Canadian Scholarship Trust Group Savings Plan

Semi-Annual Financial Statements

April 30, 2023

Unaudited

Contents

Unaudited semi-annual financial statements

The accompanying semi-annual financial statements have not been reviewed by the external auditors of the Plan in accordance with assurance standards applicable to a review of interim financial statements

Statements of Financial Position

As at April 30, 2023 and October 31, 2022

(thousands of Canadian dollars)

	2023	2022
		(Audited)
Assets		
Cash and cash equivalents	**$ 2,281**	$ 198
Investments *(Note 4 and Schedule I)*	**69,410**	76,611
Accrued income and other receivables	**445**	251
	72,136	77,060
Liabilities		
Accounts payable and accrued liabilities	**2,372**	2,981
	2,372	2,981
Net Assets Attributable to Subscribers and Beneficiaries	**69,764**	74,079
Represented by:		
Non-Discretionary Funds		
Accumulated income held for future education assistance payments	**9,353**	10,605
Subscribers' deposits *(Note 7)*	**16,468**	17,730
Government grants	**22,218**	23,407
Income on Government grants	**23,357**	23,487
Sales charge refund entitlements *(Note 9)*	**2,855**	2,923
General Fund *(Note 8)*	**(4,245)**	(3,672)
Unrealized (Losses)	**(242)**	(401)
	$69,764	$74,079

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

Douglas P. McPhie, FCPA, FCA
Director

Sherry J. MacDonald, CPA, CA
Director

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

Statements of Comprehensive Income

For the six months ended April 30, 2023 and 2022

(thousands of Canadian dollars)

	2023	2022
Income		
Interest	**$1,041**	$ 650
Realized (losses) on sale of investments	**(673)**	(178)
Change in unrealized gains (losses)	**1,505**	(2,435)
Dividends	**23**	368
	1,896	(1,595)
Expenses		
Administration and account maintenance fees *(Note 3(a))*	**200**	254
Portfolio management fees	**19**	30
Custodian and trustee fees	**8**	14
Independent Review Committee fees	**1**	1
	228	299
Increase (decrease) in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**$1,668**	$(1,894)

Statements of Changes in Net Assets Attributable to Subscribers and Beneficiaries

For the six months ended April 30, 2023 and 2022

(thousands of Canadian dollars)

	2023	2022
Net Assets Attributable to Subscribers and Beneficiaries, Beginning of Period	**$74,079**	$ 94,560
Increase (decrease) in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**1,668**	(1,894)
Transfers to internal and external plans	**(384)**	(756)
	1,284	(2,650)
Receipts		
Government grants received (net of repayments)	**–**	52
Disbursements		
Net decrease in Subscribers' deposits *(Note 7)*	**(1,262)**	(2,029)
Government grants repaid (net of receipts)	**(326)**	–
Payments to beneficiaries		
Education assistance payments	**(1,983)**	(3,171)
Government grants	**(1,784)**	(2,620)
Refund of sales charge	**(100)**	(9)
Return of income	**(144)**	(253)
Total payments to beneficiaries	**(4,011)**	(6,053)
Receipts less Disbursements	**(5,599)**	(8,030)
Change in Net Assets Attributable to Subscribers and Beneficiaries	**(4,315)**	(10,680)
Net Assets Attributable to Subscribers and Beneficiaries, End of Period	**$69,764**	$ 83,880

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

Statements of Cash Flows

For the six months ended April 30, 2023 and 2022

(thousands of Canadian dollars)

