Financial statements of

Canadian Investor Protection Fund

December 31, 2013

Canadian Investor Protection Fund

December 31, 2013

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Independent Auditor's Report

To the Board of Directors of the
Canadian Investor Protection Fund

We have audited the accompanying financial statements of the Canadian Investor Protection Fund, which comprise the balance sheet as at December 31, 2013 and the statements of revenues and expenses and changes in general fund balance, changes in investment in capital assets fund and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Investor Protection Fund as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants, Chartered Accountants
Licensed Public Accountants
April 1, 2014

Canadian Investor Protection Fund

Balance Sheet

(In thousands of dollars)

	December 31, 2013	December 31, 2012
	$	$
Assets		
Current		
Cash	**466**	561
Prepaid insurance and recoverables	**358**	358
Investments, at fair value (Note 4)	**431,460**	431,877
Member assessments receivable	**2,694**	2,460
	434,978	435,256
Tangible capital assets (Note 5)	**43**	57
Software development (Note 5)	**49**	69
	435,070	435,382
Liabilities		
Current		
Payables and accruals	**684**	690
Provision for claims and related expenses (Note 10)	**4,223**	3,826
Deferred lease inducements	**-**	24
	4,907	4,540
Employee future benefits (Note 7)	**6,796**	6,108
Commitments (Note 9)		
Fund balances		
Investment in Capital Assets (Note 5)	**92**	126
General	**423,275**	424,608
	435,070	435,382

Approved on behalf of the Board

_________________________ Director

_________________________ Director

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statements of Revenues and Expenses and Changes in General Fund Balance for the year ended December 31

(In thousands of dollars)

	2013	2012
	$	$
Revenues		
Regular assessments	**10,340**	9,526
Assessments for capital deficiencies	**86**	168
Investment income	**14,074**	14,365
	24,500	24,059
Expenses		
Salaries and employee benefits	**3,172**	2,857
Bank lines of credit fees and excess insurance premium	**1,262**	1,216
Pension and other employment benefits (Note 7)	**818**	792
Professional fees	**643**	548
Directors' fees, travel and education	**417**	404
Other operating costs	**296**	307
Occupancy	**313**	305
Computer server hosting and maintenance	**138**	109
Custodial fees	**102**	101
Communications	**39**	72
	7,200	6,711
Excess of revenues over expenses before the undernoted items	**17,300**	17,348
Recovery of (provision for) claims and related expenses (Note 10)	**(3,914)**	467
Gain on value of CDS preferred shares (Note 8)	**-**	2,691
Unrealized losses on investments	**(14,611)**	(5,123)
Excess (deficiency) of revenues over expenses	**(1,225)**	15,383
General Fund, beginning of year	**424,608**	409,270
Excess (deficiency) of revenues over expenses	**(1,225)**	15,383
Transfer to the Investment in Capital Assets Fund for capital asset additions	**(108)**	(45)
General Fund, end of year	**423,275**	424,608

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statement of Changes in Investment in Capital Assets Fund
for the year ended December 31

(In thousands of dollars)

	2013	2012
	$	$
Investment in Capital Assets Fund, beginning of year	**126**	220
Transfer from the General Fund for capital asset additions	**108**	45
Amortization of capital assets	**(142)**	(139)
Investment in Capital Assets Fund, end of year	**92**	126

See accompanying notes to the financial statements.

Canadian Investor Protection Fund

Statement of Cash Flows
for the year ended December 31
(In thousands of dollars)

	2013	2012
	$	$
Operating activities		
Excess (deficiency) of revenues over expenses	(1,225)	15,383
Interest accrued	(256)	(41)
Bond premium amortization	1,405	1,496
Unrealized losses on investments	14,611	5,123
Changes in non-cash working capital		
Prepaid insurance and recoverables	-	(40)
Member assessments receivable	(234)	(12)
Payables and accruals	(6)	103
Provision for claims and related expenses	397	(805)
Deferred lease inducements	(24)	(24)
Employee future benefits	688	662
	15,356	21,845
Investing activities		
Purchases of capital assets	(108)	(45)
Purchases of investments	(93,901)	(106,899)
Proceeds from maturities and sale of investments	78,558	85,356
	(15,451)	(21,588)
Net increase (decrease) in cash during the year	(95)	257
Cash, beginning of year	561	304
Cash, end of year	466	561

See accompanying notes to the financial statements.

