

Annual Financial Statements - December 31, 2018



Clarica Segregated Funds



managed by CI Investments Inc.



issued by Sun Life Assurance Company of Canada

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Independent auditor's report

To the Contractholders of

Clarica CI Dividend Equity Benefit Fund
Clarica CI North American Equity Fund
Clarica CI Equity Fund B
Clarica Income Fund 2

(collectively, the Funds, individually the Fund)

Our opinion

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

What we have audited

The financial statements of each of the Funds comprise:

- the statements of financial position as at December 31, 2018 and 2017;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to contractholders for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of each of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Other matter – unaudited information

We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Top 25 Holdings of the Underlying Fund and the Financial Highlights of each of the Funds. Accordingly, we do not express an opinion on the Top 25 Holdings of the Underlying Fund and the Financial Highlights of each of the Funds.

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 of each of the Funds 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 ability of each of the Funds 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 any of the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of each of the Funds.

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 for each Fund 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 generally accepted auditing standards 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 the financial statements of each of the Funds.

As part of an audit in accordance with Canadian generally accepted auditing standards, 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 of each of the Funds, 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 internal control of each of the Funds.



- 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 ability of each of the Funds 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 of each of the Funds 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 any of the Funds to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of each of the Funds, 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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
April 29, 2019

Clarica CI Dividend Equity Benefit Fund

Financial Statements (audited)

Statements of Financial Position

as at December 31

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

	2018	2017
Assets		
Current assets		
Investments*	14,688	18,299
Cash	17	47
Fees rebate receivable	-	-
Dividends receivable	-	-
Interest receivable	-	-
Receivable for investments sold	-	2
Receivable for unit subscriptions	1	-
	14,706	18,348
Liabilities		
Current liabilities		
Bank overdraft	-	-
Payable for investments purchased	1	4
Payable for unit redemptions	1	-
Management fees payable	-	-
Administration fees payable	-	-
Insurance fees payable	-	-
	2	4
Net assets attributable to contractholders	14,704	18,344
*Investments at cost	16,078	16,593
Net assets attributable to contractholders per unit:		
Class A	1,012.00	1,165.29

Statements of Comprehensive Income

for the years ended December 31

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

	2018	2017
Income		
Net gain (loss) on investments		
Dividends	-	-
Income distributions from investments	176	138
Capital gain distributions from investments	738	700
Net realized gain (loss) on sale of investments	109	4,844
Change in unrealized appreciation (depreciation) in value of investments	(3,096)	(2,822)
Other income		
Interest	1	-
Fees rebate (Note 6)	-	7
	(2,072)	2,867
Expenses (Note 6)		
Management fees	71	69
Administration fees	35	34
Insurance fees	35	33
Harmonized sales tax	14	13
	155	149
Increase (decrease) in net assets from operations attributable to contractholders	(2,227)	2,718
Increase (decrease) in net assets from operations attributable to contractholders per unit:		
Class A	(146.82)	168.56
Weighted average number of units:		
Class A	15,170	16,126

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Dividend Equity Benefit Fund

Financial Statements (audited)

Statements of Changes in Net Assets Attributable to Contractholders for the years ended December 31 (in \$000's)

	2018	2017
Fund		
Net assets attributable to contractholders at the beginning of year	18,344	16,346
Increase (decrease) in net assets from operations attributable to contractholders	(2,227)	2,718
Unit transactions		
Proceeds from issuance of units	86	116
Amounts paid on redemption of units	(1,499)	(836)
	(1,413)	(720)
Net assets attributable to contractholders at the end of year	14,704	18,344

Statements of Cash Flows for the years ended December 31 (in \$000's)

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets from operations attributable to contractholders	(2,227)	2,718
Adjustments for:		
Net realized (gain) loss on sale of investments	(109)	(4,844)
Change in unrealized (appreciation) depreciation in value of investments	3,096	2,822
Proceeds from sale of investments	1,746	17,471
Purchase of investments	(209)	(16,715)
Non-cash distributions from investments	(914)	(838)
(Increase) decrease in fees rebate receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	-	-
Increase (decrease) in administration fees payable	-	-
Increase (decrease) in insurance fees payable	-	-
Net cash from (used in) operating activities	1,383	614
Cash flows from (used in) financing activities		
Proceeds from issuance of units	85	117
Amounts paid on redemption of units	(1,498)	(836)
Net cash from (used in) financing activities	(1,413)	(719)
Net increase (decrease) in cash	(30)	(105)
Cash (bank overdraft), beginning of year	47	152
Cash (bank overdraft), end of year	17	47
Supplementary Information:		
Dividends received, net of withholding tax*	-	-
Interest received*	1	-
Dividends paid*	-	-
Interest paid*	-	-

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

Clarica CI Dividend Equity Benefit Fund

Schedule of Investment Portfolio

as at December 31, 2018 (audited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
747,523	Signature Select Canadian Corporate Class (1 Shares) [†]	16,077,940	14,688,232
Total Investments (99.9%)		16,077,940	14,688,232
Other Net Assets (Liabilities) (0.1%)			15,866
Net Assets Attributable to Contractholders (100.0%)			14,704,098

Top 25 Holdings of the Underlying Fund

as at December 31, 2018 (unaudited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
819,670	The Bank of Nova Scotia	55,746,763	55,778,544
2,802,267	Manulife Financial Corp. Cash & Equivalents	61,135,727	54,279,912 54,164,152
991,405	Canadian Natural Resources Ltd.	38,370,399	32,656,881
722,824	Suncor Energy Inc.	29,468,679	27,561,279
209,650	Canadian Imperial Bank of Commerce	23,577,444	21,317,212
318,600	Sony Corp.	10,651,078	21,134,855
652,801	Teck Resources Ltd., Class B	18,872,147	19,185,821
77,800	Canadian Pacific Railway Ltd.	17,470,844	18,846,272
192,950	Royal Bank of Canada	16,890,018	18,029,248
278,060	Nutrien Ltd.	19,413,164	17,829,207
532,399	Synchrony Financial	20,791,805	17,047,813
352,300	Samsung Electronics Co., Ltd.	11,251,665	16,708,422
145,200	Canadian National Railway Co.	9,411,821	14,681,172
202,700	Citigroup Inc.	17,006,418	14,403,279
206,720	Alimentation Couche-Tard Inc., Class B	7,003,899	14,038,355
208,954	Wells Fargo & Co.	12,386,934	13,142,156
210,914	Agnico-Eagle Mines Ltd.	11,538,538	11,621,361
254,450	Enbridge Inc.	13,405,514	10,791,225
437,172	Power Corporation of Canada	13,047,035	10,723,829
54,100	Johnson & Johnson	9,882,747	9,529,250
27,650	UnitedHealth Group Inc.	6,266,193	9,401,717
150,450	Loblaw Co., Ltd.	5,515,613	9,194,000
74,795	Sanofi S.A.	8,617,465	8,848,670
1,112,300	EnCana Corp.	13,328,013	8,764,924

Financial statements for the underlying CI mutual fund, including information on the holdings of the underlying fund, are available in electronic format on the fund manager's website at www.ci.com.

[†]The Underlying Fund is also managed by CI Investments Inc., the Manager of the Fund.

Percentages shown in brackets in the Schedule of Investment Portfolio relate investments at fair value to net assets attributable to contractholders of the Fund.