	2023	2022
Operating Activities		
Increase (decrease) in Net Assets from Operations Attributable to Subscribers and Beneficiaries	**$ 1,668**	$ (1,894)
Items not affecting cash		
Realized losses on sale of investments	**673**	178
Change in unrealized (gains) losses	**(1,505)**	2,435
Change in non-cash operating capital		
(Increase) decrease in Accrued income and other receivables	**(194)**	4,592
Decrease in Accounts payable and accrued liabilities	**(609)**	(531)
Purchase of investments	**(7,122)**	(38,487)
Proceeds from sales and maturities of investments	**15,155**	43,006
Net Cash flows from Operating Activities	**8,066**	9,299
Financing Activities		
Transfers to internal and external plans	**(384)**	(756)
Government grants repaid (net of receipts)	**(326)**	-
Net decrease in Subscribers' deposits *(Note 7)*	**(1,262)**	(2,029)
Payments to beneficiaries	**(4,011)**	(6,053)
Net Cash flows (used in) Financing Activities	**(5,983)**	(8,838)
Net Increase in Cash and cash equivalents	**2,083**	461
Cash and cash equivalents, Beginning of Period	**198**	3,322
Cash and cash equivalents, End of Period	**2,281**	3,783
Supplemental cash flow information:		
Withholding taxes	**$ -**	$ -
Interest received	**847**	5,242

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

Schedule I – Statement of Investment Portfolio

As at April 30, 2023

(thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value ($)	Fair Value ($)	Average Cost ($)
Bonds					
Federal – 74.1%					
Canada Housing Trust	2.90	15 Jun 2024	2,500	2,463	2,635
Canada Housing Trust	1.80	15 Dec 2024	1,000	966	1,050
Canada Housing Trust	2.55	15 Mar 2025	1,600	1,562	1,701
Canada Housing Trust	0.95	15 Jun 2025	1,000	943	1,006
Canada Housing Trust	1.95	15 Dec 2025	1,800	1,723	1,871
Canada Housing Trust	1.25	15 Jun 2026	1,000	933	982
Canada Housing Trust	1.90	15 Sep 2026	900	856	862
Canada Housing Trust	1.55	15 Dec 2026	3,200	2,998	2,998
Canada Housing Trust	3.80	15 Jun 2027	700	713	704
Canada Housing Trust	3.60	15 Dec 2027	475	481	474
Canada Housing Trust	2.35	15 Mar 2028	1,400	1,343	1,339
Government of Canada	–	11 May 2023	550	543	543
Government of Canada	–	25 May 2023	9,525	9,410	9,410
Government of Canada	–	8 Jun 2023	4,050	4,001	4,001
Government of Canada	–	6 Jul 2023	4,550	4,497	4,497
Government of Canada	–	20 Jul 2023	1,375	1,360	1,360
Government of Canada	0.75	1 Feb 2024	900	876	888
Government of Canada	1.50	1 May 2024	3,200	3,115	3,195
Government of Canada	2.75	1 Aug 2024	500	492	489
Government of Canada	3.00	1 Nov 2024	1,000	987	990
Government of Canada	0.50	1 Sep 2025	2,000	1,864	1,928
Government of Canada	3.00	1 Oct 2025	2,400	2,371	2,411
Government of Canada	0.25	1 Mar 2026	500	458	484
Government of Canada	1.00	1 Sep 2026	1,200	1,118	1,209
Government of Canada	1.25	1 Mar 2027	3,325	3,102	3,113
Government of Canada	2.75	1 Sep 2027	2,100	2,075	2,067
				51,250	52,207
Provincial – 20.7%					
Province of Alberta	4.45	15 Dec 2025	1,000	1,013	1,144
Province of Alberta	2.20	1 Jun 2026	400	384	378
Province of British Columbia	–	8 Sep 2023	174	170	170
Province of British Columbia	2.15	3 Jun 2024	200	195	209
Province of British Columbia	2.85	18 Jun 2025	400	392	416
Province of British Columbia	2.30	18 Jun 2026	300	289	318
Province of British Columbia	2.55	18 Jun 2027	200	193	193
Province of Manitoba	2.45	2 Jun 2025	500	486	530
Province of Manitoba	2.55	2 Jun 2026	300	291	320
Province of New Brunswick	1.80	14 Aug 2025	500	478	513
Province of New Brunswick	2.60	14 Aug 2026	200	194	214
Province of Newfoundland and Labrador	2.30	2 Jun 2025	150	145	160
Province of Ontario	3.50	2 Jun 2024	1,000	992	1,089
Province of Ontario	2.65	5 Feb 2025	500	489	492
Province of Ontario	2.60	2 Jun 2025	950	926	1,018
Province of Ontario	1.75	8 Sep 2025	600	572	628
Province of Ontario	8.50	2 Dec 2025	500	557	665
Province of Ontario	2.40	2 Jun 2026	500	483	528
Province of Ontario	1.35	8 Sep 2026	500	466	465
Province of Ontario	1.85	1 Feb 2027	300	283	299
Province of Ontario	2.60	2 Jun 2027	2,000	1,937	1,896

