

Canadian Scholarship Trust Group Savings Plan

Audited Financial Statements and
Management Report of Fund Performance

October 31, 2021 and 2020



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CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain portions of the Management Report of Fund Performance, including but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements about the Plan, including its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” and similar forward-looking expressions or negative versions thereof.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Plan action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Plan and economic factors. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Plan. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of important factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

Management Report of Fund Performance

Introduction

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Canadian Scholarship Trust Group Savings Plan (“the Plan”). A copy of the annual financial statements can be obtained on request, and at no cost, by visiting our website at www.cst.org, SEDAR at www.sedar.com, by calling our customer service team at 1-877-333-7377 or by writing to us by mail at 2235 Sheppard Avenue East, Suite 1600, Toronto, Ontario M2J 5B8.

The Canadian Scholarship Trust Foundation, as the Plan sponsor, and C.S.T. Consultants Inc., as the Investment Fund Manager, view corporate governance and compliance as critical to overall corporate performance and long-term investment returns, and as such we review and support the proxy voting guidelines established by our investment managers. Each investment manager’s proxy voting policy is available on request through our customer service area or by contacting us at cstplan@cst.org.

This management discussion of fund performance presents the portfolio management team’s view on the significant factors and developments during the year ended October 31, 2021, that have affected the Plan’s performance and outlook.

Investment Objective and Strategy

The Plan’s investment objectives are to protect Subscribers’ principal (net “Contributions” or “Principal”), and to deliver a reasonable positive return on investments over a long-term investment horizon within prudent risk tolerances.

The Plan is invested according to a strategic mix with Principal and Income (money earned on either contributions or government grants, such as interest and capital gains) assets invested in Canadian government fixed income securities all passively managed by CIBC Asset Management Inc., according to pre-specified duration targets. A portion of Plan assets are invested according to a pre-determined maturity payout schedule using both Canadian government fixed income securities and corporate bonds with a minimum debt rating of BBB and above.

Risk

The risks of investing in the Plan remain as described in the prospectus. There were no material changes to the Plan during the year that affected the overall level of risk associated with an investment in the Plan.

Results of Operation

Plan Performance

During the year, the Plan’s rate of return, net of fees, was -1.5% compared to the investment policy benchmark (“Benchmark”) return of -0.7% and the FTSE Canada Short-Term Government Bond Index return of -1.5% (“Broad-based Index”). The Plan’s return is after the deduction of fees and expenses of 0.7%, while the Benchmark and Broad-based Index returns do not include any costs of investing such as fees, expenses and commissions.

In comparison to the Benchmark, the Plan’s rate of return, before fees and expenses, marginally underperformed the

Benchmark over the one-year period. Underperformance was largely due to the Plan holding a lower allocation of Canadian Treasury Bills as compared with the benchmark throughout a period in which short-term bond performance was negative.

In comparison to the Broad-based Index, the Plan’s allocation to Treasury Bills was the primary source of outperformance relative to the FTSE Canada Short-Term Government Bond Index over the one-year period.

Economic Review

Canadian and world economies rebounded sharply from the severe downturns experienced with the onset of the COVID-19 pandemic. The second half of 2021 experienced improved economic activity and central banks in several advanced economies announced their intention to reduce monetary stimulus introduced during the prior year. Increased inflationary pressures arose during the latter half of the year due to supply disruptions, increased global demand, and rising energy prices. Despite improvement in employment levels and consumer demand, market risk volatility measures remain at elevated levels.

The Canadian economy expanded for three straight quarters before contracting in Q2 2021. The Bank of Canada maintained the overnight lending rate at 0.25% and announced in October plans to exit the prior years’ accommodative policies. The unemployment rate declined for the fourth consecutive month in September, falling to 6.9%, the lowest rate since the onset of the pandemic. The Canadian dollar strengthened relative to the US dollar amidst increased export demand. Inflation levels increased throughout the year with the Canadian Consumer Price Index reaching 4.1% in September and are expected by the Bank of Canada to remain at elevated levels throughout 2022.

The increased pace of economic recovery in combination with rising inflation contributed to a substantial increase in yields,

ultimately resulting in negative Canadian fixed income returns. In this environment, the FTSE Canada Universe Bond Index declined by 3.6%, with longer dated maturities such as the FTSE Canada Long Term Bond Index falling by 6.8% over the same period. Canadian corporate bonds fared better as spreads over government bonds narrowed, resulting in a return of -0.9%. The Bank of Canada's announcement to reduce quantitative easing triggered a jump in short-term yields resulting in the FTSE Canadian Short-Term Bond Index falling 1.0% for the year.

Recent Developments and Other Information

We believe that our investment strategy and conservative management approach will continue to provide value over the long-term horizon of the Plan. Our goal, as always, is to provide safety of principal and deliver a reasonable return within our investment policy guidelines and risk tolerances for our subscribers and beneficiaries.

Financial and Operating Highlights (with comparative figures)

The following table shows selected financial information about the Plan and is intended to help you understand the Plan's financial performance for each of the past five fiscal years. This information is derived from the Plan's audited annual financial statements.

(\$ thousands)	2021	2020	2019	2018	2017
Statements of Financial Position					
Total Assets	\$ 97,304	\$146,624	\$183,357	\$261,440	\$408,550
Net Assets	94,560	137,115	179,385	256,566	406,053
% Change in Net Assets Attributable to Subscribers and Beneficiaries	(31.0)%	(23.6)%	(30.1)%	(36.8)%	(25.9)%
Statements of Comprehensive Income					
Net Investment Income	\$ 510	\$ 5,948	\$ 14,940	\$ 2,674	\$ 19,981
Statements of Changes in Net Assets					
Education Assistance Payments	\$ (12,563)	\$ (19,177)	\$ (31,146)	\$ (39,199)	\$ (37,651)
Government Grants Received (net of repayments)	(251)	2	(22)	6	169
Government Grant Payments to Beneficiaries	(9,928)	(14,910)	(21,880)	(24,449)	(14,229)
Other					
Total number of units	155,009	195,487	242,544	295,005	347,503
% Change in the total number of units	(20.7)%	(19.4)%	(17.8)%	(15.1)%	(11.1)%

Management Fees

Administration Fees

An administration fee of \$0.7 million (2020 – \$0.9 million) comprising of Plan administration and processing fees and financial reporting expenses was paid to the Canadian Scholarship Trust Foundation (“the Foundation”), the sponsor and administrator of the Plan, in accordance with subscribers’ Education Savings Plan Agreements. The administration of the Plan includes processing and call centre services related to new agreements, Government grants, plan modifications, terminations, maturities and Education Assistance Payments (“EAPs”). The annual administration fee is calculated as 0.5% of the total amount of net Contributions, Government Grants and income earned on these amounts, subject to applicable taxes, and is paid monthly.

The Foundation has delegated certain administrative and distribution functions to its wholly-owned subsidiary, C.S.T. Consultants Inc., which is registered as the Plan’s Investment Fund Manager in Ontario, Quebec, Newfoundland and Labrador, and Scholarship Plan Dealer under securities legislation of each of the provinces and territories of Canada in which it operates to sell scholarship plans. C.S.T. Consultants, Inc. is the exclusive distributor of the Canadian Scholarship Trust Plans.

In exchange for its administrative services, C.S.T. Consultants, Inc. receives an amount equal to the administration costs incurred plus a percentage of such costs from the Foundation. The administration services agreement is renewable on an annual basis.

Portfolio Management Fees

The Plan’s annual investment management fee was 0.08% including taxes (2020 – 0.07%), of the average market value of assets based on the Investment Management Agreements with portfolio managers. The portfolio managers provide investment advisory and discretionary managed account services with respect to purchasing, selling, and dealing in securities.

Trustee and Custodian Fees

The Plan pays trustee and custodian fees to RBC Investor Services Trust to settle all investment trades and disburse fees, EAPs and other amounts in accordance with the terms of the Plan Agreement. For 2020 these fees charged to the Plan amounted to \$24 thousand (2020 – \$52 thousand) and were 0.02% including taxes (2020 – 0.03%), of the average market value of assets.