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

Clarica CI Dividend Equity Benefit Fund

Fund Specific Notes to Financial Statements (audited)

Interest in Underlying Fund (Note 2)

The following tables present the Fund's interest in the Underlying Fund.

as at December 31, 2018

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	891,860	14,688	1.6

as at December 31, 2017

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	1,118,928	18,299	1.6

Unit Transactions (Note 5)

for the years ended December 31

	Class A	
	2018	2017
Number of units at the beginning of year	15,742	16,403
Units issued for cash	75	107
Units redeemed	(1,287)	(768)
Number of units at the end of year	14,530	15,742

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Dividend Equity Benefit Fund

Financial Information (for the years ended December 31) (unaudited)

Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

	2018	2017	Class A 2016	2015	2014
The Fund's Net Asset Value per Unit					
Net assets attributable to contractholders per unit at the end of the year shown (\$) ⁽¹⁾	1,012.00	1,165.29	996.53	866.72	874.94
Ratios and Supplemental Data					
Net assets (\$000's) ⁽¹⁾	14,704	18,344	16,346	15,227	16,818
Number of units outstanding ⁽¹⁾	14,530	15,742	16,403	17,568	19,222
Portfolio turnover rate (%) ⁽²⁾	6.42	102.04	6.03	6.28	2.00
Management Expense Ratio					
Management expense ratio before taxes (%) ⁽³⁾	0.80	0.80	0.80	0.80	0.80
Harmonized sales tax (%) ⁽³⁾	0.08	0.08	0.08	0.08	0.09
Management expense ratio after taxes (%) ⁽³⁾	0.88	0.88	0.88	0.88	0.89
Effective HST rate for the year (%) ⁽³⁾	10.21	10.22	10.36	10.38	10.42

(1) This information is provided as at December 31, of the years shown.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of a contractholder receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying fund, calculated on a weighted average basis on the percentage weighting of the underlying fund and is expressed as an annualized percentage of average net assets for the years shown. The Effective HST tax rate is calculated using the attribution percentage for each province based on contractholders' residency and can be different from 13%.

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Dividend Equity Benefit Fund

Fund Specific Notes to Financial Statements (audited)

Financial Instruments Risks (Note 8)

Concentration Risk

The Signature Select Canadian Corporate Class' financial instruments were concentrated in the following segments:

as at December 31, 2018

Categories	Net Assets (%)
Financials	33.3
Energy	12.1
Industrials	9.8
Materials	7.6
Consumer Discretionary	7.6
Health Care	7.2
Consumer Staples	6.1
Cash & Equivalents	6.1
Information Technology	4.9
Utilities	2.2
Other Net Assets (Liabilities)	2.1
Real Estate	0.8
Private Placements	0.5
Exchange-Traded Fund(s)	0.3
Warrants	0.0
Fund(s)	0.0
Foreign Currency Forward Contracts	(0.6)

as at December 31, 2017

Categories	Net Assets (%)
Financials	32.0
Energy	13.5
Materials	9.9
Industrials	9.3
Information Technology	8.4
Consumer Discretionary	6.7
Health Care	5.4
Consumer Staples	4.5
Telecommunication Services	2.5
Cash & Equivalents	2.2
Real Estate	1.4
Utilities	1.4
Other Net Assets (Liabilities)	1.3
Warrants	1.3
Foreign Currency Forward Contracts	0.2
Fund(s)	0.0

Credit Risk

The Fund indirectly bears the credit risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to credit risk as it invested predominantly in stocks.

Other Price Risk

The Fund indirectly bears the other price risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to other price risk as its holdings were sensitive to changes in general economic conditions in Canada. The Underlying Fund was invested in Canadian stocks.

As at December 31, 2018, had the equities in the investment portfolio of the Underlying Fund increased or decreased by 10% (December 31, 2017 - 10%), with all other variables held constant, net assets attributable to contractholders of the Fund would have increased or decreased, respectively, by approximately \$1,357,000 (December 31, 2017 - \$1,762,000). In practice, actual results may differ from this analysis and the difference may be material.

Currency Risk

The Fund indirectly bears the currency risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to currency risk, as some of its investments were denominated in currencies other than Canadian dollars, the functional currency of the Fund and the Underlying Fund. As a result, the Fund was affected by fluctuations in the value of such currencies relative to the Canadian dollar.

The tables below summarize the Underlying Fund's exposure to currency risk.

as at December 31, 2018

Currency	Net Assets (%)
U.S. Dollar	18.8
Euro	3.1
Korean Won	1.9
Japanese Yen	1.8
British Pound	1.0
Swedish Krona	0.8
Swiss Franc	0.7
Danish Krone	0.5
Hong Kong Dollar	0.3
Total	28.9

as at December 31, 2017

Currency	Net Assets (%)
U.S. Dollar	17.6
Korean Won	2.0
British Pound	1.9
Euro	1.8
Japanese Yen	1.6
Swedish Krona	1.6
Swiss Franc	0.7
Danish Krone	0.5
Indian Rupee	0.5
Indonesian Rupiah	0.3
Hong Kong Dollar	0.2
Total	28.7

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% (December 31, 2017 - 10%) in relation to all other foreign currencies held in the Underlying Fund, with all other variables held constant, net assets attributable to contractholders of the Fund would have decreased or increased, respectively, by approximately \$425,000 (December 31, 2017 - \$525,000). In practice, the actual results may differ from this analysis and the difference may be material.

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

Clarica CI Dividend Equity Benefit Fund

Fund Specific Notes to Financial Statements (audited)

Interest Rate Risk

The Fund indirectly bears the interest rate risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to interest rate risk as substantially all of its assets were invested in stocks.

Fair Value Hierarchy

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

Long Positions at fair value as at December 31, 2018

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Fund(s)	14,688	-	-	14,688
Total	14,688	-	-	14,688

Long Positions at fair value as at December 31, 2017

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Fund(s)	18,299	-	-	18,299
Total	18,299	-	-	18,299

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2018 and 2017.

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

Clarica CI Equity Fund B

Financial Statements (audited)

Statements of Financial Position

as at December 31

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

	2018	2017
Assets		
Current assets		
Investments*	20,745	25,668
Cash	92	99
Fees rebate receivable	-	-
Dividends receivable	-	-
Interest receivable	-	-
Receivable for investments sold	-	-
Receivable for unit subscriptions	3	2
	20,840	25,769
Liabilities		
Current liabilities		
Bank overdraft	-	-
Payable for investments purchased	2	7
Payable for unit redemptions	2	-
Management fees payable	-	-
Administration fees payable	-	-
Insurance fees payable	-	-
	4	7
Net assets attributable to contractholders	20,836	25,762
*Investments at cost	22,715	23,275
Net assets attributable to contractholders per unit:		
Class A	571.70	660.56

Statements of Comprehensive Income

for the years ended December 31

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

	2018	2017
Income		
Net gain (loss) on investments		
Dividends	-	-
Income distributions from investments	247	195
Capital gain distributions from investments	1,033	989
Net realized gain (loss) on sale of investments	132	6,760
Change in unrealized appreciation (depreciation) in value of investments	(4,363)	(3,953)
Other income		
Interest	1	-
Fees rebate (Note 6)	-	10
	(2,950)	4,001
Expenses (Note 6)		
Management fees	197	191
Administration fees	20	19
Insurance fees	49	47
Harmonized sales tax	29	27
	295	284
Increase (decrease) in net assets from operations attributable to contractholders	(3,245)	3,717
Increase (decrease) in net assets from operations attributable to contractholders per unit:		
Class A	(86.16)	93.74
Weighted average number of units:		
Class A	37,669	39,650

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Equity Fund B

Financial Statements (audited)

Statements of Changes in Net Assets Attributable to Contractholders for the years ended December 31 (in \$000's)

	2018	2017
Fund		
Net assets attributable to contractholders at the beginning of year	25,762	22,939
Increase (decrease) in net assets from operations attributable to contractholders	(3,245)	3,717
Unit transactions		
Proceeds from issuance of units	239	218
Amounts paid on redemption of units	(1,920)	(1,112)
	(1,681)	(894)
Net assets attributable to contractholders at the end of year	20,836	25,762