1. Organization

The Canadian Investor Protection Fund (the "Fund" or "CIPF") was established in 1969 by an Agreement and Declaration of Trust, by its sponsoring Self-Regulatory Organizations ("SROs"), to protect customers who have suffered financial loss due to the insolvency of a Member of any one of the sponsoring SROs.

Effective January 1, 2002, an industry agreement (the "Original Industry Agreement") was established between the SROs and CIPF, replacing the Agreement and Declaration of Trust. The parties to this agreement included the Investment Dealers Association of Canada ("IDA") and CIPF.

Effective June 1, 2008, the IDA combined with Market Regulation Services Inc. to become the Investment Industry Regulatory Organization of Canada ("IIROC"). At that time, IIROC was the only SRO and sponsor of CIPF that carried on Member regulation activities in respect of its Members, and accordingly IIROC and CIPF agreed that the Original Industry Agreement be terminated and replaced by a new Industry Agreement (the "Industry Agreement") effective September 29, 2008. The parties to the new Industry Agreement are IIROC and CIPF. Throughout these financial statements, the reference to Member means a Dealer Member of IIROC.

CIPF is a not-for-profit member corporation, as described in Section 149(1)(l) of the Income Tax Act and, as such, is not subject to either federal or provincial income taxes.

2. Statement of compliance with Canadian accounting standards for not-for-profit organizations

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations.

3. Summary of significant accounting policies

CIPF follows accounting principles appropriate for not-for-profit organizations, in accordance with Canadian generally accepted accounting principles. The more significant accounting policies are as follows:

General Fund

The purpose of the General Fund is to provide protection to customers of Members who, in the opinion of the Directors of the Fund, have suffered or may suffer financial loss as a result of the insolvency of the Member, all on such terms and conditions as may be determined by the Fund and in the sole discretion of the Directors.

In the event of Member insolvencies, the claims against the Fund are limited to the financial losses suffered by customers of Members solely as a result of the insolvency of a Member. In the event that CIPF would be unable to satisfy such claims in their entirety, the Board would determine over what period to assess Members to make up the shortfall.

Investment in Capital Assets Fund

The Investment in Capital Assets Fund represents the Fund's unamortized balance of its capital assets.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant area requiring the use of estimates is provision for claims and related expenses. Actual results could differ from those estimates.

Financial instruments

The Fund's financial instruments consist of cash, investments, member assessments receivable and payables and accruals.

3. Summary of significant accounting policies (continued)

The Fund records its financial instruments at fair value upon recognition. Subsequently, all financial instruments are recorded at amortized cost, except for investments, which are recorded at fair value.

Cash

Cash includes cash on hand and cash balances in bank and investment accounts.

Investments

Investments are comprised of fixed income securities and are carried at fair value. Gains and losses resulting from the difference between fair value and amortized cost are recorded as unrealized gains (losses) on investments in the Statement of Revenues and Expenses. Accrued interest on the fixed income securities is included in the Investments balance.

Regular assessments and assessments for capital deficiencies

Regular assessment amounts are set by the Board of Directors and are payable by Members each quarter. The amount assessed by the Board is allocated to each Member based on a differential rate, which is derived from a Member's risk relative to other Members. Regular assessments are subject to a minimum and maximum amount. New members pay twice their regular assessment for the first three years of membership. Additional assessments are paid by Members that have incurred capital deficiencies.