Summary of Plan Investment Portfolio

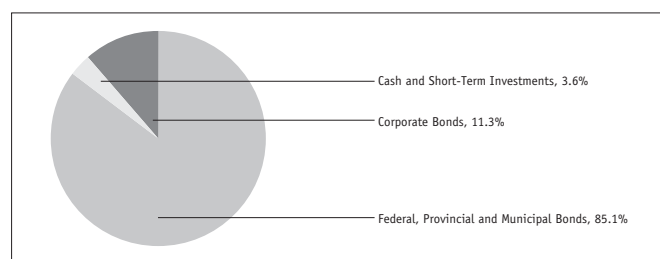
The Plan’s Total Portfolio Assets are comprised of the Principal, Government Grants and Income for all education savings plan agreements that have not reached their maturity date, and the assets from which eligible beneficiaries collect EAP payments. In previous years, the Plan’s Total Portfolio Assets did not include the Government Grant assets.

Sales Charge Refund assets and related investment income are used to pay Sales Charge Refund Entitlements to qualified beneficiaries. These assets are invested together with funds from other Plans administered by the Foundation. Any payments to beneficiaries from Sales Charge Refund assets are treated as separate payments.

The Plan’s Total Portfolio Assets as presented and as defined in this report, reflect only the Principal, Government Grant, and Income assets. The Plan’s Total Portfolio Assets do not include the Sales Charge Refund asset pools that are attributable to this Plan.

The following chart illustrates the Plan’s Total Portfolio Assets by investment categories.

Asset Mix as of October 31, 2021



The following table details the top 25 long positions of the Total Portfolio Assets of the Plan. The Plan is prohibited from holding short positions in securities.

Issuer			Fair Value (\$ 000's)	% of Plan Portfolio Assets
Government of Canada	0.00%	20 Jan 2022	10,821	12.1%
Government of Canada	0.25%	1 Feb 2023	3,474	3.9%
Government of Canada	0.00%	9 Dec 2021	3,448	3.8%
Government of Canada	2.00%	1 Sep 2023	3,255	3.6%
Government of Canada	0.25%	1 May 2023	3,167	3.5%
Government of Canada	0.25%	1 Apr 2024	3,132	3.5%
Canada Housing Trust	1.95%	15 Dec 2025	3,039	3.4%
Government of Canada	0.00%	25 Nov 2021	2,974	3.3%
Government of Canada	0.00%	6 Jan 2022	2,699	3.0%
Canada Housing Trust	2.35%	15 Jun 2023	2,553	2.9%
Government of Canada	0.25%	1 Mar 2026	2,375	2.7%
Government of Canada	0.00%	3 Feb 2022	2,349	2.6%
Canada Housing Trust	2.35%	15 Sep 2023	2,046	2.3%
Canada Housing Trust	2.55%	15 Dec 2023	1,902	2.1%
Canada Housing Trust	2.90%	15 Jun 2024	1,664	1.9%
Canada Housing Trust	2.55%	15 Mar 2025	1,654	1.8%
Government of Canada	0.75%	1 Oct 2024	1,479	1.7%
Province of Ontario	2.40%	2 Jun 2026	1,337	1.5%
Province of Ontario	8.50%	2 Dec 2025	1,267	1.4%
Government of Canada	1.00%	1 Sep 2026	1,172	1.3%
Province of Alberta	4.45%	15 Dec 2025	1,132	1.3%
Province of Québec	3.75%	1 Sep 2024	1,066	1.2%
Province of Ontario	3.50%	2 Jun 2024	1,054	1.2%
Province of Québec	3.00%	1 Sep 2023	1,034	1.2%
Province of Ontario	2.60%	8 Sep 2023	1,026	1.1%

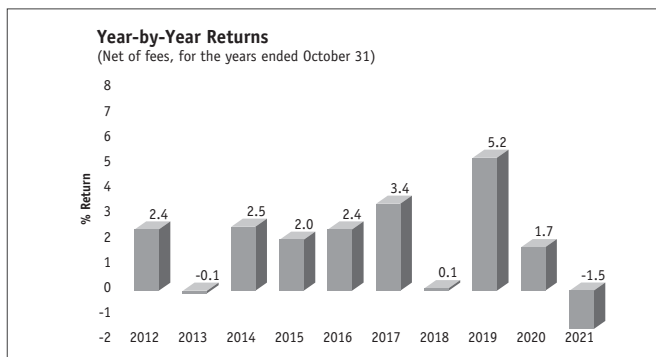
Top 25 long positions as a percentage of Total Portfolio Assets of the Plan 68.3%

Past Performance

The returns presented in the following chart and the annual compound returns table are based on the investment performance of the Plan's Total Portfolio Assets only and do not reflect the investment performance of assets from the Sales Charge Refund Entitlements. Investment returns have been calculated using market values and time-weighted cash flows during the periods. Total expenses incurred by the Plan, including administration, portfolio management, custody and trustee fees, and Independent Review Committee expenses have been deducted and only net returns are displayed in each period. Past returns of the Plan do not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The following bar chart illustrates the annual performance in each of the past ten years to October 31, 2021 of the Plan's Total Portfolio Assets. The chart illustrates in percentage terms how much an investment in the Plan's Total Portfolio Assets, made on the first day of each financial year, would have increased or decreased by the last day of each financial year:



Annual Compound Returns

With the implementation of the updated investment strategy in fiscal 2021, the Plan's investment benchmark was changed effective October 1, 2019 to 50% FTSE Canada Short-Term Government Bond Index + 50% FTSE Canada 91-Day Treasury Bill Index. The FTSE Canada Short Term Government Bond Index is a broad measure of Canadian investment grade fixed income securities, issued by the Government of Canada, including Crown Corporations and provincial governments, with maturities between 1 and 5 years. The FTSE Canada 91-Day Treasury Bill Index is based upon the average daily yield of 91-Day Treasury Bills.

The following table illustrates the annual compound returns of the Plan's Total Portfolio Assets, for the periods shown ending on October 31, 2021.

	Period			
	1 Yr	3 Yr	5 Yr	10 Yr
Net Plan Return*	(1.5)	1.7	1.7	1.8
Benchmark	(0.7)	2.6	2.4	2.6
FTSE Canada Short-Term Government Bond Index	(1.5)	2.4	1.3	1.6

* Plan returns are after the deduction of fees and expenses, while the Benchmarks and Broad-based Index returns do not include any costs of investing such as fees, expenses and commissions. The Plan's fees and expenses were 0.7% for all periods.

For commentary on the market or information regarding the relative performance of the Plan compared to its Broad-based Index and Benchmark, see the Results of Operations section of this report.

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Canadian Scholarship Trust Group Savings Plan (the "Plan") are prepared by management and are approved by the Board of Directors (the "Board") of the Canadian Scholarship Trust Foundation (the "Foundation"). Management is responsible for the information and representations contained in these financial statements. The Board of Directors is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities.

The Foundation, through C.S.T. Consultants Inc., a wholly-owned subsidiary which administers the Plan, maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies, which management believes are appropriate for the Plan, are described in Note 2 to the financial statements.

Deloitte LLP is the external auditor of the Plan. It has audited the financial statements in accordance with Canadian generally accepted auditing standards to enable it to express to the Board of Directors and Members of the Foundation its opinion on the financial statements. Its report is set out below.



Sherry J. MacDonald, CPA, CA
President and Chief Executive Officer

Toronto, Ontario
December 16, 2021



Christopher Ferris, CPA, CGA, CFA
Chief Financial Officer

Independent Auditor's Report

To the Board of Directors and Members of the Canadian Scholarship Trust Foundation

Opinion

We have audited the financial statements of Canadian Scholarship Trust Group Savings Plan (the "Plan"), which comprise the statements of financial position as October 31, 2021 and 2020, and the statements of comprehensive income, changes in net assets attributable to subscribers and beneficiaries, and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Plan as at October 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

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

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

Those charged with governance are responsible for overseeing the Plan's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
December 16, 2021

Statements of Financial Position

As at October 31, 2021 and 2020

(thousands of Canadian dollars)

	2021	2020
Assets		
Cash and cash equivalents	\$ 3,322	\$ 22,172
Investments <i>(Note 4 and Schedule I)</i>	89,218	118,941
Accrued income and other receivables	4,764	5,511
	97,304	146,624
Liabilities		
Payables for securities purchased	-	7,284
Accounts payable and accrued liabilities	2,744	2,225
	2,744	9,509
Net Assets Attributable to Subscribers and Beneficiaries	94,560	137,115
Represented by:		
Non-Discretionary Funds		
Accumulated income held for future education assistance payments	17,804	30,629
Subscribers' deposits <i>(Schedule II)</i>	21,377	26,998
Government grants	26,489	32,285
Income on Government grants	28,134	32,586
Sales charge refund entitlements <i>(Note 8)</i>	2,951	14,637
General Fund <i>(Note 7)</i>	(2,371)	(925)
Unrealized Gains	176	905
	\$94,560	\$137,115

Approved on behalf of the Board of Canadian Scholarship Trust Foundation.



