



## Annual Financial Statements

for the financial year ended August 31, 2015

### Statements of Financial Position (in 000s, except per unit amounts)

As at August 31, 2015, August 31, 2014 and September 1, 2013 (note 1)

|   | August 31, 2015 |    | August 31, 2014 |    | September 1, 2013 |
|---|-----------------|----|-----------------|----|-------------------|
| <b>Assets</b>   |                 |    |                 |    |                   |
| <b>Current assets</b>   |                 |    |                 |    |                   |
| Investments (non-derivative financial assets) (notes 2, 3 and 12)                       | \$ 5,747        | \$ | 5,641           | \$ | 6,403             |
| Cash including foreign currency holdings, at fair value                                 | 51              |    | 1               |    | 41                |
| Interest receivable   | 1               |    | 2               |    | –                 |
| Receivable for units issued   | 33              |    | 8               |    | –                 |
| <b>Total Assets</b>   | <b>5,832</b>    |    | 5,652           |    | 6,444             |
| <b>Liabilities</b>  |                 |    |                 |    |                   |
| <b>Current liabilities</b>  |                 |    |                 |    |                   |
| Payable for units redeemed  | 66              |    | 1               |    | 12                |
| <b>Total Liabilities</b>  | <b>66</b>       |    | 1               |    | 12                |
| <b>Net Assets Attributable to Holders of Redeemable Units ††</b> (notes 5 and 12)       | <b>\$ 5,766</b> | \$ | 5,651           | \$ | 6,432             |
| <b>Net Assets Attributable to Holders of Redeemable Units per Class</b> (note 12)       |                 |    |                 |    |                   |
| Class A   | \$ 5,766        | \$ | 5,651           | \$ | 6,432             |
| <b>Net Assets Attributable to Holders of Redeemable Units per Unit</b> (notes 5 and 12) |                 |    |                 |    |                   |
| Class A   | \$ 9.93         | \$ | 9.94            | \$ | 9.93              |

Footnotes for the Statements of Financial Position can be found on the following page.

## Frontiers Canadian Short Term Income Pool

### †† Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS (note 12)

| Equity   | As at August 31, 2014<br>(\$000s) | As at September 1, 2013<br>(\$000s) |
|--|-----------------------------------|-------------------------------------|
| Equity as reported under Canadian GAAP                                   | 5,651                             | 6,432                               |
| Revaluation of investments at FVTPL                                      | –                                 | –                                   |
| <b>Net Assets Attributable to Holders of Redeemable Units under IFRS</b> | <b>5,651</b>                      | <b>6,432</b>                        |

| Comprehensive Income for the Period Ended   | August 31, 2014<br>(\$000s) |
|---|-----------------------------|
| Comprehensive income as reported under Canadian GAAP  | 23                          |
| Revaluation of investments at FVTPL   | –                           |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units under IFRS</b> | <b>23</b>                   |

### Organization of the Pool (note 1)

The Pool was established on November 19, 1999 (*Date Established*).

|         | Inception Date    |
|---------|-------------------|
| Class A | November 24, 1999 |

## Frontiers Canadian Short Term Income Pool

### Statements of Comprehensive Income (in 000s, except per unit amounts)

For the periods ended August 31, 2015 and 2014 (note 1)

|  | August 31, 2015 | August 31, 2014 |
|--|-----------------|-----------------|
| <b>Net Gain (Loss) on Financial Instruments</b>  |                 |                 |
| Interest for distribution purposes   | \$ 67           | \$ 71           |
| Other changes in fair value of investments and derivatives   |                 |                 |
| Net change in unrealized appreciation (depreciation) of investments and derivatives                                      | (2)             | 5               |
| <b>Net Gain (Loss) on Financial Instruments ±±±</b>  | <b>65</b>       | <b>76</b>       |
| <b>Expenses</b> (notes 6 and 12)   |                 |                 |
| Management fees ±  | 46              | 49              |
| Audit fees   | 12              | 9               |
| Custodial fees   | 27              | 27              |
| Independent review committee fees  | –               | –               |
| Regulatory fees  | 15              | 15              |
| Transaction costs  | –               | –               |
| Unitholder reporting costs   | 88              | 91              |
| Other expenses   | 1               | 1               |
|  | <b>189</b>      | <b>192</b>      |
| Expenses waived/absorbed by the Manager  | <b>(140)</b>    | <b>(139)</b>    |
|  | <b>49</b>       | <b>53</b>       |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units (excluding distributions)</b>           | <b>16</b>       | <b>23</b>       |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Class (excluding distributions)</b> |                 |                 |
| Class A  | \$ 16           | \$ 23           |
| <b>Average Number of Units Outstanding for the Period per Class</b>  |                 |                 |
| Class A  | <b>563</b>      | <b>605</b>      |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit (excluding distributions)</b>  |                 |                 |
| Class A  | \$ 0.03         | \$ 0.04         |

### ±±± Net Gain (Loss) on Financial Instruments

| Category                               | Net Gain (Loss) |                 |
|--|-----------------|-----------------|
|  | August 31, 2015 | August 31, 2014 |
| <b>Financial assets at FVTPL:</b>      |                 |                 |
| Held for Trading                       | \$ –            | \$ –            |
| Designated at Inception                | 65              | 76              |
| <b>Total financial assets at FVTPL</b> | <b>\$ 65</b>    | <b>\$ 76</b>    |

### ± Maximum Chargeable Management Fee Rates (note 6)

|         |       |
|---------|-------|
| Class A | 0.75% |
|---------|-------|

### Administrative and Other Fund Operating Expenses (note 9)

|          | 2015     | 2014     |
|----------|----------|----------|
| (\$000s) | <b>2</b> | <b>2</b> |

### Service Provider (note 9)

The amounts paid by the Pool (including all applicable taxes) to CIBC Mellon Trust Company for custodial fees, and to CIBC Mellon Global Securities Services Company (*CIBC GSS*) for securities lending, fund accounting and reporting, and portfolio valuation (all net of absorptions) for the periods ended August 31, 2015 and 2014 were as follows:

|          | 2015     | 2014     |
|----------|----------|----------|
| (\$000s) | <b>1</b> | <b>1</b> |

*Frontiers Canadian Short Term Income Pool*

**Statements of Changes in Net Assets Attributable to Holders of Redeemable Units  
(in 000s)**

For the periods ended August 31, 2015 and 2014 (note 1)

|  | <b>Class A Units</b>   |                 |
|--|------------------------|-----------------|
|  | <b>August 31, 2015</b> | August 31, 2014 |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units (excluding distributions)</b> | <b>\$ 16</b>           | \$ 23           |
| <b>Distributions Paid or Payable to Holders of Redeemable Units ‡</b>  |                        |                 |
| From net investment income   | (22)                   | (15)            |
|  | (22)                   | (15)            |
| <b>Redeemable Unit Transactions</b>  |                        |                 |
| Amount received from the issuance of units   | 1,358                  | 535             |
| Amount received from reinvestment of distributions   | 22                     | 15              |
| Amount paid on redemptions of units  | (1,259)                | (1,339)         |
|  | 121                    | (789)           |
| <b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>                           | <b>115</b>             | (781)           |
| <b>Net Assets Attributable to Holders of Redeemable Units at Beginning of Period</b>                           | <b>5,651</b>           | 6,432           |
| <b>Net Assets Attributable to Holders of Redeemable Units at End of Period</b>                                 | <b>\$ 5,766</b>        | \$ 5,651        |
| <b>Redeemable Units Issued and Outstanding</b> (note 5)  |                        |                 |
| As at August 31, 2015 and 2014   |                        |                 |
| Balance - beginning of period  | 568                    | 648             |
| Redeemable units issued  | 138                    | 53              |
| Redeemable units issued on reinvestments   | 2                      | 2               |
|  | 708                    | 703             |
| Redeemable units redeemed  | (127)                  | (135)           |
| Balance - end of period  | 581                    | 568             |

**‡ Capital and Non-Capital Losses** (note 7)

As at December 2014, the Pool had non-capital and capital losses (in \$000s) for income tax purposes available to be carried forward as follows:

| <b>Total Capital Losses</b> | <b>Total Non-Capital Losses</b> | <b>Non-Capital Losses that Expire in:</b> |                     |                     |                     |
|-----------------------------|---------------------------------|---|---------------------|---------------------|---------------------|
|                             |                                 | <b>2015</b>                               | <b>2016 to 2018</b> | <b>2019 to 2023</b> | <b>2024 to 2034</b> |
| 30                          | -                               | -   | -                   | -                   | -                   |

