

# Annual Financial Statements - December 31, 2018



Sentry Select Primary Metals Corp.

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying financial statements have been prepared by CI Investments Inc., the Manager of the Sentry Select Primary Metals Corp. (the "Fund"), and approved by the Board of Directors. The Fund's Manager is responsible for the information and representations contained in these financial statements and other sections of this report. CI Investments Inc. maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Fund are described in Note 2 to the financial statements.

Toronto, Ontario  
March 14, 2019



Sheila A. Murray  
President  
**CI Investments Inc.**



Douglas J. Jamieson  
Chief Financial Officer  
**CI Investments Inc.**

## Independent Auditor's Report

To the Shareholders of Sentry Select Primary Metals Corp. (the "Fund"):

### Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of income, comprehensive income, changes in net assets attributable to holders of redeemable shares and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

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

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises:

- Management Report of Fund Performance

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

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

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Management is responsible for overseeing the Fund's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

The engagement partner on the audit resulting in this independent auditor's report is Mervyn Ramos.

The logo for Deloitte LLP, featuring the word "Deloitte" in a large, stylized, cursive font, followed by "LLP" in a smaller, bold, sans-serif font.

Chartered Professional Accountants  
Licensed Public Accountants  
March 14, 2019

# Sentry Select Primary Metals Corp.

## Financial Statements

### Statements of Financial Position

as at December 31 (in \$000's except for per share amounts and shares outstanding)

	2018	2017
<b>Assets</b>		
<b>Current assets</b>		
Investments*	25,067	40,934
Cash	3,053	119
Unrealized gain on futures and foreign currency forward contracts	-	-
Swaps, swaptions and options	-	-
Fees rebate receivable	1	-
Margin for short sales	-	-
Dividends receivable	2	7
Receivable for distribution from investments	-	-
Interest receivable	-	-
Receivable for investments sold	-	1
Receivable for share subscriptions	-	-
	28,123	41,061
<b>Liabilities</b>		
<b>Current liabilities</b>		
Investments sold short**	-	-
Bank overdraft	-	-
Unrealized loss on futures and foreign currency forward contracts	-	-
Swaps, swaptions and options	-	-
Dividends payable on investments sold short	-	-
Interest payable on investments sold short	-	-
Payable for investments purchased	-	185
Payable for share redemptions	-	-
Dividends payable to holders of redeemable shares	357	384
Management fees payable	53	47
Administration fees payable	40	-
Service fees payable	31	-
Accrued liabilities	21	180
	502	796
<b>Net assets attributable to holders of redeemable shares</b>	<b>27,621</b>	<b>40,265</b>
*Investments at cost	32,619	40,437
**Investments sold short at cost	-	-
<b>Net assets attributable to holders of redeemable shares per share:</b>		
Class A	1.93	2.62
<b>Number of redeemable shares outstanding:</b>		
Class A	14,297,364	15,361,411

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

# Sentry Select Primary Metals Corp.

## Financial Statements

### Statements of Comprehensive Income

for the years ended December 31 (in \$000's except for per share amounts and number of shares)

	2018	2017
<b>Income</b>		
Net gain (loss) on investments and derivatives		
Dividends	40	119
Interest for distribution purposes	28	20
Derivative income (loss)	-	-
Income distributions from investments	-	-
Dividends expense on financial assets (liabilities) sold short	-	-
Interest expense on financial assets (liabilities) sold short	-	-
Net realized gain (loss) on sale of investments and derivatives	3,123	(9,350)
Change in unrealized appreciation (depreciation) in value of investments and derivatives	(8,049)	7,943
<b>Total net gain (loss) on investments and derivatives</b>	<b>(4,858)</b>	<b>(1,268)</b>
Other income		
Commitment fee income	-	-
Foreign exchange gain (loss) on cash	(9)	-
Gain (loss) on redemption	-	-
<b>Total other income</b>	<b>(9)</b>	<b>-</b>
<b>Total income</b>	<b>(4,867)</b>	<b>(1,268)</b>
<b>Expenses</b>		
Management fees (Note 4)	362	490
Administration fees (Note 4)	7	45
Insurance fees	29	40
Commissions and other portfolio transaction costs	106	110
Commitment fees	-	-
Director fees	-	35
Shareholder reporting costs	11	17
TSX listing fees	12	25
Audit fees	35	37
Transfer agent fees	16	17
Legal fees	6	-
Custody fees	13	16
Service fees (Note 4)	127	172
Independent review committee fees	-	-
Interest expense	1	1
Withholding taxes	-	-
Harmonized sales tax	61	83
<b>Total expenses</b>	<b>786</b>	<b>1,088</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares</b>	<b>(5,653)</b>	<b>(2,356)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable shares per share:</b>		
Class A	(0.39)	(0.15)
<b>Weighted average number of shares:</b>		
Class A	14,647,188	15,499,030

