-maturity withdrawal of savings	(1,813)	-	-	-	-	-	-	(1,813)
Refund of sales charges at maturity	-	(2,869)	-	-	-	-	-	(2,869)
Change in the SCROM	-	-	(1,188)	-	-	-	-	(1,188)
Transfers between plans	(135)	-	-	(97)	(45)	(18)	(5)	(300)
Grants returned to the government	-	-	-	-	-	(301)	-	(301)
Transfers to other promoters	-	-	-	(223)	(55)	(75)	(13)	(366)
Grants and income on grants	-	-	-	(13,372)	(6,515)	(4,129)	(1,028)	(25,044)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	(9)	-	(90)	-	(20)	(119)
Educational assistance payments (EAPs)	-	-	(22,177)	-	-	-	-	(22,177)
Others	-	-	(14)	-	-	-	-	(14)
	(31,283)	(2,869)	(23,388)	(13,692)	(6,705)	(4,523)	(1,066)	(83,526)
Net assets as at December 31, 2018	**343,477**	**35,706**	**75,665**	**114,164**	**33,246**	**40,693**	**6,672**	**649,623**

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Statements of changes in net assets attributable to contracts

for the years ended December 31

(in thousands of Canadian $)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
Net assets as at December 31, 2016	350,242	38,487	104,872	117,317	43,176	39,755	8,543	702,392
Net income and comprehensive income	-	-	9,739	-	5,255	-	1,326	16,320
Increase								
Subscribers' savings	32,762	-	-	-	-	-	-	32,762
Change in the SCROM	-	2,273	-	-	-	-	-	2,273
Grants received from the government	-	-	-	6,795	-	3,330	-	10,125
Others	-	-	-	3	-	-	-	3
	32,762	2,273	-	6,798	-	3,330	-	45,163
Decrease								
Refund of savings at maturity	(35,567)	-	-	-	-	-	-	(35,567)
Pre-maturity withdrawal of savings	(2,260)	-	-	-	-	-	-	(2,260)
Refund of sales charges at maturity	-	(3,373)	-	-	-	-	-	(3,373)
Change in the SCROM	-	-	(2,273)	-	-	-	-	(2,273)
Transfers between plans	(272)	-	-	(273)	(132)	(72)	(18)	(767)
Grants returned to the government	-	-	-	-	-	(271)	-	(271)
Transfers to other promoters	-	-	-	(217)	(54)	(63)	(13)	(347)
Grants and income on grants	-	-	-	(2,079)	(1,098)	(546)	(134)	(3,857)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	-	-	(148)	-	(34)	(182)
Educational assistance payments (EAPs)	-	-	(12,264)	-	-	-	-	(12,264)
Others	-	-	(26)	-	-	-	-	(26)
	(38,099)	(3,373)	(14,563)	(2,569)	(1,432)	(952)	(199)	(61,187)
Net assets as at December 31, 2017	344,905	37,387	100,048	121,546	46,999	42,133	9,670	702,688

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Statements of cash flows

for the years ended December 31 (in thousands of Canadian $)		2018	2017
Cash flows from operational activities			
Income received			
Interest		**13,166**	11,836
Dividends		**6,430**	8,029
Insurance experience refunds		**-**	284
		19,596	20,149
Operating expenses paid			
Brokerage fee		**(57)**	(124)
Portfolio management fees		**(691)**	(838)
Trustee fee		**(11)**	(17)
Custodian fee		**(103)**	(122)
Administration fee		**(9,047)**	(9,044)
Independent Review Committee fee		**(17)**	(21)
		(9,926)	(10,166)
Other operational activities			
Disposal of investments		**369,943**	479,737
Acquisition of investments		**(339,824)**	(468,823)
		30,119	10,914
Net cash flows from operational activities		**39,789**	20,897
Cash flows from financing activities			
Savings received		**31,085**	32,628
Savings paid to other promoters		**(571)**	(542)
Refunds of savings to subscribers		**(31,151)**	(37,850)
CESG and income on CESG received		**6,046**	6,542
QESI and income on QESI received		**3,418**	3,627
QESI and income on QESI paid		**(416)**	(407)
Transfers between plans		**(300)**	(767)
Sales charge refunds		**(2,870)**	(3,373)
Educational assistance payments (EAPs)		**(47,156)**	(16,113)
Net cash flows used in financing activities		**(41,915)**	(16,255)
Net increase (decrease) in cash		**(2,126)**	4,642
Cash, beginning of year	10	**8,100**	3,458
Cash, end of year	10	**5,974**	8,100

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Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Short-term investments					
57,199	Cash		-	57,199	57,199
2,000	City of Chateauguay	7 Oct 2019	2.500	1,982	2,002
2,000	Société de transport de Lévis	15 Oct 2019	2.400	1,971	1,999
2,000	City of Magog	9 Sep 2019	2.250	1,970	1,997
1,666	Cash sweep		0	1,666	1,666
1,600	City of Sherbrooke	20 Feb 2019	2.450	1,586	1,600
1,500	City of Saguenay	21 Oct 2019	2.350	1,479	1,499
1,500	City of Chambly	16 Dec 2019	2.200	1,476	1,498
1,500	City of Drummondville	18 Dec 2019	2.250	1,481	1,495
1,300	City of Saguenay	22 Apr 2019	2.450	1,286	1,300
1,300	City of Saint-Jean-sur-Richelieu	4 Jun 2019	2.300	1,283	1,299
1,300	City of Sherbrooke	10 Dec 2019	2.200	1,282	1,298
1,200	City of Saint-Bruno-de-Montarville	9 Sep 2019	2.250	1,183	1,197
1,180	City of Sorel-Tracy	17 Jun 2019	2.250	1,163	1,179
1,150	City of Longueuil	12 May 2019	1.700	1,138	1,147
1,090	City of Brossard	4 Nov 2019	2.300	1,074	1,089
1,000	Transit in Quebec City	30 Jun 2019	1.850	990	997
1,000	Province of Manitoba	21 Nov 2019	1.150	999	993
700	City of Gatineau	23 Jun 2019	1.850	694	698
625	Government of Canada	21 Mar 2019	-	621	621
560	City of Sainte-Julie	21 May 2019	2.350	552	559
500	City of Sherbrooke	29 Jun 2019	1.400	495	498
280	Government of Canada	7 Mar 2019	-	279	279
Total - Short-term investments				83,849	84,109
Bonds					
Bonds issued or guaranteed by the Government of Canada					
5,175	PSP Capital Inc.	22 Oct 2020	3.030	5,263	5,260
3,340	Government of Canada	1 Jun 2028	2.000	3,274	3,350
265	Government of Canada	1 Dec 2048	2.750	298	298
				8,835	8,908
Bonds issued or guaranteed by a Canadian province					
28,350	Province of Ontario	2 Jun 2023	2.850	28,606	28,807
26,213	Province of Ontario	2 Jun 2024	3.500	27,792	27,462
18,615	Province of Quebec	1 Dec 2021	4.250	20,695	19,673
17,484	Province of Quebec	1 Sep 2023	3.000	17,717	17,910
16,906	Province of Ontario	2 Jun 2027	2.600	17,166	16,669
14,526	Province of Quebec	1 Sep 2024	3.750	15,862	15,455
14,991	Province of Ontario	2 Jun 2022	3.150	15,600	15,387
13,825	Province of Quebec	1 Dec 2022	3.500	14,514	14,413
14,031	Province of Ontario	2 Jun 2028	2.900	13,909	14,117
13,939	Province of Ontario	2 Jun 2025	2.600	14,009	13,908
14,088	Province of Ontario	2 Jun 2026	2.400	14,007	13,791
13,088	Province of Quebec	1 Sep 2026	2.500	13,271	12,925

Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a Canadian province (continued)					
10,432	Province of Quebec	1 Sep 2025	2.750	10,564	10,521
7,248	Province of Quebec	1 Sep 2027	2.750	7,252	7,256
5,822	CDP Financial Inc.	15 Jul 2020	4.600	6,367	6,033
4,847	Province of Quebec	1 Dec 2020	4.500	5,280	5,067
4,856	Province of Ontario	2 Jun 2020	4.200	5,211	5,001
4,802	Province of Quebec	1 Sep 2028	2.750	4,728	4,793
4,031	Province of Ontario	2 Jun 2021	4.000	4,324	4,202
3,728	Province of Alberta	1 Jun 2027	2.550	3,608	3,645
1,944	Province of Quebec	1 Apr 2026	8.500	2,829	2,677
2,682	Province of Nova Scotia	1 Jun 2025	2.150	2,663	2,603
2,495	OPB Finance Trust	25 Jan 2027	2.980	2,494	2,498
2,168	Province of Ontario	8 Sep 2023	2.600	2,160	2,180
2,153	Province of Ontario	8 Mar 2022	1.350	2,093	2,091
1,775	Hydro Québec	15 Aug 2020	11.000	2,361	2,026
2,000	Province of Alberta	1 Sep 2022	1.600	1,995	1,946
1,640	Province of Newfoundland and Labrador	2 Jun 2028	2.850	1,635	1,622
1,638	Province of Alberta	1 Jun 2026	2.200	1,635	1,575
1,170	Province of Quebec	16 Jan 2023	9.375	1,601	1,481
980	Province of Manitoba	2 Jun 2024	3.300	1,054	1,015
1,015	Province of Manitoba	2 Jun 2026	2.550	985	1,000
965	Province of Newfoundland and Labrador	2 Jun 2025	2.300	936	939
710	Hydro Québec	15 Jul 2022	9.625	974	885
626	Province of Quebec	1 Jun 2025	5.350	749	724
494	Ontario Hydro	22 Jun 2026	8.250	717	672
539	Province of Ontario	13 Jul 2022	9.500	748	667
642	Province of Ontario	27 Jan 2023	1.950	637	632
462	Province of Ontario	2 Jun 2027	7.600	660	628
590	Province of Saskatchewan	2 Jun 2026	2.550	579	582
393	Province of Ontario	2 Dec 2025	8.500	567	534
525	Province of Manitoba	2 Jun 2028	3.000	519	529
520	Province of Ontario	5 Feb 2025	2.650	517	522
390	Province of Ontario	8 Sep 2023	8.100	524	486
480	Province of Quebec	6 Jul 2025	2.600	480	481
331	Province of Ontario	7 Feb 2024	7.500	433	408
352	Province of Quebec	1 Mar 2023	2.450	352	354
352	Province of Quebec	3 Mar 2022	1.650	347	346
311	Cadillac Fairview Corporation Ltd.	25 Jan 2021	4.310	326	324
253	OPB Finance Trust	24 May 2023	2.900	256	256
191	Ontario Hydro	18 Aug 2022	8.900	260	234
166	Province of Ontario	2 Dec 2026	8.000	237	227
209	OPB Finance Trust	24 Feb 2022	1.880	206	205
130	OPB Finance Trust	2 Feb 2026	2.950	131	130
				295,142	290,514

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Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a municipality					
3,550	Société de transport de l'Outaouais	9 Nov 2021	1.800	3,499	3,464
2,965	City of Montreal	1 Sep 2024	3.500	3,160	3,078
2,740	City of Toronto	21 May 2024	3.400	2,776	2,830
2,525	City of Saint-Bruno-de-Montarville	8 Sep 2021	1.850	2,487	2,475
2,500	Municipality of La Prairie	8 Sep 2021	1.850	2,463	2,445
2,510	City of Saint-Lambert	2 Nov 2021	1.900	2,479	2,442
2,350	City of Mirabel	21 Sep 2021	1.800	2,315	2,299
2,185	City of Longueuil	13 Jul 2021	1.850	2,156	2,150
2,000	City of Saint-Lambert	17 Oct 2023	3.000	1,974	1,999
2,000	City of Saint-Jerome	14 Sep 2020	1.750	1,979	1,977
2,000	City of Chateauguay	14 Sep 2021	1.900	1,973	1,960
1,900	City of Lévis	2 Jun 2020	2.050	1,874	1,893
1,750	City of Laval	18 Jun 2024	3.300	1,731	1,767
1,580	Municipal finance of British Columbia	23 Oct 2028	3.050	1,575	1,593
1,515	City of Kirkland	27 Jan 2020	2.150	1,498	1,511
1,485	City of Montreal	1 Sep 2027	3.000	1,478	1,481
1,500	City of Sainte-Julie	28 Apr 2020	1.700	1,483	1,481
1,500	City of Varennes	3 Aug 2021	1.800	1,474	1,471
1,500	City of Saint-Jean-sur-Richelieu	22 Jun 2021	1.650	1,475	1,468
1,500	City of Beaconsfield	26 Jul 2021	1.750	1,478	1,465
1,500	City of Saguenay	20 Apr 2022	1.850	1,477	1,454
1,472	City of Laval	21 Mar 2028	3.000	1,462	1,450
1,395	City of Montreal	1 Sep 2023	3.500	1,358	1,446
1,490	City of Toronto	7 Jun 2027	2.400	1,486	1,420
1,325	City of Saint-Constant	23 Aug 2021	1.850	1,305	1,301
1,300	City of Brossard	21 Jul 2020	2.000	1,283	1,294
1,250	City of Victoriaville	15 Jun 2020	1.900	1,231	1,239
1,185	City of Quebec	20 Dec 2027	2.650	1,156	1,121
1,000	City of Thetford Mines	18 Feb 2020	1.700	991	993
1,000	City of Sherbrooke	29 Jun 2020	1.600	990	988
1,000	City of Alma	23 Aug 2021	1.850	985	980
1,000	City of Granby	6 Jul 2021	1.750	982	978
1,000	City of Gatineau	29 Jun 2021	1.800	988	975
900	City of Longueuil	15 Nov 2020	2.700	895	902
900	City of Longueuil	12 May 2020	1.900	888	891
850	City of Victoriaville	6 Feb 2023	2.500	837	836
840	City of Saguenay	26 Apr 2023	2.750	829	833
845	City of Montreal	1 Sep 2026	2.750	841	832
840	City of Trois-Rivières	18 Apr 2028	3.000	826	821
775	Town of Bradford West	21 Sep 2022	3.500	800	797
700	City of Mirabel	21 Sep 2020	1.700	693	691
590	City of Brossard	25 Jul 2023	2.900	584	589
500	City of Saint-Constant	21 Jan 2020	2.100	494	499
500	City of Rouyn-Noranda	30 Mar 2021	2.000	492	494
460	City of Quebec	8 Apr 2024	3.500	462	475
400	City of Toronto	29 Sep 2023	3.900	397	422
410	City of Lévis	5 Jun 2028	3.250	404	409
400	City of Candiac	31 Jul 2023	2.750	394	396

Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a municipality (continued)					
350	City of Lévis	9 Mar 2026	2.950	343	345
300	City of Longueuil	19 Jul 2023	2.800	296	298
250	City of New Tecumseth	23 Mar 2025	4.800	276	279
247	City of Longueuil	10 Nov 2025	3.200	246	245
				68,018	67,942
Total - Bonds				371,995	367,364