*Frontiers Canadian Short Term Income Pool*

**Statements of Cash Flows**  
**(in 000s)**

For the periods ended August 31, 2015 and 2014 (notes 1 and 12)

|   | <b>August 31, 2015</b> | August 31, 2014 |
|---|------------------------|-----------------|
| <b>Cash Flows from Operating Activities</b>   |                        |                 |
| Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units from Operations (excluding distributions) | \$ 16                  | \$ 23           |
| Adjustments for:  |                        |                 |
| Net change in unrealized (appreciation) depreciation of investments and derivatives                                     | 2                      | (5)             |
| Purchase of investments   | (15,543)               | (17,742)        |
| Proceeds from the sale of investments   | 15,435                 | 18,509          |
| Interest receivable   | 1                      | (2)             |
|   | <b>(89)</b>            | <b>783</b>      |
| <b>Cash Flows from Financing Activities</b>   |                        |                 |
| Amount received from the issuance of units  | 1,333                  | 527             |
| Amount paid on redemptions of units   | (1,194)                | (1,350)         |
|   | <b>139</b>             | <b>(823)</b>    |
| <b>Increase (Decrease) in Cash during the Period</b>  | <b>50</b>              | <b>(40)</b>     |
| <b>Foreign Exchange Loss (Gain) on Cash</b>   | <b>–</b>               | <b>–</b>        |
| <b>Cash (Bank Overdraft) at Beginning of Period</b>   | <b>1</b>               | <b>41</b>       |
| <b>Cash (Bank Overdraft) at End of Period</b>   | <b>\$ 51</b>           | <b>\$ 1</b>     |
| Interest received   | \$ 68                  | \$ 69           |

## Frontiers Canadian Short Term Income Pool

### Schedule of Investment Portfolio As at August 31, 2015

| Security  | Coupon<br>Rate (%) | Maturity<br>Date | Additional Details        | Par Value | Average<br>Cost<br>(\$000s) | Fair<br>Value<br>(\$000s) | % of<br>Net<br>Assets |
|---|--------------------|------------------|---------------------------|-----------|-----------------------------|---------------------------|-----------------------|
| <b>CANADIAN BONDS</b>   |                    |                  |                           |           |                             |                           |                       |
| <b>Corporate</b>  |                    |                  |                           |           |                             |                           |                       |
| Bank of Montreal  | 1.24%              | 2017/04/10       | Variable Rate             | 85,000    | 85                          | 85                        |                       |
| Bank of Nova Scotia   | 0.83%              | 2015/09/11       | Floating Rate             | 110,000   | 110                         | 110                       |                       |
| Bank of Nova Scotia   | 0.85%              | 2016/03/11       | Floating Rate             | 85,000    | 85                          | 85                        |                       |
| National Bank of Canada   | 0.88%              | 2016/06/22       | Variable Rate             | 80,000    | 80                          | 80                        |                       |
| National Bank of Canada   | 1.25%              | 2016/06/23       | Floating Rate             | 85,000    | 85                          | 85                        |                       |
| Royal Bank of Canada  | 0.86%              | 2016/06/23       | Variable Rate             | 165,000   | 165                         | 165                       |                       |
| Toronto-Dominion Bank (The)   | 0.94%              | 2016/04/21       | Floating Rate             | 195,000   | 195                         | 195                       |                       |
|   |                    |                  |                           |           | <b>805</b>                  | <b>805</b>                | <b>14.0%</b>          |
| <b>TOTAL CANADIAN BONDS</b>   |                    |                  |                           |           | <b>805</b>                  | <b>805</b>                | <b>14.0%</b>          |
| <b>TOTAL INVESTMENTS BEFORE SHORT-TERM INVESTMENTS</b>              |                    |                  |                           |           | <b>805</b>                  | <b>805</b>                | <b>14.0%</b>          |
| <b>Short-Term Investments</b>                                       |                    |                  |                           |           |                             |                           |                       |
| Banner Trust  | 0.92%              | 2015/10/01       | Discount Note             | 150,000   | 149                         | 149                       |                       |
| Bay Street Funding Trust  | 0.93%              | 2015/10/14       | Discount Note             | 400,000   | 398                         | 400                       |                       |
| Bell Canada   | 0.72%              | 2015/11/13       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| Canadian Master Trust   | 1.00%              | 2015/12/17       | Series 'A', Discount Note | 175,000   | 174                         | 174                       |                       |
| Canadian Western Bank   | 1.25%              | 2015/12/09       | Bearer Deposit Note       | 150,000   | 149                         | 150                       |                       |
| Central 1 Credit Union  | 0.89%              | 2015/09/14       | Discount Note             | 200,000   | 200                         | 200                       |                       |
| CU Inc.   | 0.97%              | 2015/09/15       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| Daimler Canada Finance Inc.   | 0.80%              | 2015/12/07       | Discount Note             | 125,000   | 125                         | 125                       |                       |
| Darwin Receivables Trust  | 0.92%              | 2015/10/30       | Senior Discount Note      | 300,000   | 299                         | 300                       |                       |
| Enbridge Pipelines (NW) Inc.  | 0.74%              | 2015/11/17       | Discount Note             | 125,000   | 125                         | 125                       |                       |
| Firstbank   | 0.89%              | 2015/10/28       | Bankers' Acceptance       | 200,000   | 199                         | 200                       |                       |
| Glacier Credit Card Trust   | 1.03%              | 2015/11/04       | Discount Note             | 125,000   | 124                         | 124                       |                       |
| Husky Energy Inc.   | 0.74%              | 2015/09/30       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| Inter Pipeline (Corridor) Inc.                                      | 0.71%              | 2015/10/29       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| King Street Funding Trust   | 0.75%              | 2016/02/23       | Discount Note             | 450,000   | 447                         | 448                       |                       |
| Nissan Canada Financial Services Inc.                               | 0.71%              | 2015/11/03       | Discount Note             | 125,000   | 125                         | 125                       |                       |
| OMERS Finance Trust   | 0.81%              | 2015/10/01       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| Prime Trust   | 0.74%              | 2016/01/26       | Senior Discount Note      | 300,000   | 299                         | 299                       |                       |
| Province of Ontario   | 0.77%              | 2015/10/28       | Treasury Bill             | 250,000   | 249                         | 250                       |                       |
| Ridge Trust   | 0.75%              | 2016/01/27       | Series 'A', Discount Note | 450,000   | 447                         | 448                       |                       |
| Storm King Funding  | 0.93%              | 2015/11/23       | Discount Note             | 300,000   | 299                         | 300                       |                       |
| Volkswagen Credit Canada Inc.                                       | 0.69%              | 2015/11/17       | Discount Note             | 150,000   | 150                         | 150                       |                       |
| Zeus Receivables Trust  | 0.92%              | 2015/10/07       | Senior Discount Note      | 125,000   | 125                         | 125                       |                       |
| Zeus Receivables Trust  | 0.74%              | 2016/01/21       | Senior Discount Note      | 100,000   | 100                         | 100                       |                       |
| <b>TOTAL SHORT-TERM INVESTMENTS</b>                                 |                    |                  |                           |           | <b>4,933</b>                | <b>4,942</b>              | <b>85.7%</b>          |
| Less: Transaction costs included in average cost                    |                    |                  |                           |           | —                           |                           |                       |
| <b>TOTAL INVESTMENTS</b>  |                    |                  |                           |           | <b>5,738</b>                | <b>5,747</b>              | <b>99.7%</b>          |
| Other Assets, less Liabilities                                      |                    |                  |                           |           |                             | 19                        | 0.3%                  |
| <b>TOTAL NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b> |                    |                  |                           |           |                             | <b>5,766</b>              | <b>100.0%</b>         |

**Supplemental Schedule to Schedule of Investment Portfolio**

**Offsetting Arrangements** (note 2d)

The Pool may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or the termination of the contracts.

As at August 31, 2015, August 31, 2014, and September 1, 2013, the Pool did not enter into any arrangements whereby the financial instruments were eligible for offset.

**Interests in Underlying Funds** (note 4)

As at August 31, 2015, August 31, 2014, and September 1, 2013, the Pool had no investments in underlying funds where the ownership exceeded 20% of each underlying Fund.