Security	Interest Rate (%)	Maturity Date	Par Value ($)	Fair Value ($)	Average Cost ($)
Bonds (continued)					
Provincial – 20.7% (continued)					
Province of Québec	3.75	1 Sep 2024	600	597	663
Province of Québec	2.75	1 Sep 2025	700	684	756
Province of Québec	2.50	1 Sep 2026	700	678	748
Province of Québec	2.75	1 Sep 2027	1,000	975	949
Province of Saskatchewan	0.80	2 Sep 2025	500	467	494
				14,336	15,255
Municipal – 1.4%					
City of Montreal	3.00	1 Sep 2025	500	490	538
Regional Municipality of York	2.60	15 Dec 2025	500	485	531
				975	1,069
Corporate – 0.5%					
Brookfield Infrastructure Partners LP	3.32	22 Feb 2024	50	52	52
Central 1 Credit Union	2.58	6 Dec 2023	70	72	72
Fortified Trust	2.56	23 Mar 2024	75	77	77
Inter Pipeline Ltd.	2.73	18 Apr 2024	50	51	51
Pembina Pipeline Corporation	2.99	22 Jan 2024	50	52	52
Ventas Canada Finance Limited	2.80	12 Apr 2024	50	52	52
				356	356
Total Fixed Income Investments – 96.7%				**66,917**	**68,887**
Cash and cash equivalents – 3.3%				**2,243**	**2,243**
Total Portfolio Assets – 100.0%				**69,160**	**71,130**
Investments Allocation *(Note 4)*					
Sales Charge Refund Entitlements *(Appendix I)*				2,493	2,735
Cash and cash equivalents *(Appendix I)*				38	38
Total Investment Fund				**71,691**	**73,903**
Represented by :					
Cash and cash equivalents				2,281	
Investments, at fair value				69,410	
				71,691	

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

Notes to the Financial Statements

Six months ended April 30, 2023 and 2022

(Unaudited, 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. Savings Inc. ("CST Savings"), formerly C.S.T. Consultants Inc., 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.

These financial statements were approved by the Board of Directors of the Foundation on June 14, 2023.

(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)

Six months ended April 30, 2023 and 2022

(Unaudited, 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.

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.

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.

(d) 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 (“ETFs”) 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 9 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.

(e) 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.

(f) 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.

(g) Income taxes

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

(h) 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.

(i) 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.

(j) Critical accounting estimates and judgments

When preparing the financial statements, management makes estimates and judgments that affect the reported amounts

Notes to the Financial Statements (continued)

Six months ended April 30, 2023 and 2022

(Unaudited, in thousands of Canadian dollars)

Note 2. Significant Accounting Policies (continued)

(j) Critical accounting estimates and judgments (continued)

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.

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 9 (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 CST Savings. 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 six months ended April 30, 2023, $200 was recognized as an expense for Administration and account maintenance fees (2022 – $254). Administration and account maintenance fees included in Accounts payable and accrued liabilities at April 30, 2023 was $32 (October 31, 2022 – $nil).

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 9).

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

During the six months ended April 30, 2023, the Foundation provided deficit funding payments of $nil (2022 – $nil) to the SCR Fund (see Note 9(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 six months ended April 30, 2023, the Plan recognized an expense of $1 (2022 – $1) for the services of the IRC. IRC fees included in Accounts payable and accrued liabilities at April 30, 2023 was $nil (October 31, 2022 – $nil).