Number of shares	Security	Cost	Carrying amount
Equities			
Energy			
188,036	Enbridge Inc.	7,756	7,963
101,165	Canadian Natural Resources Ltd.	3,694	3,322
69,450	Parkland Fuel Corporation	1,868	2,445
33,975	Vermillon Energy Inc.	1,981	974
19,842	TransCanada Corporation	1,221	966
82,313	Transalta Rewables Inc.	995	852
97,520	Arc Resources Ltd.	2,139	785
26,146	Enerflex Ltd.	416	416
12,549	Gibson Energy Inc.	241	233
		20,311	17,956
Materials			
89,208	Nutien Ltd.	5,658	5,692
67,269	CCL Industries Inc.	3,139	3,360
76,045	Pembina Pipeline Corporation	3,070	3,081
20,052	Franco-Nevada Corporation	1,830	1,915
35,000	Winpak Ltd.	975	1,670
60,779	Intertape Polymer Group Inc.	1,327	1,025
7,238	Stella-Jones Inc.	330	285
		16,329	17,028
Communication Services			
83,994	TELUS Corporation	3,534	3,798
31,768	BCE Inc.	1,878	1,712
6,814	TELUS Corporation	284	284
		5,696	5,794

Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Utilities			
253,254	Algonquin Power & Utilities Corp.	3,071	3,470
73,009	Fortis Inc.	3,056	3,316
40,572	Emera Inc.	1,883	1,771
53,989	Canadian Utilities Limited	1,982	1,686
43,443	ATCO Ltd.	1,858	1,674
31,548	Brookfield Infrastructure Finance Limited	1,587	1,481
37,424	Brookfield Renewable partners	1,480	1,317
43,480	Keyera Corp.	1,813	1,118
20,026	Hydro One Limited	418	405
		17,148	16,238
Financials			
187,341	Toronto-Dominion Bank	8,743	12,702
93,811	Royal Bank of Canada	6,128	8,750
123,802	The Bank of Nova Scotia	7,121	8,411
109,479	Brookfield Asset Management Inc.	6,224	5,715
39,686	Intact Financial Corp.	2,868	3,923
195,670	Manulife Financial Corporation	4,055	3,790
70,399	Industrial Alliance, Insurance and Financial Services Inc.	3,231	3,059
59,520	Allied Properties Real Estate Investment Trust	2,222	2,633
46,286	Granite Real Estate Investment Trust	2,325	2,452
69,532	SmartCentres Real Estate Investment Trust	2,217	2,136
46,670	Sun Life Financial Inc.	2,393	2,107
40,946	Genworth MI Canada Inc.	1,688	1,640
73,239	Brookfield Property Partners LP	1,934	1,608
52,950	Great-West Lifeco Inc.	1,312	1,488
24,686	National Bank of Canada	1,482	1,382
9,987	Boyd Group Income Fund	929	1,124
79,190	Chartwell Retirement Residence	1,190	1,081
23,509	Canadian Apartment Properties REIT	806	1,039
13,668	Laurentian Bank of Canada	675	520
15,000	Canadian Western Bank	508	390
18,978	Alaris Royalty Corp.	404	322
18,455	Gluskin Sheff + Associates Inc.	289	192
2,217	Equitable Groupe Inc.	139	131
6,372	Choice Properties Real Estate Investment Trust	77	73
512	Bank of Montreal	53	46
		59,013	66,714

Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Consumer Staples			
91,075	Metro Inc.	2,651	4,301
61,016	Alimentation Couche-Tard Inc.	3,456	4,130
101,465	Saputo Inc.	3,617	3,968
67,681	Empire Company Limited	1,398	1,943
45,466	The North West Company Inc.	1,357	1,424
16,824	Premium Brands Holdings Corporation	1,455	1,258
7,054	George Weston Ltd.	773	634
		14,707	17,658
Consumer Discretionary			
78,309	Thomson Reuters Corporation	3,848	5,147
71,550	Gildan Activewear Inc.	2,712	2,954
39,890	Restaurant Brands International Inc.	3,157	2,845
18,856	Canadian Tire Corporation Ltd.	1,676	2,686
47,230	NFI Group Inc.	1,554	1,608
57,042	Shaw Communications Inc.	1,504	1,405
13,608	Cogeco Communications Inc.	945	892
20,052	Cineplex Inc.	755	507
16,951	Uni-Select Inc.	515	327
535	Dollarama Inc.	19	17
		16,685	18,388
Industrials			
56,630	Canadian National Railway Company	2,554	5,708
131,384	CAE Inc.	1,997	3,274
98,708	Stantec Inc.	2,869	2,942
49,473	Groupe WSP Global Inc.	2,637	2,890
51,385	SNC-Lavalin Group Inc.	1,470	2,351
20,575	TFI International Inc.	583	724
14,144	Ritchie Bros. Auctioneers Inc.	639	629
14,207	Finning International Inc.	478	336
1,826	Toromont Industries Ltd.	120	99
		13,347	18,953

Schedule of investment portfolio

as at December 31, 2018
(in thousands of Canadian $)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Technology			
79,350	Open Text Corporation	1,893	3,518
41,852	CGI Group Inc.	2,067	3,493
52,775	The Descartes Systems Group Inc.	643	1,895
		4,603	8,906
Total - Equities		167,839	187,635
Total - Schedule of investment portfolio		623,683	639,108

1. General information about the Plan

The UNIVERSITAS Plan (the "Plan") is a trust maintained by declaration of trust pursuant to the Civil Code of Quebec. It is governed by a trust agreement (the "Agreement") concluded on July 9, 2010, between the Universitas Foundation of Canada (the "Foundation"), Eterna Trust Inc. and Universitas Management Inc. The latter acts as the investment fund manager of the UNIVERSITAS Plan promoted by the Foundation. The Plan's head office and principal place of business is located at 1035 Wilfrid-Pelletier Avenue, Suite 500, Quebec City (Quebec) G1W 0C5.

The UNIVERSITAS Plan is a group scholarship plan under which the refund of contributions (savings) is guaranteed at all times, including the sales charges if the plan reaches maturity. The Plan is only available to current subscribers of the UNIVERSITAS Plan who wish to purchase additional units. Since December 14, 2017, eligible studies that qualify for EAPs are general or technical, full-time or part-time (college, community college or university) post-secondary educational programs offered in Canada or the foreign equivalent. Programs offered in a post-secondary institution intended to provide a person with or improve the skills required in the exercise of a professional activity are also eligible. In all cases, these programs must have a minimum duration of three consecutive weeks, comprising at least 10 hours of courses or schoolwork per week. Specified educational programs are also eligible; they are postsecondary programs of study with a minimum duration of three consecutive weeks and to which a student must dedicate minimum of 12 hours per month on courses. When a beneficiary is registered in a distance learning program for such studies, they are also considered eligible. The Plan invests in equities of Canadian companies, debt securities issued or guaranteed by a Canadian government and Canadian treasury short-term debt securities.

The release of these financial statements was authorized by the Board of Directors on March 21, 2019.

2. Implementation of the new and revised standards

Standards and interpretations in effect during the annual reporting period

- **IFRS 15 Revenue from Contracts with Customers**

On May 28, 2014, the IASB and FASB jointly issued a standard that outlines a single general model to be used by entities to recognize revenue from contracts with customers. IFRS 15 replaces IAS 18 Revenue and IAS 11 Construction Contracts and the derived interpretations. The basic principle of the new standard is that a company must recognize revenue in such a way as to present transfers of the promised goods or services to the amount which corresponds to the sum the entity expects to receive in exchange for these goods or services. IFRS 15 is effective for annual reporting beginning on or after January 1, 2018. The Plan applied the new standard retrospectively, with adjustment to the net assets attributable to contracts as at January 1, 2018. The adoption of IFRS 15 had no impact on the Plan's statements of net income and comprehensive income or statements of financial position.

