

# KALEIDO

## Financial statements

**REFLEX Plan**

For the years ended December 31, 2020 and 2019





# The REFLEX Plan

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## Independent Auditor's Report

To the subscribers of  
the REFLEX Plan

### Opinion

We have audited the financial statements of the REFLEX Plan (the "Plan"), which comprise the statements of financial position as at December 31, 2020 and 2019, and the statements of net income and comprehensive income, changes in net assets attributable to contracts 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 Plan as at December 31, 2020 and 2019, 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 Plan 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 the 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 and Those Charged with Governance 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 Plan'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 Plan or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Plan'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 Plan'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 Plan'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 Plan 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance 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 Benoit Patry.

/s/ Deloitte LLP<sup>1</sup>

Quebec City, Quebec

March 25, 2021

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<sup>1</sup> CPA auditor, CA, public accountancy permit No. A110092

## Statements of financial position

(in thousands of Canadian \$)	Notes	December 31, 2020	December 31, 2019
<b>Assets</b>			
Cash	10	1,529	2,617
Sales pending settlement		19,912	-
Other accounts receivable	6	170	3,724
Dividends receivable		306	365
Interest receivable		4,886	4,072
Canada Education Savings Grant (CESG) receivable	12	2,109	1,923
Quebec Education Savings Incentive (QESI) receivable		10,406	10,218
Investments	4	1,044,812	896,610
		<b>1,084,130</b>	<b>919,529</b>
<b>Liabilities</b>			
Bank overdraft	10	-	7
Purchases pending settlement		19,890	318
Accounts payable and other liabilities	7	1,625	4,251
Quebec Education Savings Incentive (QESI) refundable		1,135	700
		<b>22,650</b>	<b>5,276</b>
<b>Net assets attributable to contracts</b>		<b>1,061,480</b>	<b>914,253</b>

### Approved by

[Yves Lacasse] \_\_\_\_\_ Chairman of the Board of Directors

[Albert Caponi] \_\_\_\_\_ Chairman of the Audit and Risk Management Committee

The notes are an integral part of these financial statements.

## Statements of net income and comprehensive income

for the years ended December 31 (in thousands of Canadian \$)	Notes	2020	2019
<b>Revenues from ordinary activities</b>			
Interest income for educational assistance payments		21,580	20,998
Dividends		4,611	4,498
Insurance experience refunds		-	(67)
Realized gain on disposal of investments		18,731	5,421
Change in unrealized gain on investments		27,892	26,797
		<b>72,814</b>	<b>57,647</b>
<b>Operating expenses</b>			
Brokerage fee		119	64
American tax fees		105	-
Portfolio management fees		906	756
Trustee fee		21	20
Custodian fee		162	130
Administration fee	9	13,096	11,450
Independent Review Committee fee		20	21
		<b>14,429</b>	<b>12,441</b>
<b>Net income and comprehensive income attributable to contracts</b>		<b>58,385</b>	<b>45,206</b>

The notes are an integral part of these financial statements.

**Statements of changes in net assets attributable to contracts**

for the years ended December 31  
(in thousands of Canadian \$)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
<b>Net assets as at December 31, 2019</b>	518,475	63,697	7,643	213,001	32,258	71,916	7,263	914,253
Net income and comprehensive income	-	-	42,987	-	11,962	-	3,436	58,385
<b>Increase</b>								
Subscribers' savings	86,071	-	-	-	-	-	-	86,071
Change in the SCROM	-	13,029	-	-	-	-	-	13,029
Grants received from the government	-	-	-	25,431	-	10,413	-	35,844
Transfers from other promoters	-	-	-	149	-	26	-	175
	86,071	13,029	-	25,580	-	10,439	-	135,119
<b>Decrease</b>								
Refund of savings at maturity	(15,583)	-	-	-	-	-	-	(15,583)
Pre-maturity withdrawal of savings	(4,714)	-	-	-	-	-	-	(4,714)
Refund of sales charges at maturity	-	(874)	-	-	-	-	-	(874)
Change in the SCROM	-	-	(13,029)	-	-	-	-	(13,029)
Transfers between plans	(172)	-	-	(231)	(38)	(44)	(5)	(490)
Grants returned to the government	-	-	-	-	-	(1,005)	-	(1,005)
Transfers to other promoters	-	-	-	(1,066)	(111)	(291)	(21)	(1,489)
Grants and income on grants	-	-	-	(3,542)	(1,011)	(1,506)	(290)	(6,349)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	(9)	-	(162)	-	(33)	(204)
Educational assistance payments (EAPs)	-	-	(2,540)	-	-	-	-	(2,540)
	(20,469)	(874)	(15,578)	(4,839)	(1,322)	(2,846)	(349)	(46,277)
<b>Net assets as at December 31, 2020</b>	584,077	75,852	35,052	233,742	42,898	79,509	10,350	1,061,480



**Statements of changes in net assets attributable to contracts**

for the years ended December 31  
(in thousands of Canadian \$)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
<b>Net assets as at December 31, 2018</b>	454,829	55,940	(8,712)	192,642	18,892	63,973	3,717	781,281
Net income and comprehensive income	-	-	26,795	-	14,584	-	3,827	45,206
<b>Increase</b>								
Subscribers' savings	82,058	-	-	-	-	-	-	82,058
Change in the SCROM	-	8,392	-	-	-	-	-	8,392
Grants received from the government	-	-	-	24,973	-	10,193	-	35,166
Transfers from other promoters	-	-	-	169	-	25	-	194
	82,058	8,392	-	25,142	-	10,218	-	125,810
<b>Decrease</b>								
Refund of savings at maturity	(12,180)	-	-	-	-	-	-	(12,180)
Pre-maturity withdrawal of savings	(5,649)	-	-	-	-	-	-	(5,649)
Refund of unclaimed savings	-	-	(3)	-	-	-	-	(3)
Refund of sales charges at maturity	-	(635)	-	-	-	-	-	(635)
Change in the SCROM	-	-	(8,392)	-	-	-	-	(8,392)
Transfers between plans	(583)	-	-	(524)	(63)	(99)	(9)	(1,278)
Grants returned to the government	-	-	-	-	-	(561)	-	(561)
Transfers to other promoters	-	-	-	(1,201)	(114)	(322)	(20)	(1,657)
Grants and income on grants	-	-	-	(3,058)	(838)	(1,293)	(221)	(5,410)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	(2)	-	(203)	-	(31)	(236)
Outflow of accumulated income on savings	-	-	(9)	-	-	-	-	(9)
Educational assistance payments (EAPs)	-	-	(2,034)	-	-	-	-	(2,034)
	(18,412)	(635)	(10,440)	(4,783)	(1,218)	(2,275)	(281)	(38,044)
<b>Net assets as at December 31, 2019</b>	518,475	63,697	7,643	213,001	32,258	71,916	7,263	914,253

## Statements of cash flows

for the years ended December 31	2020	2019
(in thousands of Canadian \$)		
<b>Cash flows from operational activities</b>		
Income received		
Interest	20,766	20,553
Dividends	4,592	4,439
Insurance experience refunds	-	208
	<b>25,358</b>	<b>25,200</b>
Operating expenses paid		
Brokerage fee	(119)	(64)
American tax fees	(105)	-
Portfolio management fees	(904)	(713)
Trustee fee	(16)	(28)
Custodian fee	(146)	(139)
Administration fee	(13,944)	(10,315)
Independent Review Committee fee	(20)	(21)
	<b>(15,254)</b>	<b>(11,280)</b>
Other operational activities		
Disposal of investments	865,382	681,611
Acquisition of investments	(969,220)	(783,953)
	<b>(103,838)</b>	<b>(102,342)</b>
Net cash flows used in operational activities	<b>(93,734)</b>	<b>(88,422)</b>
<b>Cash flows from financing activities</b>		
Savings received	91,420	82,956
Savings paid to other promoters	(1,797)	(1,914)
Refunds of savings to subscribers	(20,299)	(17,842)
CESG and income on CESG received	24,217	23,709
QESI and income on QESI received	10,251	10,070
QESI and income on QESI paid	(882)	(962)
Transfers between plans	(490)	(1,278)
Sales charge refunds	(875)	(634)
Educational assistance payments (EAPs)	(8,892)	(7,428)
Net cash flows from financing activities	<b>92,653</b>	<b>86,677</b>
<b>Net decrease in cash</b>	<b>(1,081)</b>	<b>(1,745)</b>
<b>Cash, beginning of year</b>	<b>2,610</b>	<b>4,355</b>
<b>Cash, end of year</b>	<b>1,529</b>	<b>2,610</b>