## Frontiers Canadian Short Term Income Pool

### Financial Instrument Risks

Investment Objective: Frontiers Canadian Short Term Income Pool (the *Pool*) seeks to obtain a high level of interest income while maintaining security of capital and liquidity by investing primarily in high-quality debt obligations of Canadian and U.S. issuers.

Investment Strategies: The Pool invests primarily in securities issued by the Government of Canada, provincial or territorial governments and their agencies, Canadian chartered banks, Canadian loan or trust companies, and Canadian corporations.

Significant risks that are relevant to the Pool are discussed here. General information on risk management and specific discussion on concentration, credit, currency, interest rate, liquidity, and other price/market risk can be found in note 2 of the financial statements.

In the following risk tables, Net Assets is defined as meaning "Net assets attributable to holders of redeemable units".

#### Concentration Risk as at August 31, 2015, August 31, 2014, and September 1, 2013

The Schedule of Investment Portfolio presents the securities held by the Pool as at August 31, 2015.

The following tables present the investment sectors held by the Pool as at August 31, 2014 and September 1, 2013, and group the securities by asset type, industry sector, geographic region, or currency exposure:

##### As at August 31, 2014

| Portfolio Breakdown                   | % of<br>Net Assets |
|---------------------------------------|--------------------|
| <b>Canadian Bonds</b>                 |                    |
| Corporate                             | 18.9               |
| <b>Short-Term Investments</b>         | 80.9               |
| <b>Other Assets, less Liabilities</b> | 0.2                |
| <b>Total</b>                          | <b>100.0</b>       |

##### As at September 1, 2013

| Portfolio Breakdown                   | % of<br>Net Assets |
|---------------------------------------|--------------------|
| <b>Canadian Bonds</b>                 |                    |
| Corporate                             | 6.0                |
| <b>Short-Term Investments</b>         | 93.5               |
| <b>Other Assets, less Liabilities</b> | 0.5                |
| <b>Total</b>                          | <b>100.0</b>       |

#### Credit Risk

Credit ratings represent a consolidation of the ratings provided by various outside service providers and are subject to change, which could be material.

See the Schedule of Investment Portfolio for counterparty from over-the-counter derivative contracts, where applicable.

As at August 31, 2015, August 31, 2014, and September 1, 2013, the Pool invested in debt securities with the following credit ratings:

| Debt Securities by Credit Rating | % of Net Assets |                 |                   |
|----------------------------------|-----------------|-----------------|-------------------|
|                                  | August 31, 2015 | August 31, 2014 | September 1, 2013 |
| 'AAA'                            | 52.3            | 60.4            | 62.9              |
| 'AA'                             | 14.0            | 12.7            | 21.5              |
| 'A'                              | 26.0            | 21.9            | 11.7              |
| 'BBB'                            | 7.4             | 4.9             | 2.3               |
| Below 'BBB'                      | -               | -               | 1.2               |
| <b>Total</b>                     | <b>99.7</b>     | <b>99.9</b>     | <b>99.6</b>       |

#### Currency Risk

As at August 31, 2015, August 31, 2014, and September 1, 2013, the Pool did not have a significant exposure to currency risk.

#### Interest Rate Risk

The Pool's short-term assets and liabilities were not subject to significant amounts of risk due to fluctuations in the prevailing level of market interest rates.

The table that follows indicates the Pool's exposure to fixed income securities by remaining term-to-maturity.

| Remaining Term-to-Maturity | August 31, 2015<br>(\$000s) | August 31, 2014<br>(\$000s) | September 1, 2013<br>(\$000s) |
|----------------------------|-----------------------------|-----------------------------|-------------------------------|
| Less than 1 year           | 720                         | 986                         | 305                           |
| 1-3 years                  | 85                          | 85                          | 85                            |
| <b>Total</b>               | <b>805</b>                  | <b>1,071</b>                | <b>390</b>                    |

Had the interest rate decreased or increased by 25 basis points and assuming a parallel shift in the yield curve, there would be no material impact to the Pool's net assets as at August 31, 2015, August 31, 2014, and September 1, 2013. This change is estimated using the weighted average duration of the fixed income portfolio. This analysis assumes that all other variables remain unchanged. In practice, actual results may differ from this analysis and the difference could be material.

#### Liquidity Risk

Liquidity risk is the risk that the Pool will encounter difficulty in meeting obligations associated with financial liabilities. The Pool is exposed to daily cash redemptions of redeemable units. The Pool maintains sufficient cash on hand to fund anticipated redemptions.

With the exception of derivative contracts, where applicable, all of the Pool's financial liabilities are short-term liabilities maturing within 90 days after the period end.

For pools that hold derivative contracts with a term-to-maturity that exceeds 90 days from the period end, further information related to those contracts can be referenced in the derivative schedules following the Schedule of Investment Portfolio.

#### Other Price/Market Risk

The table that follows indicates how net assets as at August 31, 2015, August 31, 2014, and September 1, 2013 would have increased or decreased had the value of the Pool's benchmark(s) increased or decreased by 1%. This change is estimated based on the historical correlation between the return of Class A units of the Pool as compared to the return of the Pool's benchmark(s), using 36 monthly data points, as available, based on the monthly net returns of the Pool. This analysis assumes that all other variables remain unchanged. The historical correlation may not be representative of the future correlation and, accordingly, the impact on net assets could be materially different.

| Benchmark                           | Impact on Net Assets (\$000s) |                 |                   |
|-------------------------------------|-------------------------------|-----------------|-------------------|
|                                     | August 31, 2015               | August 31, 2014 | September 1, 2013 |
| FTSE TMX Canada 91 Day T-Bill Index | 36                            | 12              | 17                |

#### Fair Value Measurement of Financial Instruments

The following is a summary of the inputs used as at August 31, 2015, August 31, 2014, and September 1, 2013 in valuing the Pool's financial assets and financial liabilities, carried at fair value:

##### As at August 31, 2015

| Classification                | Level 1 (i)<br>(\$000s) | Level 2 (ii)<br>(\$000s) | Level 3 (iii)<br>(\$000s) | Total<br>(\$000s) |
|-------------------------------|-------------------------|--------------------------|---------------------------|-------------------|
|                               | <b>Financial Assets</b> |                          |                           |                   |
| Fixed Income Securities       | -                       | 805                      | -                         | 805               |
| Short-Term Investments        | -                       | 4,942                    | -                         | 4,942             |
| <b>Total Financial Assets</b> | <b>-</b>                | <b>5,747</b>             | <b>-</b>                  | <b>5,747</b>      |

(i) Quoted prices in active markets for identical assets

(ii) Significant other observable inputs

(iii) Significant unobservable inputs

##### As at August 31, 2014

| Classification                | Level 1 (i)<br>(\$000s) | Level 2 (ii)<br>(\$000s) | Level 3 (iii)<br>(\$000s) | Total<br>(\$000s) |
|-------------------------------|-------------------------|--------------------------|---------------------------|-------------------|
|                               | <b>Financial Assets</b> |                          |                           |                   |
| Fixed Income Securities       | -                       | 1,071                    | -                         | 1,071             |
| Short-Term Investments        | -                       | 4,570                    | -                         | 4,570             |
| <b>Total Financial Assets</b> | <b>-</b>                | <b>5,641</b>             | <b>-</b>                  | <b>5,641</b>      |

(i) Quoted prices in active markets for identical assets

(ii) Significant other observable inputs

(iii) Significant unobservable inputs

## Frontiers Canadian Short Term Income Pool

As at September 1, 2013

| Classification                | Level 1 (i)<br>(\$000s) | Level 2 (ii)<br>(\$000s) | Level 3 (iii)<br>(\$000s) | Total<br>(\$000s) |
|-------------------------------|-------------------------|--------------------------|---------------------------|-------------------|
| <b>Financial Assets</b>       |                         |                          |                           |                   |
| Fixed Income Securities       | –                       | 390                      | –                         | 390               |
| Short-Term Investments        | –                       | 6,013                    | –                         | 6,013             |
| <b>Total Financial Assets</b> | <b>–</b>                | <b>6,403</b>             | <b>–</b>                  | <b>6,403</b>      |

- (i) Quoted prices in active markets for identical assets
- (ii) Significant other observable inputs
- (iii) Significant unobservable inputs

### Transfer of assets between Level 1 and Level 2

Financial assets and liabilities transferred from Level 1 to Level 2 are the result of securities no longer being traded in an active market.