- **IFRS 9 Financial Instruments**

Through the publication of IFRS 9 Financial Instruments in July 2014, the IASB finalized its three-stage project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification and measurement of assets and financial liabilities and introduces a new expected-loss impairment model, as well as new requirements with regard to hedge accounting.

To determine whether a financial asset is measured at amortized cost or fair value, IFRS 9 uses a new approach. The latter is based on how an entity manages the financial asset and the contractual cash flow characteristics of such financial asset.

Most of the requirements in IAS 39 regarding classification and measurement of financial liabilities were carried forward in IFRS 9. However, when measuring a financial liability at fair value through profit or loss, the portion of the changes in fair value related to the entity's own credit risk is presented in the other comprehensive income rather than in the statement of income.

2. Implementation of the new and revised standards (continued)

Standards and interpretations in effect during the reporting period (continued)

- **IFRS 9 Financial Instruments (continued)**

IFRS 9 introduces a new impairment model based on expected credit loss, which applies to debt instruments held, measured at amortized cost or fair-value-through-other-comprehensive-income (FVTOCI); lease receivables, trade receivables, and commitments to loan money and financial guarantee contracts. Specifically, entities are required to account for expected credit losses when financial instruments are first recognized, and to recognize full lifetime expected credit losses on a timelier basis.

Lastly, IFRS 9 introduces a model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements.

IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, and shall apply retrospectively, subject to certain exemptions. The adoption of the new standard had no impact on the Plan's net income and comprehensive income, or its financial position.

However, application of this new standard had the effect of changing the classification of financial assets and financial liabilities. The following table shows these classification changes.

Financial instruments	Classification under IAS 39	Classification under IFRS 9
Financial assets		
Cash	Loans and receivables	Financial asset at amortized cost
Sales pending settlement	Loans and receivables	Financial asset at amortized cost
Other accounts receivable	Loans and receivables	Financial asset at amortized cost
Dividends receivable	Loans and receivables	Financial asset at amortized cost
Interest receivable	Loans and receivables	Financial asset at amortized cost
CESG receivable	Loans and receivables	Financial asset at amortized cost
QESI receivable	Loans and receivables	Financial asset at amortized cost
Insurance experience refunds	Loans and receivables	Financial asset at amortized cost
Investments	At fair value through profit or loss	At fair value through profit or loss
Financial liabilities		
Purchases pending settlement	Other liabilities	Financial liability at amortized cost
Accounts payable and other liabilities	Other liabilities	Financial liability at amortized cost
QESI refundable	Other liabilities	Financial liability at amortized cost

Application of IFRS 9 had no effect on the carrying amount of financial assets.

Application of this new standard also changed accounting policies; the accounting policies applied since January 1, 2018, are presented hereafter.

Classification and Measurement of Financial Assets
At initial recognition, all financial assets are recorded at fair value in the statement of financial position. After initial recognition, financial assets must be classified as measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Plan determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets.

In addition, under the fair value option, a financial asset may be irrevocably designated at fair value through profit or loss at initial recognition if certain conditions are met. The Plan has not designated an asset under the fair value option.

2. Implementation of the new and revised standards (continued)

Standards and interpretations in effect during the reporting period (continued)

- **IFRS 9 Financial Instruments (continued)**

Contractual Cash Flow Characteristics
For the purpose of classifying a financial asset, the Plan must determine whether the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount outstanding. The principal generally corresponds to the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. If the Plan determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, the financial assets must be classified as measured at fair value through profit or loss.

Business Model
When classifying financial assets, the Plan determines the business model used for each portfolio of financial assets that are managed together to achieve a same business objective. The business model reflects how the Plan manages its financial assets and the extent to which the financial asset cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets, or both. The Plan determines the business model using scenarios that it reasonably expects to occur. The business model determination is a matter of fact and requires the use of judgment and consideration of all the relevant evidence available at the date of determination.

A financial asset portfolio falls within a “hold to collect” business model when the Plan’s primary objective is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. When the Plan’s objective is achieved both by collecting contractual cash flows and by selling the financial assets, the financial asset portfolio falls within a “hold to collect and sell” business model. In this type of business model, collecting contractual cash flows and selling financial assets are both integral components to achieving the Plan’s objective for this portfolio. Financial assets are measured at fair value through profit or loss if they do not fall within either a “hold to collect” business model or a “hold to collect and sell” business model.

The entire investment portfolio is now classified at fair value through profit or loss as the Plan's strategy described in the prospectus and the decisions are based on the fair value of assets. Although the Plan collects contractual cash flows during the ownership of these assets, they are considered incidental and not essential to achieving the objectives of the Plan's business model. Since this model corresponds to another business model in accordance with IFRS 9, these financial assets should be classified at fair value through profit or loss.

Cash and cash equivalents, sales pending settlement, other receivables, dividends receivable, interest receivable, CESG receivable, QESI receivable and the experience refunds receivable are recorded at amortized cost, since they are managed according to an economic model for which the objective is to collect contractual cash flows that correspond only to payments of principal and interest on the principal amount outstanding. At initial recognition, these assets are recorded at fair value and are subsequently measured at amortized cost using the effective interest method. The assets are presented net of provisions for credit losses (PCLs), if any, in the statements of financial position.

At the end of each reporting period, the Plan applies a three-stage impairment approach to measure the expected credit losses (ECLs) on all debt instruments measured at amortized cost. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Any initial and subsequent impairment must be recognized in profit or loss.

2. Implementation of the new and revised standards (continued)

Standards and interpretations in effect during the reporting period (continued)

- **IFRS 9 Financial Instruments (continued)**

Business Model (continued)
The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses is recorded and measured (at each reporting date) at an amount equal to 12-month expected credit losses. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses measured (for each reporting period) at an amount equal to lifetime expected losses is recorded. For debts that have no significant financing component, the Plan uses the simplified method, so the allowance for credit losses correspond to an amount equal to lifetime expected credit losses.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Purchases pending settlement, accounts payable and other liabilities, as well as QESI refundable are classified as financial liabilities at amortized cost. Upon initial recognition, these liabilities are recorded at fair value and are subsequently measured at amortized cost using the effective interest method.

3. Significant accounting policies

Statement of compliance

These financial statements are prepared in accordance and compliance with International Financial Reporting Standards (IFRS) applicable as at December 31, 2018.

Basis of preparation

These financial statements are prepared on a going concern and historical cost basis, except for certain financial instruments that have been measured at fair value at the end of each reporting period, as explained in the accounting policies described hereafter.

Assets and liabilities in the statements of financial position are listed in order, from the most liquid to the least liquid.

The presentation currency of the financial statements is the Canadian dollar (CAN$), which is the Plan’s functional currency.

Revenue recognition

- **Interest income for educational assistance payments**

The interest income is recognized when it is probable that future economic benefits will flow to the Plan and the amount of revenue can be measured reliably. The interest income is accrued on a time basis, with reference to the outstanding principal and the nominal interest rate.

3. Significant accounting policies (continued)

Revenue recognition (continued)

- **Dividends**

Dividends income is recognized when the Plan's right to receive payment is established, i.e. the dividend declaration date.

- **Insurance experience refunds**

The Plan offers subscribers an optional life and disability insurance program. Prior to January 1, 2010, all subscribers were required to enrol in the group insurance program, which included an experience refund clause under the life and disability coverage. For all plans opened prior to December 31, 2009, and for each subsequent contract period until September 30, 2017, inclusive, a refund amount is established by calculating the excess of the premiums collected on the incurred liabilities and the retention charges for the contract period. The experience refunds income is recognized at the time the premium eligible for refund is paid by the subscriber.