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

Included in Portfolio management fees on the Statements of Comprehensive Income is $7 (2022 – $8) charged by CST Savings for expenses incurred to monitor and manage the portfolio managers. Included in Accounts payable and accrued liabilities is $3 owing to CST Savings at April 30, 2023 (October 31, 2022 – $5) 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.

Government Grants 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.

Notes to the Financial Statements (continued)

Six months ended April 30, 2023 and 2022

(Unaudited, in thousands of Canadian dollars)

Note 6. Risks Associated with Financial Instruments (continued)

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 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	
	Apr 30, 2023	Oct 31, 2022
Less than 1 year	**32%**	29%
1-3 years	**7%**	23%
3-5 years	**28%**	33%
Greater than 5 years	**31%**	14%
Total debt instruments	**98%**	99%

As at April 30, 2023, if prevailing interest rates had increased by 1%, the fair value of the Total Investment Fund of $71,691 (October 31, 2022 – $76,809) as per Schedule I – Statement of Investment Portfolio, would have decreased by approximately $1,300 (October 31, 2022 – $1,358). If prevailing interest rates had decreased by 1%, the fair value of the Total Investment Fund would have increased by approximately $1,236 (October 31, 2022 – $1,431). 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% of the Total Investment Fund as at April 30, 2023 (October 31, 2022 – 1%). 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 April 30, 2023, 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 $12 (October 31, 2022 – $11). 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:

	April 30, 2023		October 31, 2022	
Credit rating	**% of Total Investment Fund**	**Amount**	% of Total Investment Fund	Amount
AAA	**45%**	**$32,422**	46%	$35,229
AA/AAH/AAL	**18%**	**12,781**	19%	14,294
A/AH/AL	**3%**	**2,489**	4%	3,187
BBB	**1%**	**489**	1%	623
R-1	**–**	**–**	29%	22,012
Short-term unrated	**31%**	**22,268**	0%	358
Total debt Instruments	**98%**	**$70,449**	99%	$75,703

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

Notes to the Financial Statements (continued)

Six months ended April 30, 2023 and 2022

(Unaudited, in thousands of Canadian dollars)

Note 6. Risks Associated with Financial Instruments (continued)

(c) Liquidity risk (continued)

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.

(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% (October 31, 2022 – 1%) of the Total Investment Fund. The fair value of the Total Investment Fund would increase or decrease by approximately $12 (October 31, 2022 – $11) in response to a 0% depreciation or appreciation of the Canadian dollar currency exchange rate. In practice the actual change may differ materially.

Note 7. Subscribers' Deposits

The changes in Subscribers' deposits for the six months ended April 30 are as follows:

	2023	2022
Payments from subscribers	**$ 51**	$ 21
Inter-plan principal transfers	**(357)**	(1,034)
Account maintenance fees	**(51)**	(21)
Return of principal	**(905)**	(995)
Net decrease in Subscribers' deposits	**(1,262)**	(2,029)
Balance, Beginning of the Period	**17,730**	21,377
Balance, End of the Period	**$16,468**	$19,348

Note 8. General Fund

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.

As at April 30, 2023 the balance of the General Fund, included in the Statement of Financial Position, is a deficit of $4,245 (October 31, 2022 – deficit of $3,672).

Note 9. Sales Charge Refund

(a) Sales Charge Refund Entitlements

The Plan refunds sales charges to qualified beneficiaries ("SCR Entitlement") 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. The total amount refunded for the six months ended April 30, 2023 was $100 (2022 – $9).

