

Interim Financial Statements of

LORICA CANADIAN FIXED INCOME FUND

For the six months ended June 30, 2019 (Unaudited)

LORICA | INVESTMENT
COUNSEL INC.



Lorica Canadian Fixed Income Fund

Statements of Financial Position (CDN \$)

(Unaudited)

As at,

	June 30, 2019	December 31, 2018
ASSETS		
Current assets		
Investments at fair value (Note 10)	\$ 1,939,759	\$ 1,864,037
Cash	18,932	4,856
Accrued interest receivable	11,982	15,397
Prepaid fees	663	7,332
Expense reimbursement receivable (Note 5)	61,178	–
Other receivables	3,306	–
	<u>2,035,820</u>	<u>1,891,622</u>
LIABILITIES		
Current liabilities		
Management fees payable	5,606	233
Other payables and accrued expenses	71,540	11,709
Distributions payable	966	–
	<u>78,112</u>	<u>11,942</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 1,957,708</u>	<u>\$ 1,879,680</u>
Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	\$ 48,566	\$ 45,951
Class F	<u>1,909,142</u>	<u>1,833,729</u>
	<u>\$ 1,957,708</u>	<u>\$ 1,879,680</u>
Number of Redeemable Units Outstanding (Note 4)		
Class A	4,747	4,740
Class F	186,016	188,666
Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	\$ 10.23	\$ 9.70
Class F	10.26	9.72

Approved on behalf of Lorica Investment Counsel Inc.

Director

Lorica Canadian Fixed Income Fund
Statements of Comprehensive Income (CDN \$)
(Unaudited)
For the periods ended June 30,

	2019	2018
Income		
Interest for distribution purposes	\$ 27,074	\$ 39,063
Securities lending income (Note 6)	16	184
Net realized gain (loss) on sale of investments	25,499	(17,482)
Change in unrealized appreciation (depreciation) in value of investments	84,459	(10,010)
	<u>137,048</u>	<u>11,755</u>
Expenses		
Operating fees	60,365	25,751
Unitholder reporting costs	6,668	1,278
Management fees	6,157	10,827
Custodian fees	4,542	15,206
Audit fees	3,410	2,857
Interest charges	19	34
Legal fees	–	1,084
Independent review committee fees	–	367
	<u>81,161</u>	<u>57,404</u>
Expenses waived (Note 5)	<u>61,178</u>	<u>4,525</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 117,065</u>	<u>\$ (41,124)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class		
Class A	\$ 2,753	\$ (3,596)
Class F	114,312	(37,528)
	<u>\$ 117,065</u>	<u>\$ (41,124)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Class A	\$ 0.58	\$ (0.18)
Class F	0.61	(0.14)

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

Lorica Canadian Fixed Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (CDN \$) (Unaudited) For the periods ended June 30,

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to holders of redeemable units	Reinvestment of distributions to holders of redeemable units	Increase in net assets attributable to holders of redeemable units	Net Assets attributable to holders of redeemable units, end of period
2019							
Class A	\$ 45,951	\$ -	\$ -	\$ (214)	\$ 76	\$ 2,753	\$ 48,566
Class F	1,833,729	18,000	(52,942)	(12,499)	8,542	114,312	1,909,142
	<u>\$ 1,879,680</u>	<u>\$ 18,000</u>	<u>\$ (52,942)</u>	<u>\$ (12,713)</u>	<u>\$ 8,618</u>	<u>\$ 117,065</u>	<u>\$ 1,957,708</u>
	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to holders of redeemable units	Reinvestment of distributions to holders of redeemable units	Decrease in net assets attributable to holders of redeemable units	Net Assets attributable to holders of redeemable units, end of period
2018							
Class A	\$ 204,619	\$ -	\$ (8,826)	\$ (173)	\$ 153	\$ (3,596)	\$ 192,177
Class F	2,761,611	403,644	(587,253)	(6,017)	3,237	(37,528)	2,537,694
	<u>\$ 2,966,230</u>	<u>\$ 403,644</u>	<u>\$ (596,079)</u>	<u>\$ (6,190)</u>	<u>\$ 3,390</u>	<u>\$ (41,124)</u>	<u>\$ 2,729,871</u>

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

Lorica Canadian Fixed Income Fund

Statements of Cash Flows (CDN \$)