Statements of Cash Flows for the years ended December 31 (in \$000's)

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets from operations attributable to contractholders	(3,245)	3,717
Adjustments for:		
Net realized (gain) loss on sale of investments	(132)	(6,760)
Change in unrealized (appreciation) depreciation in value of investments	4,363	3,953
Proceeds from sale of investments	2,296	24,645
Purchase of investments	(329)	(23,520)
Non-cash distributions from investments	(1,280)	(1,184)
(Increase) decrease in fees rebate receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	-	-
Increase (decrease) in administration fees payable	-	-
Increase (decrease) in insurance fees payable	-	-
Net cash from (used in) operating activities	1,673	851
Cash flows from (used in) financing activities		
Proceeds from issuance of units	238	218
Amounts paid on redemption of units	(1,918)	(1,113)
Net cash from (used in) financing activities	(1,680)	(895)
Net increase (decrease) in cash	(7)	(44)
Cash (bank overdraft), beginning of year	99	143
Cash (bank overdraft), end of year	92	99
Supplementary Information:		
Dividends received, net of withholding tax*	-	-
Interest received*	1	-
Dividends paid*	-	-
Interest paid*	-	-

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

Clarica CI Equity Fund B

Schedule of Investment Portfolio

as at December 31, 2018 (audited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
1,055,792	Signature Select Canadian Corporate Class (I Shares) [†]	22,715,347	20,745,465
Total Investments (99.6%)		22,715,347	20,745,465
Other Net Assets (Liabilities) (0.4%)			90,783
Net Assets Attributable to Contractholders (100.0%)			20,836,248

Top 25 Holdings of the Underlying Fund

as at December 31, 2018 (unaudited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
819,670	The Bank of Nova Scotia	55,746,763	55,778,544
2,802,267	Manulife Financial Corp. Cash & Equivalents	61,135,727	54,279,912 54,164,152
991,405	Canadian Natural Resources Ltd.	38,370,399	32,656,881
722,824	Suncor Energy Inc.	29,468,679	27,561,279
209,650	Canadian Imperial Bank of Commerce	23,577,444	21,317,212
318,600	Sony Corp.	10,651,078	21,134,855
652,801	Teck Resources Ltd., Class B	18,872,147	19,185,821
77,800	Canadian Pacific Railway Ltd.	17,470,844	18,846,272
192,950	Royal Bank of Canada	16,890,018	18,029,248
278,060	Nutrien Ltd.	19,413,164	17,829,207
532,399	Synchrony Financial	20,791,805	17,047,813
352,300	Samsung Electronics Co., Ltd.	11,251,665	16,708,422
145,200	Canadian National Railway Co.	9,411,821	14,681,172
202,700	Citigroup Inc.	17,006,418	14,403,279
206,720	Alimentation Couche-Tard Inc., Class B	7,003,899	14,038,355
208,954	Wells Fargo & Co.	12,386,934	13,142,156
210,914	Agnico-Eagle Mines Ltd.	11,538,538	11,621,361
254,450	Enbridge Inc.	13,405,514	10,791,225
437,172	Power Corporation of Canada	13,047,035	10,723,829
54,100	Johnson & Johnson	9,882,747	9,529,250
27,650	UnitedHealth Group Inc.	6,266,193	9,401,717
150,450	Loblaw Co., Ltd.	5,515,613	9,194,000
74,795	Sanofi S.A.	8,617,465	8,848,670
1,112,300	EnCana Corp.	13,328,013	8,764,924

Financial statements for the underlying CI mutual fund, including information on the holdings of the underlying fund, are available in electronic format on the fund manager's website at www.ci.com.

[†]The Underlying Fund is also managed by CI Investments Inc., the Manager of the Fund.

Percentages shown in brackets in the Schedule of Investment Portfolio relate investments at fair value to net assets attributable to contractholders of the Fund.

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

Clarica CI Equity Fund B

Fund Specific Notes to Financial Statements (audited)

Interest in Underlying Fund (Note 2)

The following tables present the Fund's interest in the Underlying Fund.

as at December 31, 2018

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	891,860	20,745	2.3

as at December 31, 2017

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	1,118,928	25,668	2.3

Unit Transactions (Note 5)

for the years ended December 31

	Class A	
	2018	2017
Number of units at the beginning of year	39,000	40,484
Units issued for cash	366	359
Units redeemed	(2,920)	(1,843)
Number of units at the end of year	36,446	39,000

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Equity Fund B

Financial Information (for the years ended December 31) (unaudited)

Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

	2018	2017	Class A 2016	2015	2014
The Fund's Net Asset Value per Unit					
Net assets attributable to contractholders per unit at the end of the year shown (\$) ⁽¹⁾	571.70	660.56	566.63	494.09	500.19
Ratios and Supplemental Data					
Net assets (\$000's) ⁽¹⁾	20,836	25,762	22,939	20,839	21,820
Number of units outstanding ⁽¹⁾	36,446	39,000	40,484	42,176	43,623
Portfolio turnover rate (%) ⁽²⁾	6.54	103.03	4.60	3.91	2.45
Management Expense Ratio					
Management expense ratio before taxes (%) ⁽³⁾	1.08	1.08	1.08	1.08	1.08
Harmonized sales tax (%) ⁽³⁾	0.12	0.12	0.12	0.12	0.11
Management expense ratio after taxes (%) ⁽³⁾	1.20	1.20	1.20	1.20	1.19
Effective HST rate for the year (%) ⁽³⁾	10.76	10.75	10.68	10.70	10.75

(1) This information is provided as at December 31, of the years shown.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of a contractholder receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying fund, calculated on a weighted average basis on the percentage weighting of the underlying fund and is expressed as an annualized percentage of average net assets for the years shown. The Effective HST tax rate is calculated using the attribution percentage for each province based on contractholders' residency and can be different from 13%.

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI Equity Fund B

Fund Specific Notes to Financial Statements (audited)

Financial Instruments Risks (Note 8)

Concentration Risk

The Signature Select Canadian Corporate Class' financial instruments were concentrated in the following segments:

as at December 31, 2018

Categories	Net Assets (%)
Financials	33.3
Energy	12.1
Industrials	9.8
Materials	7.6
Consumer Discretionary	7.6
Health Care	7.2
Consumer Staples	6.1
Cash & Equivalents	6.1
Information Technology	4.9
Utilities	2.2
Other Net Assets (Liabilities)	2.1
Real Estate	0.8
Private Placements	0.5
Exchange-Traded Fund(s)	0.3
Warrants	0.0
Fund(s)	0.0
Foreign Currency Forward Contracts	(0.6)

as at December 31, 2017

Categories	Net Assets (%)
Financials	32.0
Energy	13.5
Materials	9.9
Industrials	9.3
Information Technology	8.4
Consumer Discretionary	6.7
Health Care	5.4
Consumer Staples	4.5
Telecommunication Services	2.5
Cash & Equivalents	2.2
Real Estate	1.4
Utilities	1.4
Other Net Assets (Liabilities)	1.3
Warrants	1.3
Foreign Currency Forward Contracts	0.2
Fund(s)	0.0

Credit Risk

The Fund indirectly bears the credit risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to credit risk as it invested predominantly in stocks.

Other Price Risk

The Fund indirectly bears the other price risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to other price risk as its holdings were sensitive to changes in general economic conditions in Canada. The Underlying Fund was invested in Canadian stocks.