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

# Sentry Select Primary Metals Corp.

## Financial Statements

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

	2018	2017
<b>Class A</b>		
<b>Net assets attributable to holders of redeemable shares at the beginning of year</b>	40,265	48,469
Increase (decrease) in net assets attributable to holders of redeemable shares	(5,653)	(2,356)
<b>Dividends to holders of redeemable shares</b>		
From net investment income	-	-
From net realized gains	-	-
Return of capital	(4,396)	(4,650)
<b>Total dividends to holders of redeemable shares</b>	(4,396)	(4,650)
<b>Redeemable share transactions</b>		
Proceeds from redeemable shares issued	-	-
Reinvestment of dividends to holders of redeemable shares	-	-
Redemption of redeemable shares	(2,595)	(1,198)
<b>Net increase (decrease) from redeemable share transactions</b>	(2,595)	(1,198)
<b>Net increase (decrease) in net assets attributable to holders of redeemable shares</b>	(12,644)	(8,204)
<b>Net assets attributable to holders of redeemable shares at the end of year</b>	27,621	40,265

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



# Sentry Select Primary Metals Corp.

## Financial Statements

### Statements of Cash Flows

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

	2018	2017
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable shares	(5,653)	(2,356)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(3,123)	9,350
Unrealized foreign exchange (gain) loss on cash	-	-
Commissions and other portfolio transaction costs	106	110
Change in unrealized (appreciation) depreciation in value of investments and derivatives	8,049	(7,943)
Proceeds from sale and maturity of investments and derivatives	37,857	24,151
Purchase of investments and derivatives	(27,206)	(17,443)
Non-cash distributions from investments	-	-
(Increase) decrease in margin for short sales	-	-
(Increase) decrease in dividends receivable	5	(7)
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	6	(1)
Increase (decrease) in administration fees payable	40	-
Change in other accounts receivable and payable	(129)	7
<b>Net cash from (used in) operating activities</b>	<b>9,952</b>	<b>5,868</b>
<b>Cash flows from (used in) financing activities</b>		
Dividends paid to holders of redeemable shares, net of reinvested dividends	(4,423)	(4,661)
Proceeds from issuance of redeemable shares	-	-
Amounts paid on redemption of redeemable shares	(2,595)	(1,198)
<b>Net cash from (used in) financing activities</b>	<b>(7,018)</b>	<b>(5,859)</b>
Unrealized foreign exchange gain (loss) on cash	-	-
Net increase (decrease) in cash	2,934	9
Cash (bank overdraft), beginning of year	119	110
<b>Cash (bank overdraft), end of year</b>	<b>3,053</b>	<b>119</b>
<b>Supplementary Information:</b>		
Dividends received, net of withholding tax*	45	112
Interest received, net of withholding tax*	28	20
Dividends paid*	-	-
Interest paid*	1	-
Tax recoverable (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.

