

UNAUDITED INTERIM CONDENSED

FINANCIAL STATEMENTS

For the six-month periods ended
June 30, 2019 and 2018

**UNIVERSITAS
PLAN**



UNIVERSITAS
FINANCIAL

The UNIVERSITAS Plan

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Statements of financial position
condensed interim unaudited

(in thousands of Canadian \$)

	Notes	June 30, 2019	December 31, 2018
Assets			
Cash		5,467	5,974
Sales pending settlement		553	-
Other accounts receivable	7	735	1,472
Dividends receivable		547	550
Interest receivable		2,288	2,274
Canada Education Savings Grant (CESG) receivable	9	354	622
Quebec Education Savings Incentive (QESI) receivable		1,416	3,049
Insurance experience refunds receivable		-	506
Investments	4	668,412	639,108
		679,772	653,555
Liabilities			
Purchases pending settlement		843	582
Accounts payable and other liabilities	5	2,998	2,924
Quebec Education Savings Incentive (QESI) refundable		392	426
		4,233	3,932
Net assets attributable to contracts		675,539	649,623

The notes are an integral part of these interim condensed financial statements.

Statements of net income and comprehensive income
condensed interim unaudited
for the six month periods ended June 30
(in thousands of Canadian \$)

	Notes	2019	2018
Revenues from ordinary activities			
Interest income for educational assistance payments		6,516	6,502
Dividends		3,444	3,119
Insurance experience refunds		(146)	-
Realized gain (loss) on disposal of investments		2,009	(296)
Change in unrealized gain (loss) on investments		34,162	(5,313)
		45,985	4,012
Operating expenses			
Brokerage fee		35	26
Portfolio management fees		346	344
Trustee fee		7	7
Custodian fee		52	53
Administration fee	7	4,474	4,559
Independent Review Committee fee		11	12
		4,925	5,001
Net income and comprehensive income attributable to contracts		41,060	(989)

Statements of changes in net assets attributable to contracts
condensed interim unaudited
for the six month periods ended June 30
(in thousands of Canadian \$)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
Net assets as at December 31, 2018	343,477	35,706	75,665	114,164	33,246	40,693	6,672	649,623
Net income and comprehensive income	-	-	24,050	-	13,216	-	3,794	41,060
Increase								
Subscribers' savings	13,203	-	-	-	-	-	-	13,203
Change in the SCROM	-	1,730	-	-	-	-	-	1,730
Grants received from the government	-	-	-	2,685	-	1,401	-	4,086
Others	-	-	-	-	-	-	-	-
	13,203	1,730	-	2,685	-	1,401	-	19,019
Decrease								
Refund of savings at maturity	(13,944)	-	-	-	-	-	-	(13,944)
Pre-maturity withdrawal of savings	(724)	-	-	-	-	-	-	(724)
Refund of sales charges at maturity	-	(1,315)	-	-	-	-	-	(1,315)
Change in the SCROM	-	-	(1,730)	-	-	-	-	(1,730)
Transfers between plans	(80)	-	-	(45)	(19)	(13)	(3)	(160)
Grants returned to the government	-	-	-	-	-	(224)	-	(224)
Transfers to other promoters	-	-	-	(123)	(36)	(41)	(9)	(209)
Grants and income on grants	-	-	-	(4,562)	(2,175)	(1,461)	(368)	(8,566)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	-	-	(31)	-	(8)	(39)
Educational assistance payments (EAPs)	-	-	(7,247)	-	-	-	-	(7,247)
Others	-	-	(5)	-	-	-	-	(5)
	(14,748)	(1,315)	(8,982)	(4,730)	(2,261)	(1,739)	(388)	(34,163)
Net assets as at June 30, 2019	341,932	36,121	90,733	112,119	44,201	40,355	10,078	675,539