(Unaudited)

For the periods ended June 30,

	2019	2018
Cash provided by (used in):		
Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 117,065	\$ (41,124)
Adjustments for non-cash items		
Net realized (gain) loss on sale of investments	(25,499)	17,482
Change in unrealized (appreciation) depreciation in value of investments	(84,459)	10,010
Change in non-cash balances		
Accrued interest receivable	3,415	(1,030)
Prepaid fees	6,669	(6,747)
Expense reimbursement receivable	(61,178)	–
Other receivables	(3,306)	–
Management fees payable	5,373	48
Other payables and accrued expenses	59,831	13,765
Proceeds from sale of investments	7,026,178	7,711,217
Purchase of investments	(6,991,942)	(7,493,931)
Cash provided by operating activities	<u>52,147</u>	<u>209,690</u>
Financing Activities		
Proceeds from sale of redeemable units	18,000	403,644
Amounts paid on redemption of redeemable units	(52,942)	(596,079)
Distributions paid to holders of redeemable units, net of reinvested distributions	<u>(3,129)</u>	<u>(3,621)</u>
Cash used in financing activities	<u>(38,071)</u>	<u>(196,056)</u>
Increase in cash during the period	14,076	13,634
Foreign exchange gain (loss) on cash	–	–
Cash, beginning of period	<u>4,856</u>	<u>3,569</u>
Cash, end of period	<u>\$ 18,932</u>	<u>\$ 17,203</u>
Supplemental information*		
Interest paid	\$ 19	\$ (34)
Interest received	29,253	38,033

*Included as a part of cash flows from operating activities

Lorica Canadian Fixed Income Fund

Schedule of Investment Portfolio (CDN \$)

(Unaudited)

As at June 30, 2019

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian Fixed Income				
Corporate Bonds				
125,000	Bank of Montreal 2.85% 06MAR24	\$ 124,971	\$ 127,813	6.53
85,000	Bell Canada 3% 03OCT22	85,410	87,137	4.45
75,000	Bell Canada Inc. 2.75% 29JAN25	74,846	75,934	3.88
75,000	Canadian Western Bank 2.924% 15DEC22	75,000	76,387	3.90
100,000	Fairfax Financial Holdings Ltd. 4.23% 14JUN29	99,952	101,151	5.17
79,000	HSBC Bank Canada 2.542% 31JAN23	78,126	79,984	4.09
79,000	Manulife Financial Corp. 3.049% 20AUG29	78,686	80,867	4.13
25,000	National Bank of Canada 1.957% 30JUN22	25,128	24,976	1.28
100,000	Nissan Canada Financial Services Inc. 2.606% 05MAR21	100,000	100,502	5.13
100,000	Sun Life Financial Inc. 2.75% 23NOV27	99,958	101,592	5.19
82,000	Sun Life Financial Inc. 3.05% 19SEP28	82,066	84,277	4.30
125,000	TELUS Corp. 3.60% 26JAN21	131,863	127,831	6.53
75,000	The Manufacturers Life Insurance Co. 3.181% 22NOV27	77,482	77,429	3.96
100,000	TransCanada PipeLines Ltd. 3.69% 19JUL23	106,239	105,291	5.38
43,000	TransCanada PipeLines Ltd. 4.55% 15NOV41	44,849	47,529	2.43
		<u>1,284,576</u>	<u>1,298,700</u>	<u>66.35</u>
Provincial Bonds				
60,000	Province of Alberta Canada 2.55% 01JUN27	58,350	61,968	3.17
46,000	Province of Alberta Canada 4.50% 01DEC40	56,069	60,866	3.11
50,000	Province of Manitoba Canada 4.10% 05MAR41	56,925	62,335	3.18
42,000	Province of Nova Scotia Canada 2.10% 01JUN27	41,976	42,024	2.15
134,000	Province of Ontario Canada 2.60% 02JUN25	133,893	139,121	7.11
145,000	Province of Ontario Canada 4.60% 02JUN39	179,104	193,214	9.87
60,000	Province of Saskatchewan Canada 4.75% 01JUN40	75,317	81,531	4.16
		<u>601,634</u>	<u>641,059</u>	<u>32.75</u>
	Total fixed income	1,886,210	1,939,759	99.10
	Total investments owned	<u>\$ 1,886,210</u>	1,939,759	99.10
	Other assets, net		<u>17,949</u>	<u>0.90</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 1,957,708</u>	<u>100.00</u>

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

MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by Lorica Investment Counsel Inc. (the "Fund Manager") in its capacity as the Fund Manager of Lorica Canadian Fixed Income Fund (the "Fund"). The Fund Manager is responsible for the information and representations contained in these unaudited interim financial statements.

