



MD Financial  
Management Inc.

MDPIM Pooled Funds  
2019 Interim  
Financial Statements

# A Message Regarding Your Financial Statements

The Interim Financial Statements produced for our MDPIM Pools are an important part of our commitment to keeping clients informed about their MD investments. The Interim Financial Statements are produced on a pool-by-pool basis.

If you have any questions regarding these documents, please contact your MD advisor or the MD TradeCentre at 1 800 267-2332.

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## **Interim Unaudited Financial Statements for the Six-Month Period Ended June 30, 2019**

These Interim Unaudited Financial Statements do not contain the Interim Management Report of Fund Performance ("MRFP") of the investment fund. If you have not received a copy of the Interim MRFP with this report, you may obtain a copy of the Interim MRFP at your request, and at no cost, by calling the toll-free number 1 800 267-2332, by writing to us at MD Financial Management Inc., 1870 Alta Vista Drive, Ottawa ON K1G 6R7, by visiting our website at [md.ca](http://md.ca) or by visiting the SEDAR website at [sedar.com](http://sedar.com). Copies of the Annual Financial Statements or Annual MRFP may also be obtained, at no cost, using any of the methods outlined above. Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

## **NOTICE OF NO AUDITOR REVIEW OF THE INTERIM FINANCIAL STATEMENTS**

MD Financial Management Inc, the Manager of the Fund, appoints independent auditors to audit the Fund's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice. The Fund's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

MD Financial Management Inc. wholly owns or has a majority interest in its seven subsidiaries (the MD Group of Companies). It provides financial products and services, is the fund manager for the MD Family of Funds and offers investment counselling services. For a detailed list of the MD Group of Companies, visit [md.ca](http://md.ca).

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. The rate of return is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the mutual fund or returns on investment in the mutual fund. Standard performance data assumes reinvestment of distributions only and does not take into account sales, redemption, distribution or optional charges payable by any securityholder which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus before investing. You may obtain a copy of the prospectus before investing by calling your MD Advisor or the MD Trade Centre at 1 800 267-2332.

# MDPIM Global Tactical Opportunities Pool

## Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

(in \$000's except for number of units)

	Number of Units	Average Cost (\$)	Fair Value (\$)
<b>EXCHANGE TRADED FUNDS</b>			
<b>Exchange Traded Funds (50.03%)</b>			
iShares Core S&P/TSX Capped Composite Index ETF	15,059,269	384,712	392,144
SPDR S&P 500 ETF Trust	999,554 USD	328,442	383,395
Total for Exchange Traded Funds		713,154	775,539