For the periods ended August 31, 2015 and 2014, there were no transfers of financial assets and liabilities from Level 1 to Level 2.

Financial assets and liabilities transferred from Level 2 to Level 1 are the result of securities now being traded in an active market.

For the periods ended August 31, 2015 and 2014, there were no transfers of financial assets and liabilities from Level 2 to Level 1.

### Reconciliation of financial asset and liability movement – Level 3

The Pool did not hold any significant positions of Level 3 investments at the beginning of, during, or at the end of either reporting period.

# Notes to Financial Statements

As at and for the periods as disclosed in the financial statements (see note 1)

## 1. Frontiers Pools — Organization of the Pools and Financial Reporting Periods

The Frontiers Pools consist of Frontiers Canadian Short Term Income Pool, Frontiers Canadian Fixed Income Pool, Frontiers Equity Income Pool, Frontiers Canadian Equity Pool, Frontiers U.S. Equity Pool, Frontiers U.S. Equity Currency Neutral Pool, Frontiers International Equity Pool, Frontiers Emerging Markets Equity Pool, and Frontiers Global Bond Pool.

Each of the Frontiers Pools (individually, a *Pool*, and collectively, the *Pools*) is a mutual fund trust organized under the laws of Ontario and governed by a declaration of trust (*Declaration of Trust*). The address of the Pools' registered office is 18 York Street, Suite 1300, Toronto, Ontario.

The Pools are managed by CIBC Asset Management Inc. (the *Manager*). The Manager is also the trustee, registrar, and transfer agent of the Pools.

Each Pool may issue an unlimited number of classes of units and an unlimited number of units of each class. Class A, C, I, and O units of each of the Pools are available for sale, except Frontiers Canadian Short Term Income Pool which only offers Class A units, and Frontiers U.S. Equity Currency Neutral Pool, which only offers Class O units. In the future, the offering of any classes of a Pool may be terminated or additional classes may be offered.

Each class of units may charge a different management fee. Operating expenses can either be common or class-specific. Class-specific expenses are allocated on a class-by-class basis. As a result, a separate net asset value per unit is calculated for each class of units.

Class A units are available only to investors participating in the Frontiers Program. This program will invest in a number of Pools, which will form a Frontiers Portfolio. Class A units are available on a no-load basis. Investors do not pay a sales commission when purchasing Class A units, nor are they charged a redemption fee if they redeem their Class A units. They may have to pay a short-term trading fee, if applicable.

Class C units are available to all investors on a no-load basis. Investors do not pay a sales commission when purchasing Class C units, nor are they charged a redemption fee if they redeem their Class C units. They may have to pay a short-term trading fee, if applicable.

Class I units are available to investors participating in programs that do not require the payment of sales charges by investors and do not require the payment of service or trailing commissions to dealers. For these investors, the Manager "unbundles" the typical distribution costs and charges a lower management fee. Potential investors include clients of "fee-for-service" investment advisors, dealer-sponsored "wrap accounts", and others who pay an annual fee to their dealer instead of transactional sales charges and where the dealer does not receive service fees or trailing commissions from the Manager.

Class O units are only available to selected investors who have been approved by and have entered into a Class O account agreement with the Manager or whose dealer or discretionary manager offers separately managed accounts or similar programs and has entered into a Class O unit account agreement with the Manager. These investors are typically financial services companies, including the Manager, that will use Class O units of the Pools to facilitate offering other products to investors. No management fees or operating expenses are charged to the Pools in respect of Class O units held; instead, a negotiated management fee is charged by the Manager directly to, or as directed by, Class O unitholders or dealers or discretionary managers on behalf of unitholders.

The date upon which each Pool was established by Declaration of Trust (*Date Established*) and the date upon which each class of units of each Pool was first sold to the public (*Inception Date*) are reported in footnote *Organization of the Pool* on the Statements of Financial Position.

The Schedule of Investment Portfolio of each Pool is as at August 31, 2015. The Statements of Financial Position are as at August 31, 2015, August 31, 2014 and September 1, 2013, except for the Pools established during either period, which are as at August 31, 2015, August 31, 2014 and each respective Inception Date. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units and Statements of Cash Flows are for the years ended August 31, 2015 and 2014 except for Pools or classes established during either period, in which case the information presented is from the Date Established or the Inception Date to August 31, 2015 or 2014.

These financial statements were approved for issuance by the Manager on November 6, 2015.

## 2. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with International Financial Reporting Standards (*IFRS*) as published by the International Accounting Standards Board (*IASB*). The Pools adopted IFRS in 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Pools prepared their financial statements in accordance with Canadian generally accepted accounting principles (*GAAP*) as defined in Part V of the CPA Canada Handbook. The Pools have consistently applied the accounting policies used in the preparation of their opening IFRS statements of financial position as at September 1, 2013 and throughout all periods presented, as if these policies had always been in effect.

Note 12 discloses the impact of the transition to IFRS on the Pools' reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Pools' financial statements for the year ended August 31, 2014 prepared under Canadian GAAP.

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, each Pool is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Pools' accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset value for transactions with unitholders. In applying IFRS, these financial statements include estimates and assumptions made by management that affect the reported amounts of assets, liabilities, income, and expenses during the reporting periods. However, existing circumstances and assumptions may change due to market changes or circumstances arising beyond the control of the Pools. Such changes are reflected in the assumptions when they occur.

These financial statements have been presented in Canadian dollars, which is the Pools' functional currency (unless otherwise noted).

### a) Financial Instruments

#### Classification and recognition of financial instruments

In accordance with IAS 39 Financial Instruments: Recognition and Measurement, financial assets and financial liabilities are classified at initial recognition into the following categories:

*Financial assets and liabilities at fair value through profit or loss ("FVTPL")*

This category is sub-divided into:

- Financial instruments classified as Held For Trading: Financial assets and liabilities are classified as Held For Trading if they are acquired for the purpose of selling and/or repurchasing in the near term, and are acquired principally for the purpose of generating a profit from short-term fluctuations in price. Derivatives and securities sold short held by the Pools are classified as Held For Trading and do not meet the definition of effective hedging instruments as defined by IAS 39.
- Financial instruments designated as FVTPL through inception: All investments held by the Pools, excluding those classified as Held For Trading (discussed above), are designated as fair value through profit or loss upon initial recognition. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Pools, as set out in the Pools' prospectus.

#### *Loans and receivables*

The Pools include in this category receivable balances relating to portfolio investments and other short-term receivables such as receivable for units issued.

#### *Other financial liabilities*

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Pools include in this category amounts relating to payables for portfolio securities purchased and other accrued liabilities such as payable for units redeemed and distributions payable to holders of redeemable units.

All Pools have contractual obligations to distribute cash to the unitholders. As a result, the Pools' obligation for net assets attributable to holders of redeemable units represents a financial liability and is presented at the redemption amount.

### b) Risk Management

The Pools' overall risk management approach includes formal guidelines that govern the extent of exposure to various types of risk, including diversification within asset classes and limits on the exposure to individual investments and counterparties. In addition, derivative financial instruments may be used to manage certain risk exposures. The Manager also has various internal controls to oversee the Pools' investment activities,

including monitoring compliance with the investment objectives and strategies, internal guidelines, and securities regulations. Please refer to each Pool's Supplemental Schedule to Schedule of Investment Portfolio for specific risk disclosures.

#### Fair value of financial instruments

Financial instruments are valued at their fair value, which is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Refer to notes 3a to 3f for valuation of each specific type of financial instruments held by the Pools. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Pools use the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

For financial assets and financial liabilities that are not traded in an active market, fair value is determined using valuation techniques.

The Pools classify fair value measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable for the asset or liability.

If inputs are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. Each Pool's fair value hierarchy classification of its assets and liabilities is included in the *Supplemental Schedule to Schedule of Investment Portfolio*.

The carrying values of all non-investment assets and liabilities approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of a Pool, including the Level 3 measurements. The Manager obtains pricing from third-party pricing vendors and the pricing is reviewed daily. At each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements. The Pools also have a Valuation Committee which meets quarterly to perform detailed reviews of the valuations of investments held by the Pools, which includes discussion on Level 3 measurements.