As at December 31, 2018, had the equities in the investment portfolio of the Underlying Fund increased or decreased by 10% (December 31, 2017 - 10%), with all other variables held constant, net assets attributable to contractholders of the Fund would have increased or decreased, respectively, by approximately \$1,917,000 (December 31, 2017 - \$2,472,000). In practice, actual results may differ from this analysis and the difference may be material.

Currency Risk

The Fund indirectly bears the currency risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to currency risk, as some of its investments were denominated in currencies other than Canadian dollars, the functional currency of the Fund and the Underlying Fund. As a result, the Fund was affected by fluctuations in the value of such currencies relative to the Canadian dollar.

The tables below summarize the Underlying Fund's exposure to currency risk.

as at December 31, 2018

Currency	Net Assets (%)
U.S. Dollar	18.8
Euro	3.1
Korean Won	1.9
Japanese Yen	1.8
British Pound	1.0
Swedish Krona	0.8
Swiss Franc	0.7
Danish Krone	0.5
Hong Kong Dollar	0.3
Total	28.9

as at December 31, 2017

Currency	Net Assets (%)
U.S. Dollar	17.6
Korean Won	2.0
British Pound	1.9
Euro	1.8
Japanese Yen	1.6
Swedish Krona	1.6
Swiss Franc	0.7
Danish Krone	0.5
Indian Rupee	0.5
Indonesian Rupiah	0.3
Hong Kong Dollar	0.2
Total	28.7

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% (December 31, 2017 - 10%) in relation to all other foreign currencies held in the Underlying Fund, with all other variables held constant, net assets attributable to contractholders of the Fund would have decreased or increased, respectively, by approximately \$600,000 (December 31, 2017 - \$737,000). In practice, the actual results may differ from this analysis and the difference may be material.

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

Clarica CI Equity Fund B

Fund Specific Notes to Financial Statements (audited)

Interest Rate Risk

The Fund indirectly bears the interest rate risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to interest rate risk as substantially all of its assets were invested in stocks.

Fair Value Hierarchy

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

Long Positions at fair value as at December 31, 2018

	Level 1	Level 2	Level 3	Total
	(in \$000's)	(in \$000's)	(in \$000's)	(in \$000's)
Underlying Fund(s)	20,745	-	-	20,745
Total	20,745	-	-	20,745

Long Positions at fair value as at December 31, 2017

	Level 1	Level 2	Level 3	Total
	(in \$000's)	(in \$000's)	(in \$000's)	(in \$000's)
Underlying Fund(s)	25,668	-	-	25,668
Total	25,668	-	-	25,668

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2018 and 2017.

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

Clarica CI North American Equity Fund

Financial Statements (audited)

Statements of Financial Position

as at December 31

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

	2018	2017
Assets		
Current assets		
Investments*	25,813	32,387
Cash	16	10
Fees rebate receivable	-	-
Dividends receivable	-	-
Interest receivable	-	-
Receivable for investments sold	-	-
Receivable for unit subscriptions	5	1
	25,834	32,398
Liabilities		
Current liabilities		
Bank overdraft	-	-
Payable for investments purchased	10	7
Payable for unit redemptions	-	1
Management fees payable	-	-
Administration fees payable	-	-
Insurance fees payable	-	-
	10	8
Net assets attributable to contractholders	25,824	32,390
*Investments at cost	28,257	29,368
Net assets attributable to contractholders per unit:		
Class A	883.82	1,018.81

Statements of Comprehensive Income

for the years ended December 31

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

	2018	2017
Income		
Net gain (loss) on investments		
Dividends	-	-
Income distributions from investments	310	248
Capital gain distributions from investments	1,298	1,255
Net realized gain (loss) on sale of investments	158	8,681
Change in unrealized appreciation (depreciation) in value of investments	(5,463)	(5,128)
Other income		
Interest	1	1
Fees rebate (Note 6)	-	12
	(3,696)	5,069
Expenses (Note 6)		
Management fees	186	183
Administration fees	25	24
Insurance fees	62	62
Harmonized sales tax	29	27
	302	296
Increase (decrease) in net assets from operations attributable to contractholders	(3,998)	4,773
Increase (decrease) in net assets from operations attributable to contractholders per unit:		
Class A	(130.57)	145.81
Weighted average number of units:		
Class A	30,620	32,737

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI North American Equity Fund

Financial Statements (audited)

Statements of Changes in Net Assets Attributable to Contractholders for the years ended December 31 (in \$000's)

	2018	2017
Fund		
Net assets attributable to contractholders at the beginning of year	32,390	29,309
Increase (decrease) in net assets from operations attributable to contractholders	(3,998)	4,773
Unit transactions		
Proceeds from issuance of units	410	883
Amounts paid on redemption of units	(2,978)	(2,575)
	(2,568)	(1,692)
Net assets attributable to contractholders at the end of year	25,824	32,390

Statements of Cash Flows for the years ended December 31 (in \$000's)

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets from operations attributable to contractholders	(3,998)	4,773
Adjustments for:		
Net realized (gain) loss on sale of investments	(158)	(8,681)
Change in unrealized (appreciation) depreciation in value of investments	5,463	5,128
Proceeds from sale of investments	3,203	31,854
Purchase of investments	(323)	(30,069)
Non-cash distributions from investments	(1,608)	(1,503)
(Increase) decrease in fees rebate receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	-	-
Increase (decrease) in administration fees payable	-	-
Increase (decrease) in insurance fees payable	-	-
Net cash from (used in) operating activities	2,579	1,502
Cash flows from (used in) financing activities		
Proceeds from issuance of units	406	883
Amounts paid on redemption of units	(2,979)	(2,574)
Net cash from (used in) financing activities	(2,573)	(1,691)
Net increase (decrease) in cash	6	(189)
Cash (bank overdraft), beginning of year	10	199
Cash (bank overdraft), end of year	16	10
Supplementary Information:		
Dividends received, net of withholding tax*	-	-
Interest received*	1	1
Dividends paid*	-	-
Interest paid*	-	-

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

Clarica CI North American Equity Fund

Schedule of Investment Portfolio

as at December 31, 2018 (audited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
1,313,711	Signature Select Canadian Corporate Class (I Shares) [†]	28,256,966	25,813,366
Total Investments (100.0%)		28,256,966	25,813,366
Other Net Assets (Liabilities) (0.0%)			11,005
Net Assets Attributable to Contractholders (100.0%)			25,824,371

Top 25 Holdings of the Underlying Fund

as at December 31, 2018 (unaudited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
819,670	The Bank of Nova Scotia	55,746,763	55,778,544
2,802,267	Manulife Financial Corp. Cash & Equivalents	61,135,727	54,279,912
991,405	Canadian Natural Resources Ltd.	38,370,399	32,656,881
722,824	Suncor Energy Inc.	29,468,679	27,561,279
209,650	Canadian Imperial Bank of Commerce	23,577,444	21,317,212
318,600	Sony Corp.	10,651,078	21,134,855
652,801	Teck Resources Ltd., Class B	18,872,147	19,185,821
77,800	Canadian Pacific Railway Ltd.	17,470,844	18,846,272
192,950	Royal Bank of Canada	16,890,018	18,029,248
278,060	Nutrien Ltd.	19,413,164	17,829,207
532,399	Synchrony Financial	20,791,805	17,047,813
352,300	Samsung Electronics Co., Ltd.	11,251,665	16,708,422
145,200	Canadian National Railway Co.	9,411,821	14,681,172
202,700	Citigroup Inc.	17,006,418	14,403,279
206,720	Alimentation Couche-Tard Inc., Class B	7,003,899	14,038,355
208,954	Wells Fargo & Co.	12,386,934	13,142,156
210,914	Agnico-Eagle Mines Ltd.	11,538,538	11,621,361
254,450	Enbridge Inc.	13,405,514	10,791,225
437,172	Power Corporation of Canada	13,047,035	10,723,829
54,100	Johnson & Johnson	9,882,747	9,529,250
27,650	UnitedHealth Group Inc.	6,266,193	9,401,717
150,450	Loblaw Co., Ltd.	5,515,613	9,194,000
74,795	Sanofi S.A.	8,617,465	8,848,670
1,112,300	EnCana Corp.	13,328,013	8,764,924

Financial statements for the underlying CI mutual fund, including information on the holdings of the underlying fund, are available in electronic format on the fund manager's website at www.ci.com.