Douglas P. McPhie, FCPA, FCA
Director



Sherry J. MacDonald, CPA, CA
Director

Statements of Comprehensive Income

For the years ended October 31, 2021 and 2020

(thousands of Canadian dollars)

	2021	2020
Income		
Interest	\$1,383	\$2,674
Realized gains on sale of investments	142	1,141
Change in unrealized (losses) gains	(683)	1,702
Dividends	431	1,518
	1,273	7,035
Expenses		
Administration and account maintenance fees <i>(Note 3(a))</i>	649	909
Portfolio management fees	88	123
Custodian and trustee fees	24	52
Independent Review Committee fees	2	3
	763	1,087
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 510	\$5,948

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the years ended October 31, 2021 and 2020

(thousands of Canadian dollars)

	2021	2020
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Year	\$137,115	\$179,385
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	510	5,948
Transfers to internal and external plans	(14,450)	(1,709)
	(13,940)	4,239
Receipts		
Government grants received (net of repayments)	-	2
Disbursements		
Net decrease in Subscribers' deposits <i>(Schedule II)</i>	(5,620)	(10,305)
Government grants repaid (net of receipts)	(251)	-
Payments to beneficiaries		
Education assistance payments	(12,563)	(19,177)
Government grants	(9,928)	(14,910)
Refund of Sales Charge	(490)	(1,001)
Return of income	237	(1,118)
Total payments to beneficiaries	(22,744)	(36,206)
Receipts less Disbursements	(28,615)	(46,509)
Change in Net Assets Attributable to Subscribers and Beneficiaries	(42,555)	(42,270)
Net Assets Attributable to Subscribers and Beneficiaries, End of Year	\$ 94,560	\$137,115

Statements of Cash Flows

For the years ended October 31, 2021 and 2020

(thousands of Canadian dollars)

	2021	2020
Operating Activities		
Increase in Net Assets from Operations Attributable to Subscribers and Beneficiaries	\$ 510	\$ 5,948
Items not affecting cash		
Realized gains on sale of investments	(142)	(1,141)
Change in unrealized gains	683	(1,702)
Change in non-cash operating capital		
(Increase) decrease in Accrued income and other receivables	747	(2,038)
(Increase) decrease in Government grants receivable	-	(6)
Increase (decrease) in Accounts payable and accrued liabilities	519	160
Purchase of investments	(112,438)	(89,676)
Proceeds from sales and maturities of investments	134,336	130,097
Net Cash flows from (used in) Operating Activities	24,215	41,642
Financing Activities		
Transfers to internal and external plans	(14,450)	(1,709)
Net Government grants received (repaid)	(251)	2
Net decrease in Subscribers' deposits <i>(Schedule II)</i>	(5,620)	(10,305)
Payments to beneficiaries	(22,744)	(36,206)
Net Cash flows from (used in) Financing Activities	(43,065)	(48,218)
Net decrease in Cash and cash equivalents	(18,850)	(6,576)
Cash and cash equivalents, Beginning of Year	22,172	28,748
Cash and cash equivalents, End of Year	3,322	22,172
Supplemental cash flow information:		
Withholding Taxes	\$ -	\$ -
Interest Income Received	2,130	3,007

Schedule I – Statement of Investment Portfolio

As at October 31, 2021

(in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds						Bonds (continued)					
Federal – 63.4%						Municipal – 2.3%					
Canada Housing Trust	2.35	15 Jun 2023	2,500	2,553	2,569	City of Montreal	3.00	1 Sep 2025	500	524	538
Canada Housing Trust	2.35	15 Sep 2023	2,000	2,046	2,092	Regional Municipality of York	2.60	15 Dec 2025	500	517	531
Canada Housing Trust	2.55	15 Dec 2023	1,850	1,902	1,916	The Regional Municipality of Niagara	0.00	30 Dec 2021	150	150	150
Canada Housing Trust	2.90	15 Jun 2024	1,600	1,664	1,708	The Regional Municipality of Niagara	0.00	30 Jun 2022	250	249	249
Canada Housing Trust	1.80	15 Dec 2024	1,000	1,010	1,050	The Regional Municipality of Niagara	0.00	30 Dec 2022	150	148	148
Canada Housing Trust	2.55	15 Mar 2025	1,600	1,654	1,701	The Regional Municipality of Niagara	0.00	30 Jun 2023	200	196	196
Canada Housing Trust	0.95	15 Jun 2025	1,000	979	1,006	The Regional Municipality of Niagara	0.00	30 Jun 2024	250	240	241
Canada Housing Trust	1.95	15 Dec 2025	3,000	3,039	3,118					2,024	2,053
Canada Housing Trust	1.25	15 Jun 2026	500	490	501						
Government of Canada	0.00	25 Nov 2021	2,975	2,974	2,974	Corporate – 11.3%					
Government of Canada	0.00	9 Dec 2021	3,450	3,448	3,448	407 International Inc.	2.47	8 Sep 2022	300	303	304
Government of Canada	0.00	6 Jan 2022	2,700	2,699	2,699	AltaGas Ltd.	2.61	16 Dec 2022	100	101	102
Government of Canada	0.00	20 Jan 2022	10,825	10,821	10,821	AltaLink, LP	3.67	6 Nov 2023	75	78	79
Government of Canada	0.00	3 Feb 2022	2,350	2,349	2,349	Bank of Montreal	2.12	16 Mar 2022	190	191	191
Government of Canada	0.25	1 Feb 2023	3,500	3,474	3,500	Bank of Nova Scotia	1.83	27 Apr 2022	180	181	181
Government of Canada	0.25	1 May 2023	3,200	3,167	3,198	Bank of Nova Scotia	2.38	1 May 2023	250	254	255
Government of Canada	2.00	1 Sep 2023	3,200	3,255	3,329	Bank of Nova Scotia	2.58	30 Mar 2027	150	151	151
Government of Canada	0.25	1 Apr 2024	3,200	3,132	3,181	Brookfield Infrastructure Partners LP	3.32	22 Feb 2024	50	52	52
Government of Canada	0.75	1 Oct 2024	1,500	1,479	1,508	Caisse Centrale Desjardins	2.39	25 Aug 2022	750	760	761
Government of Canada	0.50	1 Sep 2025	1,000	967	996	Calloway REIT Inc.	3.99	30 May 2023	115	119	120
Government of Canada	0.25	1 Mar 2026	2,500	2,375	2,422	Canadian Imperial Bank of Commerce	2.43	9 Jun 2023	170	173	174
Government of Canada	1.00	1 Sep 2026	1,200	1,172	1,209	Canadian Tire Corp Ltd.	3.17	6 Jul 2023	75	77	77
				56,649	57,295	Canadian Western Bank	2.74	16 Jun 2022	800	810	811
						Canadian Western Bank	1.57	14 Sep 2023	150	150	151
Provincial – 19.4%						Capital Desjardins Inc.	4.95	15 Dec 2026	300	302	302
Province of Alberta	2.65	1 Sep 2023	300	308	309	Caterpillar Financial Services Limited	2.09	12 Sep 2022	300	303	304
Province of Alberta	2.35	1 Jun 2025	200	205	214	Central 1 Credit Union	2.58	6 Dec 2023	70	71	72
Province of Alberta	4.45	15 Dec 2025	1,000	1,132	1,144	Daimler Canada Finance Inc.	2.57	22 Nov 2022	300	305	306
Province of British Columbia	0.00	8 Sep 2023	174	169	170	Daimler Canada Finance Inc.	2.54	21 Aug 2023	75	76	77
Province of British Columbia	3.30	18 Dec 2023	700	731	750	Enbridge Inc.	3.94	13 Jan 2023	100	103	104
Province of British Columbia	2.15	3 Jun 2024	200	204	209	EPCOR Utilities Inc.	1.95	8 Jul 2022	800	808	808
Province of British Columbia	2.85	18 Jun 2025	200	209	220	Equitable Bank	2.95	26 Sep 2022	100	102	102
Province of British Columbia	2.30	18 Jun 2026	300	308	318	First Capital Realty Inc.	4.43	31 Jan 2022	150	151	151
Province of Manitoba	0.00	5 Sep 2022	610	607	607	First Capital Realty Inc.	3.95	5 Dec 2022	100	103	103
Province of Manitoba	3.30	2 Jun 2024	500	524	538	Fortified Trust	2.34	23 Jan 2023	300	305	306
Province of Manitoba	2.45	2 Jun 2025	500	515	530	Fortified Trust	2.56	23 Mar 2024	75	77	77
Province of Manitoba	2.55	2 Jun 2026	300	310	320	Glacier Credit Card Trust	3.14	20 Sep 2023	150	154	156
Province of New Brunswick	1.80	14 Aug 2025	500	503	513	Honda Canada Finance Inc.	1.82	7 Dec 2021	275	275	275
Province of New Brunswick	2.60	14 Aug 2026	200	207	214	Honda Canada Finance Inc.	2.54	1 Mar 2023	300	307	307
Province of Newfoundland and Labrador	0.00	17 Apr 2022	245	244	245	Hydro One Inc.	2.54	5 Apr 2024	50	51	52
Province of Newfoundland and Labrador	2.30	2 Jun 2025	150	153	160	Hydro-Québec	9.63	15 Jul 2022	90	96	96
Province of Ontario	2.85	2 Jun 2023	400	411	417	Inter Pipeline Ltd.	3.78	30 May 2022	750	763	763
Province of Ontario	2.60	8 Sep 2023	1,000	1,026	1,050	Inter Pipeline Ltd.	2.73	18 Apr 2024	50	51	51
Province of Ontario	3.50	2 Jun 2024	1,000	1,054	1,089	John Deere Canada Funding Inc.	2.63	21 Sep 2022	300	306	306
Province of Ontario	2.60	2 Jun 2025	950	984	1,017	John Deere Financial Inc.	2.46	4 Apr 2024	50	51	51
Province of Ontario	1.75	8 Sep 2025	600	603	628	Manufacturers Life Insurance Company	2.84	12 Jan 2023	100	102	103
Province of Ontario	8.50	2 Dec 2025	1,000	1,267	1,329	National Bank of Canada	2.98	4 Mar 2024	50	52	52
Province of Ontario	2.40	2 Jun 2026	1,300	1,337	1,373	Ontario Hydro	0.00	26 May 2022	160	160	160
Province of Québec	0.00	16 Jul 2022	300	299	299						
Province of Québec	3.00	1 Sep 2023	1,000	1,034	1,052						
Province of Québec	3.75	1 Sep 2024	1,000	1,066	1,106						
Province of Québec	2.75	1 Sep 2025	700	730	756						
Province of Québec	2.50	1 Sep 2026	700	724	747						
Province of Saskatchewan	0.80	2 Sep 2025	500	485	494						
				17,349	17,818						