The Industry Agreement provides for a limit on assessments in any calendar year such that no Member shall be assessed more than 1% of its aggregate gross revenue (maximum amount) unless an additional amount is required to either cover the operational expenses of the Fund or to permit the Fund to meet its obligations under its bank lines of credit. This limit does not apply to the minimum, new member and capital deficiency assessments.

Regular assessments and assessments for capital deficiencies are recorded in these financial statements when they are assessed. As provided for in the Industry Agreement, the assessments are collected by IIROC on behalf of the Fund. IIROC is required, under the terms of the Industry Agreement, to pay to CIPF the amount of the assessments (whether or not collected from Members).

Investment income

Investment income includes interest earned, net of any amortization of bond premiums or discounts using the effective interest rate method, plus realized gains and losses on maturity or sale of an investment.

Provision for claims and related expenses

Provision for claims from customers of insolvent Members is recorded when the Fund is notified of potential claims and the Fund makes a determination that the claims are eligible under CIPF's Coverage Policy. Provision for related expenses, such as trustee's fees, legal fees, hearing costs and other administrative costs, is recorded when a reliable estimate can be made of the costs to administer the potential claims. Recoveries of amounts accrued with respect to customers' claims and administrative costs are recorded when reasonably determinable. No amounts are set aside to cover possible losses and customer claims that could arise from future insolvencies.

Capital assets

Capital assets are recorded at cost and are amortized in the Investment in Capital Assets Fund on the following basis:

Office furniture and equipment	Straight-line method over 5 years
Leasehold improvements	Straight-line method over the term of the lease
Computers	Straight-line method over 3 years
Software development	Straight-line method over 3 years

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

Deferred lease inducements

Deferred lease inducements are taken into income over the term of the lease.

Employee future benefits

The Fund accrues for its obligations under employee future benefit plans and the related costs, net of plan assets, as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.
- Past service costs for plan amendments are amortized on the straight-line basis over the average remaining service period of employees active at the date of amendment.
- The excess of the net actuarial gain (loss) over 10% of the accrued benefit obligation is amortized over the estimated average remaining service period of active employees.

Future accounting changes

CPA Handbook Part III - Section 3463 - Reporting Employee Future Benefits by Not-for-Profit Organizations was approved on October 9, 2013. Under this standard, a not-for-profit entity is required to include remeasurements of employee future benefits and other items to be (i) recognized directly in General Fund balance in the Balance Sheet, rather than in the Statement of Revenues and Expenses; and (ii) presented as a separately identified item in the Statement of Changes in General Fund Balance. In addition, remeasurements and other items would not be reclassified from General Fund balance to the Statement of Revenues and Expenses in a subsequent period. The standard is effective for CIPF for the fiscal year beginning January 1, 2014. CIPF is currently evaluating the impact of this standard on its financial statements.

4. Investments

The investments are held by CIBC Mellon Global Securities Company as custodian.

The following table discloses the fair value, maturity and average yields to maturity of the Fund's investments at December 31, 2013. The weighted average yield to maturity of the portfolio at December 31, 2013 is 2.07% (2012 - 1.68%).

					2013	2012
	Less than 1 year	**1 year to 3 years**	**3 years to 5 years**	**More than 5 years**	**Total fair value**	**Total fair value**
	$	**$**	**$**	**$**	**$**	$
Treasury bills	**17,039**	-	-	-	**17,039**	33,022
Yield	**0.89%**	-	-	-	**0.89%**	0.99%
Promissory notes	**1,603**	-	-	-	**1,603**	-
Yield	**0.87%**	-	-	-	**0.87%**	-
Canada bonds	**45,218**	**17,045**	**18,181**	**113,526**	**193,970**	183,069
Yield	**1.00%**	**1.05%**	**1.64%**	**2.55%**	**1.97%**	1.54%
Provincial bonds	-	**78,647**	**57,962**	**82,239**	**218,848**	215,786
Yield	-	**1.36%**	**2.15%**	**3.17%**	**2.25%**	1.92%
	63,860	**95,692**	**76,143**	**195,765**	**431,460**	431,877