[†]The Underlying Fund is also managed by CI Investments Inc., the Manager of the Fund.

Percentages shown in brackets in the Schedule of Investment Portfolio relate investments at fair value to net assets attributable to contractholders of the Fund.

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

Clarica CI North American Equity Fund

Fund Specific Notes to Financial Statements (audited)

Interest in Underlying Fund (Note 2)

The following tables present the Fund's interest in the Underlying Fund.

as at December 31, 2018

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	891,860	25,813	2.9

as at December 31, 2017

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Select Canadian Corporate Class	1,118,928	32,387	2.9

Unit Transactions (Note 5)

for the years ended December 31

	Class A	
	2018	2017
Number of units at the beginning of year	31,792	33,604
Units issued for cash	425	912
Units redeemed	(2,998)	(2,724)
Number of units at the end of year	29,219	31,792

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI North American Equity Fund

Financial Information (for the years ended December 31) (unaudited)

Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

	2018	2017	Class A 2016	2015	2014
The Fund's Net Asset Value per Unit					
Net assets attributable to contractholders per unit at the end of the year shown (\$) ⁽¹⁾	883.82	1,018.81	872.17	758.94	766.66
Ratios and Supplemental Data					
Net assets (\$000's) ⁽¹⁾	25,824	32,390	29,309	26,942	28,863
Number of units outstanding ⁽¹⁾	29,219	31,792	33,604	35,500	37,647
Portfolio turnover rate (%) ⁽²⁾	6.29	103.85	5.80	5.84	2.18
Management Expense Ratio					
Management expense ratio before taxes (%) ⁽³⁾	0.88	0.88	0.88	0.88	0.88
Harmonized sales tax (%) ⁽³⁾	0.09	0.09	0.09	0.09	0.09
Management expense ratio after taxes (%) ⁽³⁾	0.97	0.97	0.97	0.97	0.97
Effective HST rate for the year (%) ⁽³⁾	10.59	10.62	10.58	10.63	10.60

(1) This information is provided as at December 31, of the years shown.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of a contractholder receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying fund, calculated on a weighted average basis on the percentage weighting of the underlying fund and is expressed as an annualized percentage of average net assets for the years shown. The Effective HST tax rate is calculated using the attribution percentage for each province based on contractholders' residency and can be different from 13%.

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica CI North American Equity Fund

Fund Specific Notes to Financial Statements (audited)

Financial Instruments Risks (Note 8)

Concentration Risk

The Signature Select Canadian Corporate Class' financial instruments were concentrated in the following segments:

as at December 31, 2018

Categories	Net Assets (%)
Financials	33.3
Energy	12.1
Industrials	9.8
Materials	7.6
Consumer Discretionary	7.6
Health Care	7.2
Consumer Staples	6.1
Cash & Equivalents	6.1
Information Technology	4.9
Utilities	2.2
Other Net Assets (Liabilities)	2.1
Real Estate	0.8
Private Placements	0.5
Exchange-Traded Fund(s)	0.3
Warrants	0.0
Fund(s)	0.0
Foreign Currency Forward Contracts	(0.6)

as at December 31, 2017

Categories	Net Assets (%)
Financials	32.0
Energy	13.5
Materials	9.9
Industrials	9.3
Information Technology	8.4
Consumer Discretionary	6.7
Health Care	5.4
Consumer Staples	4.5
Telecommunication Services	2.5
Cash & Equivalents	2.2
Real Estate	1.4
Utilities	1.4
Other Net Assets (Liabilities)	1.3
Warrants	1.3
Foreign Currency Forward Contracts	0.2
Fund(s)	0.0

Credit Risk

The Fund indirectly bears the credit risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to credit risk as it invested predominantly in stocks.

Other Price Risk

The Fund indirectly bears the other price risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to other price risk as its holdings were sensitive to changes in general economic conditions in Canada. The Underlying Fund was invested in Canadian stocks.

As at December 31, 2018, had the equities in the investment portfolio of the Underlying Fund increased or decreased by 10% (December 31, 2017 - 10%), with all other variables held constant, net assets attributable to contractholders of the Fund would have increased or decreased, respectively, by approximately \$2,385,000 (December 31, 2017 - \$3,119,000). In practice, actual results may differ from this analysis and the difference may be material.

Currency Risk

The Fund indirectly bears the currency risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to currency risk, as some of its investments were denominated in currencies other than Canadian dollars, the functional currency of the Fund and the Underlying Fund. As a result, the Fund was affected by fluctuations in the value of such currencies relative to the Canadian dollar.

The tables below summarize the Underlying Fund's exposure to currency risk.

as at December 31, 2018

Currency	Net Assets (%)
U.S. Dollar	18.8
Euro	3.1
Korean Won	1.9
Japanese Yen	1.8
British Pound	1.0
Swedish Krona	0.8
Swiss Franc	0.7
Danish Krone	0.5
Hong Kong Dollar	0.3
Total	28.9

as at December 31, 2017

Currency	Net Assets (%)
U.S. Dollar	17.6
Korean Won	2.0
British Pound	1.9
Euro	1.8
Japanese Yen	1.6
Swedish Krona	1.6
Swiss Franc	0.7
Danish Krone	0.5
Indian Rupee	0.5
Indonesian Rupiah	0.3
Hong Kong Dollar	0.2
Total	28.7

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% (December 31, 2017 - 10%) in relation to all other foreign currencies held in the Underlying Fund, with all other variables held constant, net assets attributable to contractholders of the Fund would have decreased or increased, respectively, by approximately \$746,000 (December 31, 2017 - \$930,000). In practice, the actual results may differ from this analysis and the difference may be material.

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

Clarica CI North American Equity Fund

Fund Specific Notes to Financial Statements (audited)

Interest Rate Risk

The Fund indirectly bears the interest rate risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund had insignificant exposure to interest rate risk as substantially all of its assets were invested in stocks.

Fair Value Hierarchy

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

Long Positions at fair value as at December 31, 2018

	Level 1	Level 2	Level 3	Total
	(in \$000's)	(in \$000's)	(in \$000's)	(in \$000's)
Underlying Fund(s)	25,813	-	-	25,813
Total	25,813	-	-	25,813

Long Positions at fair value as at December 31, 2017

	Level 1	Level 2	Level 3	Total
	(in \$000's)	(in \$000's)	(in \$000's)	(in \$000's)
Underlying Fund(s)	32,387	-	-	32,387
Total	32,387	-	-	32,387

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2018 and 2017.