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

Schedule I – Statement of Investment Portfolio (continued)

As at October 31, 2021

(in thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds (continued)					
Corporate – 11.3% (continued)					
Pembina Pipeline Corporation	2.99	22 Jan 2024	50	51	52
Riocan Real Estate Investment Trust	3.73	18 Apr 2023	145	150	150
Rogers Communications Inc.	4.00	6 Jun 2022	500	510	510
Royal Bank of Canada	1.97	2 Mar 2022	240	241	241
Toyota Credit Canada Inc.	2.64	27 Mar 2024	75	77	77
Ventas Canada Finance Limited	3.30	1 Feb 2022	125	126	126
Ventas Canada Finance Limited	2.80	12 Apr 2024	50	51	52
Veresen Inc.	3.43	10 Nov 2021	150	150	150
VW Credit Canada Inc.	3.70	14 Nov 2022	225	232	232
				10,062	10,083
Total Fixed Income – 96.4%				86,084	87,249
Total Investments – 96.4%				86,084	87,249
Cash and cash equivalents – 3.6%				3,280	3,280
Total Portfolio Assets – 100.0%				89,364	90,529
Investments Allocation (Note 4)					
Sales Charge Refund Entitlements (Appendix I)					
				3,134	2,959
Cash and cash equivalents (Appendix I)					
				42	42
Total Investment Fund				92,540	93,534
Represented by :					
Cash and cash equivalents				3,322	
Investments, at fair value				89,218	
				92,540	

Schedule II – Subscribers’ Deposits and Accumulated Income

As at October 31, 2021 and 2020

(in thousands of Canadian dollars)

The following table provides a summary of Group Savings Plan Units, Subscribers’ Deposits and Accumulated Income by year of eligibility.

Year of Eligibility	Opening Units	Inflow Units ¹	Outflow Units ²	Closing Units	Subscribers’ Deposits	Accumulated Income ³
2020 and prior to 2020	195,182	130	40,620	154,692	\$ 21,006	\$ 17,607
2021	133	18		151	154	66
2022	63	-	-	63	113	72
2023	32	-	6	26	37	13
2024	18	-	-	18	13	5
2025	13	-	-	13	6	5
2026 and thereafter	46	-	-	46	48	36
TOTAL	195,487	148	40,626	155,009	\$21,377	\$17,804

1. Inflow units are comprised of transfers in.
2. Outflow units are comprised of terminations, transfers out and education assistance payments.
3. Accumulated income represents both income allocated to subscribers’ accounts and income held for future education assistance payments.

The changes in Subscribers’ deposits are as follows:

	2021	2020
Payments from subscribers	\$ 88	\$ 54
Inter-Plan principal transfers	(2,994)	(4,263)
Account maintenance fees	(18)	(22)
Return of principal	(2,698)	(6,074)
Net decrease in Subscribers’ deposits	(5,620)	(10,305)
Balance, Beginning of Year	26,998	37,303
Balance, End of Year	\$21,377	\$ 26,998

Schedule III – Education Assistance Payments

As at October 31, 2021 and 2020

(in thousands of Canadian dollars)

The following tables provide the total dollar payments by fiscal year, as well as number of eligible units paid, and education assistance payment amounts by year of eligibility.

Education Assistance Payments	2021	2020	Education Assistance Payments	2021	2020
Current year payments	\$ 1,156	\$ 4,453	Non-Discretionary	\$12,563	\$19,177
Deferred payments	11,407	14,704			
Advance payments	–	20			
	\$12,563	\$19,177			

	Number of education assistance payment units Year of Eligibility				Amount of education assistance payment per unit Year of Eligibility			
	2021	2020	2019	2018	2021	2020	2019	2018
First	6.0	72.6	262.5	12,704.1	\$166	\$ 171	\$ 160	\$ 141
Second		55.4	82.7	14,193.9		192	198	151
Third			54.4	7,312.9			197	175
Fourth				6,478.5				175

Notes to the Financial Statements

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 1. Nature of Operations

The Canadian Scholarship Trust Group Savings Plan (the “Plan”) is a Pooled Education Savings Plan that was established on September 1, 1991. Since June 2001, the Plan is no longer available for sale. The objective of the Plan is to assist parents and others to save for the post-secondary education of children. The Plan is managed by C.S.T. Consultants Inc. (“C.S.T.C.”), a wholly-owned subsidiary of the Canadian Scholarship Trust Foundation (the “Foundation”). The Plan’s registered place of business is 1600-2235 Sheppard Avenue East, Toronto, Ontario, Canada.

Payments are made by a subscriber to an account maintained by the Plan’s trustee on behalf of a beneficiary. Deductions of sales charges and account maintenance fees are made from the subscriber’s contributions. The principal accumulated over the term of the subscriber’s education savings plan agreement (the “Agreement”) is returned to the subscriber when:

- i. the Agreement matures and the beneficiary is a qualified student eligible to receive the first education assistance payment (“EAP”),
- ii. the Agreement matures and the beneficiary is not yet a qualified student, in which case the beneficiary will forfeit all government grants (as described below), or
- iii. the Agreement is terminated.

The investment income earned on the subscribers’ principal balance is used to provide EAPs to qualified students. A beneficiary is deemed to be a qualified student upon receipt of evidence of enrolment in a qualifying educational program at an eligible institution.