#### Credit risk

Credit risk is the risk that a counterparty to a financial instrument, such as a fixed income security or a derivative contract, will fail to discharge an obligation or commitment that it has entered into with the Pools. The value of fixed income securities and derivatives as presented on the Schedule of Investment Portfolio includes consideration of the creditworthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Pools.

Certain Pools may invest in short-term fixed income securities issued or guaranteed primarily by the Government of Canada or any Canadian provincial government, obligations of Canadian chartered banks or trust companies, and commercial paper with approved credit ratings. The risk of default on these short-term fixed income securities is considered low and these securities primarily have credit ratings of 'A-1 (Low)' or higher (as rated by Standard & Poor's, a division of The McGraw-Hill Financial, Inc., or equivalent rating from another rating service).

The Pools may engage in securities lending transactions. The credit risk related to securities lending transactions is limited by the fact that the value of cash or securities held as collateral by the Pools in connection with these transactions is at least 102% of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. Further information regarding the collateral and securities on loan can be found in the footnotes to the Statements of Financial Position and in note 2].

#### Currency risk

Currency risk is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. This is because the Pools may invest in securities denominated or traded in currencies other than a Pool's reporting currency.

#### Interest rate risk

Prices of fixed income securities generally increase when interest rates decline and decrease when interest rates rise. This risk is known as interest rate risk. Prices of longer-term fixed income securities will generally fluctuate more in response to interest rate changes than would shorter-term securities. Due to the nature of short-term fixed income securities with a remaining term-to-maturity of less than one year, these investments are not generally exposed to a significant risk that their value will fluctuate in response to changes in the prevailing levels of market interest rates.

#### Liquidity risk

The Pools are exposed to daily cash redemptions of redeemable units. Generally, the Pools retain sufficient cash and cash equivalent positions to maintain adequate liquidity. However, liquidity risk also involves the ability to sell an asset for cash easily and at a fair price. Some securities are illiquid due to legal restrictions on their resale, the nature of the investment, or simply a lack of interested buyers for a particular security or security type. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability of a Pool to sell such securities quickly or at a fair price. Difficulty in selling securities could result in a loss or lower return for a Pool.

#### Other price/market risk

Other price/market risk is the risk that the value of investments will fluctuate as a result of changes in market conditions. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, and catastrophic events. All investments are exposed to other price/market risk.

#### c) Investment Transactions, Income Recognition, and Recognition of Realized and Unrealized Gains and Losses

- i) Each transaction of purchase or sale of a portfolio asset by a Pool is reflected in the net assets no later than the first computation of net assets made after the date on which the transaction becomes binding upon the Pool.
- ii) Interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Pool accounted for on an accrual basis. The Pools do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis.
- iii) Dividend income is recorded on the ex-dividend date.
- iv) Securities that are exchange-traded are recorded at fair value established by the last traded market price when that price falls within that day's bid-ask spread. Debt securities are recorded at fair value, established by the last traded price on the Over-the-Counter market (*OTC*) when that price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted securities are recorded at fair value using fair valuation techniques established by the Manager in establishing a fair value.
- v) Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost, excluding transaction costs, of the related investments.
- vi) Investment income is the sum of income paid to the Pool that is generated from a Pool's investment fund holdings.
- vii) Other income is the sum of income, excluding transaction costs, other than that which is separately classified on the Statements of Comprehensive Income.

#### d) Offsetting

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Where applicable, additional information can be found in the table Offsetting Arrangements as part of the Supplemental Schedule to Schedule of Investment Portfolio. This supplemental schedule discloses the OTC derivatives which are subject to offsetting.

## Notes to Financial Statements

### e) Portfolio Securities

The cost of securities of the Pools is determined in the following manner. Securities are purchased and sold at a market-traded price to arrive at a value for the position traded. The total purchased value represents the total cost of the security to the Pool. When additional units of the same security are purchased, the cost of those additional units is added to the total security cost. When units of the same security are sold, the proportionate cost of the units of the security sold is deducted from the total security cost. If there is a return of capital paid by a security, the amount of this return of capital is deducted from the total security cost. This method of tracking security cost is known as "average cost" and the current total for any one security is referred to as the adjusted cost base or "ACB" of the security. Transaction costs incurred in portfolio transactions are excluded from the average cost of investments and are recognized immediately in Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units and are presented as a separate expense item in the financial statements.

The difference between the fair value of securities and their average cost, excluding transaction costs, represents the unrealized appreciation (depreciation) in value of the portfolio investments. The applicable period change in unrealized appreciation (depreciation) of investments is included on the Statements of Comprehensive Income.

Short-term investments on the Schedule of Investment Portfolio are presented at their amortized cost which approximates their fair value. Accrued interest for bonds is disclosed separately on the Statements of Financial Position.

### f) Foreign Exchange

The value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars, which is the Pools' functional and presentation currency at the current rates prevailing on each Valuation Date.

Purchases and sales of investments, income, and expenses are translated into Canadian dollars, which is the Pools' functional and presentation currency at the foreign exchange rates prevailing on the dates of such transactions. Foreign currency translation gains (losses) on investments and income transactions are included in Net realized gain (loss) on foreign currency and in Income, respectively, on the Statements of Comprehensive Income.

### g) Forward Foreign Currency Contracts

The Pools may enter into forward foreign currency contracts for either hedging or non-hedging purposes where such activity is consistent with their investment objectives and as permitted by the Canadian securities regulatory authorities.

Changes in the fair value of forward foreign currency contracts are included in derivative assets or derivative liabilities on the Statements of Financial Position and are recorded as an Increase (decrease) in unrealized appreciation (depreciation) of investments and derivatives during the applicable period on the Statements of Comprehensive Income.

The gain or loss arising from the difference between the value of the original forward foreign currency contract and the value of such contract at close or delivery is realized and recorded as Net realized gain (loss) on foreign currency for Pools that use the forward foreign currency contracts for hedging, or as Derivative income (loss) for Pools that do not use the forward foreign currency contracts for hedging.

### h) Futures Contracts

The margin deposits with brokers relating to futures contracts are included in Margin on the Statements of Financial Position. Any change in the margin requirement is settled daily and included in Receivable for portfolio securities sold or Payable for portfolio securities purchased on the Statements of Financial Position.

Any difference between the settlement value at the close of business on each Valuation Date and the settlement value at the close of business on the previous Valuation Date is recorded as Derivative Income (loss) on the Statements of Comprehensive Income.

### i) Options

Premiums paid for purchased call and put options are included in derivative assets and subsequently measured at fair value on the Statements of Financial Position. When a purchased option expires, the Pool will realize a loss in the amount of the cost of the option. For a closing transaction, the Pool will realize a gain or loss depending on whether the proceeds are greater or less than the premium paid at the time of purchase.

When a purchased call option is exercised, the cost of the security purchased is increased by the premium paid at the time of purchase.

Premiums received from writing options are included in derivative liabilities and subsequently measured at fair value on the Statements of Financial Position as initial reductions in the value of investments. Premiums received from writing options that expire unexercised are recorded as realized gains and reported as Net gain (loss) on sale of investments and derivatives on the Statements of Comprehensive Income. For a closing transaction, if the cost of closing the transaction exceeds the premium received, the Pool will record a realized loss or, if the premium received at the time the option was written is greater than the amount paid, the Pool will record a realized gain and are reported as Net gain (loss) on sale of investments and derivatives. If a written put option is exercised, the cost for the security delivered is reduced by the premiums received at the time the option was written.

### j) Securities Lending

A Pool may lend portfolio securities in order to earn additional revenue, which is disclosed on the Statements of Comprehensive Income. The loaned assets of any one Pool are not permitted to exceed 50% of the fair value of the assets of that Pool (excluding collateral debt for the loaned securities). The minimum allowable collateral is 102% of the market value of the loaned securities as per the requirements of National Instrument 81-102-*Mutual Funds*. Collateral can consist of the following:

- i) Cash;
- ii) Qualified securities;
- iii) Irrevocable letters of credit issued by a Canadian financial institution that is not the counterparty, or an affiliate counterparty, of the fund in the transaction, if evidences of indebtedness of the Canadian financial institution that are rated as short-term debt by an approved credit rating organization have an approved credit rating.
- iv) Securities that are immediately convertible into securities of the same issuer, class, or type, and the same term, as the securities loaned.