The Fund Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Fund Manager. The significant accounting policies which the Fund Manager believes are appropriate for the Fund Manager are described in Note 2 to the unaudited interim financial statements.

On behalf of the Fund Manager

Date August 30, 2019

NOTICE TO UNITHOLDERS

The Auditors of the Fund have not reviewed these financial statements.

Lorica Investment Counsel Inc., the Fund Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

1. THE FUND

The fund – the Lorica Canadian Fixed Income Fund (referred to as the “Fund”) is a trust (“Trust Fund”) established under the laws of Ontario by declarations of trusts as amended and restated from time to time. The Fund’s registered office is 130 Spadina Avenue, Suite 801, Toronto, Ontario M5V 2L4. The Fund invests in Canadian fixed income securities. The Fund manager (“Fund Manager”) is Lorica Investment Counsel Inc. On January 6, 2019, Lorica Investment Counsel Inc. acquired the management of the Fund and assumed the trustee role of the Fund. The Fund’s investment activities are managed by the Fund Manager; administration by SGGG Fund Services Inc. (formerly by RCB Investor Trust Services), and custody is handled by National Bank Independent Network division, National Bank Financial Inc. (formerly RBC Investor Trust Services).

The Fund’s active classes launch dates were as follows:

Name of Fund	Class A	Class F
Lorica Canadian Fixed Income Fund	1-Dec-14	1-Dec-14

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

These semi-annual financial statements have been prepared in accordance with International Standard 34, Interim Financial Reporting, as issued by the International Accounting Standards Board. Significant accounting policies used in preparing the semi-annual financial statements are consistent with those used in preparing the annual financial statements. These semi-annual financial statements do not include all the information and disclosures required in annual financial statements and, accordingly, should be read in conjunction with the Funds’ most recent December 31, 2018, annual financial statements.

These semi-annual financial statements were authorized for issue by the Manager on August 30, 2019.

b) Significant accounting judgments, estimates and assumptions

The preparation of these financial statements requires the Fund Manager to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These financial statements include estimates, which by their nature, are uncertain. Significant estimates include the valuation of investments and significant judgments include classification of redeemable units and designation of investments as fair value through profit and loss. The impacts of such estimates are pervasive throughout the financial statements and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

c) Functional and presentation currency

These financial statements are presented in Canadian dollars (CAD). The Fund’s subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency.

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Realized and unrealized foreign exchange gains and losses on investments and realized and unrealized foreign exchange gains and losses on currency are included in “Foreign exchange gain (loss) on cash” in the Statements of Comprehensive Income.

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Basis of measurement

These semi-annual financial statements have been prepared on a historical cost basis except for investments, which are measured at fair value in the Statements of Financial Position.

e) Financial instruments

The Fund classifies its investments in debt, equity securities and derivatives as financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

The Fund classifies its investments at FVTPL based on the Fund's business model for managing those financial assets in accordance with the Fund's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The Fund recognizes financial instruments at fair value upon initial recognition. Transaction costs are expensed in the period incurred. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments have been classified as fair value through profit or loss. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and financial liabilities are classified as subsequently measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. A financial asset is classified as subsequently measured at amortized cost only if both of the following criteria are met:

- i) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The Fund has applied IFRS 9 on a modified retrospective basis and the application of IFRS 9 has not resulted in a restatement of comparative information. Refer to note 3 for changes in accounting policies including classification and measurement policies of financial assets and financial liabilities as a result of the application of IFRS 9.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown of the Fund into the three-level hierarchy is provided in note 10 (a).

Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in Statements of Comprehensive Income.

f) Investment transactions

Investment transactions are accounted for on the date the order to buy or sell is executed. Realized gains or losses from investment transactions and unrealized appreciation or depreciation are calculated on an average cost basis.