There are a number of government grants that may be available to beneficiaries including the Canada Education Savings Grant Program (“CESG”), the Canada Learning Bond (“CLB”), and the Quebec Education Savings Incentive (“QESI”) (collectively, “Government Grants”).

The Plan collects Government Grants, which are credited directly into Agreements and invests these funds in accordance with the Plan’s investment policies. The Government Grants, along with investment income earned thereon, are paid to qualified students with their EAPs.

Agreements are registered with appropriate government authorities if all required information is provided, and once registered, are subject to the rules for Registered Education Savings Plans (“RESP”) under the *Income Tax Act* (Canada). Current tax legislation provides that income credited on subscribers’ principal is not taxable income of the subscriber unless withdrawn as an Accumulated Income Payment subject to certain eligibility requirements. The deposits are not deductible for income tax purposes and are not taxable when returned to the subscriber. Payments made to a beneficiary, including EAPs, Government Grants and investment income earned on Government Grants are taxable income of that beneficiary in the year that the payments are made.

Note 2. Significant Accounting Policies

(a) Statement of Compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

These financial statements were approved by the Board of Directors of the Foundation on December 16, 2021.

(b) Basis of measurement

These financial statements have been prepared on the historical cost basis except for financial instruments classified as “at fair value through profit or loss” (“FVTPL”), which are measured at fair value.

(c) Financial instruments

The Plan recognizes financial assets and financial liabilities when it becomes a party to a contract. The Plan classifies its investments in debt and equity securities and financial liabilities based on its business model for managing those financial assets and financial liabilities and the contractual cash flow characteristics of the financial assets and financial liabilities.

Financial assets and financial liabilities classified as FVTPL are measured at fair value on initial recognition and transaction costs are expensed when incurred. Subsequent changes in fair value of financial assets and financial liabilities classified as FVTPL are recorded in “Change in unrealized gains (losses)” in the Statements of Comprehensive Income. When a financial asset and financial liability classified as FVTPL is sold, the difference between the sale proceeds and the fair value on initial recognition of the security is recorded as “Realized gains (losses) on sale of investments” in the Statements of Comprehensive Income.

Financial assets and financial liabilities that are held to collect contractual cash flows are measured at amortized cost using the effective interest method. Financial assets and financial liabilities measured at amortized cost are initially recorded at their fair value plus any directly attributable incremental costs of acquisition or issue. Financial assets at amortized cost are presented net of any allowance for impairment. Interest income, including the amortization of premiums and discounts on securities measured at amortized cost are recorded in interest income. Impairment gains or losses recognized on amortized cost securities are recorded in the Statements of Comprehensive Income. When a debt instrument measured at amortized cost is sold, the difference between the sale proceeds and the amortized cost of the security at the time of the sale is recorded as realized gains (losses) on sale of investments in the Statements of Comprehensive Income.

The effective interest method is a method of calculating the amortized cost of a financial instrument and allocating interest over the relevant period. The effective interest rate is the rate that discounts estimated future cash flows (including all transaction costs and other premiums or discounts) through the expected life of the financial instrument to the net carrying amount on initial recognition.

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 2. Significant Accounting Policies (continued)

(c) Financial instruments (continued)

Measurement in subsequent periods depends on the classification of the financial instrument. The financial assets and financial liabilities of the Plan are classified as follows:

Financial asset or financial liability	Classification
Investments, at fair value	FVTPL ⁱ
Investments, at amortized cost	Amortized Cost ⁱⁱ
Cash and cash equivalents	Amortized Cost ⁱⁱ
Accrued income and other receivables	Amortized Cost ⁱⁱ
Receivables for securities sold	Amortized Cost ⁱⁱ
Accounts payable and accrued liabilities	Amortized Cost ⁱⁱⁱ
Payables for securities purchased	Amortized Cost ⁱⁱⁱ

ⁱ Financial assets are designated as FVTPL when acquired principally for the purpose of trading.

ⁱⁱ Financial assets classified as amortized cost, including debt instruments and non-derivative financial assets, are held to collect contractual cash flows and at the time of acquisition are not acquired principally for the purpose of trading. Subsequent to initial recognition, these financial assets are carried at amortized cost using the effective interest method.

ⁱⁱⁱ Financial liabilities classified as amortized cost are liabilities that are not derivative liabilities or classified as FVTPL. Subsequent to initial recognition, financial liabilities are carried at amortized cost using the effective interest method.

Impairment is based on expected credit losses for the investment securities, which are based on a range of possible outcomes and consider all available reasonable and supportable information including internal and external ratings, historical loss experience, and expectations about future cash flows.

(e) Investment valuation

Investments include investments values at fair value and amortized cost.

Investments at fair value include the following types of securities: bonds, money market securities, equities, exchange-traded funds ("ETF") and pooled funds.

The fair value of fixed income securities that are not publicly traded is measured by using either the average bid price from multiple dealers, or by the present value of contractual cash flows, discounted at current market rates. Interest accrued at the reporting date is included in Accrued income and other receivables on the Statements of Financial Position.

The fair value of securities that are publicly traded in an active market is measured using bid prices at the reporting date.

Investments in pooled funds used to pay the Sales Charge Refund ("SCR") Entitlements referred to in Note 8 are valued at net asset values of the pooled funds at the valuation date, as these represent the value that would be received by the Plan from redeeming its units held in the pooled funds.

Note 10 provides further guidance on fair value measurements.

(f) Investment transactions and income recognition

Investment transactions are accounted for on a trade-date basis. Interest represents the coupon interest received by the Plan accounted for on an accrual basis. The Plan does not amortize premiums paid or discounts received on the purchase of fixed income securities that are classified as FVTPL. Dividends and distributions are accrued as of the ex-dividend date and ex-distribution date, respectively. Realized gains (losses) on the sale of investments and Change in unrealized gains (losses) are calculated with reference to the average cost of the related investments and are recognized in the period that such gains (losses) occur.

(g) Subscribers' deposits, sales charges and account maintenance fees

Subscribers' deposits reflect amounts received from subscribers net of sales charges and account maintenance fees and do not include future amounts receivable on outstanding Agreements. Sales charges were deducted from subscribers' deposits and collected over periods of up to 32 months from the date of initial deposit. Account maintenance fees are paid annually to the Foundation from subscribers' deposits and are accrued throughout the year.

(h) Income taxes

The Plan is exempt from income taxes under Section 146.1 of the *Income Tax Act* (Canada).

(i) Cash and cash equivalents

Cash and cash equivalents include deposit balances with banks and securities with a purchase date to maturity of 90 days or less and includes term deposits, treasury bills and bankers' acceptances.

(j) Foreign currency

The functional and presentation currency of the Plan is the Canadian Dollar.

To the extent applicable in any period, foreign currency purchases and sales of investments and foreign currency dividend and interest income are translated into Canadian dollars at the rate of exchange prevailing at the time of the transactions. Realized and unrealized foreign currency gains or losses on investments are included in the Statements of Comprehensive Income in Realized gains (losses) on sale of investments and Change in unrealized gains (losses), respectively.

(k) Critical accounting estimates and judgments

When preparing the financial statements, management makes estimates and judgments that affect the reported amounts recognized and disclosed in the financial statements. These estimates and judgments have a direct effect on the measurement of transactions and balances recognized in the financial statements. By their nature, these estimates and judgments are subject to measurement uncertainty and actual results could differ.

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 2. Significant Accounting Policies (continued)

(k) Critical accounting estimates and judgments (continued)

The estimates, assumptions and judgments that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are those used in the valuation of the SCR Entitlements. Further information on the SCR Entitlement valuation can be found in Note 8 (b).

Note 3. Related Party Transactions

Related party transactions are measured at the exchange amount, which is the amount agreed between the parties.

(a) Administration of the Plan

The Foundation, as the Plan sponsor, has appointed C.S.T.C. as the Investment Fund Manager to administer the Plan. The agreement is renewable annually on November 1.

Administration and account maintenance fees are paid to the Foundation. Administration fees are annual fees of ½ of 1% of the total amount of principal, Government Grants and income earned thereon, as well as the investments used to pay the SCR Entitlements (“SCR Fund”).