	Maturity Date	Yield (%)	Principal Amount in Currency of Issue	Average Cost (\$)	Fair Value (\$)
<b>FIXED INCOME</b>					
<b>Corporate Bonds (30.97%)</b>					
BMW Canada Inc.	12/11/2020	1.88%	5,000	4,950	4,985
Canadian Imperial Bank of Commerce	12/08/2020	2.26%	4,800	4,794	4,814
Canadian Tire Corporation, Limited	07/06/2020	2.65%	9,938	9,982	9,981
Canadian Western Bank	01/23/2020	2.38%	3,633	3,634	3,639
Canadian Western Bank	06/29/2020	2.75%	71,231	71,672	71,643
Central 1 Credit Union	03/16/2020	1.87%	29,146	29,061	29,082
Central 1 Credit Union	02/05/2021	2.37%	37,400	37,264	37,327
Coast Capital Savings	02/28/2020	2.66%	20,000	20,018	19,997
Daimler Canada Finance Inc.	05/25/2020	1.57%	8,000	7,910	7,958
Daimler Canada Finance Inc.	11/23/2020	2.30%	16,020	15,991	16,037
Daimler Canada Finance Inc.	07/08/2019	2.85%	5,170	5,184	5,171
Enbridge Pipelines Inc.	11/12/2019	4.49%	28,000	28,426	28,314
General Motors Financial of Canada, Ltd.	05/22/2020	3.08%	30,518	30,734	30,710
Great-West Lifeco Inc.	08/13/2020	4.65%	1,623	1,673	1,668
HSBC Bank Canada	07/07/2020	1.82%	8,090	8,060	8,072
HSBC Bank Canada	01/29/2021	2.45%	15,900	15,944	16,003
Husky Energy Inc.	03/12/2020	5.00%	10,000	10,219	10,186
Intact Financial Corporation	09/03/2019	5.41%	7,200	7,314	7,238
John Deere Canada Funding Inc.	09/21/2020	2.30%	14,400	14,391	14,426
Laurentian Bank of Canada	10/22/2019	2.67%	43,500	43,556	43,534
Laurentian Bank of Canada	04/22/2021	2.75%	12,300	12,373	12,390
Laurentian Bank of Canada	02/01/2021	3.01%	15,000	15,105	15,095
Nissan Canada Inc.	04/09/2020	1.75%	14,300	14,182	14,259
Nissan Canada Inc.	10/19/2020	2.42%	9,210	9,188	9,226
Nissan Canada Inc.	03/05/2021	2.61%	11,190	11,218	11,244
Toyota Credit Canada Inc.	09/27/2021	2.33%	1,500	1,500	1,505
Wells Fargo Canada Corporation	01/29/2021	3.04%	44,970	45,526	45,643
Total for Corporate Bonds				479,869	480,147
<b>Municipal Bonds (1.26%)</b>					
Administration Regionale Kativik	07/03/2020	1.90%	1,906	1,900	1,906
City of Danville	02/19/2020	2.45%	159	159	159
City of Fermont	01/23/2020	2.35%	311	310	311
City of Fermont	01/23/2021	2.40%	303	302	305
City of Gatineau	12/11/2019	2.40%	547	546	547
City of La Tuque	10/03/2019	2.00%	250	249	250
City of Lavaltrie	11/19/2019	2.50%	880	880	881
City of Mont-Saint-Hilaire	11/23/2019	1.55%	932	925	930
City of Repentigny	10/27/2019	2.10%	800	798	800
City of Riviere-du-Loup	11/24/2019	2.20%	563	562	563
City of Sainte-Therese	11/22/2019	1.45%	678	672	676
City of Saint-Eustache	09/30/2019	2.00%	1,566	1,561	1,565

Percentages shown in brackets relate investments at fair value to net assets of the Fund.

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

# MDPIM Global Tactical Opportunities Pool

## Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

(in \$000's except for number of units)

	Maturity Date	Yield (%)	Principal Amount in Currency of Issue	Average Cost (\$)	Fair Value (\$)
City of Saint-Georges	11/24/2019	2.20%	1,038	1,035	1,038
City of Saint-Jean-sur-Richelieu	12/21/2019	1.60%	800	793	798
City of Terrebonne	11/19/2019	2.30%	600	599	600
City of Terrebonne	12/16/2019	4.35%	1,100	1,119	1,110
City of Thetford Mines	11/04/2019	2.30%	595	594	595
City of Vaudreuil-Dorion	11/30/2019	1.65%	1,306	1,297	1,303
Municipality of Chertsey	11/21/2019	1.85%	225	224	225
Municipality of Levis	03/05/2020	2.25%	1,458	1,454	1,458
Municipality of Mechains	06/06/2020	1.40%	309	305	307
Municipality of Notre-Dame-du-Portage	02/19/2020	2.45%	214	214	214
Municipality of Petite-Riviere-Saint-Francois	05/16/2020	1.40%	225	223	223
Municipality of St Ephrem de Beauce	02/20/2020	2.45%	380	379	381
Municipality of Val-des-Monts	06/04/2020	2.00%	481	480	480
Régie de Police de Memphrémagog	05/22/2020	2.00%	177	177	177
Societe de transport de l'Outaouais	11/09/2019	1.50%	800	794	798
Town of Bay-Comeau	12/02/2019	4.25%	215	218	217
Ville de Rivière-du-Loup	06/04/2020	2.00%	732	730	730
Total for Municipal Bonds				19,499	19,547
<b>Total for Domestic Bonds (32.23%)</b>				<b>499,368</b>	<b>499,694</b>
<b>Foreign Bonds (0.79%)</b>					
The Goldman Sachs Group, Inc.	02/12/2021	3.55%	12,000	12,203	12,254
<b>Total for Foreign Bonds</b>				<b>12,203</b>	<b>12,254</b>
<b>Total for Long term Investments (83.05%)</b>				<b>1,224,725</b>	<b>1,287,487</b>
<b>SHORT-TERM INVESTMENTS</b>					
Government of Canada	09/05/2019	1.63%	8,500	8,475	8,474
Government of Canada*	10/03/2019	1.63%	66,205	65,925	65,925
Municipality of Saint-Joseph-du-Lac	01/21/2020	0.20%	166	166	166
Vancouver City Savings Credit Union	08/06/2019	1.86%	15,000	14,972	14,972
Vancouver City Savings Credit Union	09/03/2019	1.92%	1,500	1,495	1,495
Ville de Montreal-Ouest	01/22/2020	0.20%	574	573	573
<b>Total for Short-term Investments (5.91%)</b>				<b>91,606</b>	<b>91,605</b>
<b>Total for Investments (88.96%)</b>				<b>\$1,316,331</b>	<b>\$1,379,092</b>
<b>Cash and Other Net Assets (11.04%)</b>					<b>171,124</b>
<b>Total Net Assets Attributable to Holders of Redeemable Units (100.00%)</b>					<b>\$1,550,216</b>