# Sentry Select Primary Metals Corp.

Schedule of Investment Portfolio as at December 31, 2018

No. of Shares/ Par Value	Description	Average Cost (\$)	Fair Value (\$)
<b>GOLD (65.5%)</b>			
10,000	Agnico-Eagle Mines Ltd.	547,117	551,000
312,514	Alamos Gold Inc.	1,578,810	1,534,444
114,595	Argonaut Gold Inc.	393,058	178,768
1,045,065	Atlantic Gold Corp.	1,646,198	1,724,357
2,103,171	Barkerville Gold Mines Ltd.	1,310,949	841,268
180,835	Bonterra Resources Inc.	793,896	468,363
294,773	Contact Gold Inc.,	294,773	100,223
570,700	Dacian Gold Ltd.	1,460,168	1,371,638
26,801	Detour Gold Corp.	275,932	309,016
472,500	GT Gold Corp.	523,701	288,225
1,248,525	Guyana Goldfields Inc.	4,818,962	1,997,640
40,198	Kirkland Lake Gold Ltd.	683,237	1,431,049
7,660	OceanaGold Corp.	30,220	38,147
984,221	Roxgold Inc.	1,402,523	797,219
325,494	Sandstorm Gold Ltd.	2,201,219	2,057,122
16,896	SSR Mining Inc.	168,329	278,784
1,119,182	Superior Gold Inc.	1,097,142	940,113
297,879	TMAC Resources Inc.	1,913,552	2,043,450
85,322	Torex Gold Resources Inc.	1,067,794	1,108,333
		<b>22,207,580</b>	<b>18,059,159</b>
<b>PRECIOUS METALS &amp; MINERALS (10.9%)</b>			
331,700	Dundee Precious Metals Inc.	1,037,640	1,194,120
690,783	Gold Standard Ventures Corp.	1,434,894	1,181,239
2,209,400	Mandalay Resources Corp.	2,255,504	165,705
8,800	Osisko Mining Inc.	23,017	27,016
87,600	Osisko Mining Inc., Restricted	148,920	268,932
381,889	Rio2 Ltd.	1,421,286	183,307
		<b>6,321,261</b>	<b>3,020,319</b>
<b>SILVER (6.6%)</b>			
68,800	Wheaton Precious Metals Corp.	1,530,112	1,833,520
<b>COMMODITY CHEMICALS (5.6%)</b>			
523,880	SEMAFO Inc.	1,702,660	1,545,445
<b>DIVERSIFIED METALS &amp; MINING (2.2%)</b>			
47,932	Aldebaran Resources Inc.	-	23,966
255,412	Havilah Mining Corp.	129,367	74,069
1,135,470	Lachlan Star Ltd.	-	6,550
51,000	Lundin Mining Corp.	369,196	287,640
265,450	Orex Minerals Inc.	226,958	21,236
143,800	Regulus Resources Inc.	278,334	195,568
		<b>1,003,855</b>	<b>609,029</b>
<b>Commissions and other portfolio transaction costs</b>		<b>(146,483)</b>	
<b>Total Investment Portfolio (90.8%)</b>		<b><u>32,618,985</u></b>	<b>25,067,472</b>
<b>Other Net Assets (Liabilities) (9.2%)</b>			<b>2,553,113</b>
<b>Net Assets Attributable to Holders of Redeemable Shares (100.0%)</b>			<b><u>27,620,585</u></b>

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

# Sentry Select Primary Metals Corp.

## Fund Specific Notes to Financial Statements

### Commissions (Note 2)

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

	2018	2017
Brokerage commissions	106	110
Soft dollar commissions <sup>†</sup>	12	15

### Redeemable Share Transactions (Note 4)

for the years ended December 31

	2018	2017
<b>Class A</b>		
<b>Number of redeemable shares at the beginning of year</b>	15,361,411	15,780,001
Redeemable shares issued for cash	-	-
Redeemable shares issued for reinvested dividends	-	-
Redeemable shares redeemed	(1,064,047)	(418,590)
<b>Number of redeemable shares at the end of year</b>	<b>14,297,364</b>	<b>15,361,411</b>

### Loss Carry Forwards (Note 8)

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

	2018
<b>Net capital loss carried forward:</b>	78,293
<b>Non-capital losses expiring:</b>	
2028	1,413
2029	4,540
2030	-
2031	-
2032	4,757
2033	2,919
2034	2,588
2035	2,148
2036	1,796
2037	960
2038	607
<b>Total</b>	<b>21,728</b>

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

# Sentry Select Primary Metals Corp.

## Fund Specific Notes to Financial Statements

### Financial Instruments Risks (Note 9)

#### Concentration Risk

For Concentration Risk as at December 31, 2018, refer to the Schedule of Investment Portfolio.