During the year ended October 31, 2021, \$649 was recognized as an expense for Administration and account maintenance fees (2020 – \$909). Administration and account maintenance fees included in Accounts payable and accrued liabilities at October 31, 2021 was \$Nil (2020 – \$68).

Sales charges were paid by subscribers and deducted from their contributions. In accordance with the distribution agreement, the Foundation agreed to set aside a portion of the sales charges collected from subscribers to the SCR Fund each year in order to pay SCR Entitlements when they become due. The Foundation is responsible to pay to beneficiaries of the Plan the refunds of sales charges as promised. Any shortfall in the assets to meet the SCR Entitlements will be funded by the Foundation (see Note 8).

(b) SCR Deficit Funding Payments from the Canadian Scholarship Trust Foundation

During the year ended October 31, 2021, the Foundation provided deficit funding payments of \$nil (2020 – \$nil) to the SCR Fund (see Note 8(b)).

(c) Fees paid for services of an Independent Review Committee

The Independent Review Committee (“IRC”) provides independent review and oversight of conflicts of interest relating to the management of the Plans. For the year ended October 31, 2021, the Plan recognized an expense of \$2 (2020 – \$3) for the services of the IRC. IRC fees included in Accounts payable and accrued liabilities at October 31, 2021 was \$Nil (2020 – \$nil).

(d) Fees paid to monitor and manage the portfolio managers

Included in Portfolio management fees on the Statements of Comprehensive Income is \$20 (2020 – \$28) charged by C.S.T.C. for expenses incurred to monitor and manage the portfolio managers. Included in Accounts payable and accrued liabilities is \$4 owing to C.S.T.C. at October 31, 2021 (2020 – \$8) relating to these expenses.

Note 4. Investment Holdings

The investment holdings are disclosed in Schedule I – Statement of Investment Portfolio and the related Appendix I to the schedule, which is explained below.

As of March 15, 2021, Government Grants are no longer invested in a separate fund with Government Grants of other RESP plans administered by C.S.T.C. Government Grant principal received and income earned thereon are invested collectively with Subscribers’ principal and income earned on principal. Investment holdings are disclosed in Schedule I – Statement of Investment Portfolio.

Investments used to fund the SCR Entitlements of the Group Savings Plan and CST Advantage Plan (formerly Group Savings Plan 2001) of 100% of sales charges paid, are managed in a separate SCR Fund (see Appendix I to Schedule 1). The SCR Fund’s holdings and income are allocated to the Plan based on the Plan’s proportionate share of the SCR Entitlements.

The investment restrictions set out in National Policy 15 of the Canadian Securities Administrators do not apply to assets in the SCR Fund.

Note 5. Capital Risk Management

The Plan’s capital consists of the components of the net assets attributable to subscribers and beneficiaries as per the Statements of Financial Position. The Plan has obligations to return subscriber contributions upon maturity or termination as well as pay EAPs of investment income, grants and income on grants. The Plan invests subscriber contributions and government grants received in appropriate investments in accordance with its stated investment objectives while maintaining sufficient liquidity to meet subscribers’ obligations.

Note 6. Risks Associated with Financial Instruments

In the normal course of business, the Plan may be exposed to a variety of risks arising from financial instruments. The Plan’s exposures to such risks are concentrated in its investment holdings and are related to market risk (which includes interest rate risk and other price risk), credit risk, liquidity risk and currency risk.

The Plan’s risk management process includes monitoring compliance with the Plan’s investment policy. The Plan manages the effects of these financial risks to the Plan portfolio performance by

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 6. Risks Associated with Financial Instruments (continued)

retaining and overseeing professional external investment managers. The investment managers regularly monitor the Plan's positions, market events and manage the investment portfolio according to the investment policy and mandates.

(a) Market risk

i. Interest rate risk

Interest rate risk is the risk of a change in the fair value or cash flows of the Plan's investments in interest-bearing financial instruments as a result of fluctuations in market interest rates. There is an inverse relationship between changes in interest rates and changes in the fair value of bonds. This risk is actively managed using duration, yield curve analysis, sector and credit selection. There is reduced risk to interest rate changes for cash and cash equivalents due to their short-term nature.

The Plan's holdings of debt instruments by maturity are as follows:

Debt Instruments by Maturity Date	% of Total Investment Fund	
	Oct 31, 2021	Oct 31, 2020
Less than 1 year	36%	29%
1-3 years	36%	12%
3-5 years	24%	9%
Greater than 5 years	2%	28%
Total debt instruments	98%	78%

As at October 31, 2021, if prevailing interest rates had increased by 1%, the fair value of the Total Investment Fund of \$92,540 (2020 – \$141,113) as per Schedule I – Statement of Investment Portfolio, would have decreased by approximately \$1,696 (2020 – \$3,980). If prevailing interest rates had decreased by 1%, the fair value of the Total Investment Fund would have increased by approximately \$1,586 (2020 – \$4,590). This 1% change assumes a parallel shift in the yield curve with all other variables held constant. In practice, actual results may differ materially.

ii. Other price risk

Other price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, other than those arising from interest rate risk. Factors specific to an individual investment, its issuer or other factors affecting all instruments traded in a market or market segment affect other price risk. The asset classes that are most impacted by other price risk are the ETFs of the Plan and the SCR Fund, which represent 2% (2020 – 22%) of the Total Investment Fund as at October 31, 2021. The risk associated with the equity component of the SCR Fund is

managed by security selection and active management by external managers within approved investment policy and mandates.

As at October 31, 2021, if equity and underlying indices prices had increased or decreased by 1%, with all other variables held constant, the fair value of the Total Investment Fund as per Schedule I – Statement of Investment Portfolio would have increased or decreased by approximately \$14 (2020 – \$310). In practice, actual results may differ materially.

(b) Credit risk

Credit risk refers to the ability of the issuer of debt securities to make interest payments and repay principal. The Plan's portfolio is mainly comprised of bonds issued or guaranteed by federal or provincial governments along with corporate debt instruments with a minimum approved credit rating as set by Canadian Securities Administrators. The Plan has a concentration of investments in government and government guaranteed bonds, which are considered to be high credit quality investments thereby moderating credit risk.

The Plan's credit risk exposure is summarized below:

Credit rating	October 31, 2021		October 31, 2020	
	% of Total Investment Fund	Amount	% of Total Investment Fund	Amount
AAA	39%	\$35,872	13%	\$ 17,809
AA/AAH/AAL	19%	17,595	22%	30,796
A/AH/AL	11%	10,212	19%	26,415
BBB	4%	3,833	7%	9,790
R-1	24%	22,291	15%	21,806
Short-term unrated	1%	651	2%	3,427
Total debt instruments	98%	\$90,454	78%	\$110,043

The DBRS Morningstar was the primary source for obtaining credit ratings. Secondary sources used include Standard & Poor's Financial Services LLC and Moody's Investors Service, Inc.

(c) Liquidity risk

Liquidity risk is the risk that the Plan may not be able to meet its financial obligations as they come due. The Plan's exposure to liquidity risk is concentrated in principal repayments to subscribers and EAPs to beneficiaries including SCR Entitlements. The Plan primarily invests in securities that are traded in active markets and can be readily sold. The Plan retains sufficient cash and cash equivalent positions to meet liquidity requirements by utilizing cash forecasting models that reflect the maturity distribution of subscribers' deposits and accumulated income. All other financial liabilities are short term and due within one year. The Foundation directed a portion of the sales charges collected from subscribers to the SCR Fund each year in order to pay SCR Entitlements when they become due.

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 6. Risks Associated with Financial Instruments (continued)

(d) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan holds foreign pooled equity funds and ETFs, which represent 2% (2020 – 20%) of the Total Investment Fund. The fair value of the Total Investment Fund would increase or decrease by approximately \$14 (2020 – \$290) in response to a 1% depreciation or appreciation of the Canadian dollar currency exchange rate. In practice the actual change may differ materially.

Note 7. General Fund and Donations from the Foundation

The Canadian Scholarship Group Savings Plan Trust (the “Group Trust”) is a legal trust, which includes the Group Savings Plan and CST Advantage Plan (the “Plans”). The Plans are registered with the Canada Revenue Agency as Education Savings Plans. The General Fund is a separate account within the Group Trust and derives its income from the following sources:

- i. income earned on the subscribers’ accumulated income from the date of maturity of the subscribers’ agreements to the date the funds are paid to qualified students as EAPs;
- ii. income earned on the income forfeited when a subscriber’s agreement is terminated prior to maturity;
- iii. income not collected by beneficiaries before the expiry of the Agreements; and
- iv. unclaimed principal and income payments.