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Short-term investments</b>					
30,620	Cash	-	-	30,620	30,620
5,350	Société de transport de l'Outaouais	9 Nov 2021	1.800	5,261	5,400
3,300	City of Saint-Lambert	2 Nov 2021	1.900	3,243	3,336
3,025	City of St-Bruno-de-Montarville	8 Sep 2021	1.850	2,978	3,051
3,000	Municipality of La Prairie	8 Sep 2021	1.850	2,953	3,026
2,700	City of Brossard	2 Nov 2021	1.850	2,664	2,725
2,460	City of Saint-Jean-sur-Richelieu	22 Jun 2021	1.650	2,419	2,472
2,355	City of Mirabel	21 Sep 2021	1.800	2,320	2,374
2,185	City of Longueuil	13 Jul 2021	1.850	2,156	2,199
2,042	Cadillac Fairview Corporation Ltd.	25 Jan 2021	4.310	2,238	2,046
2,000	City of Chateauguay	14 Sep 2021	1.900	1,973	2,017
1,831	Province of New Brunswick	3 Dec 2021	3.350	1,898	1,883
1,700	Toronto-Dominion Bank	22 Dec 2021	2.621	1,726	1,738
1,525	City of Lévis	4 Jun 2021	2.050	1,516	1,535
1,500	City of Beaconsfield	26 Jul 2021	1.750	1,478	1,510
1,500	City of Varennes	3 Aug 2021	1.800	1,474	1,509
1,350	Cash sweep	-	-	1,350	1,350
1,325	City of Saint-Constant	23 Aug 2021	1.850	1,305	1,335
1,216	Transit in Quebec City	18 Nov 2021	0.550	1,215	1,215
1,120	City of Montreal	1 Dec 2021	4.500	1,222	1,163
1,028	Regional Municipality of Niagara	24 Jul 2021	1.950	1,028	1,037
1,000	City of Alma	23 Aug 2021	1.850	985	1,007
1,000	City of Saint-Jean-sur-Richelieu	11 Jun 2021	1.950	995	1,006
1,000	City of Gatineau	29 Jun 2021	1.800	988	1,006
1,000	City of Granby	6 Jul 2021	1.750	982	1,005
830	City of Quebec	26 Aug 2021	3.600	847	847
805	City of Magog	2 Oct 2021	2.650	798	817
751	City of Sept-Îles	25 Sep 2021	2.050	747	759
738	Société de transport de l'Outaouais	11 Oct 2021	2.650	732	750
600	City of Sainte Catherine	23 Apr 2021	2.050	597	603
600	Government of Canada	18 Mar 2021	-	600	600
500	City of Drummondville	27 Jul 2021	1.750	493	503
500	City of Rouyn-Noranda	30 Mar 2021	2.000	492	502
351	City of Gatineau	30 Mar 2021	2.000	347	352
300	Canadian Imperial Bank of Commerce	14 Sep 2021	2.900	304	305
300	City of Val-d'Or	1 Dec 2021	0.600	300	300
250	City of Brossard	19 Jul 2021	1.750	245	252
155	City of Saguenay	27 Apr 2021	1.850	153	156
<b>Total - Short-term investments</b>				<b>83,642</b>	<b>84,311</b>
<b>Bonds</b>					
<b>Bonds issued or guaranteed by the Government of Canada</b>					
500	Canada Housing Trust	15 Sep 2026	1.900	536	533
				<b>536</b>	<b>533</b>

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a Canadian province</b>					
49,523	Province of Ontario	2 Jun 2024	3.500	53,171	54,498
40,599	Province of Ontario	2 Jun 2028	2.900	43,075	45,959
37,277	Province of Ontario	2 Jun 2030	2.050	39,754	39,767
25,128	Province of Quebec	1 Sep 2023	3.000	26,115	26,866
23,599	Province of Quebec	1 Sep 2025	2.750	25,326	25,858
20,333	Province of Quebec	1 Sep 2024	3.750	21,983	22,721
21,208	Province of Ontario	1 Feb 2027	1.850	21,880	22,444
17,974	Province of Ontario	2 Jun 2022	3.150	18,705	18,707
15,960	Province of Quebec	1 Sep 2030	1.900	16,907	16,873
15,215	Province of Quebec	1 Dec 2022	3.500	16,121	16,146
9,835	Province of Ontario	8 Mar 2033	5.850	14,441	14,550
11,664	Province of Ontario	2 Jun 2027	2.600	12,096	12,871
11,117	Province of Quebec	1 Sep 2026	2.500	11,302	12,160
9,606	Province of Quebec	1 Sep 2029	2.300	9,987	10,516
9,513	Province of Ontario	2 Jun 2025	2.600	9,732	10,309
8,867	Province of Quebec	1 Sep 2028	2.750	9,083	9,996
8,867	Province of Quebec	1 Sep 2027	2.750	9,120	9,920
8,547	Province of Ontario	2 Jun 2029	2.700	9,133	9,586
6,368	Province of Ontario	8 Mar 2029	6.500	8,712	8,992
7,590	Province of Ontario	2 Jun 2023	2.850	7,709	8,040
7,067	Province of Ontario	2 Jun 2026	2.400	7,222	7,658
6,440	Province of Alberta	1 Jun 2027	2.550	6,246	7,066
5,847	Province of Quebec	22 Feb 2024	2.250	5,871	6,182
5,587	Province of Ontario	8 Sep 2025	1.750	5,728	5,854
5,359	Province of Quebec	13 Feb 2027	1.850	5,362	5,687
3,945	Province of Quebec	1 Oct 2029	6.000	5,378	5,516
5,507	Province of Ontario	2 Dec 2030	1.350	5,460	5,510
5,290	Province of Ontario	8 Mar 2022	1.350	5,215	5,361
4,083	OPB Finance Trust	25 Jan 2027	2.980	4,102	4,521
3,096	Province of Quebec	1 Apr 2026	8.500	4,428	4,311
3,289	Province of Ontario	8 Sep 2023	2.600	3,312	3,480
2,734	Province of Quebec	16 Jan 2023	9.375	3,495	3,233
2,827	Province of New Foundland and Labrador	2 Jun 2028	2.850	2,811	3,155
3,000	Province of Alberta	1 Sep 2022	1.600	2,977	3,066
2,802	Province of Saskatchewan	2 Jun 2030	2.200	2,970	3,012
2,593	Province of Alberta	1 Dec 2028	2.900	2,643	2,929
2,532	Province of Alberta	1 Jun 2026	2.200	2,505	2,714
1,793	Province of Manitoba	2 Jun 2026	2.550	1,745	1,955
1,652	Hydro Québec	15 Jul 2022	9.625	2,087	1,888
1,691	Province of Ontario	8 Sep 2024	2.300	1,711	1,799
1,660	Province of Ontario	5 Feb 2025	2.650	1,698	1,798
1,665	Province of Newfoundland & Labrador	2 Jun 2025	2.300	1,614	1,776
1,741	Province of Ontario	8 Sep 2027	1.050	1,742	1,751
1,017	Province of Quebec	1 Jun 2025	5.350	1,214	1,222
829	Ontario Hydro	22 Jun 2026	8.250	1,180	1,151
1,000	Province of Manitoba	2 Jun 2028	3.000	989	1,136

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a Canadian province (continued)</b>					
1,073	Ontario Teachers' Finance Trust	19 Oct 2027	1.100	1,071	1,073
734	Province of Ontario	2 Jun 2027	7.600	1,040	1,038
953	Province of Ontario	27 Jan 2023	1.950	948	985
807	Province of Ontario	13 Jul 2022	9.500	1,076	919
768	Province of Quebec	6 Jul 2025	2.600	790	836
768	Province of Quebec	1 Mar 2023	2.450	781	803
768	Province of Quebec	3 Mar 2022	1.650	765	781
495	Province of Ontario	2 Dec 2025	8.500	700	678
525	Province of Ontario	8 Sep 2023	8.100	690	632
500	Province of Alberta	1 Jun 2030	2.050	526	528
388	Province of Ontario	7 Feb 2024	7.500	500	471
283	Province of Ontario	2 Dec 2026	8.000	402	398
351	OPB Finance Trust	24 May 2023	2.900	357	371
293	Ontario Hydro	18 Aug 2022	8.900	384	333
298	OPB Finance Trust	24 Feb 2022	1.880	294	303
226	OPB Finance Trust	2 Feb 2026	2.950	231	249
				<b>484,612</b>	<b>500,908</b>
<b>Bonds issued or guaranteed by a municipality</b>					
5,505	Transit in Quebec City	18 Nov 2025	1.000	5,441	5,481
4,850	City of Saint-Jean-sur-Richelieu	17 Jun 2025	1.300	4,861	4,908
4,107	City of Toronto	21 May 2024	3.400	4,245	4,495
4,000	Régie d'assainissement des eaux Terrebonne-Mascouche	9 Sep 2025	1.000	3,932	3,989
3,030	City of Mascouche	7 Oct 2025	0.950	3,000	3,013
3,000	City of Sainte-Marthe-Sur-Le-Lac	9 Sep 2025	1.100	2,984	3,005
2,634	City of Beloeil	15 Oct 2025	0.950	2,607	2,618
2,128	City of Laval	21 Mar 2028	3.000	2,112	2,386
2,250	City of Saguenay	20 Apr 2022	1.850	2,216	2,285
2,000	City of Montreal	1 Sep 2026	2.750	1,993	2,198
2,000	City of Saint-Lambert	17 Oct 2023	3.000	1,974	2,121
1,850	City of Quebec	20 Dec 2027	2.650	1,800	2,027
1,852	City of St-Hyacinthe	17 Oct 2023	3.000	1,828	1,964
1,800	City of Brossard	25 Jul 2023	2.900	1,780	1,897
1,800	City of Lévis	4 Jun 2023	2.200	1,780	1,862
1,525	Société de transport de Lévis	9 Jul 2025	1.200	1,505	1,536
1,250	City of Montreal	1 Sep 2023	3.500	1,353	1,351
1,165	Municipal finance of British Columbia	23 Oct 2028	3.050	1,161	1,335
1,324	City of Mascouche	7 Oct 2024	0.800	1,312	1,318
1,160	City of Trois-Rivières	18 Apr 2028	3.000	1,140	1,289
1,284	Transit in Quebec City	18 Nov 2022	0.650	1,281	1,283
1,251	Transit in Quebec City	18 Nov 2023	0.800	1,246	1,250