(In thousands of dollars)

5. Capital assets

			2013
	Cost	Accumulated amortization	Net book value
	$	$	$
Office furniture and equipment	301	291	10
Leasehold improvements	276	276	-
Computers	130	97	33
Tangible assets	707	664	43
Software development	1,035	986	49
Total capital assets	1,742	1,650	92

			2012
	Cost	Accumulated amortization	Net book value
	$	$	$
Office furniture and equipment	301	288	13
Leasehold improvements	276	244	32
Computers	89	77	12
Tangible assets	666	609	57
Software development	970	901	69
Total capital assets	1,636	1,510	126

6. Bank lines of credit and excess insurance

The Fund has lines of credit provided by two Canadian chartered banks totalling $125 million (2012 - $125 million). IIROC has guaranteed these lines of credit by pledging its ability to assess Members.

The Fund By-laws limit the aggregate amount of borrowings the Fund may have, which is equal to 1 ½% of the prior year's aggregate gross revenue of all Members. The limit on the amount of borrowings for 2014 will be $237.5 million, and was $232.8 million for 2013.

The Fund has arranged excess insurance in the amount of $131 million (2012 - $131 million) for any one loss and in the annual aggregate in respect of losses to be paid by the Fund in excess of $110 million (2012 - $100 million) in the event of Member insolvency.

7. Employee future benefits

The Fund has provided retirement benefits to a retired employee since September 1, 1998. Assets of the Fund have not been segregated for this obligation.

The Fund established a Supplementary Executive Retirement Plan (SERP) for certain executives, effective April 9, 2002. This plan is not registered under the Income Tax Act, nor is it funded.

The Fund provides extended health benefits on retirement to all employees who retire on or after age 55 with service greater than ten years. These extended health benefits terminate at age 75. This plan is not funded.

The most recent actuarial valuation of the pension benefit plan and the SERP for accounting purposes was made on December 31, 2013, and the most recent actuarial valuation of the health benefit plan for accounting purposes was made on December 31, 2011.

The Fund's net benefit plan expense, which is recorded in pension and other employment benefits expenses, and the annual contributions are as follows:

(In thousands of dollars)

7. Employee future benefits (continued)

	Pension	SERP	Other	2013 Total	2012 Total
	$	$	$	$	$
Net benefit plan expense	126	662	30	818	792
Benefits paid	125	-	5	130	130

Information about the Fund's defined benefit plans is as follows:

	Pension	SERP	Other	2013 Total	2012 Total
	$	$	$	$	$
Accrued benefit obligation					
Balance at end of year	1,728	5,774	225	7,727	8,256
Funded status					
Plan deficit	1,728	5,774	225	7,727	8,256
Unamortized past service cost	-	(95)	-	(95)	(119)
Unamortized net actuarial losses	(498)	(322)	(16)	(836)	(2,029)
Accrued benefit liability	1,230	5,357	209	6,796	6,108

The significant actuarial assumptions adopted in measuring the Fund's accrued benefit obligations are as follows:

	Pension benefit plan		SERP	
	2013	2012	2013	2012
	%	%	%	%
Discount rate	3.8	3.0	3.8	3.0
Rate of compensation increase	-	-	3.0	3.0

	Other benefit plan	
	2013	2012
	%	%
Discount rate	3.8	3.0

In addition to these plans, the salaries and employee benefits expense on the Statement of Revenues and Expenses includes $0.13 million (December 31, 2012 - $0.12 million) related to the Fund's contribution to the Group RSP plan.