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)

For the period ended June 30, 2019 (unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Cash

Cash in the Statements of Financial Position comprises cash on hand and short-term deposits in banks that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

Short-term investments that are not held for the purpose of meeting short-term cash commitments and restricted margin accounts are not considered as 'cash'.

h) Redeemable participating units

Redeemable units are redeemable at the unitholder's option and are classified as other financial liabilities. They are measured at the redeemable amount.

Net asset value per unit of each class is calculated daily (unless such day is not a business day, in which case the last business day prior to such day is used) (each a "valuation day") by dividing the net asset value of each class by the outstanding units of that class. The net asset value of each class is computed by calculating the fair value of the assets less liabilities of the class.

i) Valuation of Fund units

The value at which units are issued or redeemed is the Net Asset Value per unit. Net asset value per unit for each class is calculated at the end of each day on which the Fund's Manager is open for business ("valuation day") by dividing the net asset value ("Transactional NAV") of each class by its outstanding units. The net asset value of each class is computed by calculating the value of the class' proportionate share of a fund's assets less the class' proportionate of the fund's common liabilities and less class-specific liabilities. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each class of a fund based on that class' pro-rata share of total net asset value of that fund. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the Statements of in Financial Position.

j) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) in net assets attributable to each class of the Fund divided by the weighted average number of units of that class outstanding during the period.

k) Investment income recognition

Interest for distribution purposes

Interest for distribution purposes as disclosed in the Statements of Comprehensive Income on debt securities at fair value through profit or loss is recognized on accrual basis and represents the coupon interest received accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis.

Distributions from investment trust

Distributions from income trusts, mutual funds and REIT's are recognized on the ex-distribution date and are recorded as income, capital gains or a return of capital, based on best information available to the Fund Manager. Distributions from investment trusts that are treated as a return of capital for income tax purposes reduce the average cost of the underlying investment.

Realized and unrealized gains and losses

Realized gains and losses on investments, and unrealized appreciation and depreciation on investments, are calculated on an average cost basis.

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l) Provisions

A provision is recognized if, as a result of a past event, the Fund has a present legal or constructive obligation that can be estimated reliably, and it is probably that an outflow of economic benefits will be required to settle the obligation.

m) Valuation of investments

i) Securities listed upon a recognized public stock exchange are valued at their close prices on the valuation date. In circumstances where the close price is not within the bid-ask spread, the Fund Manager will determine the point within the bid-ask spread that is most representative of fair value.

ii) Securities not listed upon a recognized public stock exchange, or securities for which a close price, last sale or closing price are unavailable or securities for which market quotations are, in the Fund Manager's opinion, inaccurate, unreliable or not reflective of all available material information, are valued at their estimated fair value, determined by using appropriate and accepted industry valuation techniques including valuation models. The estimated fair value of a security determined using valuation models requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the estimated fair value of a security may be determined using valuation techniques that are not supported by observable market data.

iii) Short-term notes, treasury bills and bonds are valued at the average close quotations from recognized investment dealers.

n) Distributions to unitholders

Distributions are made/calculated by the Fund on the business day immediately following record date.

o) Transaction costs

Transaction costs are expensed and are included in "transaction costs" in the Statements of Comprehensive Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers, and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

3. CHANGE IN ACCOUNTING POLICY

Reclassifications of financial instruments on application of IFRS 9

On the date of initial application of IFRS 9, January 1, 2018, the financial instruments of the Fund were as follows:

Financial instruments	Classification category		Measurement category		Carrying amount at January 1, 2018		
	Original (IAS 39)	New (IFRS)	Original (IAS 39)	New (IFRS)	Original (IAS 39)	New (IFRS)	Difference
Assets							
Investments at fair value	FVTPL	FVTPL	FVTPL	FVTPL	\$ 2,939,775	\$ 2,939,775	\$ -
Cash	FVTPL	Amortized cost	FVTPL	Amortized cost	3,569	3,569	-
Accrued interest receivable	Loans and receivables	Amortized cost	Amortized cost	Amortized cost	17,137	17,137	-
Liabilities							
Management fees payable	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	123	123	-
Other payables and accrued expenses	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	44	44	-
Distribution payable	Other financial liabilities	Amortized cost	Amortized cost	Amortized cost	821	821	-