Statements of changes in net assets attributable to contracts
condensed interim unaudited
for the six month periods ended June 30
(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	-	-	856	-	(1,465)	-	(380)	(989)
Increase								
Subscribers' savings	14,727	-	-	-	-	-	-	14,727
Change in the SCROM	-	493	-	-	-	-	-	493
Grants received from the government	-	-	-	3,023	-	1,608	-	4,631
Others	-	-	-	4	-	1	-	5
	14,727	493	-	3,027	-	1,609	-	19,856
Decrease								
Refund of savings at maturity	(13,170)	-	-	-	-	-	-	(13,170)
Pre-maturity withdrawal of savings	(1,024)	-	-	-	-	-	-	(1,024)
Refund of sales charges at maturity	-	(1,232)	-	-	-	-	-	(1,232)
Change in the SCROM	-	-	(493)	-	-	-	-	(493)
Transfers between plans	(63)	-	-	(54)	(26)	(9)	(2)	(154)
Grants returned to the government	-	-	-	-	-	(160)	-	(160)
Transfers to other promoters	-	-	-	(138)	(34)	(46)	(9)	(227)
Grants and income on grants	-	-	-	(6,990)	(3,510)	(2,139)	(549)	(13,188)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	(2)	-	(39)	-	(10)	(51)
Educational assistance payments (EAPs)	-	-	(12,075)	-	-	-	-	(12,075)
Others	-	-	(7)	-	-	-	-	(7)
	(14,257)	(1,232)	(12,577)	(7,182)	(3,609)	(2,354)	(570)	(41,781)
Net assets as at June 30, 2018	345,375	36,648	88,327	117,391	41,925	41,388	8,720	679,774

Statements of cash flows
condensed interim unaudited
for the six month periods ended June 30
(in thousands of Canadian \$)

	2019	2018
Cash flows from operational activities		
Income received		
Interest	6,501	6,452
Dividends	3,443	3,072
Insurance experience refunds	360	-
	10,304	9,524
Operating expenses paid		
Brokerage fee	(35)	(26)
Portfolio management fees	(310)	(365)
Trustee fee	(7)	(7)
Custodian fee	(59)	(53)
Administration fee	(4,450)	(4,590)
Independent Review Committee fee	(11)	(12)
	(4,872)	(5,053)
Other operational activities		
Disposal of investments	177,829	217,308
Acquisition of investments	(171,249)	(205,559)
	6,580	11,749
Net cash flows from operational activities	12,012	16,220
Cash flows from financing activities		
Savings received	14,222	15,383
Savings paid to other promoters	(312)	(390)
Refunds of savings to subscribers	(14,612)	(14,214)
CESG and income on CESG received	2,794	3,054
QESI and income on QESI received	3,034	3,413
QESI and income on QESI paid	(308)	(381)
Transfers between plans	(160)	(154)
Sales charge refunds	(1,308)	(1,234)
Educational assistance payments (EAPs)	(15,869)	(25,221)
	(12,519)	(19,744)
Net cash flows used in financing activities	(12,519)	(19,744)
Net decrease in cash	(507)	(3,524)
Cash, beginning of period	5,974	8,100
Cash, end of period	5,467	4,576

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Short-term investments					
63,346	Cash		-	63,346	63,346
2,350	Government of Canada	19 Sep 2019	-	2,339	2,339
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	2,001
2,000	City of Magog	9 Sep 2019	2.250	1,970	2,000
1,900	City of Lévis	2 Jun 2020	2.050	1,874	1,903
1,515	City of Kirkland	27 Jan 2020	2.150	1,498	1,515
1,500	City of Saguenay	21 Oct 2019	2.350	1,479	1,501
1,500	City of Drummondville	18 Dec 2019	2.250	1,481	1,500
1,500	City of Chambly	16 Dec 2019	2.200	1,476	1,500
1,500	City of Sainte-Julie	28 Apr 2020	1.700	1,483	1,494
1,461	Cash sweep		-	1,461	1,461
1,300	City of Sherbrooke	10 Dec 2019	2.200	1,282	1,300
1,250	City of Victoriaville	15 Jun 2020	1.900	1,231	1,246
1,200	City of St-Bruno-de-Montarville	9 Sep 2019	2.250	1,183	1,199
1,090	City of Brossard	4 Nov 2019	2.300	1,074	1,090
1,000	Province of Manitoba	21 Nov 2019	1.150	999	998
1,000	City of Thetford Mines	18 Feb 2020	1.700	991	996
1,000	City of Sherbrooke	29 Jun 2020	1.600	990	995
900	City of Longueuil	12 May 2020	1.900	888	896
730	City of Lévis	4 Jun 2020	2.000	728	728
500	City of Saint-Constant	21 Jan 2020	2.100	494	500
226	City of Saint-Jean-sur-Richelieu	11 Jun 2020	1.950	225	225
Total - Short-term investments				92,445	92,735