8. Investment in shares of the Canadian Depository for Securities Limited

In 1982, the IDA, the TSX, The Montréal Exchange and the Vancouver Stock Exchange gifted their investments in the Canadian Depository for Securities Limited to the Fund. These investments were in the form of 2,690,834 non-voting, non-cumulative, redeemable preferred shares and, as the Fund received the shares at no cost and did not have a quoted market value, the investments were carried at $0 (2011 - $0) in the financial statements. During 2012, these shares were redeemed by the issuer for one dollar per preferred share and a gain of $2.69 million was realized and recorded in the Statement of Revenues and Expenses.

(In thousands of dollars)

9. Lease commitments

At December 31, 2013 the Fund has future minimum annual lease commitments on office space, office equipment and information technology services as follows:

	$
2014	224
2015	332
2016	259
2017	193
2018	206
2019 and thereafter	1,277
	2,491

The Fund is also committed to its share of operating costs and taxes with respect to the office lease, which approximates $0.1 million in 2014, and $0.21 million per year thereafter. The current office lease expires in 2014 and the Fund has entered into a new ten-year lease for office premises.

10. Provision for claims and related expenses

At December 31, 2013, one Member insolvency is under the administration of trustees in bankruptcy and two Member insolvencies are being administered in respect of which no trustee was appointed. The provision for claims and related expenses and the change in the provision during the year and payments made for these insolvencies are as follows:

	Provision at January 1, 2013	**(Decrease) increase in Provision**	**Receipts (payments) during the year**	**Provision at December 31, 2013**
	$	**$**	**$**	**$**
Rampart Securites Inc. (a)	**-**	**(69)**	**69**	**-**
Thomson Kernaghan & Co. Limited (b)	**-**	**-**	**-**	**-**
MF Global Canada Co. (c)	**2,402**	**-**	**(1,907)**	**495**
Barret Capital Management Inc. (d)	**1,119**	**682**	**(1,270)**	**531**
First Leaside Securities Inc. (e)	**305**	**3,301**	**(409)**	**3,197**
	3,826	**3,914**	**(3,517)**	**4,223**

	Provision at January 1, 2012	(Decrease) increase in Provision	Receipts (payments) during the year	Provision at December 31, 2012
	$	$	$	$
Rampart Securites Inc. (a)	-	-	-	-
Thomson Kernaghan & Co. Limited (b)	1,831	(1,831)	-	-
MF Global Canada Co. (c)	2,800	(134)	(264)	2,402
Barret Capital Management Inc. (d)	-	1,161	(42)	1,119
First Leaside Securities Inc. (e)	-	337	(32)	305
	4,631	(467)	(338)	3,826

10. Provision for claims and related expenses (continued)

(a) Rampart Securities Inc.

Rampart Securities Inc. (“Rampart”) was suspended by the IDA on August 14, 2001, and a trustee in bankruptcy was appointed on October 24, 2001. The trustee made an application to the Court to discharge the estate on November 19, 2013. During the year ended December 31, 2013, CIPF received a payment from the trustee of $0.1 million as a reimbursement of previous advances, and this was recorded as a decrease in provision for the year.

(b) Thomson Kernaghan & Co. Limited

Thomson Kernaghan & Co. Limited (“TK”) was suspended by the IDA on July 11, 2002 and a trustee in bankruptcy was appointed on July 12, 2002. The estate was discharged from bankruptcy on November 8, 2012.

CIPF received $1.8 million in 2011 from the liquidation of unclaimed cash and securities pursuant to a court order that required CIPF to recognize and pay valid claims for a period of two years, which ended on November 26, 2012. No claims were received related to these unclaimed amounts, and the $1.8 million provision set up in 2011 was reversed in 2012.

(c) MF Global Canada Co.

MF Global Canada Co. (“MFGC”) was suspended by IIROC on November 1, 2011 and a trustee in bankruptcy was appointed on November 4, 2011.

At December 31, 2011, there was pending litigation between the trustee in bankruptcy of MFGC and the trustee of its US affiliate, MF Global Inc. (“MFGI”), concerning the interpretation of the omnibus account agreements between MFGC and MFGI. During 2012, a settlement was reached between the parties which allowed the finalization of net equity claims into the MFGC estate and similarly toward finalizing CIPF’s liabilities for customer claims. The Trustee has paid 100% of the net equity claims as at the date of bankruptcy.