The Fund's investments were concentrated in the following segments:

as at December 31, 2017

<b>Categories</b>	<b>Net Assets (%)</b>
Gold and Silver	86.2
Intermediate Metals and Minerals Producers	6.4
Precious Metals and Minerals Exploration	4.0
Junior Precious Metals and Minerals	1.8
Other Net Assets (Liabilities)	1.6

#### Credit Risk

As at December 31, 2018 and 2017, the Fund did not have a significant exposure to credit risk as substantially all of its assets were invested in equities.

#### Other Price Risk

As at December 31, 2018 and 2017, the Fund was predominantly invested in Canadian equities and therefore the Fund was sensitive to changes in general economic conditions in Canada.

As at December 31, 2018, had the equities in the investment portfolio increased or decreased by 10% (December 31, 2017 - 5%), with all other variables held constant, net assets attributable to holders of redeemable shares of the Fund would have increased or decreased, respectively, by approximately \$2,507,000 (December 31, 2017 - \$1,982,000). In practice, actual results may differ from this analysis and the difference may be material.

#### Currency Risk

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

as at December 31, 2018

<b>Currency</b>	<b>Financial Instruments Exposure (in \$000's)</b>	<b>Derivatives (in \$000's)</b>	<b>Net Exposure (in \$000's)</b>	<b>Net Assets (%)</b>
Australian Dollar	1,378	-	1,378	5.0
<b>Total</b>	<b>1,378</b>	<b>-</b>	<b>1,378</b>	<b>5.0</b>

As at December 31, 2018, had the Canadian dollar strengthened or weakened by 10% in relation to all other foreign currencies held in the Fund, with all other variables held constant, net assets attributable to holders of redeemable shares of the Fund would have decreased or increased, respectively, by approximately \$138,000. In practice, the actual results may differ from this analysis and the difference may be material.

As at December 31, 2017, the Fund's investments were denominated in Canadian dollars, the functional currency of the Fund. As a result, the Fund's exposure to currency risk was insignificant.

#### Interest Rate Risk

As at December 31, 2018 and 2017, the Fund did not have a significant exposure to interest rate risk as substantially all of its assets were invested in equities.

# Sentry Select Primary Metals Corp.

## Fund Specific Notes to Financial Statements

### Fair Value Hierarchy

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

Long Positions at fair value as at December 31, 2018

	Level 1 (in \$000's)	Level 2 (in \$000's)	Level 3 (in \$000's)	Total (in \$000's)
Equities	24,798	269	-	25,067
<b>Total</b>	24,798	269	-	25,067

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

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)
Equities	39,574	-	-	39,574
Warrants	-	-	60	60
<b>Total</b>	39,574	-	60	39,634

During the year ended December 31, 2017, investments with a fair value of \$3,132,000 were transferred from Level 2 to Level 1 as quoted market prices became available for these investments.

### Level 3 Reconciliation

The tables below summarize the movement in Level 3 financial instruments at fair value using unobservable inputs.

for the year ended December 31, 2018

	Balance at Dec. 31, 2017 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers Out (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss) (in \$000's)	Balance at Dec. 31, 2018 (in \$000's)
<b>Long Positions/Assets:</b>								
Warrants	60	-	(35)	-	-	-	(25)	-
<b>Total</b>	60	-	(35)	-	-	-	(25)	-

for the year ended December 31, 2017

	Balance at Dec. 31, 2016 (in \$000's)	Purchases (in \$000's)	Sales (in \$000's)	Transfers In (in \$000's)	Transfers Out (in \$000's)	Realized Gain (Loss) (in \$000's)	Unrealized Gain (Loss)* (in \$000's)	Balance at Dec. 31, 2017 (in \$000's)
<b>Long Positions/Assets:</b>								
Equities	-	340	-	-	(340)	-	-	-
Warrants	-	-	-	3	-	-	57	60
<b>Total</b>	-	340	-	3	(340)	-	57	60

\*Change in unrealized gain (loss) related to investments held at December 31, 2017 was \$56,568.