Liabilities incurred include benefits paid, outstanding or unrecognized benefits known when the experience refund is calculated, and individual life insurance processing costs of $30 per $1,000 of life insurance. The following retention costs are calculated on the premiums received: a 0.625% administration fee, a risk premium and a required capital contribution totalling 1.875%, a 5% commission fee (paid to Universitas Management Inc.), an administration fee capped at 22.5% (paid to Universitas Management Inc.), and a 2.35% tax on the premiums received net of the refund. If the balance is in deficit, it is deferred to the next contract period. In addition, a 9% tax is added to the calculation of excess premiums to determine the final amount of the refund.

On the reporting date of the financial statements, the refund amount receivable is estimated using a 12% rate of incurred liabilities, according to the group insurance program's historical experience, and the maximum administration fee of 22.5% paid to Universitas Management Inc.

Recognition of expenses

- **Brokerage fee**

The brokerage fee paid to the dealer is a commission established by the dealer and usually ranges from $0.01 to $0.05 per share purchased or sold.

- **Portfolio management fees**

The fees paid to the portfolio managers correspond to a declining percentage established by the managers based on the average total assets invested under their respective management.

- **Trustee fee**

The trustee's fee is a fixed annual amount established under an agreement with the trustee.

- **Custodian fee**

The custodian's fee represents 0.009% (0.009% in 2017) of the average total assets under management. Transaction fees for the purchase and sale of securities are also charged.

- **Administration fee**

The administration fee paid to the investment fund manager cannot exceed 1.18% (1.18% in 2017) of the total assets under management. Any portion of the administration fee that is not required to maintain and develop Universitas Management Inc. is deducted from any excess in revenue over company expenditures., and any surplus is returned to the Plan by reducing the rate of the administration fee.

- **Independent Review Committee fee**

The Independent Review Committee fee comprises the compensation paid to the IRC members in the form of attendance fees for their meetings and an annual retainer, as well as the reimbursement of any expenses incurred to attend these meetings.

3. Significant accounting policies (continued)

Financial instruments

The following methods apply only to the comparative year ending December 31, 2017. Note 2 describes the new accounting policies applied as of January 1, 2018, in accordance with IFRS 9.

- **Classification**

The Plan's management has classified the entire investment portfolio at fair value through profit or loss, as this classification provides reliable and more relevant information about the effects of transactions, the financial position and the Plan's cash flows. This classification is in line with the Plan's investment strategy described in the continuous offering prospectus. The Plan's activity consists of investing in financial assets with a view to profit from their total return in the form of interest, dividends and changes in fair value. Information about the Plan is provided internally on that basis.

Cash, sales pending settlement, dividends receivable, interest receivable, CESG receivable, QESI receivable, insurance experience refunds receivable and other accounts receivable are non-derivative financial assets with fixed or determinable payments that are not listed on an active market. These are classified as "loans and receivables".

Purchases pending settlement, accounts payable and other liabilities, QESI refundable, as well as net assets attributable to contracts are classified as "other liabilities".

- **Initial recognition and measurement**

Financial assets and liabilities are recognized when the Plan becomes a party to the contractual provisions of the instruments, and are initially measured at fair value. Investments are recorded on the basis of the trade date.

Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recorded immediately in profit or loss. Transaction costs directly attributable to the acquisition of financial assets classified as "loans and receivables" or of financial liabilities classified as "other liabilities" are added to or deducted from (as applicable) the fair value of financial assets and liabilities upon initial recognition.

- **Subsequent measurement**

Financial assets at fair value through profit or loss are measured at fair value. Gains or losses due to the revaluation are recorded in net income for the year in which they arise. The net gain or loss recognized in profit or loss incorporates the interest or dividends earned on the financial asset, as described in the accounting policy pertaining to revenue recognition.

The fair values of investments are determined based on the bid prices and correspond to the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. A quoted market price, if one exists, is the most reliable evidence. The method used to determine the fair value is described in Note 12. Changes in gains and losses on investments are included in the statements of comprehensive income under the item "Change in unrealized gain (loss) on investments." The average cost method is used to determine the investment cost.

Financial assets classified as "loans and receivables" and financial liabilities classified as "other liabilities" are measured at their amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts the future cash inflows over the expected life of the financial instrument to obtain its net carrying amount upon initial recognition.

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired if there is objective evidence that the estimated future cash flows of the instrument have been affected as a result of one or more events.

- **Derecognition**

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or when the Plan has transferred all or substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

3. Significant accounting policies (continued)

Financial instruments (continued)

- **Offsetting**

The Plan offsets financial assets and financial liabilities when it has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously. When there is offsetting, the net amount is reported in the statements of financial position. Note 12 presents the amounts of financial assets and liabilities which are offset in the statements of financial position.

Cash

Cash consists of bank deposits made in other financial institutions.

Quebec Education Savings Incentive (QESI) receivable

The QESI is generally received in May following the tax year the contributions were made by subscribers. As at the reporting date of the financial statements, the QESI amount receivable is estimated based on all subscriber contributions made during the annual reporting period ended December 31, 2018. This amount is estimated by first applying the methodology of the basic grant. If a subscriber is eligible for the additional grant, a supplementary grant amount receivable is then estimated in accordance with the applicable methodology. The total basic grant and the total additional grant are subject to the annual and lifetime limits, which are also factored into the estimated QESI receivable as at the reporting date.

Net assets attributable to contracts

The net assets attributable to contracts are a financial liability resulting from a unique contract and the Plan details the composition of this liability according to its use, i.e. subscribers' savings, sales charge refund obligation at maturity, EAP account, CESG, QESI or accumulated income on the CESG and QESI.

- **Subscribers' savings**

The subscribers' savings account consists of the contributions received, excluding sales charges. The Plan guarantees the refund of savings to subscribers at all times.

- **Sales Charge Refund Obligation at Maturity (SCROM)**

An amount equal to sales charges is refunded to subscribers directly from the accumulated income on subscribers' savings and grants at contract maturity. This liability is recognized as the sales charge refund obligation at maturity.

The Plan retains the services of an independent actuary to determine the value of the SCROM. Management assesses this value based on the sales charges applicable to each plan. The assumptions used to determine the value of the SCROM illustrate the management's best estimate regarding the future payments to subscribers and includes economic and non-economic assumptions. The non-economic assumptions include considerations such as the termination of plans before maturity. The main economic assumption is the discount rate. The latter corresponds to the weighting of the net rate of return of equities and bonds according to the directives of the investment policy applicable to the SCROM.

- **EAP account**

The educational assistance payment (EAP) account consists of the Plan's net investment income accumulated on subscribers' savings over time, after deduction of the EAPs made to beneficiaries and the portion of net income used to refund sales charges. This account may only be used to issue EAPs and these cannot exceed the sum in the eligible beneficiary group's EAP account.

3. Significant accounting policies (continued)

Net assets attributable to contracts (continued)

- **Canada Education Savings Grant (CESG)**

Since January 1, 1998, the Government of Canada adds 20% to each dollar invested in a Registered Education Savings Plan (RESP) by a subscriber who meets all the Canada Education Savings Program (CESP) requirements and submits the necessary information. The annual CESG limit is set at $500 per beneficiary (i.e. $2,500 x 20% = $500). Moreover, since January 1, 2005, the CESG rate that applies to the first $500 of the annual RESP contribution increased from 20% to 40% for beneficiaries whose adjusted family net income in 2018 does not exceed $46,605 and to 30% for beneficiaries whose adjusted family net income in 2018 falls between $46,606 and $93,209. These amounts are indexed every year. Beneficiaries born on or after January 1, 2004, from families who meet the financial criteria established by the federal government also qualify for the Canada Learning Bond (CLB), which consists of an initial payment of $500 into the beneficiary's RESP. Subsequently, this beneficiary can also qualify for additional CLB payments of $100 each year of eligibility, for a maximum of 15 years. The grant is paid as part of the EAPs made to the beneficiary.