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

4. REDEEMABLE PARTICIPATING UNITS

The Fund is authorized to issue an unlimited number of units as follows:

Name of Fund	Unit Types Available
Lorica Canadian Fixed Income	A, F

During the periods ended, June 30, 2019 and 2018 the following units were issued (including units issued on transfers from other classes) and redeemed (including transfers to other classes):

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2019					
Class A	4,740	–	–	7	4,747
Class F	188,666	1,794	(5,288)	844	186,016
June 30, 2018					
Class A	20,445	–	(890)	15	19,570
Class F	277,108	40,843	(59,490)	327	258,788

5. EXPENSES AND RELATED PARTY TRANSACTIONS

The following summarizes the annual management fee for the Fund:

Lorica Canadian Fixed Income Fund	Class A	1.40%	per annum on average net asset value
	Class F	0.65%	per annum on average net asset value

As the Fund Manager of the Fund and Trustee of the Trust Fund, the Fund is dependent on Lorica Investment Counsel Inc. for administration and management of all matters relating to their operations.

The Fund Manager has, at its discretion, agreed to waive certain expenses associated with the Fund. The waived amounts are shown in the Statements of Comprehensive Income as expenses waived.

The Fund Manager, its officers and directors invest in units of the Fund from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts and occur within the normal course of business.

Included in the Fund's expenses in the Statements of Comprehensive Income, is the corresponding component of sales tax. The Harmonized Sales Tax (HST) combines the GST rate of 5% with the provincial sales tax of certain provinces. Each Fund's HST rate is calculated using the proportionate investment holding by unitholder's provincial residency as at September 30 of the prior year. HST rate are determined for expenses attributable to a Fund's individual class, were applicable.

From time to time, the Manager may earn fees and commissions on securities transactions in which the Fund participates. The fees and commissions are based on standard agreements at market prices. For the period ended June 30, 2019, approximately \$nil (2018 - \$nil) was received by the Manager in related fees and commissions under the standing instructions given by the Independent Review Committee (IRC).

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

5. EXPENSES AND RELATED PARTY TRANSACTIONS (CONTINUED)

In accordance with National Instrument 81-107, Independent Review Committee for Investment Funds, the Fund Manager has established an IRC for the Fund. The mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager is subject when managing the Fund. The IRC reports annually to unitholders of the Fund on its activities, and the annual report is available on or after December 31 in each year. The Manager charges compensation paid to the IRC members and the costs of the ongoing administration of the IRC to the Fund. These amounts are recorded in the Statements of Comprehensive Income.

6. SECURITIES LENDING TRANSACTIONS

The Fund had entered into a securities lending program with its previous custodian, RBC Investor Trust Services, but has not entered into a similar program with its current custodian, National Bank Independent Network (NBIN). As part of the previous lending program, the aggregate fair value of all securities loaned by the Fund could not exceed 50% of the assets of the Fund. The Fund received collateral of at least 102% of the value of the securities on loan. Collateral held was generally comprised of cash and securities of, or guaranteed by, the Government of Canada or a province thereof.

The aggregate fair values of securities loaned and collateral held under securities lending transactions at December 31 and June 30, 2018 were as follows:

December 31, 2018*	Outstanding loans	Collateral amount	Collateral as percentage of securities loaned
Lorica Canadian Fixed Income Fund	\$ 379,286	\$ 398,252	105%

*Securities lending program with former custodian RBC Investor and Treasury Services.

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, National Bank Independent Network (NBIN), is entitled to receive.

June 30, 2018*	Gross securities lending income	Securities lending charge	Net securities lending income	Withholding taxes	Net income received
Lorica Canadian Fixed Income Fund	\$ 283	\$ 99	35% \$ 184	\$ –	\$ 184

*Securities lending program with former custodian RBC Investor and Treasury Services.

7. TAXATION AND DISTRIBUTION

Taxation of Unit Trusts

The Fund did not qualify as a mutual fund trust at its taxation year end of December 31, 2018. A unit trust is not subject to tax on that portion of its income, including net realized capital gains for its taxation year that is paid or payable to their unitholders. However, such part of each of the unit trust's taxable income and net realized capital gains that is not so paid or payable will be taxable in the Fund. It is the intention of the Fund to pay all net taxable income and sufficient net taxable gains so that the unit trust will not be subject to income taxes. The unit trust may be subject to alternative minimum tax.