During the year ended December 31, 2017, warrants with a fair value of \$3,000 were transferred out of Level 2 into Level 3 as observable market inputs were no longer available for these investments and equity investments with a fair value of \$340,000 were transferred out of Level 3 into Level 1 as observable market inputs became available for these investments.

Investments classified as Level 3 are valued at fair value based on unobservable inputs and assumptions, which may include credit spreads, industry multipliers, and discount rates. Management has assessed that the effect of changing these inputs to reasonably possible alternatives would not have a significant impact on the net assets attributable to holders of redeemable shares of the Fund as at December 31, 2018 and 2017.

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

# Sentry Select Primary Metals Corp.

## Notes to the Financial Statements

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### 1. THE FUND

Sentry Select Primary Metals Corp. (the "Fund") is a corporation incorporated under the laws of the Province of Ontario by articles of incorporation dated April 23, 2007, as amended on June 13, 2007, March 26, 2008 and March 26, 2010. The Fund commenced operations with the closing of an initial public offering on June 14, 2007.

On June 1, 2018, Sentry Investments Inc. was amalgamated with CI Investments Inc (the "CI"). Effective June 1, 2018, CI became the trustee (the "Trustee") and the manager (the "Manager") of the Fund. Effective July 23, 2018, RBC Investor & Treasury Services replaced StateStreet Bank as the custodian (the "Custodian") of the Fund.

These financial statements were approved and authorized for issue by Board of Directors on March 14, 2019.

The Fund invests in an actively managed portfolio consisting primarily of securities of mining and exploration issuers, with a current focus on gold issuers. The Fund's investment objective is to provide shareholders with: (i) long-term capital appreciation; and (ii) monthly cash distributions.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### **Transition to IFRS 9**

Effective January 1, 2018, the Fund retrospectively without restatement 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 Fund's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

The Fund manages its 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 Portfolio Manager makes decisions based on the assets' fair values and manage the assets to realize those fair values.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously designated as FVTPL or classified as held for trading 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 Fund's financial assets and financial liabilities upon transition to IFRS 9.

#### **IFRS 10**

In accordance with IFRS 10: *Consolidated Financial Statements*, the Manager has determined that the Fund meets the definition of an Investment Entity which requires that the Fund obtains funds from one or more investors for the purpose of providing investment management services, commit to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measure and evaluate the performance of its investments on a fair value basis. Consequently, the Fund does not consolidate its investment in subsidiaries, if any, but instead measure these at FVTPL, as required by the accounting standard.

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

The Fund's classifies and measure its investments (such as fixed-income securities, equity securities, investment funds, exchange-traded funds and derivatives) based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments and derivatives are measured at FVTPL. Short sales are held for trading and are consequently classified as financial liabilities at FVTPL. Derivative contracts that have a negative fair value are presented as liabilities at FVTPL.

The Fund's obligations for net assets attributable to holders of redeemable shares 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.

# Sentry Select Primary Metals Corp.

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

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Financial assets and liabilities are offset and the net amount is presented in the Statements of Financial Position when, and only when, the Fund has a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

### **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 received from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. Unlisted warrants, if any, are valued based on a pricing model which considers factors such as the market value of the underlying security, strike price, and terms of the warrant. Fixed-income securities, debentures and other debt instruments, including short-term investments, are valued at the quotation received from recognized investment dealers.

### **c. Cash**

Cash is comprised of cash on deposit and bank overdraft.

### **d. Cost of investments**

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

### **e. Investment transactions and income recognition**

Investment transactions are recorded on the trade date – the date on which the Fund commits to purchase or sell the investment. The "Interest for distribution purposes" shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund and is accounted for on an accrual basis.

Dividends from investments are recognized on the ex-dividend/ex-distribution date.

### **f. Foreign exchange**

The Fund's functional and presentation currency is Canadian dollar. Foreign currency amounts are translated into the functional currency as follows: fair value of investments, foreign currency forward contracts and other assets and liabilities at the closing rate of exchange on each business day; income and expenses, purchases and sales and settlements of investments at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains (losses) relating to cash are presented as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within "Net realized gain (loss) on sale of investments and derivatives" and "Change in unrealized appreciation (depreciation) in value of investments and derivatives" in the Statements of Comprehensive Income.