Bonds

Bonds issued or guaranteed by the Government of Canada

5,175	PSP Capital Inc.	22 Oct 2020	3.030	5,263	5,259
4,850	Government of Canada	1 Jun 2029	2.250	5,091	5,200
1,700	Government of Canada	1 May 2021	1.750	1,710	1,708
850	Canada Housing Trust	15 Mar 2024	1.933	850	849
				12,914	13,016

Bonds issued or guaranteed by a Canadian province

29,214	Province of Ontario	2 Jun 2024	3.500	31,093	31,484
24,317	Province of Ontario	2 Jun 2028	2.900	25,073	25,836
21,610	Province of Ontario	2 Jun 2026	2.400	21,675	22,164
16,959	Province of Quebec	1 Sep 2023	3.000	17,197	17,794
14,579	Province of Quebec	1 Sep 2024	3.750	15,922	15,945
14,285	Province of Quebec	1 Dec 2022	3.500	15,003	15,121
13,443	Province of Quebec	1 Dec 2021	4.250	14,846	14,261
13,612	Province of Ontario	2 Jun 2023	2.850	13,693	14,167
12,592	Province of Ontario	2 Jun 2027	2.600	12,871	13,073
11,379	Province of Quebec	1 Sep 2026	2.500	11,529	11,773
9,823	Province of Quebec	1 Sep 2025	2.750	9,949	10,297

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a Canadian province (continued)					
9,763	Province of Ontario	2 Jun 2025	2.600	9,842	10,130
6,776	Province of Quebec	1 Sep 2027	2.750	6,782	7,133
5,058	Province of Ontario	8 Mar 2029	6.500	6,836	6,950
5,802	CDP Financial Inc.	15 Jul 2020	4.600	6,345	5,962
5,354	Province of Quebec	1 Sep 2028	2.750	5,290	5,645
4,841	Province of Ontario	2 Jun 2022	3.150	5,054	5,039
4,694	Province of Quebec	1 Dec 2020	4.500	5,106	4,877
3,846	Province of Ontario	2 Jun 2021	4.000	4,124	4,014
3,568	Province of Alberta	1 Jun 2027	2.550	3,453	3,684
3,298	Province of Quebec	22 Feb 2024	2.250	3,298	3,365
2,566	Province of Nova Scotia	1 Jun 2025	2.150	2,548	2,596
2,457	OPB Finance Trust	25 Jan 2027	2.980	2,458	2,577
1,818	Province of Quebec	1 Apr 2026	8.500	2,644	2,558
2,349	Province of Ontario	2 Jun 2029	2.700	2,453	2,463
2,362	Province of Ontario	8 Mar 2022	1.350	2,297	2,341
2,082	Province of Ontario	8 Sep 2023	2.600	2,076	2,150
2,000	Province of Alberta	1 Sep 2022	1.600	1,995	1,992
1,694	Hydro Québec	15 Aug 2020	11.000	2,243	1,867
1,570	Province of New Foundland and Labrador	2 Jun 2028	2.850	1,565	1,636
1,568	Province of Alberta	1 Jun 2026	2.200	1,565	1,586
1,425	Province of Alberta	1 Dec 2028	2.900	1,451	1,511
1,137	Province of Quebec	16 Jan 2023	9.375	1,553	1,431
1,292	Province of Ontario	8 Sep 2024	2.300	1,301	1,320
971	Province of Manitoba	2 Jun 2026	2.550	942	1,002
938	Province of Manitoba	2 Jun 2024	3.300	1,009	1,002
916	Province of Ontario	5 Feb 2025	2.650	923	953
923	Province of Newfoundland & Labrador	2 Jun 2025	2.300	895	936
708	Hydro Québec	15 Jul 2022	9.625	967	873
583	Province of Quebec	1 Jun 2025	5.350	698	692
513	Province of Ontario	13 Jul 2022	9.500	712	629
446	Ontario Hydro	22 Jun 2026	8.250	645	622
611	Province of Ontario	27 Jan 2023	1.950	606	615
565	Province of Saskatchewan	2 Jun 2026	2.550	554	584
525	Province of Manitoba	2 Jun 2028	3.000	519	559
391	Province of Ontario	2 Jun 2027	7.600	557	548
355	Province of Ontario	2 Dec 2025	8.500	510	492
447	Province of Quebec	6 Jul 2025	2.600	447	465
359	Province of Ontario	8 Sep 2023	8.100	482	450
342	Province of Quebec	1 Mar 2023	2.450	342	351
342	Province of Quebec	3 Mar 2022	1.650	337	342
295	Cadillac Fairview Corporation Ltd.	25 Jan 2021	4.310	310	306
236	Province of Ontario	7 Feb 2024	7.500	309	294
235	OPB Finance Trust	24 May 2023	2.900	238	243
179	Ontario Hydro	18 Aug 2022	8.900	244	217