According to the trust indenture of the Group Trust, the General Fund may be used to subsidize EAPs for qualified students of either of the Plans within the Group Trust.

Donations from the Foundation represent a discretionary pool of funds shared between the Plans. These funds are used to supplement EAPs when the General Fund is depleted. The amount is allocated annually between the Plans according to the payout forecast in each of the Plans.

Receipts and disbursements of the General Fund included in the financial statements of the Plan for the years ended October 31, 2021 and 2020 are as follows:

	2021	2020
Receipts		
Net investment income	\$ 36	\$ 449
Transfer from Scholarship Pool	-	-
Disbursements		
Education assistance payments	(1,482)	(1,374)
(Shortfalls) Excess of Receipts over Disbursements	(1,446)	(925)
Balance, Beginning of Year	(925)	-
Balance, End of Year	\$ (2,371)	\$ (925)

Note 8. Sales Charge Refund

(a) Sales Charge Refund Entitlements

The Plan refunds sales charges to the beneficiaries from the SCR Fund, which amount to 100% of sales charges paid. This SCR Entitlement is paid with the first instalment of the EAP pay-outs to qualified beneficiaries. The total amount refunded for the year ended October 31, 2021 was \$490 (2020 – \$1,001).

As at October 31, 2021, the SCR Entitlements amount of \$2,951 (2020 – \$14,637) presented in the Statements of Financial Position represents the average cost of the Plan’s investments in the SCR Fund of \$3,001 (2020 – \$14,600), adjusted for funds to be transferred to (from) the direct investment holdings of the Plan of (\$58) (2020 – \$20) for SCR payments made to beneficiaries during the period, plus accrued interest and payables of \$8 (2020 – \$17). The fair value of the investments in the SCR Fund as at October 31, 2021, after adjusting for the above, amounted to \$3,126 (2020 – \$15,542). The SCR Fund comprises investments, at fair value, of \$3,134 and Cash and cash equivalents of \$42 which are reported in the Statement of Financial Position. The difference between the present value of SCR Entitlements and the fair value of the SCR Fund is not recorded in the financial statements of the Plan.

(b) Sales Charge Refund Entitlements Valuations

Two separate valuations are performed for SCR Entitlements. First, on an annual basis, a valuation of SCR Entitlements is prepared based on management’s best estimates. This valuation is used to estimate the current funded status for SCR Entitlements. The present value of the SCR Entitlements is determined using the expected long-term investment rates of return based on the investment policy for the SCR Fund as explained in (i) below.

Second, a funding valuation is performed at least every two years to assess the adequacy of the assets in the SCR Fund and the Foundation’s funding requirements to meet SCR Entitlements in future years. This valuation uses expected long-term investment rates of return as determined by

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 8. Sales Charge Refund (continued)

(b) Sales Charge Refund Entitlements Valuations (continued)

management to calculate the present value of the SCR Entitlements and to project the asset growth of the SCR Fund to ensure that future SCR Entitlements will be fully funded, as set out in (ii) below.

i. Management's Best Estimates Valuation

The assumptions used in determining the valuation of SCR Entitlements reflect management's best estimate of future payments to beneficiaries and involve both economic and non-economic assumptions. The non-economic assumptions include considerations such as termination of Agreements prior to maturity and participation of eligible students in the collection of EAPs. The primary economic assumption is the discount rate, which is set at the expected long-term investment rates of return of the SCR Fund at October 31, 2021 of 4.2% (2020 – 5.1%) based on the investment policy approved by Investment Committee of the Foundation. As underlying conditions change over time, assumptions may also change, which could cause a material change in the present value of the SCR Entitlements.

The funded status of the SCR Entitlements at October 31 was:

	2021	2020
Present value of SCR Entitlements	\$3,176	\$ 4,006
Fair value of SCR Fund (Note 8(a))	3,176	15,505
Overfunded portion of SCR Entitlements	\$ –	\$11,499

A 1% decrease or increase in the discount rate used will increase or decrease the present value of SCR Entitlements by \$47 or \$44, respectively (2020 – \$55 or \$52, respectively).

ii. Funding Valuation

A funding valuation of the SCR Entitlements for the Plan was completed in 2021 based on assets and obligations as at October 31, 2020. This valuation included assumptions regarding management's best estimate of termination of Agreements prior to maturity and participation of eligible students in the collection of EAPs. The discount rate used to determine the present value of SCR Entitlements was based on the expected long-term investment rate of return of 4.2%, which resulted in the liability being fully funded. The Foundation has a responsibility to pay beneficiaries of the Plan a refund sales charges as promised. Funding requirements were established by the Foundation to ensure assets are sufficient to meet future SCR Entitlements using expected long-term investment rates of return based on the investment policy approved by Investment Committee of the Foundation to project the asset growth of the SCR Fund. Any shortfall in the assets to meet the SCR Entitlements will be funded by the Foundation.

The next actuarial funding valuation will be performed in 2023 based on assets and obligations as at October 31, 2022.

(c) Change in Estimate – Sales Charge Refund Entitlements Asset and Income Allocation

The Plan and CST Advantage Plan (“CST Advantage”) are separate plans within the Group Savings Trust. The Sales Charge Refund Entitlements Assets (“SCR 100 Assets”) for both the Plan and CST Advantage are held in a single trust account to efficiently manage the investments.

As part of the 2021 funding valuation exercise, the SCR 100 Assets were reallocated between the Plan and CST Advantage to reflect the valuation of the SCR Entitlements performed as at October 31, 2021. During the year, SCR 100 Assets of \$12,227 were reallocated from the Plan to CST Advantage. Future income earned by the SCR 100 Assets will reflect this new allocation, however, it is impracticable to estimate the amount of impact on future periods.

Note 9. Fair Value Measurements and Disclosure

Estimates of fair value used for measurement and disclosure are designed to approximate amounts that would be received to sell an asset, or paid to discharge a liability, in an orderly transaction between market participants.

The following table provides a comparison of the carrying and fair values for each classification of financial instruments. For measurement purposes, they are carried at fair value when conditions requiring separation are met.

Carrying Amount and Fair Value of Financial Instruments as at October 31, 2021

	Carrying amount and fair value	Carrying Amount	Fair Value	Total carrying amount	Total fair value
	Financial instruments classified as FVTPL	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost		
Financial Assets					
Cash Equivalents ¹	\$ –	\$ 1,999	\$ 1,999	\$ 1,999	\$ 1,999
Investments	74,873	14,388	14,352	89,261	89,225
Other Assets ²	–	5,254	5,254	5,254	5,254
Financial Liabilities					
Other Liabilities ³	\$ –	\$ 2,744	\$ 2,744	\$ 2,744	\$ 2,744

Notes to the Financial Statements (continued)

October 31, 2021 and 2020

(in thousands of Canadian dollars)

Note 9. Fair Value Measurements and Disclosure (continued)

Carrying Amount and Fair Value of Financial Instruments as at October 31, 2020					
	Carrying amount and fair value	Carrying Amount	Fair Value		
	Financial instruments classified as FVTPL	Financial instruments measured at amortized cost	Financial instruments measured at amortized cost	Total carrying amount	Total fair value
Financial Assets					
Cash Equivalents ¹	\$ -	\$20,197	\$20,197	\$ 20,197	\$ 20,197
Investments	108,619	10,322	10,440	118,941	119,059
Other Assets ²	-	5,511	5,511	5,511	5,511
Financial Liabilities					
Other Liabilities ³	\$ -	\$ 9,509	\$ 9,509	\$ 9,509	\$ 9,509

- Cash and bank balances of \$1,404 (2020 - \$1,975) have been excluded.
- Other assets consist of Receivables for securities sold, Accrued income and other receivables and Government grants receivable.
- Other liabilities consist of Payable for securities purchased and Accounts Payable and accrued liabilities.

The following table presents the level, in the fair value hierarchy, into which the Plan's financial instruments are categorized:

- Level 1 financial instruments are valued using quoted market prices.
- Level 2 financial instruments are valued using directly or indirectly observable inputs.
- Level 3 financial instruments are valued using unobservable inputs (including the use of assumptions based on the best information available).