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

Clarica Income Fund 2

Financial Statements (audited)

Statements of Financial Position

as at December 31

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

	2018	2017
Assets		
Current assets		
Investments*	1,111	1,205
Cash	4	4
Fees rebate receivable	-	-
Dividends receivable	-	-
Interest receivable	-	-
Receivable for investments sold	-	-
Receivable for unit subscriptions	-	-
	1,115	1,209
Liabilities		
Current liabilities		
Bank overdraft	-	-
Payable for investments purchased	-	-
Payable for unit redemptions	-	-
Management fees payable	-	-
Administration fees payable	-	-
Insurance fees payable	-	-
	-	-
Net assets attributable to contractholders	1,115	1,209
*Investments at cost	1,095	1,169
Net assets attributable to contractholders per unit:		
Class A	259.54	258.72

Statements of Comprehensive Income

for the years ended December 31

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

	2018	2017
Income		
Net gain (loss) on investments		
Dividends	-	-
Income distributions from investments	36	41
Capital gain distributions from investments	-	-
Net realized gain (loss) on sale of investments	1	9
Change in unrealized appreciation (depreciation) in value of investments	(20)	(19)
Other income		
Interest	-	-
Fees rebate (Note 6)	-	-
	17	31
Expenses (Note 6)		
Management fees	9	10
Administration fees	2	2
Insurance fees	2	4
Harmonized sales tax	1	2
	14	18
Increase (decrease) in net assets from operations attributable to contractholders	3	13
Increase (decrease) in net assets from operations attributable to contractholders per unit:		
Class A	0.62	2.55
Weighted average number of units:		
Class A	4,456	5,183

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica Income Fund 2

Financial Statements (audited)

Statements of Changes in Net Assets Attributable to Contractholders for the years ended December 31 (in \$000's)

	2018	2017
Fund		
Net assets attributable to contractholders at the beginning of year	1,209	1,384
Increase (decrease) in net assets from operations attributable to contractholders	3	13
Unit transactions		
Proceeds from issuance of units	1	136
Amounts paid on redemption of units	(98)	(324)
	(97)	(188)
Net assets attributable to contractholders at the end of year	1,115	1,209

Statements of Cash Flows for the years ended December 31 (in \$000's)

	2018	2017
Cash flows from (used in) operating activities		
Increase (decrease) in net assets from operations attributable to contractholders	3	13
Adjustments for:		
Net realized (gain) loss on sale of investments	(1)	(9)
Change in unrealized (appreciation) depreciation in value of investments	20	19
Proceeds from sale of investments	111	206
Purchase of investments	-	-
Non-cash distributions from investments	(36)	(41)
(Increase) decrease in fees rebate receivable	-	-
(Increase) decrease in dividends receivable	-	-
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	-	-
Increase (decrease) in administration fees payable	-	-
Increase (decrease) in insurance fees payable	-	-
Net cash from (used in) operating activities	97	188
Cash flows from (used in) financing activities		
Proceeds from issuance of units	1	136
Amounts paid on redemption of units	(98)	(324)
Net cash from (used in) financing activities	(97)	(188)
Net increase (decrease) in cash	-	-
Cash (bank overdraft), beginning of year	4	4
Cash (bank overdraft), end of year	4	4
Supplementary Information:		
Dividends received, net of withholding tax*	-	-
Interest received*	-	-
Dividends paid*	-	-
Interest paid*	-	-

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

Clarica Income Fund 2

Schedule of Investment Portfolio

as at December 31, 2018 (audited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
108,573	Signature Canadian Bond Fund (Class I) [†]	1,095,004	1,110,991
Total Investments (99.6%)		1,095,004	1,110,991
Other Net Assets (Liabilities) (0.4%)			3,885
Net Assets Attributable to Contractholders (100.0%)			1,114,876

Top 25 Holdings of the Underlying Fund

as at December 31, 2018 (unaudited)

No. of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)
247,517,000	Province of Ontario 2.9% 06/02/2028	245,865,653	249,041,316
183,657,000	Government of Canada 2% 06/01/2028	179,160,995	184,198,459
157,167,000	Province of Ontario 2.6% 06/02/2025	161,745,949	156,822,441
133,575,000	Province of Quebec 2.5% 09/01/2026	134,470,588	131,910,773
115,524,000	Province of Quebec 3.75% 09/01/2024	126,291,697	122,912,826
105,391,000	Province of Ontario 3.5% 06/02/2024	115,036,178	110,414,270
102,669,000	Province of Quebec 3% 09/01/2023	107,335,658	105,169,190
99,385,000	Province of Quebec 2.75% 09/01/2025	102,558,767	100,233,001
93,304,000	Province of Quebec 3.5% 12/01/2048	101,376,198	99,841,708
78,122,000	Government of Canada 2.75% 12/01/2064	88,632,343	91,684,983
76,395,000	Canada Housing Trust No.1, 2.55% 12/15/2023	76,225,261	77,232,139
67,490,000	Canada Housing Trust No.1, 1.9% 09/15/2026	64,012,660	64,901,493
56,217,000	Province of British Columbia 3.2% 06/18/2044	55,520,547	57,281,438
53,019,000	Government of Canada 2% 11/01/2020	52,742,278	53,149,654
47,076,000	Province of Ontario 2.4% 06/02/2026	47,493,643	46,082,362
41,804,000	Government of Canada 2% 09/01/2023	41,060,603	42,013,717
38,140,000	Government of Canada 1.75% 05/01/2020	38,024,714	38,099,242
40,559,000	Province of Ontario 2.8% 06/02/2048	38,735,543	37,557,283
27,503,000	Province of British Columbia 6.35% 06/18/2031	38,571,824	37,460,687
28,267,000	Government of Canada 1.25% 02/01/2020	27,964,776	28,095,951
18,897,000	Government of Canada 2.75% 12/01/2048	20,703,112	21,242,637
19,962,000	CIBC Capital Trust 9.976% 06/30/2108	22,815,920	20,643,789
20,339,000	Bank of Montreal 3.34% 12/08/2025	20,591,778	20,438,718
	Cash & Equivalents		19,010,757
15,178,000	Toronto-Dominion Bank 2.045% 03/08/2021	15,058,354	14,980,098

Financial statements for the underlying CI mutual fund, including information on the holdings of the underlying fund, are available in electronic format on the fund manager's website at www.ci.com.

[†]The Underlying Fund is also managed by CI Investments Inc., the Manager of the Fund.

Percentages shown in brackets in the Schedule of Investment Portfolio relate investments at fair value to net assets attributable to contractholders of the Fund.

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

Clarica Income Fund 2

Fund Specific Notes to Financial Statements (audited)

Interest in Underlying Fund (Note 2)

The following tables present the Fund's interest in the Underlying Fund.

as at December 31, 2018

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Canadian Bond Fund	3,091,979	1,111	-

as at December 31, 2017

Underlying Fund	Fair Value of the Underlying Fund (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund (in \$000's)	Ownership in the Underlying Fund (%)
Signature Canadian Bond Fund	3,345,940	1,205	-

Unit Transactions (Note 5)

for the years ended December 31

	Class A	
	2018	2017
Number of units at the beginning of year	4,673	5,397
Units issued for cash	3	526
Units redeemed	(380)	(1,250)
Number of units at the end of year	4,296	4,673

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica Income Fund 2

Financial Information (for the years ended December 31) (unaudited)

Financial Highlights

The following table shows selected key financial information about the Fund and is intended to help you understand the Fund's financial performance for the past five years.

	2018	2017	Class A 2016	2015	2014
The Fund's Net Asset Value per Unit					
Net assets attributable to contractholders per unit at the end of the year shown (\$) ⁽¹⁾	259.54	258.72	256.50	254.10	247.46
Ratios and Supplemental Data					
Net assets (\$000's) ⁽¹⁾	1,115	1,209	1,384	1,466	1,538
Number of units outstanding ⁽¹⁾	4,296	4,673	5,397	5,769	6,216
Portfolio turnover rate (%) ⁽²⁾	3.14	3.09	4.22	5.19	4.05
Management Expense Ratio					
Management expense ratio before taxes (%) ⁽³⁾	1.12	1.12	1.12	1.12	1.12
Harmonized sales tax (%) ⁽³⁾	0.12	0.12	0.12	0.12	0.12
Management expense ratio after taxes (%) ⁽³⁾	1.24	1.24	1.24	1.24	1.24
Effective HST rate for the year (%) ⁽³⁾	11.04	11.04	10.73	10.75	10.68

(1) This information is provided as at December 31, of the years shown.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of a contractholder receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying fund, calculated on a weighted average basis on the percentage weighting of the underlying fund and is expressed as an annualized percentage of average net assets for the years shown. The Effective HST tax rate is calculated using the attribution percentage for each province based on contractholders' residency and can be different from 13%.