As at April 30, 2023, the SCR Entitlements amount of $2,855 (October 31, 2022 – $2,923) presented in the Statements of Financial Position represents the average cost of the Plan's investments in the SCR Fund of $2,773 (October 31, 2022 – $2,788), adjusted for funds to be transferred to (from) the direct investment holdings of the Plan of $73 (October 31, 2022 – $128) for SCR payments made to beneficiaries during the period, plus accrued interest and payables of $9 (October 31, 2022 – $7). The fair value of the investments in the SCR Fund as at April 30, 2023, after adjusting for the above, amounted to $2,612 (October 31, 2022 – $2,520). The SCR Fund comprises investments, at fair value, of $2,493 and Cash and cash equivalents of $38 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 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.

Notes to the Financial Statements (continued)

Six months ended April 30, 2023 and 2022

(Unaudited, in thousands of Canadian dollars)

Note 9. Sales Charge Refund (continued)

(b) Sales Charge Refund Entitlements Valuations (continued)

(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, 2022 of 4.8% (October 31, 2021 – 4.2%) 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:

	2022	2021
Present value of SCR Entitlements	**$2,474**	$3,176
Fair value of SCR Fund *(Note 9(a))*	**2,385**	3,176
Overfunded portion of SCR Entitlements	**$ 89**	$ –

A 1% decrease or increase in the discount rate used will increase or decrease the present value of SCR Entitlements by $33 or $35, respectively (2022 – $47 or $44, respectively).

(ii) Funding Valuation

A funding valuation of the SCR Entitlements for the Plan was completed 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 4.4%, 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.

Note 10. 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 of April 30, 2023

	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]	$ –	$ 325	$ 325	**$ 325**	**$ 325**
Investments	68,759	651	634	**69,410**	**69,393**
Other Assets[2]	–	445	445	**445**	**445**
Financial Liabilities					
Other Liabilities[3]	$ –	$2,372	$2,372	**$ 2,372**	**$ 2,372**

Carrying Amount and Fair Value of Financial Instruments as of October 31, 2022

	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]	$ –	$ –	$ –	**$ –**	**$ –**
Investments	75,460	1,151	1,104	**76,611**	**76,564**
Other Assets[2]	–	251	251	**251**	**251**
Financial Liabilities					
Other Liabilities[3]	$ –	$2,744	$2,744	**$ 2,744**	**$ 2,744**

1. Cash and bank balances of $1,956 (October 31, 2022 – $198) have been excluded.
2. Other assets consist of Receivables for securities sold, Accrued income and other receivables and Government grants receivable.
3. 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:

i. Level 1 financial instruments are valued using quoted market prices.

Notes to the Financial Statements (continued)

Six months ended April 30, 2023 and 2022

(Unaudited, in thousands of Canadian dollars)

Note 10. Fair Value Measurements and Disclosure (continued)

ii. Level 2 financial instruments are valued using directly or indirectly observable inputs.

iii. 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 April 30, 2023

	Level 1	Level 2	Level 3	**Total**
Fixed income securities	$ –	$ 67,517	$ –	**$67,517**
Equity securities, ETFs and Pooled equity funds	1,242	–	–	**1,242**
Total Investments, at fair value	**$1,242**	**$67,517**	**$ –**	**$68,759**

Assets Measured at Fair Value as of October 31, 2022

	Level 1	Level 2	Level 3	**Total**
Fixed income securities	$ –	$ 74,354	$ –	**$74,354**
Equity securities, ETFs and Pooled equity funds	1,106	–	–	**1,106**
Total Investments, at fair value	**$1,106**	**$74,354**	**$ –**	**$75,460**

For the six months ended April 30, 2023 and year ended October 31, 2022, there were no transfers between Levels 1 and 2.