Assets Measured at Fair Value as of October 31, 2021

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 73,278	\$ -	\$ 73,278
Equity securities, ETFs and Pooled equity funds	1,595	-	-	1,595
Total Investments, at fair value	\$1,595	\$73,278	\$ -	\$ 74,873

Assets Measured at Fair Value as of October 31, 2020

	Level 1	Level 2	Level 3	Total
Fixed income securities	\$ -	\$ 77,549	\$ -	\$ 77,549
Equity securities, ETFs and Pooled equity funds	31,070	-	-	31,070
Total Investments, at fair value	\$31,070	\$77,549	\$ -	\$108,619

For the years ended October 31, 2021 and 2020, there were no transfers between Levels 1 or 2.

Sales Charge Refund Entitlements

Appendix I to Schedule I
Statement of Investment Portfolio
As at October 31, 2021
(in thousands of Canadian dollars)

Agreements Purchased prior to October 2, 2007

Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)	Security	Interest Rate (%)	Maturity Date	Par Value (\$)	Fair Value (\$)	Average Cost (\$)
Bonds						Bonds (continued)					
Federal – 1.5%						Corporate – 47.4% (continued)					
Canada Housing Trust	1.15	15 Dec 2021	1,700	1,702	1,711	McCain Finance Limited	3.87	7 Feb 2023	737	760	737
				1,702	1,711	Metropolitan Life Global Funding I	1.95	20 Mar 2028	1,181	1,146	1,178
						Molson Coors International LP	3.44	15 Jul 2026	360	374	381
Provincial – 0.2%						Montreal Port Authority	3.24	22 Mar 2051	276	276	276
Province of New Brunswick	6.47	30 Nov 2027	183	208	217	Morgan Stanley	0.78	21 Mar 2025	2,447	2,439	2,447
				208	217	NAV Canada	7.56	1 Mar 2027	470	544	591
						NAV Canada	7.40	1 Jun 2027	72	91	99
Corporate – 47.4%						NAV Canada	3.29	30 Mar 2048	160	164	144
407 International Inc.	6.75	27 Jul 2039	166	220	228	NAV Canada	2.92	29 Sep 2051	857	817	825
407 International Inc.	7.13	26 Jul 2040	518	766	800	New York Life Global Funding	2.00	17 Apr 2028	1,489	1,458	1,486
AT&T Inc.	4.85	25 May 2047	1,597	1,730	1,602	North Battleford Power LP	4.96	31 Dec 2032	718	804	830
Bank of America	1.05	15 Sep 2027	1,758	1,757	1,758	Nova Gas Transmission Ltd.	9.90	16 Dec 2024	109	134	167
Bank of Montreal	4.30	26 Nov 2080	1,044	1,086	1,076	Ornge Issuer Trust	5.73	11 Jun 2034	872	1,015	1,005
Bank of Nova Scotia	3.70	27 Jul 2081	548	538	548	Pembina Pipeline Corporation	4.75	26 Mar 2048	2,042	2,147	2,122
Bankers Hall LP	4.38	20 Nov 2023	250	255	260	Plenary Properties LTAP LP	6.29	31 Jan 2044	807	1,056	1,025
Bell Canada	0.00	15 May 2034	496	300	272	Royal Bank of Canada	4.50	24 Nov 2080	1,048	1,100	1,074
Blue Water Bridge Authority	6.41	9 Jul 2027	1,246	543	609	Scotia Capital Inc.	0.55	1 Jan 2026	4,000	3,634	3,689
Canadian Imperial Bank of Commerce	0.00	4 Mar 2025	975	970	975	Shaw Communications Inc.	6.75	9 Nov 2039	973	1,268	983
Cenovus Energy Inc.	3.50	7 Feb 2028	1,075	1,113	1,103	Shaw Communications Inc.	4.25	9 Dec 2049	1,100	1,085	1,096
Cogeco Communications Inc.	2.99	22 Sep 2031	855	832	855	Sobeys Inc.	6.06	29 Oct 2035	510	623	618
Concentra Bank	0.81	1 Nov 2025	310	280	288	Sobeys Inc.	6.64	7 Jun 2040	100	133	140
CSS Partnership	6.92	31 Jul 2042	177	233	230	Strait Crossing Development Inc.	6.17	15 Sep 2031	451	314	284
Enbridge Gas Inc.	3.65	1 Apr 2050	991	1,034	1,028	Sun Life Assurance Company of Canada	6.30	15 May 2028	41	50	50
Enbridge Inc.	4.57	11 Mar 2044	2,099	2,211	2,076	Sun Life Financial Inc.	3.60	30 Jun 2081	464	460	464
EUROFIMA Maple Bond	4.55	30 Mar 2027	212	237	237	Suncor Energy Inc.	3.10	24 May 2029	245	250	261
First National Financial LP	0.27	1 May 2026	630	592	592	Suncor Energy Inc.	5.00	9 Apr 2030	600	688	644
GE Capital Canada Funding Company	0.79	15 Feb 2022	646	646	594	Suncor Energy Inc.	3.95	4 Mar 2051	198	193	195
GE Capital Canada Funding Company	1.64	6 Feb 2023	147	149	141	Toronto Dominion Bank	3.60	31 Oct 2081	455	446	455
GE Capital Canada Funding Company	5.73	22 Oct 2037	404	474	387	Toyota Credit Canada Inc.	2.31	23 Oct 2024	151	153	151
Goldman Sachs Group, Inc.	0.84	29 Apr 2025	641	642	641	TransCanada PipeLines Limited	0.74	9 Jun 2024	1,261	1,263	1,261
Great-West Lifeco Inc.	3.60	31 Dec 2081	1,352	1,339	1,352	TransCanada PipeLines Limited	8.29	5 Feb 2026	214	261	283
Greater Toronto Airports Authority	6.45	30 Jul 2029	918	1,074	1,117	TransCanada PipeLines Limited	6.28	26 May 2028	327	385	407
Greater Toronto Airports Authority	7.05	12 Jun 2030	115	152	145	TransCanada PipeLines Limited	6.89	7 Aug 2028	117	142	146
Heathrow Funding Ltd.	3.40	8 Mar 2028	200	205	190	TransCanada PipeLines Limited	4.33	16 Sep 2047	529	540	518
Heathrow Funding Ltd.	3.66	13 Jan 2031	1,662	1,715	1,680	Transcontinental Inc.	2.28	13 Jul 2026	350	345	350
InPower BC General Partnership	4.47	31 Mar 2033	472	508	469	University Health Network	5.64	8 Dec 2022	464	476	530
Lloyds Bank plc	3.50	3 Feb 2025	553	577	592	University of Ontario Institute of Technology	6.35	15 Oct 2034	997	1,193	1,059
Loblaw Companies Limited	0.00	7 Jun 2027	552	467	418	WTH Car Rental ULC	3.28	22 Jan 2024	279	286	290
Loblaw Companies Limited	0.00	23 Nov 2027	174	147	129	WTH Car Rental ULC	2.78	22 Jul 2024	380	388	395
Loblaw Companies Limited	6.54	17 Feb 2033	848	1,081	1,085				54,126	53,514	
Manulife Financial Corporation	3.38	19 Jun 2081	1,381	1,352	1,381	Total Fixed Income – 49.1%			56,036	55,442	

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

Sales Charge Refund Entitlements (continued)

Appendix I to Schedule I
 Statement of Investment Portfolio
 As at October 31, 2021
 (in thousands of Canadian dollars)

Agreements Purchased prior to October 2, 2007 (continued)

Security	Number of Securities	Fair Value (\$)	Average Cost (\$)
Pool Equity Fund – 49.6%			
CCL Global Equity Fund	2,223,885	56,550	50,844
Total Equities – 49.6%		56,550	50,844
Total Investments – 98.7%			
		112,586	106,286
Cash and cash equivalents – 1.3%			
		1,511	1,511
Total Portfolio Assets – 100.0%			
		114,097	107,797
Total Investments Allocation			
Group Savings Plan		3,134	2,959
Group Savings Plan 2001		109,452	103,329
		112,586	106,288
Cash and cash equivalents Allocation			
Group Savings Plan		42	42
Group Savings Plan 2001		1,469	1,469
		1,511	1,511

Canadian Scholarship Trust Plan

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