- **Quebec Education Savings Incentive (QESI)**

On February 20, 2007, the Government of Quebec introduced the Quebec Education Savings Incentive (QESI), a program to encourage education savings which took the form of a refundable tax credit paid directly in the RESP opened with a provider offering the QESI. The grant's annual limit is set at $250 per beneficiary (i.e., $2,500 x 10% = $250). Moreover, the QESI rate on the first $500 contributed annually to an RESP is 20% for beneficiaries whose adjusted family net income in 2018 does not exceed $43,055. The rate is 15% for beneficiaries whose 2018 adjusted family net income falls between $43,056 and $86,105. These amounts are indexed each year. The credit applies as of the 2007 taxation year to contributions to RESPs after February 20, 2007, for a calendar year after 2006. The cumulative QESI lifetime limit per beneficiary is set at $3,600. The grant is paid as part of the EAPs made to the beneficiary.

Taxation

The Plan is a trust under a registered education savings plan (RESP) and is exempted from filing a Trust Income Tax Return. Therefore, the Plan does not recognize income tax expenses.

Calculation of educational assistance payment (EAP) value per unit

EAP amounts per unit are calculated as at January 1st (June 1st in 2017) by determining the adjusted fair market value (AFMV) available to the beneficiary group eligible for EAPs as of this date.

The effect of this methodology is to amortize gains (losses) on investments over a four-year period, thereby protecting EAP amounts per unit from any major market fluctuations. For the period between November 30, 2017 and January 1, 2018 (between December 31, 2016 and June 1, 2017), the net return generated securities from the portfolio in which the EAP account is invested is added. The amount of EAPs made to beneficiaries during this same period is also deducted, thereby establishing the AFMV as at January 1st (June 1st in 2017). The latter is then distributed among the units held by the beneficiaries eligible to receive an EAP by applying a claim factor. This way, only a portion of these units is considered, since some beneficiaries will not meet the requirements to qualify for EAPs.

An independent actuary issued an actuarial certificate regarding the methodology and assumptions used to calculate the EAP amounts per unit payable between January 16, 2018 and December 31, 2018 (June 1, 2017, and December 19, 2017). In 2017, the unit amounts of the 2nd and 3rd EAPs correspond respectively to the amounts of the 1st and 2nd EAPs calculated the previous year, increased by the returns achieved thus far (for the year in progress) by the securities in which the EAP account is invested.

(in thousands of Canadian $)

4. Significant accounting judgements, estimates and assumptions

In the application of the Plan's accounting policies, as described in Note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized the year during which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if said revision affects both current and future years.

Management exercised judgment and made estimates and underlying assumptions regarding the insurance experience refund, the QESI receivable, and the sales charge refund obligation at maturity (SCROM).

5. Investments

	December 31, 2018	December 31, 2017
Short-term investments	**84,109**	125,096
Bonds	**367,364**	369,988
Equities	**187,635**	193,603
	639,108	688,687

6. Current assets and liabilities

The Plan expects to recover the amounts relating to the sales pending settlement, dividends receivable, interest receivable, CESG receivable, QESI receivable, the experience refunds receivable and other accounts receivable no later than 12 months following the end date of the reporting period. In addition, the Plan expects to settle the sums for the sales pending settlement, QESI refundable as well as accounts payable and related no later than 12 months following the end date of the reporting period.

7. Accounts payable and other liabilities

	Notes	**December 31, 2018**	December 31, 2017
Amount payable to Universitas Management Inc.	9	**717**	767
Accumulated income on grants for payment to a designated educational institution		**1,957**	1,838
Other		**250**	186
		2,924	2,791

(in thousands of Canadian $)

8. Sales Charge Refund Obligation at Maturity (SCROM)

	December 31, 2018	December 31, 2017
Discounted value of the SCROM	**35,706**	37,387
Non-discounted value of the SCROM	**43,554**	46,254

Given that the underlying conditions evolve over the years, especially the rate of return, these assumptions could also change and therefore cause a change in the discounted value of the SCROM.

Impact of a change in the discount rate	**December 31, 2018**	December 31, 2017
Discount rate applied	**4.03 %**	3.83 %
Increase of 1.0%	**(1,384)**	(1,647)
Decrease of 1.0%	**1,483**	1,776

9. Related party transactions

Universitas Management Inc.

Universitas Management Inc., a wholly-owned subsidiary of the Foundation, is the distributor of the products promoted by the Foundation and serves as the Plan's distributor and investment fund manager.

Universitas Foundation of Canada

The Foundation is the promoter of the UNIVERSITAS Plan. The Plan and the Foundation report to the same Board of Directors.

Administration fee	**2018**	2017
Universitas Management Inc.	**8,836**	9,174
Universitas Foundation of Canada	**160**	181
	8,996	9,355

Amount receivable (payable)	**December 31, 2018**	December 31, 2017
Universitas Management Inc.	**(717)**	(767)
Universitas Foundation of Canada	**1,472**	2,130

(in thousands of Canadian $)

10. Additional information relating to the statements of cash flows

For the purposes of the statements of cash flows, cash includes cash on hand with financial institutions. Cash, at the end of the annual reporting period and as presented in the statements of cash flows, may be reconciled to the items in the statements of financial position as follows:

Cash	**December 31, 2018**	December 31, 2017
Cash	**5,974**	8,100

11. Capital management

The Plan's capital corresponds to the net assets attributable to contracts. Capital management objectives are as follows:

- Preserving the value of the subscriber's savings and government grants;
- Ensuring the refund of sales charges at maturity;
- Achieving a maximum net investment return while maintaining an appropriate degree of risk to reach satisfactory EAP values per unit.

In order to meet these objectives, the portfolio managers have a mandate to optimize total returns through high-quality investments, diversification and strategic asset allocation, security selection, duration management and credit analysis. The Plan reviews and revises its policies and procedures regularly.

For the year ended December 31, 2018, the following policies and procedures were applied:

- Subscribers' savings: The Plan commits to refund subscribers' savings and to invest the savings solely in fixed-income securities guaranteed by a Canadian government before plan maturity. After plan maturity, the Plan invests exclusively in money-market securities guaranteed by a Canadian government or held as cash or cash equivalents to ensure the liquidity of investments, as these sums may be withdrawn at any time.
- Government grants: Grants received before April 20, 2012, are currently invested entirely in Canadian equities. The government grants received on or after April 20, 2012, are invested entirely in government bonds guaranteed by a Canadian government.
- Grants earnings, SCROM and EAP account: The target asset allocation for these funds is 100% Canadian equities.

During the year ended December 31, 2018, the Plan maintained the same strategy of prudent portfolio management as that of previous reporting periods by maintaining the investment philosophy adopted by the Investment Committee and portfolio managers.

These policies and procedures must comply with the provisions of the Securities Act (Quebec) and meet the requirements of Paragraph 146.1 (1) of the Income Tax Act (Canada). The Plan is not subject to any other external requirement concerning its capital.

12. Financial instruments

Fair value

- **Establishing fair value**

The fair value of cash, sales pending settlement, dividends receivable, interest receivable, CESG receivable, QESI receivable, insurance experience refunds receivable, other accounts receivable, purchases pending settlement, CESG refundable, QESI refundable and accounts payable and other liabilities approximates their carrying amounts due to their short-term maturities.

12. Financial instruments (continued)

Fair value (continued)

- **Establishing fair value (continued)**

The fair value of the net assets attributable to contracts corresponds to its carrying amount, given that it is the residual amount allocated to contract holders and beneficiaries as at the reporting date.