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Clarica Income Fund 2

Fund Specific Notes to Financial Statements (audited)

Financial Instruments Risks (Note 8)

Concentration Risk

The Signature Canadian Bond Fund's financial instruments were concentrated in the following segments:

as at December 31, 2018

Categories	Net Assets (%)
Provincial Bonds	41.8
Corporate Bonds	37.5
Canadian Government Bonds	19.5
Cash & Equivalents	0.6
Other Net Assets (Liabilities)	0.5
Asset-Backed Securities	0.1
Foreign Currency Forward Contracts	0.0

as at December 31, 2017

Categories	Net Assets (%)
Provincial Bonds	43.4
Corporate Bonds	34.9
Canadian Government Bonds	9.7
Foreign Government Bonds	5.5
Asset-Backed Securities	3.2
Short-Term Investments	2.4
Other Net Assets (Liabilities)	0.6
Cash & Equivalents	0.2
Foreign Currency Forward Contracts	0.1

Credit Risk

The Fund indirectly bears the credit risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to credit risk as it invested in fixed income securities.

The Underlying Fund was invested in fixed income securities, preferred securities and derivative instruments, if any, with the following credit ratings, as per the tables below.

as at December 31, 2018

Credit Rating ^A	Net Assets (%)
AAA/Aaa/A++	23.7
AA/Aa/A+	23.7
A	32.1
BBB/Baa/B++	18.6
BB/Ba/B+	0.5
Not Rated	0.3
Total	98.9

as at December 31, 2017

Credit Rating ^A	Net Assets (%)
AAA/Aaa/A++	16.4
AA/Aa/A+	21.8
A	36.8
BBB/Baa/B++	19.3
BB/Ba/B+	1.6
Not Rated	3.2
Total	99.1

^ACredit ratings are obtained from S&P Global Ratings, where available, otherwise ratings are obtained from: Moody's Investors Service or Dominion Bond Rating Service, respectively.

Other Price Risk

The Fund indirectly bears the other price risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund did not have a significant exposure to other price risk as the Underlying Fund was invested in fixed income securities.

Currency Risk

The Fund indirectly bears the currency risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to currency risk, as some of its investments were denominated in currencies other than Canadian dollars, the functional currency of the Fund and the Underlying Fund. As a result, the Fund was affected by fluctuations in the value of such currencies relative to the Canadian dollar.

The table below summarizes the Underlying Fund's exposure to currency risk.

as at December 31, 2017

Currency	Net Assets (%)
U.S. Dollar	2.4
Total	2.4

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% (December 31, 2017 - 10%) in relation to all other foreign currencies held in the Underlying Fund, with all other variables held constant, net assets attributable to contractholders of the Fund would have decreased or increased, respectively, by a nominal amount (December 31, 2017 - \$3,000). In practice, the actual results may differ from this analysis and the difference may be material.

Interest Rate Risk

The Fund indirectly bears the interest rate risk exposure of the Underlying Fund. As at December 31, 2018 and 2017, the Underlying Fund was exposed to interest rate risk as it invested in fixed income securities.

The tables below summarize the Underlying Fund's exposure to interest rate risk, categorized by the contractual maturity date.

as at December 31, 2018

	Less than 1 Year (%)	1 - 3 Years (%)	3 - 5 Years (%)	Greater than 5 Years (%)	Total (%)
Interest Rate Exposure	2.1	12.0	16.0	69.3	99.4

as at December 31, 2017

	Less than 1 Year (%)	1 - 3 Years (%)	3 - 5 Years (%)	Greater than 5 Years (%)	Total (%)
Interest Rate Exposure	3.2	8.0	16.8	71.3	99.3

As at December 31, 2018, had the prevailing interest rates increased or decreased by 0.25% (December 31, 2017 - 0.25%), with all other variables held constant, net assets attributable to contractholders of the Fund would have indirectly decreased or increased, respectively, by approximately \$20,000 (December 31, 2017 - \$21,000). In practice, the actual results may differ from this analysis and the difference may be material.

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

Clarica Income Fund 2

Fund Specific Notes to Financial Statements (audited)

Fair Value Hierarchy

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

Long Positions at fair value as at December 31, 2018

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Fund(s)	1,111	-	-	1,111
Total	1,111	-	-	1,111

Long Positions at fair value as at December 31, 2017

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Underlying Fund(s)	1,205	-	-	1,205
Total	1,205	-	-	1,205

There were no transfers between Level 1, 2 and 3 during the years ended December 31, 2018 and 2017.

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

Clarica Segregated Funds

Notes to the Financial Statements (audited)

1. THE FUNDS

The following Clarica Segregated Funds were created by a board resolution of Sun Life Assurance Company of Canada ("Sun Life") or its predecessor; Clarica Life Insurance Company ("Clarica") as the dates as indicated below:

Funds	Date
Clarica CI Dividend Equity Benefit Fund	September 1, 1963
Clarica CI Equity Fund B	October 1, 1971
Clarica CI North American Equity Fund	March 1, 1962
Clarica Income Fund 2	June 1, 1974

(the "Fund" or collectively the "Funds" or "the Clarica Segregated Funds")

Sun Life, a wholly owned subsidiary of Sun Life Financial Inc., is the sole issuer of the individual variable insurance contract providing for investment in each Fund. The assets of each of the Funds are owned by Sun Life and are segregated from Sun Life's other assets. The Funds are not separate legal entities but are separate reporting entities.

Sun Life has appointed CI Investments Inc. ("CI" or the "Manager") to perform certain administrative and management services on its behalf in relation to the Funds and the contracts. The head office of CI Investments Inc. is located at 2 Queen Street East, Twentieth Floor, M5C 3G7, Toronto, Ontario. CI Investments Inc. is a subsidiary of CI Financial Corp.

All Funds had a Retail Class and an Institutional Class, and effective January 17, 2003, the Institutional Classes for all Funds were fully redeemed. The Funds were converted from an asset based fund structure to a fund of fund structure on February 10, 2003.

These financial statements were authorized for issue by the Manager on April 29, 2019.

The Statements of Financial Position are as at December 31, 2018 and 2017. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Contractholders and Statements of Cash Flows are for the years ended December 31, 2018 and 2017. Schedules of Investment Portfolio are as at December 31, 2018. The Fund Specific Notes to Financial Statements for each Fund consist of Interest in Underlying Fund as at December 31, 2018 and 2017, Unit Transactions for the years ended December 31, 2018 and 2017, and Financial Instruments Risks as at December 31, 2018 and 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

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

Effective January 1, 2018, the Funds retrospectively adopted IFRS 9, *Financial Instruments* ("IFRS 9"). The new standard requires financial assets to be either carried at amortized cost, or at fair value, with changes in fair value recognized in profit and loss ("FVTPL") or in other comprehensive income ("FVOCI") based on the Funds' business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

The Funds manage their investments in financial assets with the objective of realizing cash flows through both the sale of the assets and income generated from those assets. The Managers make decisions based on the assets' fair value and manage the assets to realize fair values.