As of December 31, 2018, the Fund has net capital losses of \$35,918.

Lorica Canadian Fixed Income Fund

Notes to Financial Statements (Expressed in Canadian Dollars)
For the period ended June 30, 2019 (unaudited)

8. RECONCILIATION OF NET ASSET VALUE

In accordance with Canadian securities regulations, a reconciliation between the net asset value and the net assets of an investment fund is required for financial reporting periods.

For investments that are traded in an active market where quoted prices are readily and regularly available, IFRS 13, Fair Value Measurements requires that for an asset or a liability measured at fair value has a bid price and an ask price, the price within the bid-ask spread that is most representative of fair value in the circumstances shall be used to measure fair value regardless of where the input is categorized within the fair value hierarchy, rather than the use of closing sale prices currently used for the purpose of determining net asset value. The Fund uses last traded close price unless the close price falls outside the bid-ask spread. As at June 30, 2019 and December 31, 2018, there were no differences between the net asset value per unit and the net asset per unit of the fund.

9. CAPITAL MANAGEMENT DISCLOSURES

Units issued and outstanding represent the capital of the Fund. The Fund has no restrictions or specific capital requirements and is authorized to issue an unlimited number of redeemable, transferable units of each class available, as specified in the Fund's Simplified Prospectus. Restrictions and specific requirements on capital for each fund class are only applicable for minimum subscriptions as outlined in the Simplified Prospectus. The Statements of Changes in Financial Position and note 3 outline the relevant changes in the Fund's units for the period. In accordance with the Fund's investment objectives, portfolio management of the Fund's capital will encompass appropriate investing of subscriptions and the maintenance of sufficient liquidity levels for capital redemptions

10. FINANCIAL INSTRUMENTS

(a) Fair Value

Financial instruments of the Fund include investments at fair value, cash, accrued interest receivable, management fees payable, other payables and accrued expenses and distributions payable. There are no significant differences between the carrying values of these financial instruments and their fair values due to their short-term nature except for investments. Investments are carried at their fair values as described in note 2.

The following tables present the Fund's financial instruments measured at fair value classified by the fair value hierarchy set out in IFRS 13 Fair Value Measurement as of June 30, 2019 and December 31, 2018:

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ –	\$ 1,939,759	\$ –	\$ 1,939,759
	\$ –	\$ 1,939,759	\$ –	\$ 1,939,759

December 31, 2018	Level 1	Level 2	Level 3	Total
Assets				
Investments	\$ –	\$ 1,864,037	\$ –	\$ 1,864,037
	\$ –	\$ 1,864,037	\$ –	\$ 1,864,037

Fair values are classified as Level 1 when the related securities are actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair values requires the use of significant unobservable inputs, in which case it is classified as Level 3.

During the periods ended June 30, 2019 and December 31, 2018, no financial instruments were transferred between Level 1 and Level 2 or any financial instruments transferred to Level 3.

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10. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Risk Management and Disclosures

The Fund's investment activities expose it to a variety of financial risks. The Investment Portfolios present the securities held by the Fund as at June 30, 2019, and groups the securities by asset type, geographic region and/or market segment. Significant risks that are relevant to the Fund are discussed below. The sensitivity analyses shown in the notes below may differ from actual trading, and the differences could be material.

The Fund Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisers, daily monitoring of the Fund's positions and market events; by diversifying the investment portfolios within the constraints of the investment objectives. To assist in managing risks, the Fund Manager also uses internal guidelines that identify the target exposure for each type of risk, maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies and securities regulations.

(i) Market Risk

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments.

The Fund invests in fixed income securities which bears interest at fixed rates of interest, and as such, is subject to interest rate price risk resulting from changes in fair value from market fluctuations in interest rates. The tables below summarize the Fund's exposure to interest rate price risk by remaining term to maturity as at June 30, 2019 and December 31, 2018. The tables also illustrate the potential impact to the Fund's net asset value, as a result of a 100 basis point % change in the interest rate, assuming a parallel shift in the yield curve with all other variables held constant.