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a Canadian province (continued)					
150	Province of Ontario	2 Dec 2026	8.000	214	210
197	OPB Finance Trust	24 Feb 2022	1.880	195	197
121	OPB Finance Trust	2 Feb 2026	2.950	122	127
				<u>283,907</u>	<u>287,451</u>
Bonds issued or guaranteed by a municipality					
3,550	Société de transport de l'Outaouais	9 Nov 2021	1.800	3,499	3,517
2,965	City of Montreal	1 Sep 2024	3.500	3,160	3,177
2,525	City of St-Bruno-de-Montarville	8 Sep 2021	1.850	2,487	2,509
2,500	Municipality of La Prairie	8 Sep 2021	1.850	2,463	2,486
2,510	City of Saint-Lambert	2 Nov 2021	1.900	2,479	2,481
2,350	City of Mirabel	21 Sep 2021	1.800	2,315	2,330
2,185	City of Longueuil	13 Jul 2021	1.850	2,156	2,172
2,000	City of Saint-Lambert	17 Oct 2023	3.000	1,974	2,061
2,000	City of Saint-Jerome	14 Sep 2020	1.750	1,979	1,991
2,000	City of Chateauguay	14 Sep 2021	1.900	1,973	1,988
1,840	City of Toronto	21 May 2024	3.400	1,852	1,960
1,750	City of Laval	18 Jun 2024	3.300	1,731	1,834
1,580	Municipal finance of British Columbia	23 Oct 2028	3.050	1,575	1,688
1,485	City of Montreal	1 Sep 2027	3.000	1,478	1,561
1,472	City of Laval	21 Mar 2028	3.000	1,462	1,533
1,490	City of Toronto	7 Jun 2027	2.400	1,486	1,503
1,500	City of Beaconsfield	26 Jul 2021	1.750	1,478	1,489
1,500	City of Saguenay	20 Apr 2022	1.850	1,477	1,488
1,500	City of Saint-Jean-sur-Richelieu	22 Jun 2021	1.650	1,475	1,486
1,500	City of Varennes	3 Aug 2021	1.800	1,474	1,486
1,395	City of Montreal	1 Sep 2023	3.500	1,358	1,481
1,325	City of Saint-Constant	23 Aug 2021	1.850	1,305	1,314
1,300	City of Brossard	21 Jul 2020	2.000	1,283	1,302
1,185	City of Quebec	20 Dec 2027	2.650	1,156	1,185
1,000	City of Alma	23 Aug 2021	1.850	985	994
1,000	City of Gatineau	29 Jun 2021	1.800	988	994
1,000	City of Granby	6 Jul 2021	1.750	982	992
900	City of Longueuil	15 Nov 2020	2.700	895	906
840	City of Trois-Rivières	18 Apr 2028	3.000	826	865
850	City of Victoriaville	6 Feb 2023	2.500	837	859
840	City of Saguenay	26 Apr 2023	2.750	829	856
775	Town of Bradford West	21 Sep 2022	3.500	800	811
790	City of Lévis	4 Jun 2023	2.200	781	789
700	City of Mirabel	21 Sep 2020	1.700	693	696
665	City of Lévis	4 Jun 2021	2.050	661	664
590	City of Brossard	25 Jul 2023	2.900	584	605
500	City of Rouyn-Noranda	30 Mar 2021	2.000	492	499
460	City of Quebec	8 Apr 2024	3.500	462	489
455	City of Lévis	4 Jun 2022	2.100	451	454
400	City of Toronto	29 Sep 2023	3.900	397	432