The fair value of equity investments is established from the bid price values. If quoted prices in active markets are unavailable, the fair value of investments in short-term investments and bonds is determined through the use of current industry-specific valuation methods, such as a model whose application is based on discounting the expected future cash flows or similar techniques. These methods take into account current observable data on the market for financial instruments with a similar risk profile and comparable terms. The important data used in these models include, but are not limited to, yield curves and credit risks.

- **Fair value hierarchy**

For financial reporting, fair value measurements are classified in accordance with a hierarchy (levels 1-2-3). This classification is based on the level at which input data concerning fair value measurements are observable, as well as on the significance of a particular input to the fair value measurement in its entirety. The fair value hierarchy consists of the following levels:

- Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities (for example, prices observable on the TSX) and for which the entity can have access at the measurement date.
- Level 2 - Valuation based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, inputs such as yield curves and indices.
- Level 3 - Valuation using inputs for assets or liabilities that are not based on observable market data (unobservable inputs). For example, private investment valuations by investment fund managers.

The hierarchy that applies as part of the determination of fair value requires the use of observable market inputs whenever such inputs exist. Fair values are classified as Level 1 when the security is traded on an active market and a quoted price is available. If a financial instrument classified as Level 1 ceases to trade in an active market, it is transferred to the next level (Level 2). If valuation of its fair value requires significant use of unobservable market inputs, then it is classified as Level 3.

(in thousands of Canadian $)

12. Financial instruments (continued)

Fair value (continued)

- **Fair value hierarchy (continued)**

The following tables present the financial instruments recorded at fair value in the statements of financial position, classified using the fair value hierarchy:

As at December 31, 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Short-term investments	**58,865**	**25,244**	**-**	**84,109**
Bonds	**-**	**367,364**	**-**	**367,364**
Equities	**187,635**	**-**	**-**	**187,635**
	246,500	**392,608**	**-**	**639,108**

As at December 31, 2017	Level 1	Level 2	Level 3	Total
Short-term investments	98,836	26,260	-	125,096
Bonds	-	369,988	-	369,988
Equities	193,603	-	-	193,603
	292,439	396,248	-	688,687

Over the course of the years ended December 31, 2018 and 2017, there was no significant transfer between Levels 1 and 2.

Risk management related to financial instruments

Due to the nature of its business activities, the Plan is exposed to a variety of financial risks arising from financial instruments, such as credit risk, liquidity risk and market risk, including other price risk, currency risk and interest rate risk. The Plan's overall risk management program seeks to maximize the returns achieved without exposing subscribers' savings to undue risks and by minimizing potential adverse impacts on financial performance. All investments present a risk of loss of capital. The main risks stemming from financial instruments to which the Plan is exposed and the main actions taken to manage these are the following:

- **Credit risk**

The Plan is exposed to credit risk, which is the possibility of incurring financial losses resulting from the inability of a company, an issuer or counterparty to meet its financial commitments to the Plan. The Plan's exposure to credit risk arises from its investments in debt securities. The Plan has established qualitative selection criteria for investments to limit this risk. As for investments related to subscribers' savings and a portion of the government grants received prior to April 20, 2012, the Plan only selects securities issued by the Government of Canada, a provincial government, a municipality or a corporation guaranteed by a government. The other amounts making up the net assets attributable to contracts may also be invested in securities issued by corporations.

Quantitative restrictions have also been established to reduce credit risk. Securities from all borrowers, except a government, are limited to 10% of the total fair value of the fixed-income securities entrusted to the portfolio manager. A minimum BBB rating is required when purchasing.

(in thousands of Canadian $)

12. Financial instruments (continued)

Risk management related to financial instruments (continued)

- **Credit risk (continued)**

As at December 31, 2018, and as at December 31, 2017, the Plan invested in fixed-income securities that are neither past due nor impaired, and presented the following credit rating:

Credit rating	Percentage of total debt securities* December 31, 2018	December 31, 2017
	%	%
AAA	**4.3**	9.7
AA	**75.5**	68.8
A	**20.2**	21.5

*Excludes short-term investments

The Plan's maximum exposure to credit risk is the carrying amount of the financial instruments presented in the statements of financial position.

- **Liquidity risk**

This risk pertains to the Plan's ability to meet its commitments in terms of financial liabilities and therefore, its capacity to carry out payments as required. The Plan is exposed to daily refunds to subscribers, who are entitled to request the refund of their savings at any time. However, the majority of subscribers hold their investment until the contract's maturity date. The liquidity risk is noticeably reduced by the fact that the subscribers' savings are invested only in fixed-income securities on liquid markets. The Plan carefully manages its cash position daily and ensures the minimum cash level required to meet its liquidity needs is maintained.

The following table presents the Plan's contractual maturities of financial liabilities as at December 31, 2018, assuming the subscribers claim their savings at contract maturity (they are also entitled to claim these in full by cancelling part or all of their units):

Maturity	Purchases pending settlement	Accounts payable and other liabilities	QESI refundable	Net assets attributable to contracts	Total
2019 (1)	582	2,924	426	247,883	251,815
2020				60,156	60,156
2021				58,702	58,702
2022				56,798	56,798
2023				59,791	59,791
2024				55,974	55,974
2025				50,529	50,529
2026				32,644	32,644
2027				16,396	16,396
2028				6,651	6,651
2029				3,280	3,280
2030				751	751
2031				68	68
	582	**2,924**	**426**	**649,623**	**653,555**

(1) Including beneficiary groups with plans that reached maturity before 2019.

(in thousands of Canadian $)

12. Financial instruments (continued)

Risk management related to financial instruments (continued)

- **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Certain parameter changes in financial markets influence the Plan's statements of financial position and comprehensive income. The Plan considers these risks when deciding on the global distribution of its assets. More specifically, market risk is reduced through portfolio diversification, meaning the Plan holds a portfolio that includes several asset categories (money market, bond and stock exchange), diverse products with varying risk profiles (participative or fixed-income securities) and multiple market sectors (government, municipal, energy, materials, communication services, utilities, financials, consumer staples, consumer discretionary, industrials and technology).

- **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan no longer carries out transactions denominated in foreign currencies and is therefore no longer exposed to currency risk.

- **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates have a direct impact on the value of the investment portfolio's fixed-maturity securities. This risk is mitigated by a duration range for the active portion of the bond portfolio, and by developing a target duration correlated to the economic outlook for the passive portion of the bond portfolio. Maturity allocation of bonds is regularly adjusted based on the anticipated movement of interest rates, in compliance with the established maturities under the Plan's investment policy. The target duration is based on an analysis of the economic situation, future prospects and risk based on the very nature of the Plan.

As at December 31, 2018, a change of 100 basis points in the interest rates on the market, assuming a parallel shift in the yield curve with all other variables remaining constant, would cause the fair value of the bonds held in the Plan's investment portfolio, the net income, the comprehensive income and the net assets attributable to contracts to change by approximately $17.8M ($17.6M as at December 31, 2017). In practice, actual results may differ materially.

The Plan's bond portfolio by maturity date is distributed as follows:

	December 31, 2018	December 31, 2017
	%	%
Maturing in less than one year	**18.6**	25.3
Maturing in one to five years	**41.1**	42.8
Maturing after five years	**40.3**	31.9

- **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The stock exchange market volatility mostly influences the value of the equities held by the Plan. It should be noted, however, that this exposure is spread in various market sectors, especially in Canadian large-cap securities, which reduces risk. The market index related to equities is the S&P/TSX. A 10% variation in the market index, with all other variables held constant, would create a change of approximately $18.8M as at December 31, 2018 ($19.4M as at December 31, 2017), in the fair value of the Plan's equity holdings, net income, comprehensive income and net assets attributable to contracts. In practice, actual results may differ materially. Sensitivity analysis on the fair value of bonds and Treasury bills is described in the "Interest rate risk" section.