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a municipality (continued)</b>					
1,243	Transit in Quebec City	18 Nov 2024	0.900	1,234	1,241
1,160	City of Saguenay	26 Apr 2023	2.750	1,144	1,213
1,035	City of Lévis	4 Jun 2022	2.100	1,026	1,056
1,000	City of Longueuil	19 Jul 2023	2.800	988	1,051
1,000	City of Saint-Jean-sur-Richelieu	11 Jun 2023	2.100	991	1,032
1,000	City of Saint-Jean-sur-Richelieu	11 Jun 2022	2.000	992	1,019
1,000	TransLink	3 Jul 2030	1.600	1,000	1,019
900	City of Val-d'Or	1 Dec 2025	1.000	887	896
806	City of Sept-Îles	25 Sep 2023	2.150	798	835
779	City of Sept-Îles	25 Sep 2022	2.100	773	798
725	City of Saint-Jerome	14 Nov 2029	2.450	708	777
725	Regional Municipality of Niagara	24 Jul 2022	1.950	725	742
710	City of Terrebonne	10 Sep 2024	2.000	701	738
650	City of Lévis	9 Mar 2026	2.950	637	709
655	City of Sainte Catherine	23 Apr 2023	2.200	648	677
650	City of Victoriaville	6 Feb 2023	2.500	640	674
590	City of Lévis	5 Jun 2028	3.250	581	666
625	City of Candiac	31 Jul 2023	2.750	615	656
600	City of Sainte Catherine	23 Apr 2022	2.100	595	611
480	City of Mascouche	7 Oct 2023	0.700	477	479
338	City of New Tecumseth	23 Mar 2025	4.800	373	393
353	City of Longueuil	10 Nov 2025	3.200	351	388
338	City of Rouyn-Noranda	27 Feb 2028	3.100	349	377
374	City of Beloeil	15 Oct 2024	0.850	371	373
320	City of St-Hyacinthe	28 Feb 2028	3.100	330	357
320	City of Beloeil	7 May 2023	2.200	317	331
300	Société de transport de l'Outaouais	12 Sep 2023	1.950	297	309
300	Société de transport de l'Outaouais	12 Sep 2022	1.900	298	306
300	City of Val-d'Or	1 Dec 2022	0.700	299	300
300	City of Val-d'Or	1 Dec 2023	0.800	298	300
300	City of Val-d'Or	1 Dec 2024	0.900	297	300
112	City of Val-d'Or	25 Oct 2022	2.450	110	116
100	City of Longueuil	14 Nov 2022	2.300	99	103
				<b>71,500</b>	<b>74,453</b>
<b>Bonds issued or guaranteed by a corporation</b>					
7,600	Fédération des caisses Desjardins du Québec	11 Sep 2023	3.056	7,952	8,098
6,016	Greater Toronto Airport Authority	3 Apr 2029	2.730	6,311	6,645
6,140	National Bank of Canada	12 Jul 2024	2.545	6,375	6,502
6,000	Royal Bank of Canada	20 Jan 2026	3.310	6,069	6,007
4,500	Toronto-Dominion Bank	13 Mar 2025	1.943	4,500	4,691
4,300	Bank of Montreal	29 Jul 2024	2.280	4,461	4,517

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a corporation (continued)</b>					
4,225	Canadian Imperial Bank of Commerce	5 Dec 2022	2.470	4,285	4,386
4,101	Royal Bank of Canada	28 Jan 2027	2.328	4,013	4,371
4,000	Altalink, L.P.	29 May 2026	2.747	4,165	4,360
4,129	Manulife Financial Corporation	12 May 2030	2.237	4,129	4,304
3,839	Rogers Communications Inc.	1 May 2029	3.250	3,891	4,257
3,633	TransCanada Pipelines Ltd.	5 Apr 2027	3.800	3,652	4,086
3,405	TELUS Corporation	8 Jul 2026	2.750	3,343	3,660
3,400	Canadian Imperial Bank of Commerce	17 Apr 2025	2.000	3,397	3,546
3,145	Toronto-Dominion Bank	26 Jan 2032	3.060	3,046	3,433
2,981	Ontario Power Generation	8 Apr 2030	3.215	2,981	3,368
3,200	Toronto Hydro Corporation	10 Apr 2023	2.910	3,334	3,352
3,200	The Bank of Nova Scotia	1 May 2023	2.380	3,252	3,327
3,058	National Bank of Canada	3 Feb 2025	2.580	3,174	3,259
2,700	Enbridge Inc.	8 Jun 2027	3.200	2,773	2,944
2,700	Hydro One Inc.	24 Feb 2026	2.770	2,887	2,937
2,402	Suncor Energy Inc.	9 Apr 2030	5.000	2,437	2,931
2,700	407 International Inc.	16 May 2024	3.350	2,867	2,920
2,600	Wells Fargo & Company	18 Feb 2027	2.493	2,600	2,744
2,442	Enbridge Gas Inc.	1 Apr 2030	2.900	2,487	2,727
2,600	Royal Bank of Canada	1 May 2025	1.936	2,654	2,709
2,300	OMERS Realty Corporation	4 Oct 2027	3.244	2,495	2,592
2,500	Bank of Montreal	1 Jun 2026	3.320	2,537	2,529
1,810	407 International Inc.	27 Jul 2029	6.470	2,414	2,495
2,300	bclMC Realty Corporation	3 Jun 2025	2.840	2,415	2,481
2,300	Bank of Montreal	6 Mar 2024	2.850	2,371	2,449
2,300	The Bank of Nova Scotia	8 Nov 2022	2.360	2,335	2,380
2,300	National Bank of Canada	18 Mar 2022	2.105	2,316	2,348
2,100	Shaw Communications Inc.	31 Jan 2024	4.350	2,245	2,303
2,000	Bell Canada	29 Sep 2027	3.600	2,139	2,260
2,100	Saputo Inc.	16 Jun 2027	2.242	2,104	2,195
2,000	The Bank of Nova Scotia	3 Feb 2025	2.160	2,089	2,100
1,900	Toronto-Dominion Bank	22 Apr 2030	3.105	1,900	2,051
1,891	Enbridge Gas Inc.	9 Aug 2029	2.370	1,926	2,039
1,925	Great-West Lifeco Inc.	14 May 2030	2.379	1,925	2,037
2,000	Sun Life Financial Inc.	1 Oct 2035	2.060	1,998	2,019
1,724	IGM Financial Inc.	26 Jan 2027	3.440	1,745	1,912
1,592	North West Redwater Partnership	1 Jun 2029	4.250	1,783	1,874
1,506	Canadian National Railway Company	8 Feb 2029	3.000	1,601	1,697
1,557	Suncor Energy Inc.	24 May 2029	3.100	1,612	1,678
1,540	Enbridge Inc.	10 Aug 2026	3.000	1,598	1,676
1,506	Choice Properties Real Estate Investment Trust	11 Jun 2029	3.532	1,574	1,671
1,500	First Capital Realty Inc.	31 Jul 2025	4.323	1,589	1,642

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a corporation (continued)</b>					
1,507	Enbridge Inc.	3 Oct 2029	2.990	1,528	1,624
1,375	Toronto-Dominion Bank	4 Mar 2031	4.859	1,542	1,616
1,490	Bell Canada	29 Jan 2025	2.750	1,503	1,591
1,490	Choice Properties Real Estate Investment Trust	4 Mar 2030	2.981	1,490	1,584
1,450	CT Real Estate Investment	1 Jun 2026	3.289	1,516	1,570
1,520	RioCan Real Estate Investment Trust	10 Mar 2027	2.361	1,520	1,546
1,309	Pembina Pipeline Corporation	27 Mar 2028	4.020	1,399	1,482
1,400	Canadian Tire Corporation Ltd.	6 Jul 2023	3.167	1,449	1,478
1,350	Choice Properties Real Estate Investment Trust	10 Jan 2025	3.546	1,420	1,468
1,307	Brookfield Renewable partners	15 Jan 2030	3.380	1,281	1,467
1,300	Intact Financial Corp.	24 Mar 2025	3.691	1,300	1,439
1,305	TransCanada Pipelines Ltd.	18 Sep 2029	3.000	1,312	1,412
1,290	Sun Life Financial Inc.	10 May 2032	2.580	1,290	1,382
1,275	Epcor Utilities Inc.	19 May 2023	1.299	1,275	1,297
1,250	OMERS Realty Corporation	22 Sep 2023	1.298	1,250	1,271
1,200	Intact Financial Corp.	16 Dec 2030	1.928	1,200	1,208
1,100	Choice Properties Real Estate Investment Trust	21 May 2027	2.848	1,107	1,174
1,072	Omers Finance Trust	21 Apr 2027	1.550	1,071	1,103
1,000	Bell Canada	22 Mar 2023	3.350	1,031	1,051
1,000	Royal Bank of Canada	24 Nov 2080	4.500	1,000	1,044
900	Énergir	16 Apr 2027	2.100	900	954
863	Omers Finance Trust	14 May 2029	2.600	883	949
800	Shaw Communications Inc.	1 Mar 2027	3.800	833	900
615	FortisBC Energy Inc.	21 Sep 2029	6.950	830	882
770	Alimentation Couche-Tard Inc.	1 Nov 2022	3.899	816	817
750	TMX Group Inc.	11 Dec 2024	2.997	770	810
750	Royal Bank of Canada	30 Jun 2030	2.088	750	776
654	Brookfield Property Partners LP	15 Jan 2029	4.250	686	774
672	Granite Real Estate Investment Trust	4 Jun 2027	3.062	672	729
640	Allied Properties Real Estate Investment Trust	15 Aug 2029	3.394	653	688
640	407 International Inc.	22 May 2025	1.800	640	667
500	Loblaw Companies Ltd.	7 May 2030	2.284	500	517
440	Allied Properties Real Estate Investment Trust	15 May 2028	3.131	440	467
400	TELUS Corporation	1 Apr 2024	3.350	413	429
300	Rogers Communications Inc.	13 Mar 2024	4.000	319	327
300	Bank of Montreal	20 Jun 2023	2.890	307	317
240	Loblaw Companies Ltd.	11 Dec 2028	4.488	281	290
270	Allied Properties Real Estate Investment Trust	8 Apr 2027	3.113	273	288
250	Royal Bank of Canada	25 Jul 2029	2.740	250	265
200	Consumers Gas Company Ltd.	5 Jul 2023	6.050	227	225



## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
<b>Bonds (continued)</b>					
<b>Bonds issued or guaranteed by a corporation (continued)</b>					
125	Gaz Métro Inc.	16 May 2025	9.000	169	168
150	North West Redwater Partnership	1 Jun 2027	2.800	151	161
125	TMX Group Inc.	5 Jun 2028	3.779	136	145
100	Alimentation Couche-Tard Inc.	26 Jul 2024	3.056	102	107
100	Bell Canada	16 Aug 2027	1.650	101	101
				184,332	193,069

<b>Total - Bonds</b>				740,980	768,963
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Number of shares	Security	Cost	Carrying amount
<b>Equities</b>			
<b>Energy</b>			
121,754	Enbridge Inc.	5,623	4,951
8,509	Atmos Energy Corporation	1,278	1,034
16,709	TC Energy Corp.	1,014	864
13,956	Parkland Fuel Corporation	444	563
7,141	Eog Resources Inc.	471	453
		8,830	7,865

### Materials

44,246	Nutien Ltd.	2,695	2,708
44,173	CCL Industries Inc.	2,099	2,541
63,957	Osisko Gold Royalties Ltd.	873	1,030
2,941	Air Products & Chemicals	1,023	1,023
5,817	AptarGroup Inc.	899	1,014
6,087	Franco-Nevada Corporation	746	969
13,694	Nucor Corporation	837	928
28,106	Pembina Pipeline Corporation	1,116	845
2,385	Linde plc	677	800
15,703	Stella-Jones Inc.	538	723
16,170	Winpak Ltd.	543	691
15,964	Intertape Polymer Group Inc.	238	384
18,934	Amcor PLC	284	284
1,012	Illinois Tool Works	262	263
664	Ecolab Inc.	175	183
		13,005	14,386

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
<b>Equities (continued)</b>			
<b>Communication Services</b>			
67,602	TELUS Corporation	1,584	1,702
30,142	BCE Inc.	1,763	1,640
27,514	AT&T Inc	1,185	1,008
1,487	FactSet	630	630
16,947	TELUS Corporation	374	374
		<b>5,536</b>	<b>5,354</b>
<b>Utilities</b>			
36,499	Fortis Inc.	1,817	1,894
18,786	Emera Inc.	1,005	1,015
9,108	American States Water Company	942	923
44,108	Algonquin Power & Utilities Corp.	764	922
13,924	Brookfield Renewable partners	544	763
10,199	Brookfield Infrastructure Finance Limited	642	640
20,877	Hydro One Limited	546	597
6,417	Consolidated Edison Inc.	768	590
5,737	Nextera Energy Inc.	506	563
4,849	Eversource Energy	587	534
		<b>8,121</b>	<b>8,441</b>
<b>Financials</b>			
102,095	Toronto-Dominion Bank	5,910	7,322
84,009	The Bank of Nova Scotia	5,289	5,771
106,540	Brookfield Asset Management Inc.	4,568	5,586
28,000	Intact Financial Corp.	3,087	4,208
143,024	Manulife Financial Corporation	2,881	3,237
27,477	Royal Bank of Canada	2,493	2,865
28,983	IA Financial corp Inc.	1,426	1,596
48,642	Canadian Western Bank	1,335	1,386
3,002	Mastercard Inc.	1,218	1,363
1,253	BlackRock Inc.	922	1,151
9,094	Cullen/Frost Inc.	894	1,011
10,424	Bank of Montreal	1,011	1,007
9,187	Canadian Imperial Bank of Commerce	1,000	999
12,690	Granite Real Estate Investment Trust	815	985
16,436	Sun Life Financial Inc.	865	929
15,739	Canadian Apartment Properties REIT	805	785
14,582	Altus Group Limited	580	715
2,095	Public Storage	598	616
7,477	National Bank of Canada	490	535
5,391	Commerce Bancshares Inc.	449	452
4,375	Interactive Brokers Group Inc.	285	340

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
<b>Equities (continued)</b>			
<b>Financials (continued)</b>			
2,378	TMX Group Inc.	302	302
1,300	CME Group Inc.	348	301
10,650	Choice Properties Real Estate Investment Trust	139	138
800	Intact Financial Corp.	108	108
		37,818	43,708
<b>Consumer Staples</b>			
56,785	Metro Inc.	2,487	3,223
72,367	Alimentation Couche-Tard Inc.	2,427	3,126
28,555	Premium Brands Holdings Corporation	2,604	2,873
12,938	Pepsico Inc.	2,410	2,443
65,129	Saputo Inc.	2,347	2,312
53,280	Maple Leaf Foods	1,467	1,504
37,338	Empire Company Limited	933	1,297
17,937	Loblaw Companies Ltd.	1,142	1,126
8,445	McCormick & Company Inc.	989	1,028
5,732	The Procter & Gamble Company	951	1,015
5,896	Kimberly-Clark Corporation	1,125	1,012
4,506	Target Corporation	762	1,012
9,283	Colgate-Palmolive Company	913	1,010
5,501	Walmart Inc.	874	1,010
9,088	Church and Dwight Co., Inc.	1,065	1,009
6,800	The J. M. Smucker Company	999	1,001
3,873	The Clorox Company	1,021	996
16,735	Hormel Foods Corporation	1,085	994
30,424	The North West Company Inc.	873	986
9,929	George Weston Ltd.	1,026	943
7,841	The TJX Companies Inc.	565	682
1,507	MSA Safety Inc.	263	287
840	The Estee Lauder Companies Inc.	216	285
368	Lancaster Colony Corporation	86	86
511	Brown-Forman Corporation	46	52
		28,676	31,312
<b>Consumer Discretionary</b>			
38,610	Thomson Reuters Corporation	3,037	4,016
29,223	Magna International Inc.	1,863	2,630
33,178	Restaurant Brands International Inc.	2,499	2,576
62,695	Gildan Activewear Inc.	2,126	2,224
50,959	Quebecor Inc.	1,541	1,664
2,493	S&P Global	1,042	1,043

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
<b>Equities (continued)</b>			
<b>Consumer Discretionary (continued)</b>			
6,070	Canadian Tire Corporation Ltd.	802	1,014
10,302	Cogeco Communications Inc.	1,047	1,006
4,471	ADP	1,001	1,004
19,178	Dollarama Inc.	939	992
25,647	Shaw Communications Inc.	589	572
4,164	Cogeco Inc.	367	340
3,193	John Wiley & Sons Inc.	180	186
		<b>17,033</b>	<b>19,267</b>
<b>Health</b>			
4,878	Danaher Corporation	1,037	1,380
3,608	Charles River Laboratories	1,123	1,149
7,644	AbbVie Inc.	964	1,042
5,177	Johnson & Johnson	1,014	1,037
6,923	Medtronic	1,032	1,032
7,285	Abbott Laboratories	933	1,016
3,183	Becton Dickinson and Company	1,152	1,015
2,790	West Pharmaceutical Services Inc.	701	1,006
3,335	Amgen	972	977
		<b>8,928</b>	<b>9,654</b>
<b>Industrials</b>			
49,330	Canadian National Railway Company	4,831	6,882
81,819	CAE Inc.	1,660	2,873
23,714	Groupe WSP Global Inc.	1,658	2,849
65,415	Stantec Inc.	2,333	2,689
82,907	SNC-Lavalin Group Inc.	2,337	1,797
8,564	Waste Connections Inc.	1,128	1,119
4,396	Caterpillar Inc.	1,018	1,019
8,341	Expeditors International of Washington	876	1,010
8,339	C. H. Robinson	1,044	996
11,124	Ritchie Bros. Auctioneers Inc.	670	980
46,378	Transcontinental Inc.	726	951
5,502	Allegion plc	788	816
3,524	Boyd Group Services Inc.	674	768
862	W. W. Grainger	448	448
2,923	Toro	300	353
2,061	Toromont Industries Ltd.	133	183
1,337	Finning International Inc.	36	36
		<b>20,660</b>	<b>25,769</b>