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a municipality (continued)					
410	City of Lévis	5 Jun 2028	3.250	404	430
400	City of Candiac	31 Jul 2023	2.750	394	408
350	City of Lévis	9 Mar 2026	2.950	343	359
300	City of Longueuil	19 Jul 2023	2.800	296	307
300	City of Mont-Saint-Hilaire	29 Nov 2020	2.050	300	299
293	City of Saint-Jean-sur-Richelieu	11 Jun 2022	2.000	291	292
250	City of New Tecumseth	23 Mar 2025	4.800	276	285
259	City of Saint-Jean-sur-Richelieu	11 Jun 2021	1.950	258	258
247	City of Longueuil	10 Nov 2025	3.200	246	257
203	City of Saint-Jean-sur-Richelieu	11 Jun 2023	2.100	201	202
193	City of Val-d'Or	25 Oct 2020	2.150	193	193
				<u>59,940</u>	<u>61,217</u>

Bonds issued or guaranteed by a corporation

470	Omers Finance Trust	14 May 2029	2.600	<u>474</u>	<u>483</u>
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Total - Bonds				<u>357,235</u>	<u>362,167</u>
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Number of shares	Security	Cost	Carrying amount
Equities			
Energy			
176,132	Enbridge Inc.	7,243	8,294
100,915	Canadian Natural Resources Ltd.	3,685	3,557
69,478	Parkland Fuel Corporation	1,869	2,881
83,833	Transalta Renewables Inc.	1,014	1,158
33,425	Vermillon Energy Inc.	1,949	949
95,920	Arc Resources Ltd.	2,104	615
7,668	TC Energy Corp.	472	497
26,380	Enerflex Ltd.	<u>420</u>	<u>449</u>
		<u>18,756</u>	<u>18,400</u>

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Materials			
72,183	Nutien Ltd.	4,684	5,041
66,990	CCL Industries Inc.	3,130	4,297
69,521	Pembina Pipeline Corporation	2,815	3,369
20,169	Franco-Nevada Corporation	1,850	2,228
97,546	Intertape Polymer Group Inc.	1,999	1,791
34,750	Winpak Ltd.	968	1,494
96,116	Osisko Gold Royalties Ltd.	1,306	1,312
7,338	Stella-Jones Inc.	334	346
		17,086	19,878
Communication Services			
92,712	TELUS Corporation	4,051	4,475
71,067	BCE Inc.	4,286	4,227
8,613	TELUS Corporation	360	360
		8,697	9,062
Utilities			
250,625	Algonquin Power & Utilities Corp.	3,044	3,972
72,021	Fortis Inc.	3,019	3,715
45,005	Brookfield Infrastructure Finance Limited	2,270	2,520
48,191	Brookfield Renewable partners	1,895	2,177
37,862	Emera Inc.	1,758	2,025
83,981	Hydro One Limited	1,772	1,909
51,739	Canadian Utilities Limited	1,898	1,907
42,093	ATCO Ltd.	1,800	1,854
42,780	Keyera Corp.	1,783	1,434
34,587	Innegex Renewable Energy Inc.	499	480
8,130	Boralex Inc.	153	160
		19,891	22,153
Financials			
178,024	Toronto-Dominion Bank	8,199	13,599
93,334	Royal Bank of Canada	6,108	9,694
136,911	Brookfield Asset Management Inc.	7,960	8,546
113,937	The Bank of Nova Scotia	6,441	8,005
51,135	Intact Financial Corp.	4,135	6,184
196,695	Manulife Financial Corporation	4,084	4,679
73,658	IA Financial corp Inc.	3,348	3,927
78,560	Allied Properties Real Estate Investment Trust	3,082	3,705
40,069	Granite Real Estate Investment Trust	2,044	2,405
97,520	Killam Appartment Real Estate Investment Trust	1,874	1,829
40,545	Genworth MI Canada Inc.	1,672	1,676
8,816	Boyd Group Income Fund	823	1,450