### **g. Share valuation**

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

As at December 31, 2018 and December 31, 2017, there were no differences between the NAV used for transactions with shareholders and the net assets attributable to holders of redeemable shares used for reporting purposes under IFRS.

### **h. Classification of shares**

The shares of the Fund are classified as financial liabilities in accordance with IAS 32, as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes.

### **i. Commissions and other portfolio transaction costs**

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

# Sentry Select Primary Metals Corp.

Notes to the Financial Statements (cont'd)

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## **j. Increase (decrease) in net assets attributable to holders of redeemable shares**

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

## **k. Harmonized sales tax**

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

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

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting period. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing its financial statements:

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

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. 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. The fair value of private securities is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed. The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Valuation models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty); volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

## **4. FEES AND OTHER EXPENSES**

### **Management fees**

The Fund pays to the Manager an annual fee equal to 1.10% of the NAV of the Fund plus an amount equal to the service fee (described below) payable to the registered dealers. Fees payable to the Manager are calculated and payable monthly, plus applicable taxes.

### **Administrative fees**

The Fund is responsible for all expenses incurred in connection with, but not limited to, the operation and administration of the Fund.

### **Service fees**

The Manager will pay to registered dealers of the Fund an annual service fee of 0.40% of the NAV per share for shares held by clients of the sales representatives of the registered dealers, calculated and payable quarterly in arrears, plus applicable taxes.



# Sentry Select Primary Metals Corp.

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

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## **5. REDEEMABLE SHARES**

The Fund is authorized to issue an unlimited number of redeemable shares. Each share represents an undivided interest in the net assets of the Fund. All shares have equal rights and privileges and are entitled to equal participation in any distributions made by the Fund.

### **Annual redemption**

Shareholders may tender their shares annually for redemption on the last business day of April (the "Annual Redemption Date") at the NAV per share. The proceeds of an annual redemption received by shareholders (the "Annual Net Redemption Proceeds") will be an amount equal to 100% of the Fund's NAV per share on the applicable Annual Redemption Date. Payment of the Annual Net Redemption Proceeds will be paid to shareholders within 15 days of the applicable Annual Redemption Date, provided that all necessary redemption documents have been properly completed and sent to the registrar and transfer agent of the Fund during the applicable redemption notice period, subject to the Fund's right to suspend redemption.

### **Monthly redemption**

Shares may also be surrendered at any time by shareholders for redemption on the relevant monthly redemption date, which is the second last business day of the month in which the shares were surrendered for a monthly redemption in that month (the "Monthly Redemption Date"), subject to the Fund's right to suspend redemptions. Shareholders shall be entitled to receive a price per share (the "Monthly Redemption Price") equal to the lesser of 90% of the market price of the shares on the principal market on which the shares are quoted for trading during the 20-trading-day period ending immediately before the Monthly Redemption Date, and 100% of the closing market price on the principal market on which the shares are quoted for trading on the Monthly Redemption Date. If Shareholders of redeemable shares makes such surrender within the last ten business days in the case of monthly redemption, the shares will be redeemed on the Monthly Redemption Date in the next month and the shareholders will receive the Monthly Redemption Price determined with reference to the Monthly Redemption date in the next month.

Notwithstanding the Monthly Redemption Price formula above, at no time, will the Fund pay out redemption proceeds greater than the Fund's NAV per share as determined on the Monthly Redemption Date for each share being redeemed on such Monthly Redemption Date.

Redeemable share transactions information appears in the Fund Specific Notes to Financial Statements.

## **6. MARKET PURCHASE PROGRAM**

In accordance with the Fund's prospectus, and to enhance liquidity and to provide support to the shares, the Fund has a mandatory market purchase program under which the Fund has the right (but not the obligation), exercisable in its sole discretion, to purchase in the market for cancellation up to 10% of the shares outstanding at the beginning of such period at prices not exceeding the NAV per share (the "Program"). The Fund will offer to purchase shares offered on the Toronto Stock Exchange at prices that are less than 95% of the latest determined NAV per share where the Manager determines that such purchases are in the best interest of shareholders, up to a maximum amount in any three-month-period of 1.25% of the number of shares outstanding at the beginning of such period. Purchases of shares by the Fund will be subject to compliance with any applicable regulatory requirements and limitations. During the year ended December 31, 2018 and 2017 the Fund did not purchase any shares for cancellation under the market purchase program.