## Schedule of investment portfolio

as at December 31, 2020

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
<b>Equities (continued)</b>			
<b>Technology</b>			
68,078	Open Text Corporation	3,011	3,932
26,996	CGI inc.	1,864	2,721
1,661	Shopify Inc.	1,019	2,384
36,981	Enghouse Systems Ltd.	2,164	2,275
460	Amazon.com Inc.	1,626	1,908
6,679	Microsoft Corporation	1,575	1,891
883	Constellation Software Inc.	1,259	1,456
6,902	Apple Inc.	695	1,166
14,700	The Descartes Systems Group Inc.	411	1,091
6,177	Proofpoint Inc.	937	1,073
6,331	IBM	1,013	1,015
417	Alphabet Inc. Class A	833	930
1,457	Adobe Inc.	779	928
2,550	FaceBook Inc.	708	887
4,029	Texas Instruments Inc.	689	842
982	Nefflix Inc.	559	676
2,671	Activision Blizzard Inc.	258	316
100	Booking Holdings Inc.	228	283
1,642	Topicus.com Inc.	8	8
		19,636	25,782
<b>Total - Equities</b>		168,243	191,538
<b>Total - Schedule of investment portfolio</b>		992,865	1,044,812

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

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### 1. General information about the Plan

The REFLEX Plan (the "Plan") is a trust maintained by declaration of trust pursuant to the Civil Code of Quebec. It is governed by a trust agreement (the "Agreement") concluded on July 9, 2010, between the Kaleido Foundation (the "Foundation"), Eterna Trust Inc. and Kaleido Growth Inc. The latter acts as the investment fund manager of the REFLEX Plan promoted by the Foundation. The Plan's head office and principal place of business is located at 1035 Wilfrid-Pelletier Avenue, Suite 500, Quebec City (Quebec) G1W 0C5.

The REFLEX Plan is a group scholarship plan under which the refund of contributions (savings) is guaranteed at all times, including the sales charges if the plan reaches maturity. The Plan is available to beneficiaries aged 0 to 16 years inclusive. Since December 14, 2017, eligible studies that qualify for EAPs are general or technical, full-time or part-time (college, community college or university) post-secondary educational programs offered in Canada or the foreign equivalent. Programs offered in a post-secondary institution intended to provide a person with or improve the skills required in the exercise of a professional activity are also eligible. In all cases, these programs must have a minimum duration of three consecutive weeks, comprising at least 10 hours of courses or schoolwork per week. Specified educational programs are also eligible; they are postsecondary programs of study with a minimum duration of three consecutive weeks and to which a student must dedicate minimum of 12 hours per month on courses. When a beneficiary is registered in a distance learning program for such studies, they are also considered eligible. The Plan invests in equities of Canadian companies, debt securities issued or guaranteed by a Canadian government and Canadian treasury short-term debt securities.

The release of these financial statements was authorized by the Board of Directors on March 25, 2021.

### 2. Significant accounting policies

#### Statement of compliance

These financial statements are prepared in accordance and compliance with International Financial Reporting Standards (IFRS) applicable as at December 31, 2020.

#### Basis of preparation

These financial statements are prepared on a going concern and historical cost basis, except for certain financial instruments that have been measured at fair value at the end of each reporting period, as explained in the accounting policies described hereafter.

Assets and liabilities in the statements of financial position are listed in order, from the most liquid to the least liquid. Financial assets are accounted for on transaction date. The presentation currency of the financial statements is the Canadian dollar (CAN\$), which is the Plan's functional currency.

#### Investment entity

The Plan satisfies the investment entity definition of IFRS 10, *Consolidated financial statements*, investment entities: Exception to consolidation, since it meets the following conditions:

- the Plan obtains funds from investors (subscribers) for the purpose of managing their savings;
- the Plan commits to its investors (subscribers) that its business purpose is to invest funds solely for returns from capital appreciation and investment income, in accordance with its mission;
- the Plan measures and evaluates the performance of its investments on a fair value basis.

Therefore, the Plan does not prepare consolidated financial statements.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

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## 2. Significant accounting policies (continued)

### Revenue recognition

#### ▪ Interest income for educational assistance payments

The interest income is recognized when it is probable that future economic benefits will flow to the Plan and the amount of revenue can be measured reliably. The interest income is accrued on a time basis, with reference to the outstanding principal and the effective interest rate.

#### ▪ Dividends

Dividends income is recognized when the Plan's right to receive payment is established, i.e. the dividend declaration date.

#### ▪ Insurance experience refunds

The Plan offers subscribers an optional life and disability insurance program. Prior to January 1, 2010, all subscribers were required to enrol in the group insurance program, which included an experience refund clause under the life and disability coverage. For all plans opened prior to December 31, 2009, and for each subsequent contract period until September 30, 2017, inclusive, a refund amount is established by calculating the excess of the premiums collected on the incurred liabilities and the retention charges for the contract period. The experience refunds income is recognized at the time the premium eligible for refund is paid by the subscriber.

Liabilities incurred include benefits paid, outstanding or unrecognized benefits known when the experience refund is calculated, and individual life insurance processing costs of \$30 per \$1,000 of life insurance. The following retention costs are calculated on the premiums received: a 0.625% administration fee, a risk premium and a required capital contribution totalling 1.875%, a 5% commission fee (paid to Kaleido Growth Inc.), an administration fee capped at 22.5% (paid to Kaleido Growth Inc.), and a 2.35% tax on the premiums received net of the refund. If the balance is in deficit, it is deferred to the next contract period. In addition, a 9% tax is added to the calculation of excess premiums to determine the final amount of the refund.

The structure of this program was terminated in March 2019. Since then, the insurance programs are managed directly in Kaleido Growth Inc. As a result, there is no longer any balances being recorded in the Plan.

### Recognition of expenses

#### ▪ Brokerage fee

The brokerage fee paid to the dealer is a commission established by the dealer and usually ranges from \$0.01 to \$0.05 per share purchased or sold.

#### ▪ Portfolio management fees

The fees paid to the portfolio managers correspond to a declining percentage established by the managers based on the average total assets invested under their respective management.

#### ▪ Trustee fee

The trustee's fee is a fixed annual amount established under an agreement with the trustee.

#### ▪ Custodian fee

The custodian's fee represents 0.009% (0.009% in 2019) of the average total assets under management. Transaction fees for the purchase and sale of securities are also charged.

#### ▪ Administration fee

The administration fee paid to the promoter and investment fund manager cannot exceed 1.18% (1.18% in 2019) of the total assets under management. Any portion of the administration fee that is not required to maintain and develop Kaleido Growth Inc. is deducted from any excess in revenue over company expenditures, and any surplus is returned to the Plans UNIVERSITAS, REFLEX and INDIVIDUAL (the "Plans") by reducing the rate of the administration fee.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

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## 2. Significant accounting policies (continued)

### Recognition of expenses (continued)

- **Independent Review Committee ("IRC") fee**

The Independent Review Committee fee comprises the compensation paid to the IRC members in the form of attendance fees for their meetings and an annual retainer, as well as the reimbursement of any expenses incurred to attend these meetings.

### Financial instruments

- **Classification and Measurement of Financial Assets**

At initial recognition, all financial assets are recorded at fair value in the statement of financial position. After initial recognition, financial assets must be classified as measured at fair value through other comprehensive income, at amortized cost, or at fair value through profit or loss. The Plan determines the classification based on the contractual cash flow characteristics of the financial assets and on the business model it uses to manage these financial assets.

In addition, under the fair value option, a financial asset may be irrevocably designated at fair value through profit or loss at initial recognition if certain conditions are met. The Plan has not designated an asset under the fair value option.

- **Contractual Cash Flow Characteristics**

For the purpose of classifying a financial asset, the Plan must determine whether the contractual cash flows associated with the financial asset are solely payments of principal and interest on the principal amount outstanding. The principal generally corresponds to the fair value of the financial asset at initial recognition. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. If the Plan determines that the contractual cash flows associated with a financial asset are not solely payments of principal and interest, the financial assets must be classified as measured at fair value through profit or loss.

- **Business Model**

When classifying financial assets, the Plan determines the business model used for each portfolio of financial assets that are managed together to achieve a same business objective. The business model reflects how the Plan manages its financial assets and the extent to which the financial asset cash flows are generated by the collection of the contractual cash flows, the sale of the financial assets, or both. The Plan determines the business model using scenarios that it reasonably expects to occur. The business model determination is a matter of fact and requires the use of judgment and consideration of all the relevant evidence available at the date of determination.

A financial asset portfolio falls within a "hold to collect" business model when the Plan's primary objective is to hold these financial assets in order to collect contractual cash flows from them and not to sell them. When the Plan's objective is achieved both by collecting contractual cash flows and by selling the financial assets, the financial asset portfolio falls within a "hold to collect and sell" business model. In this type of business model, collecting contractual cash flows and selling financial assets are both integral components to achieving the Plan's objective for this portfolio. Financial assets are measured at fair value through profit or loss if they do not fall within either a "hold to collect" business model or a "hold to collect and sell" business model.

The entire investment portfolio is now classified at fair value through profit or loss as the Plan's strategy described in the prospectus and the decisions are based on the fair value of assets. Although the Plan collects contractual cash flows during the ownership of these assets, they are considered incidental and not essential to achieving the objectives of the Plan's business model. Since this model corresponds to another business model in accordance with IFRS 9, these financial assets should be classified at fair value through profit or loss.



## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 2. Significant accounting policies (continued)

#### Financial instruments (continued)

##### ▪ Business Model (continued)

Cash and cash equivalents, sales pending settlement, other receivables, dividends receivable, interest receivable, CESH receivable and QESI receivable are recorded at amortized cost, since they are managed according to an economic model for which the objective is to collect contractual cash flows that correspond only to payments of principal and interest on the principal amount outstanding. At initial recognition, these assets are recorded at fair value and are subsequently measured at amortized cost using the effective interest method. The assets are presented net of provisions for credit losses (PCLs), if any, in the statements of financial position.