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Financials (continued)			
23,918	Canadian Apartment Properties REIT	813	1,156
18,458	National Bank of Canada	1,131	1,146
30,120	Great-West Lifeco Inc.	746	908
25,608	SmartCentres Real Estate Investment Trust	823	848
13,763	Sun Life Financial Inc.	706	745
13,793	Laurentian Bank of Canada	681	619
29,413	Chartwell Retirement Residence	430	445
14,900	Canadian Western Bank	505	443
19,142	Alaris Royalty Corp.	407	359
11,686	Brookfield Property Partners LP	294	289
2,217	Equitable Groupe Inc.	139	161
6,372	Choice Properties Real Estate Investment Trust	77	87
512	Bank of Montreal	53	51
		56,575	72,956
Consumer Staples			
140,035	Metro Inc.	5,113	6,853
61,016	Alimentation Couche-Tard Inc.	3,456	5,010
105,474	Saputo Inc.	3,758	4,131
67,453	Empire Company Limited	1,395	2,217
47,552	The North West Company Inc.	1,421	1,421
11,405	Premium Brands Holdings Corporation	1,132	1,017
7,119	George Weston Ltd.	779	705
		17,054	21,354
Consumer Discretionary			
68,456	Thomson Reuters Corporation	3,343	5,762
39,690	Restaurant Brands International Inc.	3,141	3,602
70,400	Gildan Activewear Inc.	2,668	3,547
18,850	Canadian Tire Corporation Ltd.	1,683	2,681
21,431	Cogeco Communications Inc.	1,531	2,012
16,297	NFI Group Inc.	549	599
11,176	Cineplex Inc.	345	256
17,062	Uni-Select Inc.	517	210
535	Dollarama Inc.	19	25
		13,796	18,694

Schedule of investment portfolio
condensed interim unaudited
as at June 30, 2019
(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Industrials			
55,742	Canadian National Railway Company	2,517	6,743
126,264	CAE Inc.	1,915	4,422
98,295	Stantec Inc.	2,862	3,081
41,042	Groupe WSP Global Inc.	2,256	2,945
71,025	SNC-Lavalin Group Inc.	1,963	1,881
14,335	Ritchie Bros. Auctioneers Inc.	648	623
14,407	Finning International Inc.	483	343
1,826	Toromont Industries Ltd.	120	113
		<u>12,764</u>	<u>20,151</u>
Technology			
78,050	Open Text Corporation	1,862	4,201
41,152	CGI inc.	2,032	4,130
52,375	The Descartes Systems Group Inc.	638	2,531
		<u>4,532</u>	<u>10,862</u>
Total - Equities		<u>169,151</u>	<u>213,510</u>
Total - Schedule of investment portfolio		<u>618,831</u>	<u>668,412</u>

Unaudited interim condensed notes
for the six month periods ended June 30, 2019 and 2018
(in thousands of Canadian \$)

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 Audit Committee on August 29, 2019.

2. Significant accounting policies

Statement of compliance

The statements of financial position, the statements of net and comprehensive income, the statements of changes in net assets attributable to contracts, the statements of cash flows and the accompanying notes were prepared in accordance with IAS 34 Interim Financial Reporting. These interim condensed financial statements should be read in conjunction with the financial statements for the year ended December 31, 2018. The significant accounting policies used in preparing these condensed interim financial statements are consistent with those found in the financial statements for the year ended December 31, 2018.