Sales Charge Refund Entitlements

Appendix I to Schedule I
Statement of Investment Portfolio
As at April 30, 2023
(thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value ($)	Fair Value ($)	Average Cost ($)
Bonds					
Federal – 6.7%					
Blue Water Bridge Authority	6.41	9 Jul 2027	1,246	400	502
Government of Canada	0.75	1 Feb 2024	293	285	283
Government of Canada	7.47	1 Dec 2026	450	878	873
Government of Canada	0.50	1 Dec 2030	2,000	1,685	1,616
Government of Canada	1.50	1 Dec 2031	2,000	1,799	1,769
Greater Toronto Airports Authority	6.45	30 Jul 2029	827	877	1,006
Greater Toronto Airports Authority	7.05	12 Jun 2030	115	134	145
				6,058	6,194
Provincial – 0.1%					
Province of New Brunswick	6.47	30 Nov 2027	147	152	175
				152	175
Corporate – 42.6%					
407 International Inc.	6.75	27 Jul 2039	159	182	218
407 International Inc.	7.13	26 Jul 2040	518	653	800
Bank of America	5.62	15 Sep 2027	1,978	1,927	1,974
Bankers Hall LP	4.38	20 Nov 2023	240	237	249
Bell Canada	–	15 May 2034	496	270	272
Cogeco Communications Inc.	2.99	22 Sep 2031	855	742	855
Cogeco Communications Inc.	5.30	16 Feb 2033	86	87	86
Concentra Bank	0.81	1 Nov 2025	310	222	239
CSS Partnership	6.92	31 Jul 2042	171	198	222
Enbridge Gas Inc.	3.65	1 Apr 2050	251	214	260
Enbridge Inc.	4.57	11 Mar 2044	1,499	1,335	1,483
First National Financial LP	2.39	1 Jul 2023	800	310	308
First National Financial LP	2.69	1 Nov 2023	170	79	79
GE Capital Canada Funding Company	5.73	22 Oct 2037	404	420	387
Goldman Sachs Group, Inc.	5.39	29 Apr 2025	641	634	641
Great-West Lifeco Inc.	3.60	31 Dec 2081	1,352	1,007	1,352
Heathrow Funding Ltd.	3.40	8 Mar 2028	200	189	190
Heathrow Funding Ltd.	3.66	13 Jan 2031	1,662	1,534	1,680
Honda Canada Finance Inc.	1.71	28 Sep 2026	500	456	450
InPower BC General Partnership	4.47	31 Mar 2033	423	416	421
Lloyds Bank plc	3.50	3 Feb 2025	199	192	189
Loblaw Companies Limited	–	7 Jun 2027	552	457	418
Loblaw Companies Limited	–	23 Nov 2027	174	140	129
Loblaw Companies Limited	6.54	17 Feb 2033	1,173	1,306	1,440
Manulife Financial Corporation	3.38	19 Jun 2081	1,381	1,029	1,381
Manulife Financial Corporation	4.10	19 Mar 2082	412	308	412
MCAP Service Corporation	2.59	1 May 2049	1,100	177	174
MetLife Inc.	2.45	12 Jan 2029	1,658	1,487	1,653
Bonds (continued)					
Corporate – 42.6% (continued)					
Metro Inc.	4.66	7 Feb 2033	119	120	119
Metropolitan Life Global Funding I	1.95	20 Mar 2028	1,181	1,053	1,178
NAV Canada	–	1 Jun 2023	3	3	3
NAV Canada	–	1 Dec 2023	3	3	3
NAV Canada	–	1 Jun 2024	3	3	3
NAV Canada	–	1 Dec 2024	3	2	3
NAV Canada	–	1 Jun 2025	3	2	2
NAV Canada	–	1 Dec 2025	3	2	2
NAV Canada	–	1 Jun 2026	3	2	2
NAV Canada	–	1 Dec 2026	3	2	2
NAV Canada	7.56	1 Mar 2027	313	328	394
NAV Canada	–	1 Jun 2027	75	62	66
Nestle Holdings, Inc.	2.19	26 Jan 2029	3,663	3,312	3,661
New York Life Global Funding	2.00	17 Apr 2028	1,489	1,341	1,486
North Battleford Power LP	4.96	31 Dec 2032	654	664	755
Nova Gas Transmission Ltd.	9.90	16 Dec 2024	109	116	167
Ornge Issuer Trust	5.73	11 Jun 2034	800	846	923
Pembina Pipeline Corporation	4.75	26 Mar 2048	2,042	1,816	2,122
Rogers Communications Inc.	6.75	9 Nov 2039	973	1,092	983
Rogers Communications Inc.	4.25	9 Dec 2049	1,100	900	1,096
Royal Bank of Canada	4.11	22 Dec 2025	936	934	936
Royal Bank of Canada	4.64	17 Jan 2028	662	667	662
Scotia Capital Inc.	1.90	1 Jul 2024	500	287	287
Scotia Capital Inc.	4.83	1 Apr 2027	500	403	404
Sobeys Inc.	6.06	29 Oct 2035	510	532	618
Sobeys Inc.	6.64	7 Jun 2040	100	111	140
Strait Crossing Development Inc.	6.17	15 Sep 2031	451	257	254
Sun Life Assurance Company of Canada	6.30	15 May 2028	126	134	140
Sun Life Financial Inc.	3.60	30 Jun 2081	464	348	464
Toronto Dominion Bank	4.48	18 Jan 2028	1,778	1,778	1,778
Toronto Dominion Bank	3.60	31 Oct 2081	455	339	455
TransCanada PipeLines Limited	8.29	5 Feb 2026	214	231	283
TransCanada PipeLines Limited	5.92	10 Mar 2026	176	174	176
TransCanada PipeLines Limited	6.28	26 May 2028	327	345	407
TransCanada PipeLines Limited	6.89	7 Aug 2028	117	128	146
TransCanada PipeLines Limited	4.33	16 Sep 2047	529	448	518
Transcontinental Inc.	2.28	13 Jul 2026	350	321	350
University of Ontario Institute of Technology	6.35	15 Oct 2034	919	996	976