At the end of each reporting period, the Plan applies a three-stage impairment approach to measure the expected credit losses (ECLs) on all debt instruments measured at amortized cost. The ECL model is forward looking. Measurement of ECLs at each reporting period reflects reasonable and supportable information about past events, current conditions and forecasts of future economic conditions. Any initial and subsequent impairment must be recognized in profit or loss.

The ECL three-stage impairment approach is based on the change in the credit quality of financial assets since initial recognition. If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and an allowance for credit losses is recorded and measured (at each reporting date) at an amount equal to 12-month expected credit losses. When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and an allowance for credit losses measured (for each reporting period) at an amount equal to lifetime expected losses is recorded. For debts that have no significant financing component, the Plan uses the simplified method, so the allowance for credit losses correspond to an amount equal to lifetime expected credit losses.

In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to Stage 1, i.e., recognition of 12-month expected credit losses. When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance for credit losses equal to lifetime expected losses continues to be recorded or the financial asset is written off. The interest income is calculated on the gross carrying amount for financial assets in Stages 1 and 2 and on the net carrying amount for financial assets in Stage 3.

Purchases pending settlement, accounts payable and other liabilities, as well as QESI refundable are classified as financial liabilities at amortized cost. Upon initial recognition, these liabilities are recorded at fair value and are subsequently measured at amortized cost using the effective interest method.

#### Cash

Cash consists of bank deposits made in other financial institutions.

#### Sales and purchases pending settlement

Sales pending settlement are investments sold with a transaction date in 2020 but a settlement date in 2021. Purchases pending settlement are investment purchased with a transaction date in 2020 but a settlement date in 2021.

#### Quebec Education Savings Incentive (QESI) receivable

The QESI is generally received in May following the tax year the contributions were made by subscribers. As at the reporting date of the financial statements, the QESI amount receivable is estimated based on all subscriber contributions made during the annual reporting period ended December 31, 2020. This amount is estimated by first applying the methodology of the basic grant. If a subscriber is eligible for the additional grant, a supplementary grant amount receivable is then estimated in accordance with the applicable methodology. The total basic grant and the total additional grant are subject to the annual and lifetime limits, which are also factored into the estimated QESI receivable.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

## 2. Significant accounting policies (continued)

### Net assets attributable to contracts

The net assets attributable to contracts are a financial liability resulting from a unique contract and the Plan details the composition of this liability according to its use, i.e. subscribers' savings, sales charge refund obligation at maturity, EAP account, CESG, QESI or accumulated income on the CESG and QESI.

#### ▪ Subscribers' savings

The subscribers' savings account consists of the contributions received, excluding sales charges. The Plan guarantees the return of savings to subscribers at all times.

#### ▪ Sales Charge Refund Obligation at Maturity (SCROM)

An amount equal to sales charges is refunded to subscribers directly from the accumulated income on subscribers' savings and grants at contract maturity. This liability is recognized as the sales charge refund obligation at maturity.

The Plan retains the services of an independent actuary to determine the value of the SCROM. Management assesses this value based on the sales charges applicable to the Plan. The assumptions used to determine the value of the SCROM illustrate the management's best estimate regarding the future payments to subscribers and includes economic and non-economic assumptions. The non-economic assumptions include considerations such as the termination of the plans before maturity. The main economic assumption is the discount rate. The latter corresponds to the weighting of the net rate of return of equities and bonds according to the directives of the investment policy applicable to the SCROM.

#### ▪ EAP account

The educational assistance payment (EAP) account consists of the Plan's net investment income accumulated on subscribers' savings over time, after deduction of the EAPs made to beneficiaries and the portion of net income used to refund sales charges. This account may only be used to issue EAPs and these cannot exceed the sum in the eligible beneficiary group's EAP account.

#### ▪ Canada Education Savings Grant (CESG)

Since January 1, 1998, the Government of Canada adds 20% to each dollar invested in a Registered Education Savings Plan (RESP) by a subscriber who meets all the Canada Education Savings Program (CESP) requirements and submits the necessary information. The annual CESG limit is set at \$500 per beneficiary (i.e.  $\$2,500 \times 20\% = \$500$ ). Moreover, since January 1, 2005, the CESG rate that applies to the first \$500 of the annual RESP contribution increased from 20% to 40% for beneficiaries whose adjusted family net income in 2020 does not exceed \$49,020 and to 30% for beneficiaries whose adjusted family net income in 2020 falls between \$49,020 and \$98,040. These amounts are indexed every year. Beneficiaries born on or after January 1, 2004, from families who meet the financial criteria established by the federal government also qualify for the Canada Learning Bond (CLB), which consists of an initial payment of \$500 into the beneficiary's RESP. Subsequently, this beneficiary can also qualify for additional CLB payments of \$100 each year of eligibility, for a maximum of 15 years. The grant is paid as part of the EAPs made to the beneficiary.

#### ▪ Quebec Education Savings Incentive (QESI)

On February 20, 2007, the Government of Quebec introduced the Quebec Education Savings Incentive (QESI), a program to encourage education savings which took the form of a refundable tax credit paid directly in the RESP opened with a provider offering the QESI. The grant's annual limit is set at \$250 per beneficiary (i.e.,  $\$2,500 \times 10\% = \$250$ ). Moreover, the QESI rate on the first \$500 contributed annually to an RESP is 20% for beneficiaries whose adjusted family net income in 2020 does not exceed \$44,545. The rate is 15% for beneficiaries whose 2020 adjusted family net income falls between \$44,546 and \$89,080. These amounts are indexed each year. The credit applies as of the 2007 taxation year to contributions to RESPs after February 20, 2007, for a calendar year after 2006. The cumulative QESI lifetime limit per beneficiary is set at \$3,600s. The grant is paid as part of the EAPs made to the beneficiary.

### Taxation

The Plan is a trust under a registered education savings plan (RESP) and is exempted from filing a Trust Income Tax Return. Therefore, the Plan does not recognize income tax expenses.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 2. Significant accounting policies (continued)

#### Calculation of educational assistance payment (EAP) value per unit

EAP amounts per unit are calculated as at January 1st by determining the adjusted fair market value (AFMV) available to the beneficiary group eligible for EAPs as of this date.

The effect of this methodology is to amortize gains (losses) on investments over a four-year period, thereby protecting EAP amounts per unit from any major market fluctuations. For the period between November 30, 2019 and January 1, 2020 (between November 30, 2018 and January 1<sup>st</sup>, 2019), the net return generated securities from the portfolio in which the EAP account is invested is added. The amount of EAPs made to beneficiaries during this same period is also deducted, thereby establishing the AFMV as at January 1st. The latter is then distributed among the units held by the beneficiaries eligible to receive an EAP by applying a claim factor. This way, only a portion of these units is considered, since some beneficiaries will not meet the requirements to qualify for EAPs.

An independent actuary issued an actuarial certificate regarding the methodology and assumptions used to calculate the EAP amounts per unit payable between January 16, 2020 and December 31, 2020 (January 16, 2019, and December 31, 2019).

### 3. Significant accounting judgments, estimates and assumptions

In the application of the Plan's accounting policies, as described in Note 2 of financial statements for the year ended December 31, 2020, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized the year during which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if said revision affects both current and future years.

Management exercised judgment and made estimates and underlying assumptions regarding the QESI receivable, and the sales charge refund obligation at maturity (SCROM).

### 4. Investments

	December 31, 2020	December 31, 2019
Short-term investments	84,311	62,414
Bonds	768,963	688,419
Equities	191,538	145,777
	<b>1,044,812</b>	<b>896,610</b>

### 5. Current assets and liabilities

The Plan expects to recover the amounts relating to the dividends receivable, interest receivable, CESG receivable, QESI receivable, the experience refunds receivable and other accounts receivable no later than 12 months following the end date of the reporting period. In addition, the Plan expects to settle the sums for the QESI refundable as well as accounts payable and other liabilities related no later than 12 months following the end date of the reporting period.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 6. Other accounts receivable

	Notes	December 31, 2020	December 31, 2019
Amount receivable from Kaleido Foundation	9	170	3,714
Other		-	10
		<b>170</b>	<b>3,724</b>

### 7. Accounts payable and other liabilities

	Notes	December 31, 2020	December 31, 2019
Amount payable to Kaleido Growth Inc.	9	1,135	1,967
Accumulated income on grants for payment to a designated educational institution		240	2,036
Other		250	248
		<b>1,625</b>	<b>4,251</b>

### 8. Sales Charge Refund Obligation at Maturity (SCROM)

	December 31, 2020	December 31, 2019
Discounted value of the SCROM	75,852	63,697
Non-discounted value of the SCROM	98,325	94,351

Given that the underlying conditions evolve over the years, especially the rate of return, these assumptions could also change and therefore cause a change in the discounted value of the SCROM.

Impact of a change in the discount rate	December 31, 2020	December 31, 2019
Discount rate applied	2.87%	4.11 %
Increase of 1.0%	(5,737)	(5,043)
Decrease of 1.0%	6,384	5,628

### 9. Related party transactions

#### Kaleido Growth Inc.

Kaleido Growth Inc., a wholly-owned subsidiary of the Foundation, is the distributor of the products promoted by the Foundation and serves as the Plan's distributor and investment fund manager.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 9. Related party transactions (continued)

#### Kaleido Foundation

The Foundation is the promoter of the REFLEX Plan. The Plan and the Foundation report to the same Board of Directors.