Upon transition to IFRS 9, the Funds' financial assets and financial liabilities previously designated as FVTPL under IAS 39, *Financial Instruments: Recognition and Measurement* ("IAS 39") continue to be classified as FVTPL under IFRS 9. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9. There were no changes to comparative financial information or adjustments to the opening net asset value as a result of the adoption of IFRS 9.

a. Classification and recognition of financial instruments

Investment funds held by the Funds are classified as FVTPL in accordance with IFRS 9. Purchases and sales of financial assets are recognized at their trade date. The Funds' obligations for net assets attributable to holders of redeemable units are presented at the redemption amount, which approximates their fair value. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

b. Fair value of financial investments

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

c. Cash

Cash is comprised of cash on deposit. Bank overdraft are shown in current liabilities in the Statements of Financial Position.

d. Cost of investments

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

e. Investment transactions

Investment transactions are accounted for on the trade date. Realized gains and losses on sales of investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis.

f. Income recognition

Distributions from investments are recorded on the ex-distribution date and interest income is accrued on a daily basis.

Distributions received from investment fund holdings are recognized by the Funds in the same form in which they were received from the Underlying Funds.

g. Foreign exchange

The Funds' subscriptions and redemptions are denominated in Canadian dollars, which is also the Funds' functional and presentation currency.

h. Net asset value per unit

Net asset value ("NAV") per unit is calculated at the end of each day on which the Toronto Stock Exchange is open for business by dividing the total net asset value by its outstanding units.

Clarica Segregated Funds

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

i. Classification of units

The units of each of the Funds have been classified as liabilities under IAS 32, as the contractholders have the right to require the issuer to redeem them at their NAV.

j. Increase (decrease) in net assets from operations attributable to contractholders per unit

Increase (decrease) in net assets from operations attributable to contractholders per unit is calculated by dividing the increase (decrease) in net assets from operations attributable to contractholders by the weighted average number of units outstanding of that class during the year.

k. Consolidated financial statements

Under IFRS 10, *Consolidated Financial Statements*, a Fund is required to provide consolidated financial statements if it has control over the entities it invests in. In October 2013, the IASB issued an "Investment Entity" amendment to IFRS 10, which provides an exception to consolidation for an entity that meets the definition of Investment Entity. The Manager has determined that all Funds satisfy the criteria of an Investment Entity.

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

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

For all Funds that invest in Underlying Funds, the Manager has determined that the bottom investee funds meet the definition of a structured entity to the top (investing) Funds.

Information related to the Funds' Interest in Underlying Funds for each Fund appears under the Fund Specific Notes to Financial Statements.

m. Non-zero amounts

Some of the balances reported in the financial statements include amounts that are rounded to zero.

3. USE OF ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

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

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

4. INCOME TAXES

Each Fund is deemed to a trust, referred to as a "related segregated fund trust" under the provisions of the *Income Tax Act* (Canada) and is deemed to have allocated its income to the beneficiaries. Each

Fund's net capital gains/(losses) are deemed to be those of the beneficiaries. Accordingly, the Funds are not subject to income tax on their net income, including net realized capital gains for the year.

A Fund may elect each year to realize capital gains/(losses) for the taxation year, to optimize the allocation of capital gains/(losses) between redeeming and continuing beneficiaries.

5. CONTRACTHOLDERS UNITS

Units issued and outstanding represent the capital of each Fund.

The relevant changes pertaining to subscriptions and redemptions of each Fund's units are disclosed in the Statements of Changes in Net Assets Attributable to Contractholders. In accordance with the objectives and risk management policies outlined in Note 8, the Funds endeavor to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions by disposal of investments when necessary.

Unit Transactions information for each Fund appears under the Fund Specific Notes to Financial Statements.

6. MANAGEMENT FEES AND OTHER EXPENSES

The Manager, in consideration of management fees received, provides management services that are required in the day-to-day operations of the Funds.

The management fee is calculated as an annual percentage of the total net asset value of each Fund at the end of each day and is paid at the end of each month.

CI Investments Inc. is the Manager of the Funds and the Underlying Funds, and in consideration of management fees received, provides management services required in the day-to-day operations of the Funds and the Underlying Funds including the management of the investment portfolios of the Underlying Funds.

A Fund that invests in units of an Underlying Fund will not pay a duplicate management and administration fee on the portion of assets that are invested in units of the Underlying Fund. During the reporting year, a Fund may have received a management and/or administration fee rebate from the Manager relating to its investment in an Underlying Fund. The rebates are included in "Fees rebate receivable" and in "Fees rebate" as reflected in the Statements of Financial Position and Statements of Comprehensive Income of each Fund, as applicable. The management fees and the fee rebates reported in the Statements of Comprehensive Income of each Fund are each presented on a gross basis.

In addition to the management fee, the Funds and the Underlying Funds also bear all operating and administrative expenses including audit and legal fees, transfer agency fees, custody fees, expenses relating to reporting and making distributions to contractholders, all other costs and fees imposed by statute or regulation and expenses of all communications with contractholders.

The administration fee is calculated as an annual percentage of the total net asset value of each Fund at the end of each business day and paid at the end of each month.

The Funds pay an insurance fee to Sun Life. The insurance fee of each class of the Fund is a charge by Sun Life for the applicable Guarantee Option in respect of that Fund Class. The insurance fees payable at year-end are included in the "Insurance fees payable" in the Statements of Financial Position, while insurance fees expense for the year are included in the "Insurance fees" in the Statements of Comprehensive Income.

Clarica Segregated Funds

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

7. RELATED PARTY TRANSACTIONS

A Fund may invest in an Underlying Fund that is also managed by CI Investments Inc., the Manager of the Funds. For details refer to the Fund Specific Notes to Financial Statements or the Schedule of Investment Portfolio of each Fund.

The management fees paid to CI Investments Inc. are also considered a related party transaction. For more details refer to Note 6.

8. FINANCIAL INSTRUMENTS RISK

Risk management

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

Concentration risk

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

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

Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration of the credit worthiness of the debt issuer. The carrying amount of debt instruments represents the credit risk exposure of each Underlying Fund. Credit risk exposure for derivative instruments is based on each Underlying Fund's unrealized gain on the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of the Funds' other assets are represented by their carrying amount as disclosed in the Statements of Financial Position.

The Credit rating of the Sun Life as at December 31, 2018 was AA - (December 31, 2017 – AA-).

Liquidity risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations, on time or at a reasonable price. The Funds are exposed to daily cash redemptions of redeemable units. The Funds invest all of their assets in Underlying Funds which can be readily disposed of.

Market risk

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

Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk). The value

of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

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

Currency Risk

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

Interest Rate Risk

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

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

The Funds exposure to interest rate sensitivity on short-term interest bearing investments is minimal due to their short-term nature.

Fair value hierarchy

The Funds are required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level includes publicly traded equities, exchange traded and retail mutual funds, exchange traded warrants, futures contracts and traded options.

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

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

The Funds invest only in other investment funds and these investments are classified as Level 1.

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

Clarica Segregated Funds

Legal Notice

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Sun Life Assurance Company of Canada, a member of the Sun Life Financial group of companies, is the sole issuer of the individual variable insurance contracts providing for investment in Clarica Segregated Funds. A description of the key features of the applicable individual variable insurance contract is contained in the Information Folder. **SUBJECT TO ANY APPLICABLE DEATH AND MATURITY GUARANTEES, ANY AMOUNT THAT IS ALLOCATED TO A SEGREGATED FUND IS INVESTED AT THE RISK OF THE CONTRACTHOLDER AND MAY INCREASE OR DECREASE IN VALUE.**

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INFORMATION FOLDER: CI would be pleased to provide, without charge, the most recent Information Folder upon request to CI's Toronto office.



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