## **7. RELATED PARTY TRANSACTIONS**

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

## **8. TAXATION**

The Fund is a mutual fund corporation as defined in the *Income Tax Act* (Canada). The general taxation rules applicable to a corporation apply to the Fund with the exception of the following:

- Any income taxes payable on capital gains are refundable on a formula basis when capital gains dividends are paid; and
- The Fund is subject to a tax of 38% on the amount of taxable dividends received after December 31, 2015 from taxable Canadian corporations, which is refundable when the Fund pays taxable dividends to Holders of Redeemable Shares.

# Sentry Select Primary Metals Corp.

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

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The Fund follows the liability method of accounting for income taxes. Under this method, income tax assets and liabilities are recognized for the estimated tax consequences attributable to differences between the amounts reported in the financial statements and their respective tax bases, using substantively enacted income tax rates. The effect of a change in income tax rates on deferred tax assets and liabilities is recognized in income in the year that the change occurs.

Where a deferred tax asset is generated, a full valuation allowance is taken to offset this asset given the uncertainty that such deferred tax assets will ultimately be realized, such that no net benefit is recorded in the Statements of Comprehensive Income. It is the intention of the Fund to declare sufficient dividends so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable

Refer to Fund Specific Notes to Financial Statements for further information relating to Loss Carry Forwards.

A deferred income tax asset relating to these items has not been recognized on the Statements of Financial Position due to the uncertainty of realization.

## 9. FINANCIAL INSTRUMENTS RISK

### Risk Management

The Fund is 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 the Fund is exposed to depends on the investment objective and the type of investments held by the Fund. The value of the investments within the 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 Fund. The Manager of the Fund may minimize potential adverse effects of these risks on the Fund's performance by, but not limited to, regular monitoring of the Fund's positions and market events, diversification of the investment portfolio by asset type, country, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

### Concentration Risk

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

### 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 debt instruments includes consideration of the credit worthiness of the debt issuer. The credit risk exposure of the Fund's other assets is represented by their carrying amount as disclosed in the Statements of Financial Position.

Cash balances as disclosed in the Statements of Financial Position are maintained by the Custodian. The Manager monitors the credit worthiness of the Custodian on a regular basis. The credit rating of the Custodian as at December 31, 2018 was AA-.

All transactions executed by the Fund in listed securities are settled / paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

### Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations, on time or at a reasonable price. The Fund is exposed to monthly and annual cash redemptions of redeemable shares. Therefore, the Fund aims to invest the majority of its assets in investments that are traded in active markets and can be readily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity. From time to time, the Fund may enter into derivative contracts or invest in unlisted securities that may not trade in an organized market and may be illiquid. All financial liabilities are due within three months.

### Market Risk

The Fund's 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.

# Sentry Select Primary Metals Corp.

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

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### *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. Except for options written, future contracts sold short and investments sold short, the maximum risk resulting from financial instruments is equivalent to their fair value.

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

### *Currency Risk*

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, the functional currency of the Fund. As a result, the Fund may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates.

### *Interest Rate Risk*

Interest rate risk is the risk that the fair value of interest-bearing investments and interest rate derivative instruments will fluctuate due to changes in prevailing levels of market interest rates. If interest rates fall, the fair value of existing debt securities may increase due to increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities may decrease which may then lead to a decrease in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies if the Fund invests in 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.

### **Fair Value Hierarchy**

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

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

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

The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

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

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

### **10. SUBSEQUENT EVENT**

Effective January 4<sup>th</sup>, 2019 monthly distribution rate was reduced from \$0.025 to \$0.015.

# Sentry Select Primary Metals Corp.

## *Legal Notice*

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This document, and other information about the Fund, is available at the CI Investments Inc. website at **www.ci.com**, or at **www.sedar.com**.



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