<b>Administration fee</b>	<b>2020</b>	<b>2019</b>
Kaleido Growth Inc.	12,912	11,270
Kaleido Foundation	184	180
	<b>13,096</b>	<b>11,450</b>

  

<b>Amount receivable (payable)</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Kaleido Growth Inc.	(1,135)	(1,967)
Kaleido Foundation	170	3,714
	<b>(965)</b>	<b>1,747</b>

### 10. Additional information relating to the statements of cash flows

For the purposes of the statements of cash flows, cash includes cash on hand with financial institutions. Cash, at the end of the annual reporting period and as presented in the statements of cash flows, may be reconciled to the items in the statements of financial position as follows:

<b>Cash</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash	1,529	2,617
Bank overdraft	-	(7)
	<b>1,529</b>	<b>2,610</b>

### 11. Capital management

The Plan's capital corresponds to the net assets attributable to contracts. Capital management objectives are as follows:

- Preserving the value of the subscriber's savings and government grants;
- Ensuring the refund of sales charges at maturity;
- Achieving a maximum net investment return while maintaining an appropriate degree of risk to reach satisfactory EAP values per unit.

In order to meet these objectives, the portfolio managers have a mandate to optimize total returns through high-quality investments, diversification and strategic asset allocation, security selection, duration management and credit analysis. The Plan reviews and revises its policies and procedures regularly.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 11. Capital management (continued)

For the year ended December 31, 2020, the following policies and procedures were applied:

- Subscribers' savings: The Plan commits to refund subscribers' savings and to invest the savings solely in fixed-income securities guaranteed by a Canadian government or bonds issued or guaranteed by a corporation before plan maturity. After plan maturity, the Plan invests exclusively in money-market securities guaranteed by a Canadian government or held as cash or cash equivalents to ensure the liquidity of investments, as these sums may be withdrawn at any time.
- Government grants: Grants received before April 20, 2012, are currently invested entirely in Canadian equities. The government grants received on or after April 20, 2012, are invested entirely in government bonds guaranteed by a Canadian government.
- Grants earnings, SCROM and EAP account: The target asset allocation for these funds is 100% Canadian equities.

During the year ended December 31, 2020, the Plan maintained the same strategy of prudent portfolio management as that of previous reporting periods by maintaining the investment philosophy adopted by the Investment Committee and portfolio managers.

These policies and procedures must comply with the provisions of the *Securities Act* (Quebec) and meet the requirements of Paragraph 146.1 (1) of the *Income Tax Act* (Canada). The Plan is not subject to any other external requirement concerning its capital.

### 12. Financial instruments

#### Fair value

##### ▪ Establishing fair value

The fair value of cash, sales pending settlement, dividends receivable, interest receivable, CESH receivable, QESI receivable, other accounts receivable, purchases pending settlement, CESH refundable, QESI refundable and accounts payable and other liabilities approximates their carrying amounts due to their short-term maturities.

The fair value of the net assets attributable to contracts corresponds to its carrying amount, given that it is the residual amount allocated to contract holders and beneficiaries as at the reporting date.

The fair value of equity investments is established from the bid price values. If quoted prices in active markets are unavailable, the fair value of investments in short-term investments and bonds is determined through the use of current industry-specific valuation methods, such as a model whose application is based on discounting the expected future cash flows or similar techniques. These methods take into account current observable data on the market for financial instruments with a similar risk profile and comparable terms. The important data used in these models include, but are not limited to, yield curves and credit risks.

##### ▪ Fair value hierarchy

For financial reporting, fair value measurements are classified in accordance with a hierarchy (levels 1-2-3). This classification is based on the level at which input data concerning fair value measurements are observable, as well as on the significance of a particular input to the fair value measurement in its entirety. The fair value hierarchy consists of the following levels:

- Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities (for example, prices observable on the TSX) and for which the entity can have access at the measurement date.
- Level 2 - Valuation based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, inputs such as yield curves and indices.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 12. Financial instruments (continued)

#### Fair value (continued)

- **Fair value hierarchy (continued)**

- Level 3 - Valuation using inputs for assets or liabilities that are not based on observable market data (unobservable inputs). For example, private investment valuations by investment fund managers.

The hierarchy that applies as part of the determination of fair value requires the use of observable market inputs whenever such inputs exist. Fair values are classified as Level 1 when the security is traded on an active market and a quoted price is available. If a financial instrument classified as Level 1 ceases to trade in an active market, it is transferred to the next level (Level 2). If valuation of its fair value requires significant use of unobservable market inputs, then it is classified as Level 3.

The following tables present the financial instruments recorded at fair value in the statements of financial position, classified using the fair value hierarchy:

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Short-term investments	31,970	52,341	-	84,311
Bonds	-	768,963	-	768,963
Equities	191,538	-	-	191,538
	223,508	821,304	-	1,044,812

  

As at December 31, 2019	Level 1	Level 2	Level 3	Total
Short-term investments	24,023	38,391	-	62,414
Bonds	-	688,419	-	688,419
Equities	145,777	-	-	145,777
	169,800	726,810	-	896,610

Over the course of the years ended December 31, 2019 and 2018, there was no transfer between Levels 1 and 2.

#### Risk management related to financial instruments

Due to the nature of its business activities, the Plan is exposed to a variety of financial risks arising from financial instruments, such as credit risk, liquidity risk and market risk, including other price risk, currency risk and interest rate risk. The Plan's overall risk management program seeks to maximize the returns achieved without exposing subscribers' savings to undue risks and by minimizing potential adverse impacts on financial performance. All investments present a risk of loss of capital. The main risks stemming from financial instruments to which the Plan is exposed and the main actions taken to manage these are the following:

- **Credit risk**

The Plan is exposed to credit risk, which is the possibility of incurring financial losses resulting from the inability of a company, an issuer or counterparty to meet its financial commitments to the Plan. The Plan's exposure to credit risk arises from its investments in debt securities. The Plan has established qualitative selection criteria for investments to limit this risk. As for investments related to subscribers' savings and a portion of the government grants received prior to April 20, 2012, the Plan only selects securities issued by the Government of Canada, a provincial government, a municipality or a corporation guaranteed by a government. The other amounts making up the net assets attributable to contracts may also be invested in securities issued by corporations.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 12. Financial instruments (continued)

#### Risk management related to financial instruments (continued)

- **Credit risk (continued)**

Quantitative restrictions have also been established to reduce credit risk. Securities from all borrowers, except a government, are limited to 10% of the total fair value of the fixed-income securities entrusted to the portfolio manager. A minimum BBB rating is required when purchasing.

As at December 31, 2020, and as at December 31, 2019, the Plan invested in fixed-income securities that are neither past due nor impaired, and presented the following credit rating:

Credit rating	Percentage of total debt securities*	
	December 31, 2020	December 31, 2019
	%	%
AAA	0.3	2.7
AA	65.9	78.7
A	26.3	17.4
BBB	7.5	1.2

\*Excludes short-term investments

The Plan's maximum exposure to credit risk is the carrying amount of the financial instruments presented in the statements of financial position.

- **Liquidity risk**

This risk pertains to the Plan's ability to meet its commitments in terms of financial liabilities and therefore, its capacity to carry out payments as required. The Plan is exposed to daily refunds to subscribers, who are entitled to request the refund of their savings at any time. However, the majority of subscribers hold their investment until the contract's maturity date. The liquidity risk is noticeably reduced by the fact that the subscribers' savings are invested only in fixed-income securities on liquid markets. The Plan carefully manages its cash position daily and ensures the minimum cash level required to meet its liquidity needs is maintained.



## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 12. Financial instruments (continued)

#### Risk management related to financial instruments (continued)

##### ▪ Liquidity risk (continued)

The following table presents the Plan's contractual maturities of financial liabilities as at December 31, 2020, assuming the subscribers claim their savings at contract maturity (they are also entitled to claim these in full by cancelling part or all of their units):

Maturity	Purchases pending settlement	Accounts payable and other liabilities	QESI refundable	Net assets attributable to contracts	Total
2021 (1)	19,890	1,625	1,135	150,443	173,093
2022				74,497	74,497
2023				84,834	84,834
2024				89,842	89,842
2025				95,607	95,607
2026				88,646	88,646
2027				87,389	87,389
2028				91,516	91,516
2029				79,406	79,406
2030				69,878	69,878
2031				54,965	54,965
2032				42,104	42,104
2033				28,098	28,098
2034				14,931	14,931
2035				6,393	6,393
2036				2,491	2,491
2037				440	440
	<b>19,890</b>	<b>1,625</b>	<b>1,135</b>	<b>1,061,480</b>	<b>1,084,130</b>

(1) Including beneficiary groups with plans that reached maturity before 2021.

##### ▪ Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Certain parameter changes in financial markets influence the Plan's statements of financial position and comprehensive income. The Plan considers these risks when deciding on the global distribution of its assets. More specifically, market risk is reduced through portfolio diversification, meaning the Plan holds a portfolio that includes several asset categories (money market, bond and stock exchange), diverse products with varying risk profiles (participative or fixed-income securities) and multiple market sectors (government, municipal, energy, materials, communication services, utilities, financials, consumer staples, consumer discretionary, industrials and technology).