3. Significant accounting judgements, estimates and assumptions

In the application of the Plan's accounting policies, as described in Note 3 of financial statements for the year ended December 31, 2018, 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

The main sources of uncertainty regarding estimates and the main judgements made by management for the unaudited interim condensed financial statements are identical to those presented in the annual financial statements for the year ended December 31, 2018.

Unaudited interim condensed notes
for the six month periods ended June 30, 2019 and 2018
(in thousands of Canadian \$)

4. Investments

	June 30, 2019	December 31, 2018
Short-term investments	92,735	84,109
Bonds	362,167	367,364
Equities	213,510	187,635
	668,412	639,108

5. Accounts payable and other liabilities

	Notes	June 30, 2019	December 31, 2018
Amount payable to Universitas Management Inc.	7	711	717
Accumulated income on grants for payment to a designated educational institution		1,996	1,957
Other		291	250
		2,998	2,924

6. Sales Charge Refund Obligation at Maturity (SCROM)

	June 30, 2019	December 31, 2018
Discounted value of the SCROM	36,121	35,706
Non-discounted value of the SCROM	42,332	43,554

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	June 30, 2019	December 31, 2018
Discount rate applied	3.41 %	4.03 %
Increase of 1.0%	(1,331)	(1,384)
Decrease of 1.0%	1,423	1,483

7. 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.

Unaudited interim condensed notes
for the six month periods ended June 30, 2019 and 2018
(in thousands of Canadian \$)

7. Related party transactions (continued)

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	2019	2018
Universitas Management Inc.	4,401	4,477
Universitas Foundation of Canada	73	82
	4,474	4,559

Amount receivable (payable)	June 30, 2019	December 31, 2018
Universitas Management Inc.	(711)	(717)
Universitas Foundation of Canada	735	1,472

8. 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 period ended June 30, 2019, 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 period ended June 30, 2019, 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.

9. 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.

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.

Unaudited interim condensed notes
for the six month periods ended June 30, 2019 and 2018
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9. 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 June 30, 2019	Level 1	Level 2	Level 3	Total
Short-term investments	64,807	27,928	-	92,735
Bonds	-	362,167	-	362,167
Equities	213,510	-	-	213,510
	278,317	390,095	-	668,412

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

Over the course of the periods ended June 30, 2019 and 2018, 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.

Unaudited interim condensed notes
for the six month periods ended June 30, 2019 and 2018
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9. Financial instruments (continued)

Risk management related to financial instruments (continued)

▪ Credit risk (continued)

As at June 30, 2019, and as at December 31, 2018, 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*	
	June 30, 2019	December 31, 2018
	%	%
AAA	5.3	4.3
AA	75.0	75.5
A	19.7	20.2

*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.

▪ 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 June 30, 2019, 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 (\$17.8M as at December 31, 2018). In practice, actual results may differ materially.

Unaudited interim condensed notes
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9. Financial instruments (continued)

Risk management related to financial instruments (continued)

▪ **Interest rate risk (continued)**

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

	June 30, 2019	December 31, 2018
	%	%
Maturing in less than one year	20.4	18.6
Maturing in one to five years	41.2	41.1
Maturing after five years	38.4	40.3

▪ **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 \$21.4M as at June 30, 2019 (\$18.8M as at December 31, 2018), 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.

▪ **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	June 30, 2019	December 31, 2018
	%	%
Energy	8.6	9.6
Materials	9.3	9.1
Communication Services	4.2	3.1
Utilities	10.4	8.7
Financials	34.2	35.5
Consumer Staples	10.0	9.4
Consumer Discretionary	8.8	9.8
Industrials	9.4	10.1
Technology	5.1	4.7

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9. Financial instruments (continued)

Risk management related to financial instruments (continued)

▪ **Offsetting**

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

Canada Education Savings Grant (CESG) receivable	June 30, 2019	December 31, 2018
Gross financial assets	513	716
Financial liabilities offset	(159)	(94)
	354	622

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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