The market value of the loaned securities is determined on the close of any valuation date and any additional required collateral is delivered to the Pool on the next business day. The securities on loan continue to be included on the Schedule of Investment Portfolio and are included in the total value on the Statements of Financial Position in Investments (non-derivative financial assets) at fair value. Where applicable, a Pool's securities lending transactions are reported in footnote *Securities Lending* on the Statements of Financial Position.

### k) Multi-Class Structured Pools

The realized and unrealized capital gains or capital losses, income, and common expenses (other than class-specific operating expenses and management fees) of the Pool are allocated on each Valuation Date to the unitholders in proportion to the respective prior day's net asset value, which includes unitholder trade(s) dated for that day, of each class of units at the date on which the allocation is made. Class-specific operating expenses and management fees do not require allocation. All class-specific operating expenses are paid by the Manager and are collected from the Pools on a recoverable basis.

### l) Loans and Receivables, Other Assets and Liabilities

Loans and receivables, other assets and liabilities (other than those classified as FVTPL) are recorded at cost, which approximates their fair value with the exception of net assets attributable to holders of redeemable units, which are presented at the redemption value.

### m) Legend for Abbreviations

The following is a list of abbreviations (foreign currency translation and others) that may be used in the Statements of Investment Portfolio:

*Currency Abbreviations*

|     |                     |     |                        |
|-----|---------------------|-----|------------------------|
| AUD | – Australian Dollar | KRW | – South Korean Won     |
| BRL | – Brazilian Real    | MXN | – Mexican Peso         |
| CAD | – Canadian Dollar   | MYR | – Malaysian Ringgit    |
| CHF | – Swiss Franc       | NOK | – Norwegian Krone      |
| CLP | – Chilean Peso      | NZD | – New Zealand Dollar   |
| CZK | – Czech Koruna      | PHP | – Philippine Peso      |
| DKK | – Danish Krone      | PLN | – Polish Zloty         |
| EUR | – Euro              | RUB | – Russian Ruble        |
| GBP | – British Pound     | SEK | – Swedish Krona        |
| HKD | – Hong Kong Dollar  | SGD | – Singapore Dollar     |
| HUF | – Hungarian Forint  | THB | – Thai Baht            |
| IDR | – Indonesian Rupiah | TRY | – New Turkish Lira     |
| ILS | – Israeli Shekel    | TWD | – Taiwan Dollar        |
| INR | – Indian Rupee      | USD | – United States Dollar |
| JPY | – Japanese Yen      | ZAR | – South African Rand   |

*Other Abbreviations*

|         |  |        |                                  |
|---------|--|--------|----------------------------------|
| ADR     | – American Depositary Receipt                | iUnits | – Index Units Securities         |
| ADC     | – Austrian Depositary Certificates           | LEPOs  | – Low Exercise Price Options     |
| CVO     | – Contingent Value Obligations International | MSCI   | – Morgan Stanley Capital Index   |
| ETF     | – Exchange-Traded Fund                       | OPALS  | – Optimized Portfolios as Listed |
| GDR     | – Global Depositary Receipt Securities       | PERLES | – Performance Linked to Equity   |
| IPN     | – International Participation Note           | REIT   | – Real Estate Investment Trust   |
| iShares | – Index Shares                               | SDR    | – Swedish Depositary Receipt     |

**n) Standards Issued but not yet Effective**

Standards issued but not yet effective up to the date of issuance of the Pools' financial statements are listed below. The Pools intend to adopt applicable standards when they become effective.

*IFRS 9, Financial Instruments - Classification and Measurement*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after January 1, 2018, with early application permitted. The Pools are in the process of assessing the impact of IFRS 9.

**o) Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit**

Increase (decrease) in net assets attributable to holders of redeemable units per unit of each class is calculated by dividing the Increase (decrease) in net assets attributable to holders of redeemable units (excluding distributions), as reported in the Statements of Comprehensive Income, by the weighted average number of units in issue during the related period.

**3. Valuation of Investments**

The valuation date for a Pool is any day when the Manager's head office is open for business (*Valuation Date*). The Trustee may, at its discretion, establish other Valuation Dates. The value of the investments or assets of a Pool is determined as follows:

**a) Cash and Other Assets**

Cash, accounts receivable, dividends receivable, distributions receivable, and interest receivable are valued at fair value or at their recorded cost, plus or minus any foreign exchange between recognition of the asset by the Pool and the current Valuation Date, which approximates fair value.

Short-term investments (money market instruments) are valued at fair value.

**b) Bonds, Debentures, and Other Debt Obligations**

Bonds, debentures, and other debt obligations are fair valued using the last traded price provided by a recognized vendor upon the close of trading on a Valuation Date, whereby the last traded price falls within that day's bid-ask spread. If the last traded price does not fall within that day's bid-ask spread, then the Manager will determine the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

**c) Listed Securities, Unlisted Securities, and Fair Value Pricing of Foreign Securities**

Any security that is listed or traded on a securities exchange is fair valued using the last traded price, whereby the last traded price falls within that day's bid-ask spread or, if there is no traded price on that exchange or the last traded price does not fall within that day's bid-ask spread and in the case of securities traded on an OTC market, at the fair value as determined by the Manager as an appropriate basis for valuation. In such situations, a fair value will be determined by the Manager to establish current value. If any securities are inter-listed or traded on more than one exchange or market, the Manager will use the principal exchange or market for the fair value of such securities.

Units of each mutual fund in which a Pool invests will be valued at fair value using the most recent net asset value quoted by the Trustee or Manager of the mutual fund on the Valuation Date.

Unlisted securities are fair valued using the last traded price quoted by a recognized dealer, or the Manager may determine a price that more accurately reflects the fair value of these securities if the Manager feels the last traded price does not reflect fair value.

Fair value pricing is designed to avoid stale prices and to provide a more accurate fair value, and may assist in the deterrence of harmful short-term or excessive trading in the Pool. When securities listed or traded on markets or exchanges that close prior to North or South American markets or exchanges are valued by the Manager at their fair market value, instead of using quoted or published prices, the prices of such securities used to calculate the Pool's net assets or net asset value may differ from quoted or published prices of such securities.

**d) Derivatives**

Long positions in options, debt-like securities, and listed warrants are fair valued using the last traded price as established on either their principal trading exchange or by a recognized dealer in such securities, whereby the last traded price falls within that day's bid-ask spread and the credit rating of each counterparty (as rated by Standard & Poor's, a division of The McGraw-Hill Financial, Inc.) meets or exceeds the minimum approved credit rating.

When any option is written by any Pool, the premium received by the Pool will be reflected as a liability that will be valued at an amount equal to the current value of the option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the liability shall be deducted in arriving at the net assets attributable to holders of redeemable units of the Pool. The securities that are the subject of a written option, if any, will be valued in the manner described above for listed securities.

## Notes to Financial Statements

Futures contracts, forward contracts, or swaps will be valued at fair value of the gain or loss, if any, that would be realized on the Valuation Date if the position in the futures contracts, forward contracts, or swaps were to be closed out.

Margin paid or deposited in respect of futures contracts and forward contracts will be reflected as an account receivable and margin consisting of assets other than cash will be noted as held as collateral.

Other derivatives and margin are fair valued in a manner that the Manager determines to represent their fair value.

### e) Restricted Securities

Restricted securities purchased by any Pool will be fair valued in a manner that the Manager determines to represent their fair value.

### f) Other Securities

All other investments of the Pools will be valued at fair value in accordance with the laws of the Canadian securities regulatory authorities where applicable.

The value of any security or other property of a Pool for which a market quotation is not readily available or where the market quotations do not properly reflect the fair value of such securities will be determined by the Manager by valuing the securities at their fair value. In such situations, fair value will be determined using fair valuation techniques that most accurately reflect their fair value as established by the Manager.

## 4. Interest in Underlying Funds

The Pools may invest in other investment funds ("Underlying Funds"). Each Underlying Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for its unitholders. Each Underlying Fund finances its operations primarily through the issuance of redeemable units, which are puttable at the unitholder's option and entitle the unitholder to a proportionate share of the Underlying Fund's net assets. The Pools' interests in Underlying Funds held in the form of redeemable units, are reported in its Schedule of Investments at fair value, which represents the Pools' maximum exposure on those investments. The Pools' interests in Underlying Funds as at the prior year-end periods are presented in the Financial Instrument Risks – Concentration Risks section in the Supplemental Schedule to the Schedule of Investment Portfolio. Distributions earned from Underlying Funds are included in "Investment Income" in the Statements of Comprehensive Income. The total realized and change in unrealized gains (losses) arising from Underlying Funds are also included in the Statement of Comprehensive Income. The Pools do not provide any additional significant financial or other support to Underlying Funds.