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 April 30, 2023
(thousands of Canadian dollars)

Security	Interest Rate (%)	Maturity Date	Par Value ($)	Fair Value ($)	Average Cost ($)
Bonds (continued)					
Corporate – 42.6% (continued)					
WTH Car Rental ULC	2.78	22 Jul 2024	2,500	2,434	2,440
				38,744	42,366
Total Fixed Income – 49.4%				**44,954**	**48,735**

Security	Number of Securities	Fair Value ($)	Average Cost ($)
Pool Equity Fund – 49.1%			
CCL Global Equity Fund	2,243	44,619	49,529
Total Equities – 49.1%		**44,619**	**49,529**
Total Investments – 98.5%		**89,573**	**98,264**
Cash and cash equivalents – 1.5%		**1,362**	**1,362**
Total Portfolio Assets – 100.0%		**90,935**	**99,626**
Total Investments Allocation			
Group Savings Plan		2,493	2,735
CST Advantage Plan		87,080	95,529
		89,573	**98,264**
Cash and cash equivalents Allocation			
Group Savings Plan		38	38
CST Advantage Plan		1,324	1,324
		1,362	**1,362**

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

Canadian Scholarship Trust Plan

Sponsor
Canadian Scholarship Trust Foundation
2235 Sheppard Avenue East, Suite 1600
Toronto, Ontario M2J 5B8
1.877.333.RESP (7377)

Investment Fund Manager and Distributor
C.S.T. Savings Inc.
2235 Sheppard Avenue East, Suite 1600
Toronto, Ontario M2J 5B8

Trustee
RBC Investor Services Trust
155 Wellington Street West, 2nd Floor
Toronto, ON M5V 3L3

Auditor
Deloitte LLP
Bay Adelaide East
8 Adelaide Street West, Suite 200
Toronto, Ontario M5H 0A9

Bank
Royal Bank of Canada
Royal Bank Plaza
South Tower
200 Bay Street, 10th Floor
Toronto, Ontario M5J 2J5

For updates on your Plan account, login to Online Services at www.cst.org
In Quebec, Canadian Scholarship Trust Plan is distributed by
C.S.T. Savings Inc. Scholarship Plan Brokerage Firm.

cst SAVINGS

2002 P4-E (2023-05)