(i) Interest rate risk

June 30, 2019					
		Long		Short	Net
Less than 1 year	\$	–	\$	–	–
1 - 5 years		729,921		–	729,921
6 - 10 years		683,496		–	683,496
> 10 years		526,342		–	526,342
Total	\$	1,939,759	\$	–	1,939,759
Potential Impact on Net Assets attributable to holders of redeemable units				\$	125,500
December 31, 2018					
		Long		Short	Net
Less than 1 year	\$	–	\$	–	–
1 - 5 years		977,832		–	977,832
6 - 10 years		809,149		–	809,149
> 10 years		77,056		–	77,056
Total	\$	1,864,037	\$	–	1,864,037
Potential Impact on Net Assets attributable to holders of redeemable units				\$	95,100

(ii) Liquidity Risk

Liquidity risk is defined as the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Lorica Canadian Fixed Income Fund

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10. FINANCIAL INSTRUMENTS (CONTINUED)

The Fund may invest in securities, which are not actively traded. Such investments include those that are identified as “subject to temporary trading restrictions” in the Schedule of Investment Portfolio. There can be no assurance that an active trading market for these securities will exist at all times, or that the prices at which these securities trade accurately reflect their values. Additionally, for net asset value purposes, in accordance with securities regulation, the Fund must maintain at least 85% of their assets in liquid investments (i.e. investments that are traded in an active market and can readily be disposed of).

In addition, the Fund has financial liabilities outstanding including management fees, other payables and accrued liabilities, distributions payable and redeemable units. These financial liabilities are all current and due within 30 days. Redeemable units are redeemable on demand at the holder’s option. However, the Manager does not expect that all units will be redeemed immediately as holders of these instruments typically retain them for a longer period.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of. On a weekly basis, quantitative monitoring measures are used to screen the Fund’s portfolio for securities that may be considered for potential reclassification as illiquid. In addition, the Fund aims to retain sufficient cash to maintain liquidity. Accordingly, the Fund's liquidity risk is considered minimal.

(iii) Credit Risk

The Fund may invest in fixed income securities are subject to credit risk. This means that the value of these securities depends, in part, upon the ability of borrowers to pay all amounts owed to their lenders. Fixed income securities issued by borrowers with a high credit rating are considered to be less risky and therefore are generally worth more than securities issued by borrowers with a low credit rating.

The Fund limits its exposure to credit loss by placing its cash and short-term investments with high credit quality institutions. To maximize the credit quality of its investments, the Fund Manager performs ongoing credit evaluations based upon factors surrounding the credit risk of customers, historical trends and other information. The carrying amounts of other assets (excluding refundable taxes receivable) also represent the maximum credit risk exposure as they will be settled in the short-term.

The maximum exposure to any one debt issuer as of June 30, 2019 was the Province of Ontario representing 16.98% of the net assets (December 31, 2018 – Province of Ontario representing 5.45% of the net assets) of the Fund.

The Fund invests in debt instruments, which have an investment grade as rated primarily by DBRS and Standard & Poor's.

Ratings for securities that subject the Fund to significant credit risk at June 30, 2019 and December 31, 2018 are noted below.

June 30, 2019		Market Value		
Debt Instruments		Long	Short	Net
AAA	\$	17,949	\$	17,949
AA		811,497	–	811,497
A		736,209	–	736,209
BBB		392,053	–	392,053
Total	\$	1,957,708	\$	1,957,708

December 31, 2018		Market Value		
Debt Instruments		Long	Short	Net
AAA	\$	–	\$	–
AA		226,649	–	226,649
A		972,697	–	972,697
BBB		664,691	–	664,691
Total	\$	1,864,037	\$	1,864,037

Lorica Canadian Fixed Income Fund

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10. FINANCIAL INSTRUMENTS (CONTINUED)

All transactions in listed securities are settled 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.

The Fund may engage in securities lending transactions with counter parties, whereby the Fund temporarily exchange securities for collateral with a commitment by the counterparty to deliver the same securities on a future date. Refer to note 6.

(iv) Concentration Risk

Portfolio concentration risk is the risk of loss in the total value of the portfolio investments of the Fund due to an over-concentration of investments in a particular instrument, sector or country. A summary of the portfolio's concentration risk by industry sector as at June 30, 2019 is shown in Fund's Schedule of Investment Portfolio.