Where applicable, the table "Interests in Underlying Funds" is presented as part of the Supplemental Schedule to Schedule of Investment Portfolio which provides additional information on the Pools' investments in Underlying Funds where the ownership interest exceeds 20% of each Underlying Fund.

## 5. Redeemable Units Issued and Outstanding

Each Pool is permitted to have an unlimited number of classes of units and may issue an unlimited number of units of each class. The outstanding units represent the net assets attributable to holders of redeemable units of the Pools. Each unit has no par value and the value of each unit is the net asset value as determined on each valuation date. Settlement of the cost for units issued is completed as per laws of the Canadian securities regulatory authorities in place at the time of issue. Distributions made by the Pools and reinvested by unitholders in additional units also constitute issued redeemable units of the Pools.

Units are redeemed at the net assets attributable to holders of redeemable units per unit of each class of units of the Pool. A right to redeem units of a Pool may be suspended with the approval of the Canadian securities regulatory authorities or when normal trading is suspended on a stock, options, or futures exchange within Canada or outside of Canada on which securities or derivatives that make up more than 50% of the value or underlying exposure of the total assets of the Pool, not including any liabilities of the Pool, are traded and when those securities or derivatives are not traded on any other exchange that represents a reasonably practical alternative for the Pool. The Pools are not subject to any externally imposed capital requirements.

The capital received by a Pool is utilized within the respective investment mandate of a Pool. For all Pools, this includes the ability to make liquidity available to satisfy unitholder unit redemption requirements upon the unitholder's request.

Changes in issued and outstanding units for the periods ended August 31, 2015 and 2014 can be found on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

## 6. Management Fees and Operating Expenses

Management fees are based on the net asset value of the Pools and are calculated daily and paid monthly. Management fees are paid to the Manager in consideration for providing, or arranging for the provision of, management, distribution, and portfolio advisory services. Advertising and promotional expenses, office overhead expenses related to the Manager's activities, trailing commissions and the fees of the portfolio sub-advisors are paid by the Manager out of the management fees received from the Pools. The maximum annual management fee expressed as a percentage of the average net asset value for each class of units of the Pool is reported in footnote *Maximum Chargeable Management Fee Rates* on the Statements of Comprehensive Income. For Class O units, management fees are negotiated with and paid by, or as directed by, unitholders, or dealers and discretionary managers on behalf of unitholders.

In addition to the management fees, the Pools are responsible for all expenses relating to the operation and conduct of the business of the Pools, including interest, operating, and administrative costs (other than advertising and promotional expenses, which are the responsibility of the Manager), brokerage fees, commissions, spreads, regulatory fees (including the portion of the regulatory fees paid by the Manager that are attributable to the Pools), Independent Review Committee fees, taxes, audit and legal fees and expenses, trustee fees, safekeeping fees, custodial fees, any agency fees, securities lending, repurchase, and reverse repurchase fees, investor servicing costs, and costs of unitholder reports, prospectuses, fund facts, and other reports. All class-specific operating expenses are paid by the Manager and recovered from the Pools. The Pools do not pay a fee to the trustee.

The Manager may recover from a Pool less than the actual class-specific operating expenses paid by the Manager, resulting in the Manager absorbing class-specific expenses. The Manager may also charge to a Pool less than the maximum management fee noted in footnote *Maximum Chargeable Management Fee Rates* on the Statements of Comprehensive Income, resulting in the Manager waiving management fees.

At its sole discretion, the Manager may stop absorbing class-specific operating expenses and/or waiving management fees at any time. Class-specific operating expenses absorbed and/or management fees waived by the Manager are disclosed on the Statements of Comprehensive Income.

In some cases, the Manager may charge management fees to a Pool that are less than the management fees the Manager is entitled to charge in respect of certain investors in a Pool. The difference in the amount of the management fees will be paid out by the Pool to the applicable investors as a distribution of additional units of the Pool (*Management Fee Distributions*).

Management Fee Distributions are negotiable between the Manager and the investor and are dependent primarily on the size of the investor's investment in the Pool. Management Fee Distributions paid to qualified investors do not adversely impact the Pool or any of the Pool's other investors. The Manager may increase or decrease the amount of Management Fee Distributions to certain investors from time to time.

## 7. Income Taxes and Withholding Taxes

All of the Pools (except Frontiers Equity Income Pool and Frontiers U.S. Equity Currency Neutral Pool) qualify as mutual fund trusts under the *Income Tax Act* (Canada). No income tax is payable by the Pools on net income and/or net realized capital gains that are distributed to unitholders. In addition, for all of the Pools (except those that do not qualify as mutual fund trusts under the *Income Tax Act* (Canada)), income taxes payable on undistributed net realized capital gains are refundable on a formula basis when units of the Pools are redeemed. Sufficient net income and realized capital gains of the Pools have been, or will be, distributed to the unitholders such that no tax is payable by the Pools and accordingly, no provision for income taxes has been made in the financial statements. Occasionally, a Pool may pay distributions in excess of net income and net realized capital gains of the Pool. This excess distribution is called a return of capital and is non-taxable to the unitholder. However, a return of capital reduces the average cost of the unitholder's units for tax purposes.

Non-capital losses that arose in 2005 are available to be carried forward for 10 years. Non-capital losses that arose in 2006 and after are available to be carried forward for 20 years.

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Where applicable, a Pool's net capital and non-capital losses are reported in footnote *Capital and Non-Capital Losses* on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

Frontiers Equity Income Pool and Frontiers U.S. Equity Currency Neutral Pool have a taxation year-end of December 31. All other Pools have a taxation year-end of December 15.

The Pools currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

## 8. Brokerage Commissions and Fees

The total commissions paid by the Pools to brokers in connection with portfolio transactions are reported in footnote *Brokerage Commissions and Fees* on the Statements of Comprehensive Income of each Pool. In allocating brokerage business to a dealer, consideration may be given by the portfolio sub-advisors of the Pools to the provision of goods and services by the dealer or a third party, other than order execution (referred to in the industry as "soft dollar" arrangements). These goods and services are paid for with a portion of brokerage commissions and assist the portfolio sub-advisors with their investment decision-making services to the Pools or relate directly to the execution of portfolio transactions on behalf of the Pools. The services are supplied by the dealer executing the trade or by a third party and paid for by that dealer. The total soft dollar

payments paid by the Pools to brokers are reported in footnote *Brokerage Commissions and Fees* on the Statements of Comprehensive Income of each Pool. In addition, the Manager may enter into commission recapture arrangements with certain dealers with respect to the Pool. Any commission recaptured will be paid to the applicable Pool.

Fixed income, other securities, and certain derivative products (including forwards) are transacted in an over-the-counter market, where participants are dealing as principals. Such securities are generally traded on a net basis and do not normally involve brokerage commissions, but will typically include a "spread" (being the difference between the bid and the offer prices on the security of the applicable marketplace).

Spreads associated with fixed income securities trading and certain derivative products (including forwards) are not ascertainable and, for that reason, are not included in the dollar amounts. In addition, the soft dollar amounts only include the value of research and other services supplied by a third party to the portfolio sub-advisors, as the value of the services supplied to the portfolio sub-advisors by the dealer is not ascertainable. When these services benefit more than one Pool, the costs are allocated among the Pools based on transaction activity or some other fair basis as determined by the portfolio sub-advisors.

## 9. Related Party Transactions

Canadian Imperial Bank of Commerce (*CIBC*) and its affiliates have the following roles and responsibilities with respect to the Pools and receive the fees described below in connection with their roles and responsibilities. The Pools may hold securities of CIBC. CIBC and its affiliates may also be involved in underwriting or lending to issuers that may be held by the Pools, have purchased or sold securities from or to the Pools while acting as principal, have purchased or sold securities from or to the Pools on behalf of another investment fund managed by CIBC or an affiliate, or have been involved as a counterparty to derivative transactions. Management fees payable and other accrued expenses on the Statements of Financial Position are amounts generally payable to a related party of the Pool.

### *Manager, Trustee, Portfolio Advisor, and Portfolio Sub-Advisor of the Pools*

CIBC Asset Management Inc. (CAMI), a wholly owned subsidiary of CIBC, is the Manager, trustee, and portfolio advisor of each of the Pools.