##### ▪ Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan carries out transactions denominated in foreign currencies and is therefore exposed to currency risk when selling and buying investments in United States dollars (USD) and when the Plan has US currency in its cash. As of December 31, 2020, the Plan had USD 212.9 (USD 66.6 as of December 31, 2019) representing \$271.2 (\$86.4 as of December 31, 2019) in cash. The Plan also had shares in USD for a total of USD 46.3M (nil as of December 31, 2019) representing \$58.9M in investments. Finally, the Plan had USD 82.4 in dividends receivable (nil as at December 31, 2019) representing \$105.0 in dividends receivable, sales pending settlement of USD 8.5M (nil as of December 31, 2019) representing \$10.8M in assets and purchase pending settlement of USD 8.7M (nil as of December 31, 2019) representing \$11.1M in liabilities.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 12. Financial instruments (continued)

#### Risk management related to financial instruments (continued)

##### ▪ Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates have a direct impact on the value of the investment portfolio's fixed-maturity securities. This risk is mitigated by a duration range for the active portion of the bond portfolio, and by developing a target duration correlated to the economic outlook for the passive portion of the bond portfolio. Maturity allocation of bonds is regularly adjusted based on the anticipated movement of interest rates, in compliance with the established maturities under the Plan's investment policy. The target duration is based on an analysis of the economic situation, future prospects and risk based on the very nature of the Plan.

As at December 31, 2020, a change of 100 basis points in the interest rates on the market, assuming a parallel shift in the yield curve with all other variables remaining constant, would cause the fair value of the bonds held in the Plan's investment portfolio, the net income, the comprehensive income and the net assets attributable to contracts to change by approximately \$38.9M (\$32.8M as at December 31, 2019). In practice, actual results may differ materially.

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

	December 31, 2020	December 31, 2019
	%	%
Maturing in less than one year	9.9	8.3
Maturing in one to five years	42.6	48.1
Maturing after five years	47.5	43.6

##### ▪ Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The stock exchange market volatility mostly influences the value of the equities held by the Plan. It should be noted, however, that this exposure is spread in various market sectors, especially in Canadian large-cap securities, which reduces risk. The market index related to equities is the S&P/TSX. A 10% variation in the market index, with all other variables held constant, would create a change of approximately \$19.2M as at December 31, 2020 (\$14.6M as at December 31, 2019), in the fair value of the Plan's equity holdings, net income, comprehensive income and net assets attributable to contracts. In practice, actual results may differ materially. Sensitivity analysis on the fair value of bonds and Treasury bills is described in the "Interest rate risk" section.

## Notes

for the years ended December 31, 2020 and 2019

(in thousands of Canadian \$)

### 12. Financial instruments (continued)

#### Risk management related to financial instruments (continued)

##### • Concentration risk

The concentration risk arises from the concentration of positions within a given category, whether a geographical location, a product type, an market sector or a type of counterparty. The following table summarizes the Plan's concentration risk in relation to the total carrying amount of equity investments:

Market sectors	December 31,	December 31,
	2020	2019
	%	%
Energy	4.1	8.8
Materials	7.5	8.3
Communication Services	2.8	5.5
Utilities	4.4	10.4
Financials	22.8	37.4
Consumer Staples	16.3	9.2
Consumer Discretionary	10.1	7.9
Health	5.0	0.0
Industrials	13.5	8.3
Technology	13.5	4.2

##### • Offsetting

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

Canada Education Savings Grant (CESG) receivable	December 31,	December 31,
	2020	2019
Gross financial assets	2,323	2,216
Financial liabilities offset	(214)	(293)
	<b>2,109</b>	<b>1,923</b>

The Plan has no other financial instrument subject to an enforceable master netting agreement or similar agreement.

The Plan does not hold assets that can be used as a guarantee for the CESG receivable.

### 13. COVID-19

Since the first quarter of calendar 2020, global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a novel coronavirus known as COVID-19. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. All of this may impact the Plan's performance and the Plan continues to manage its assets within investment and risk parameters that have been established.

The duration and full impact of the COVID-19 pandemic is unknown at this time, as is the efficacy of the government and central bank interventions. As a result, it is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Plan in future periods.

## Scholarship Agreements (unaudited)

as at December 31, 2020

(in thousands of Canadian \$)

Group	Number of units as at Dec. 31, 2019	Number of subscribed units	Number of cancelled or expired units	Number of units as at Dec. 31, 2020	Subscribers' Savings	Sales Charge Refund Obligation at Maturity	EAP Account	CESG and Accumulated Income on CESG	QESI and Accumulated Income on QESI
2021	33,955	122	(900)	33,177	81,562	4,565	21,581	31,423	11,312
2022	14,529	154	(75)	14,608	39,315	2,694	8,664	18,186	5,638
2023	19,138	200	(146)	19,192	44,983	3,416	8,879	20,885	6,671
2024	23,386	267	(162)	23,491	48,339	4,020	7,829	22,394	7,260
2025	29,091	355	(256)	29,190	52,516	4,802	6,464	24,017	7,808
2026	33,442	441	(362)	33,521	49,470	5,289	3,404	23,062	7,421
2027	42,891	548	(576)	42,863	49,564	6,500	274	23,512	7,539
2028	51,554	702	(596)	51,660	52,487	7,521	(1,197)	24,752	7,953
2029	51,737	896	(929)	51,704	45,724	7,183	(2,089)	21,568	7,020
2030	53,281	1,079	(1,058)	53,302	40,108	7,041	(2,903)	19,276	6,356
2031	49,972	1,184	(1,027)	50,129	31,192	6,279	(3,297)	15,643	5,148
2032	46,891	1,312	(1,272)	46,931	23,346	5,552	(3,473)	12,592	4,087
2033	40,908	1,304	(1,313)	40,899	14,916	4,546	(3,313)	9,096	2,853
2034	31,381	1,401	(1,071)	31,711	7,045	3,266	(2,726)	5,702	1,644
2035	21,068	2,221	(946)	22,343	2,607	1,959	(1,845)	2,899	773
2036	11,302	6,121	(545)	16,878	802	987	(968)	1,358	312
2037	-	9,354	(113)	9,241	101	232	(232)	275	64
	<b>554,526</b>	<b>27,661</b>	<b>(11,347)</b>	<b>570,840</b>	<b>584,077</b>	<b>75,852</b>	<b>35,052</b>	<b>276,640</b>	<b>89,859</b>

## Educational assistance payments (unaudited)

for the years ended December 31, 2020 and 2019

(in Canadian \$)

As at December 31, 2020 <sup>(1)(2)</sup>	Year of Qualification <sup>(5)</sup>	Units	EAP unit Value \$	Total \$
	2020	2,278,320	390	888,545
	2019	1,938,200	390	755,898
	2018	855,097	390	333,488
	2017	314,655	390	122,716
	2016	168,704	390	65,795
	2015	60,763	390	23,697
	2014	21,034	390	8,203
	2013	9,978	390	3,892
	2012	2,930	390	1,143
	2011	1,250	390	488
	2010	0,917	390	358
	2009	2,133	390	832
	2008	-	390	-
Experience refunds <sup>(3)</sup>		2,968,799	88	261,254
Grants and their income paid				6,343,155
Other income paid <sup>(4)</sup>				82,662
				<b>8,892,124</b>

<sup>(1)</sup> The EAP unit amount does not include the government grants or the income earned on these.

<sup>(2)</sup> The EAP unit amounts are established on July 1<sup>st</sup> every year.

<sup>(3)</sup> The insurance experience refund is only payable for units purchased prior to December 8, 2009, and for which the subscriber paid premiums for the mandatory life and disability insurance. Before 2014, this refund was included in the EAP unit amount since all qualified beneficiaries were entitled to it.

<sup>(4)</sup> The "other income paid" refers to income received from other promoters, and income on savings after plans maturity.

<sup>(5)</sup> Since July 1, 2014, a freeze on the 2<sup>nd</sup> and 3<sup>rd</sup> EAP is applied. This means that if a beneficiary applies for a 1<sup>st</sup> EAP, he or she will receive the unit value of the 2<sup>nd</sup> and 3<sup>rd</sup> EAP calculated for the current year of qualification, regardless of when the beneficiary applies for it. Prior to July 1, 2014, any beneficiary who qualified for a 2<sup>nd</sup> or 3<sup>rd</sup> EAP received the unit amount in force at the time of application.

## Educational assistance payments (unaudited) for the years ended December 31, 2020 and 2019

(in Canadian \$)

As at December 31, 2019	(1)(2)	Year of Qualification (5)	Units	EAP unit Value	Total
				\$	\$
		2019	1,289,302	370	715,225
		2018	1,060,676	370	576,991
		2017	459,857	370	251,291
		2016	196,472	370	110,473
		2015	94,821	370	51,832
		2014	37,460	370	21,837
		2013	29,712	370	16,753
		2012	7,218	370	4,173
		2011	1,107	370	641
		2010	0,860	370	509
		2009	0,385	370	228
		2008	1,049	370	621
Prime de ristourne (3)			2,511,914	90	226,072
Subventions et leurs revenus versés					5,410,018
Autres rendements versés (4)					58,461
					7,445,126

(1) The EAP unit amount does not include the government grants or the income earned on these.

(2) The EAP unit amounts are established on July 1<sup>st</sup> every year.

(3) The insurance experience refund is only payable for units purchased prior to December 8, 2009, and for which the subscriber paid premiums for the mandatory life and disability insurance. Before 2014, this refund was included in the EAP unit amount since all qualified beneficiaries were entitled to it.

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