During the year ended December 31, 2013, CIPF made payments of $1.9 million (2012 - $nil) to certain customers in accordance with the settlement agreements reached with these customers. At December 31, 2013, the provision of $0.5 million (2012 - $2.4 million) represents the amount owing in accordance with the settlement agreements reached with these customers and third party costs.

At December 31, 2013, there were no known customer claims on the estate and the estate continues to be administered by the trustee.

(d) Barret Capital Management Inc.

Barret Capital Management Inc. (“Barret”) was suspended by IIROC on February 13, 2012 and was determined by the Board of Directors of CIPF to be insolvent as of that date for the purpose of claims by customers of Barret against CIPF. In accordance with CIPF’s Coverage Policy, a claims submission deadline of August 11, 2012 was established, which was later extended to October 31, 2013 due to the international location of many claimants. During the year ended December 31, 2013, CIPF made payments of $1.2 million to claimants and paid $0.1 million in third-party costs. At December 31, 2013, a provision of $0.5 million (2012 - $1.1 million) has been made for amounts expected to be paid to claimants and third party costs.

(e) First Leaside Securities Inc.

First Leaside Securities Inc. (“FLSI”) was suspended by IIROC on February 24, 2012 and has been determined by the Board of Directors of CIPF to be insolvent as of that date for the purpose of claims by former customers of FLSI against CIPF. In accordance with CIPF’s Coverage Policy, a claims submission deadline of October 12, 2013 was established. CIPF has received claims from former customers of FLSI. CIPF is reviewing each claim received and assessing eligibility based on the CIPF Coverage Policy, and in accordance with the CIPF Claims Procedures. Based on information provided in the receivership process, the amount of expected claims to CIPF is approximately $180 million. At December 31, 2013, a provision of $3.2 million (2012 - $0.3 million) has been made only in respect of administrative costs.

11. Financial instruments

The fair value of a financial instrument is the estimated amount the Fund would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair value of cash, member assessments receivable, and payables and accruals approximates their carrying value due to the immediate or short-term nature of these financial instruments.

The fair value of the Fund's fixed income investments are determined by reference to published bid price quotations at year-end. These investments have maturity dates and effective interest rates as disclosed in Note 4.

Risk management

Risk management relates to the understanding and active management of risks associated with invested assets. Investments can be exposed to interest rate, credit, market and currency risk. The Fund manages its exposure to the risks associated with its investment portfolio by following the Board-approved investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The policy requires that at least 50% of investments be held in Government of Canada issued or guaranteed securities, with the balance in provincial or territorial government issued or guaranteed securities, and a maximum exposure to any one province or territory of 20% of the portfolio. The policy provides for investing in a laddered portfolio with a maximum term to maturity of 11 years, with a minimum of 15% of the unamortized book value held in short-term securities to meet liquidity needs.

Significant risks that are relevant to the Fund's investments are as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate due to changes in market interest rates. The Fund manages the interest rate risk exposure of its investment portfolio by following the investment policy described above and by holding all investments until maturity, unless required to make a payment in accordance with the mandate of the Fund.

Credit risk

Credit rate risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. The Fund manages the credit rate risk exposure of its investment portfolio by following the investment policy described above. At December 31, 2013, all investments were in securities issued by counterparties that met or exceeded the minimum credit rating of “A” as rated by two nationally recognized rating agencies (DBRS Limited and Standard & Poor's).

Market risk

Market risk is the risk that the fair value of investments will fluctuate as a result of changes in market conditions, whether these changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. The Fund manages the market risk exposure of its investment portfolio by following the investment policy described above.

Currency risk

Currency risk is the risk that the fair value of investments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. All assets and liabilities of the Fund are denominated in Canadian dollars and as such are not subject to currency risk.