The Manager also arranges for fund administrative services (other than advertising and promotional services, which are the responsibility of the Manager), legal, investor servicing, and costs of unitholder reports, prospectuses, and other reports. The Manager is the registrar and transfer agent for the Pools and provides, or arranges for the provision of, all other administrative services required by the Pools. The dollar amount (including all applicable taxes) of all fund administrative expenses (net of absorptions) that the Manager recovers from the Pool is reported in footnote *Administrative and Other Fund Operating Expenses* on the Statements of Comprehensive Income.

### *Brokerage Arrangements and Soft Dollars*

The portfolio sub-advisors make decisions, including the selection of markets and dealers and the negotiation of commissions, with respect to the purchase and sale of portfolio securities, certain derivative products (including futures), and the execution of portfolio transactions. Brokerage business may be allocated by portfolio sub-advisors, to CIBC World Markets Inc. and CIBC World Markets Corp., each a subsidiary of CIBC. The total commissions paid to related brokers in connection with portfolio transactions are reported in footnote *Brokerage Commissions and Fees* on the Statements of Comprehensive Income of each Pool.

CIBC World Markets Inc. and CIBC World Markets Corp. may also earn spreads on the sale of fixed income, other securities, and certain derivative products (including forwards) to the Pools. Dealers, including CIBC World Markets Inc. and CIBC World Markets Corp., may furnish goods and services, other than order execution, to portfolio sub-advisors, that process trades through them (referred to in the industry as "soft-dollar" arrangements). These goods and services are paid for with a portion of brokerage commissions and assist the portfolio sub-advisors with their investment decision-making services to the Pools or relate directly to executing portfolio transactions on behalf of the Pools. They are supplied by the dealer executing the trade or by a third party and paid for by that dealer. As per the terms of the portfolio sub-advisory agreements, such soft dollar arrangements are in compliance with applicable laws. The Manager has entered into an expense reimbursement agreement with CAMI which provides that custodial fees directly related to portfolio transactions incurred by a Pool, or a portion of a Pool, for which CAMI acts as advisor, shall be paid by CAMI and/or dealer(s) directed by CAMI up to the amount of the credits generated under soft dollar arrangements from trading on behalf of the Pool, or portion of the Pool, during the month. The total soft dollar payments paid by the Pool to related brokers are reported in footnote *Brokerage Commissions and Fees* on the Statements of Comprehensive Income of each Pool. In addition, the Manager may enter into commission recapture arrangements with certain dealers with respect to the Pools. Any commission recaptured will be paid to the relevant Pool.

Spreads associated with fixed income securities trading and certain derivative products (including forwards) are not ascertainable and, for that reason, are not included in the dollar amounts. In addition, the soft dollar amounts only include the value of research and other services supplied by a third party to the portfolio sub-advisors, as the value of the services supplied to the portfolio sub-advisors by the dealer is not ascertainable. When these services benefit more than one Pool, the costs are allocated among the Pools based on transaction activity or some other fair basis as determined by the portfolio sub-advisors.

### *Custodian*

The custodian holds all cash and securities for the Pools and ensures that those assets are kept separate from any other cash or securities that the custodian might be holding. The custodian also provides other services to the Pool including record keeping and processing of foreign exchange transactions. CIBC Mellon Trust Company is the custodian of the Pools (the *Custodian*). The fees and spreads for services of the Custodian directly related to the execution of portfolio transactions by a Pool, or a portion of a Pool, for which CAMI acts as portfolio advisor are paid by CAMI and/or dealer(s) directed by CAMI up to the amount of the credits generated under soft dollar arrangements from trading on behalf of the Pool, or portion of the Pool, during that month. All other fees and spreads for the services of the Custodian are borne as an operating expense by the Pools. CIBC owns a 50 percent interest in the Custodian.

### *Service Provider*

CIBC Mellon Global Securities Services Company (*CIBC GSS*) provides certain services to the Pools, including securities lending, fund accounting and reporting, and portfolio valuation. CIBC indirectly owns a 50 percent interest in CIBC GSS. The dollar amount paid by the Pools (including all applicable taxes) to CIBC Mellon Trust Company for custodian fees (net of absorptions) and to CIBC GSS for securities lending, fund accounting, reporting, and fund valuation (all net of absorptions) for the periods ended August 31, 2015 and 2014 is reported in footnote *Service Provider* on the Statements of Comprehensive Income.

## 10. Hedging

Certain foreign currency denominated positions have been hedged, or partially hedged, by forward foreign currency contracts as part of the investment strategies of the Pool. These hedges are indicated by a hedging reference number on the Schedule of Investment Portfolio and a corresponding hedging reference number on the Forward Foreign Currency Contracts Schedule for the Pools.

## 11. Collateral on Specified Derivatives

Short-term investments may be used as collateral for futures contracts outstanding with brokers.

## 12. Transition to IFRS

The effect of the Pools' transition to IFRS is summarized in this note as follows:

### *Transition Elections*

The only voluntary exemption adopted by the Pools upon transition was the ability to designate a financial asset or financial liability at fair value through profit and loss upon transition to IFRS. All financial assets designated at FVTPL upon transition (see Supplemental Schedule to Schedule of Investment Portfolio) were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies.

### *Statement of Cash Flows*

Under Canadian GAAP, the Pools were exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include Statements of Cash Flows for the current period and comparative periods, without exception.

### *Classification of Redeemable Units Issued by the Pools*

Under Canadian GAAP, the Pools accounted for their redeemable units as equity. Under IFRS, IAS 32 requires that units or shares of equity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as financial liability. The Pools' units do not meet the criteria in IAS 32 for classification as equity and therefore, have been reclassified as financial liabilities on transition to IFRS.

### *Revaluation of Investments at Fair Value Through Profit or Loss (FVTPL)*

Under Canadian GAAP, the Pools measured the fair values of their investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement, which required the use of bid prices for long positions and ask prices for short positions; to the extent such prices are available. Under IFRS, the Pools measure the fair value of its investments using the guidance in IFRS 13, *Fair Value Measurement (IFRS 13)*, which requires that if an asset or a liability has a bid price or an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As a result, upon adoption of IFRS an adjustment was

## *Notes to Financial Statements*

recognized to increase the carrying amount of the Pools' investments. The impact of this adjustment was to increase the Pools' increase (decrease) in net assets attributable to holders of redeemable units from operations (excluding distributions). Further information regarding the revaluation adjustments is reported in footnote *Reconciliation of Equity and Comprehensive Income as Previously Reported Under Canadian GAAP to IFRS* on the Statements of Financial Position.

### *Reclassification Adjustments*

Under IFRS, withholding taxes which were previously netted against foreign interest, foreign dividend and foreign securities lending income under Canadian GAAP have been reclassified and presented separately as expense.

# INDEPENDENT AUDITORS' REPORT

To the Unitholders of

Frontiers Canadian Short Term Income Pool  
Frontiers Canadian Fixed Income Pool  
Frontiers Equity Income Pool  
Frontiers Canadian Equity Pool  
Frontiers U.S. Equity Pool  
Frontiers U.S. Equity Currency Neutral Pool  
Frontiers International Equity Pool  
Frontiers Emerging Markets Equity Pool  
Frontiers Global Bond Pool

(The "Pools")

We have audited the accompanying financial statements of the Pools, which comprise the statements of financial position as at August 31, 2015 and 2014, and September 1, 2013, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years ended August 31, 2015 and 2014, 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 International Financial Reporting Standards, 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.

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 auditors' 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 auditors consider internal control relevant to the Pools' 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 Pools' 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 audits 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 Pools as at August 31, 2015 and 2014, and September 1, 2013, and their financial performance and their cash flows for the years ended August 31, 2015 and 2014 in accordance with International Financial Reporting Standards.

Toronto, Canada  
November 9, 2015



Chartered Professional Accountants  
Licensed Public Accountants



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CIBC Asset Management Inc., the manager and trustee of the Frontiers Pools, is a wholly-owned subsidiary of Canadian Imperial Bank of Commerce. Please read the Frontiers Pools simplified prospectus before investing. To obtain a copy of the simplified prospectus, call 1-888-888-3863, email us at [info@renaissanceinvestments.ca](mailto:info@renaissanceinvestments.ca), or ask your advisor.

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