(in thousands of Canadian $)

12. Financial instruments (continued)

Risk management related to financial instruments (continued)

- **Concentration risk**

The concentration risk arises from the concentration of positions within a given category, whether a geographical location, a product type, an market sector or a type of counterparty. The following table summarizes the Plan's concentration risk in relation to the total carrying amount of equity investments:

Market sectors	December 31, 2018	December 31, 2017
	%	%
Energy	9.6	9.1
Materials	9.1	8.7
Communication Services	3.1	3.7
Utilities	8.7	8.7
Financials	35.5	37.7
Consumer Staples	9.4	9.4
Consumer Discretionary	9.8	9.9
Industrials	10.1	8.5
Technology	4.7	4.3

- **Offsetting**

The following table outlines the financial instruments that have been offset in the Plan's financial statements:

Canada Education Savings Grant (CESG) receivable	December 31, 2018	December 31, 2017
Gross financial assets	716	747
Financial liabilities offset	(94)	(111)
	622	636

The Plan has no other financial instrument subject to an enforceable master netting agreement or similar agreement.

The Plan does not hold assets that can be used as a guarantee for the CESG receivable.

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UNIVERSITAS PLAN

Scholarship Agreements (unaudited)

as at December 31, 2018

(in thousands of Canadian $)

Group	Number of units as at Dec. 31, 2017	Number of subscribed units	Number of cancelled or expired units	Number of units as at Dec. 31, 2018	Subscrivers' Savings	Sales Charge Refund Obligation at Maturity	EAP Account	CESG and Accumulated Income on CESG	QESI and Accumulated Income on QESI
2019	149,190.6	76.8	(1,821.4)	147,446.0	100,891	9,249	66,097	56,185	15,461
2020	19,149.4	58.5	(87.7)	19,120.2	36,730	3,405	4,431	11,462	4,128
2021	19,811.2	64.8	(112.8)	19,763.2	34,630	3,357	3,239	13,324	4,152
2022	21,139.8	65.8	(196.3)	21,009.3	33,435	3,398	2,278	13,366	4,321
2023	24,637.8	103.2	(251.1)	24,489.9	35,323	3,782	1,599	14,186	4,901
2024	25,967.0	99.3	(273.5)	25,792.8	33,499	3,788	737	13,105	4,845
2025	26,507.4	108.9	(354.3)	26,262.0	30,890	3,665	(262)	11,853	4,383
2026	19,621.9	105.8	(271.0)	19,456.7	20,431	2,573	(863)	7,695	2,808
2027	11,614.4	54.5	(237.0)	11,431.9	10,613	1,427	(854)	3,781	1,429
2028	5,406.2	28.6	(121.5)	5,313.3	4,283	624	(394)	1,555	583
2029	3,131.0	21.1	(14.2)	3,137.9	2,195	346	(270)	724	285
2030	829.8	17.3	(13.6)	833.5	510	86	(67)	158	64
2031	49.3	0.6	18.7	68.6	47	6	(6)	16	5
	327,055.8	**805.2**	**(3,735.7)**	**324,125.3**	**343,477**	**35,706**	**75,665**	**147,410**	**47,365**

UNIVERSITAS

UNIVERSITAS PLAN

Educational assistance payments (unaudited)

for the years ended December 31, 2018 and 2017

(in Canadian $)

As at December 31, 2018 (1)(2)	Year of Qualification (5)	Units	EAP unit Value	Total
			$	$
1st EAP				
	2017	6,579.764	393	2,585,847
	2016	5,782.347	390	2,255,115
2nd EAP				
	2017	753.195	393	296,006
	2016	3,336.766	396	1,321,359
	2015	3,921.936	400	1,568,774
	2014	605.006	402	243,212
	2013	201.212	490	98,594
	2012	105.048	534	56,096
	2011	65.736	724	47,593
	2010	3.500	956	3,346
	2009	6.500	1,057	6,871
	2008	2.000	1,102	2,204
	2007	5.500	1,173	6,452
	2006	6.000	1,176	7,056
	2005	9.500	1,151	10,935
3rd EAP				
	2017	244.115	393	95,937
	2016	576.299	396	228,214
	2015	2,151.177	406	873,378
	2014	2,580.760	402	1,037,466
	2013	539.463	495	267,034
	2012	275.067	534	146,886
	2011	121.686	736	89,561
	2010	58.514	971	56,817
	2009	22.275	1,106	24,636
	2008	21.000	1,138	23,898
	2007	17.000	1,215	20,655
	2006	5.000	1,189	5,945
	2005	12.500	1,210	15,125
	2004	4.000	1,229	4,916
	2003	2.000	1,221	2,442
	2002	1.000	1,286	1,286
	2001	2.000	1,322	2,644
	2000	5.000	1,510	7,550
Experience refunds (3)		23,518.100	35	823,134
Grants and their income paid				3,856,647
Other income paid (4)				26,614
				16,120,245

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UNIVERSITAS PLAN

Educational assistance payments (unaudited)

for the years ended December 31, 2018 and 2017

(in Canadian $)

As at December 31, 2017 (1)(2)	Year of Qualification (5)	Units	EAP unit Value	Total
			$	$
1st EAP				
	2016	5,241.089	390	2,044,025
	2015	5,632.857	400	2,253,143
2nd EAP				
	2016	626.646	390	244,392
	2015	2,894.287	400	1,157,715
	2014	3,396.036	402	1,365,206
	2013	436.567	490	213,918
	2012	135.200	534	72,197
	2011	78.738	724	57,006
	2010	21.704	956	20,749
	2009	4.000	1,057	4,228
	2008	24.000	1,102	26,448
	2007	7.500	1,176	8,820
	2005	6.500	1,151	7,482
	2004	1.000	1,155	1,155
	2003	3.000	1,131	3,393
	2016	165.318	390	64,474
3rd EAP	2015	425.948	400	170,379
	2014	1,705.716	402	685,698
	2013	2,244.402	495	1,110,979
	2012	718.652	534	383,760
	2011	144.201	736	106,132
	2010	67.379	971	65,425
	2009	59.630	1,106	65,951
	2008	31.500	1,138	35,847
	2007	24.000	1,215	29,160
	2006	3.000	1,189	3,567
	2005	4.000	1,210	4,840
	2004	8.000	1,229	9,832
	2003	4.000	1,221	4,884
	2002	4.000	1,286	5,144
	2001	3.500	1,322	4,627
	2000	4.500	1,510	6,795
	1997	1.000	1,726	1,726
Experience refunds (3)		17,229.057	35	603,017
Grants and their income paid				1,987,800
Other income paid (4)				12,779
				12,842,693

(1) The EAP unit amount does not include the government grants or the income earned on these.

(2) The EAP unit amounts are established on July 1st every year.

(3) The insurance experience refund is only payable for units purchased prior to December 8, 2009, and for wich the subscriber paid premiums for the mandatory life and disability insurance. Before 2014, this refund was included in the EAP unit amount since all qualified beneciaries were entitled to it.

(4) The "other income paid" refers to income received from other promoters, and income on savings after plan maturity.

(5) Since July 1, 2014, a freeze on the 2nd and 3rd EAP is applied. This means that if a beneficiary applies for a 1st EAP, he or she will receive the unit value of the 2nd and 3rd EAP calculated for the current year of qualification, regardless of when the beneficiary applies for it. Prior to July 1, 2014, any beneficiary who qualified for a 2nd or 3rd EAP received the unit amount in force at the time of application.

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