\*Principal amount of CAD 66,205 pledged as collateral as at June 30, 2019.

Percentages shown in brackets relate investments at fair value to net assets of the Fund.  
The accompanying notes are an integral part of these financial statements.

# MDPIM Global Tactical Opportunities Pool

## Schedule of Investment Portfolio as at June 30, 2019 (unaudited)

(in \$000's)

### Schedule of Derivative Instruments

#### FORWARD CURRENCY CONTRACTS

Contracts		Pay		Receive	Contract Rate	Due Date	Fair Value (\$)	Counterparty	Rating of the Counterparty*
1	116,026	U.S. Dollar	155,130	Canadian Dollar	1.337	09/18/2019	3,455	Canadian Imperial Bank of Commerce	A+
1	113,308	U.S. Dollar	173,845	New Zealand Dollar	1.534	09/18/2019	4,639	Royal Bank of Canada	AA-
							8,094		
1	89,115	Pound Sterling	112,948	U.S. Dollar	1.267	09/18/2019	(824)	Bank of Nova Scotia	A+
1	1,076,348	Swedish Krona	114,080	U.S. Dollar	0.106	09/18/2019	(3,203)	Societe Generale SA	A
1	113,230	Swiss Franc	114,270	U.S. Dollar	1.009	09/18/2019	(3,368)	Societe Generale SA	A
							(7,395)		
<b>Total Forward Currency Contracts</b>							699		

\* Source: Standard & Poor's Credit Rating Agency

#### FUTURES CONTRACTS

Description	Type	Contracts	Expiration date		Notional Amount	Fair Value (\$)
S+P 500 E-Mini Index Futures	Long	2,403	09/20/2019	USD	463,088	7,180
CAC40 10- Year Euro Index Futures	Long	928	07/19/2019	EUR	76,463	2,360
SPI 200 Futures	Long	1,027	09/19/2019	AUD	154,528	2,168
Swiss Market Index Futures	Long	575	09/20/2019	CHF	76,006	440
S&P/TSX 60 Index Futures	Long	380	09/19/2019	CAD	74,305	317
						12,465
Canadian Bankers Acceptance 3 month future	Short	(536)	09/16/2019	CAD	(131,380)	(20)
FTSE 100 Index Futures	Short	(1,222)	09/20/2019	GBP	(149,729)	(2,040)
MSCI Emerging Markets Index Futures	Short	(2,273)	09/20/2019	USD	(156,724)	(7,394)
						(9,454)
<b>Total Futures Contracts</b>						3,011
<b>Total for Schedule of Derivative Instruments</b>						3,710

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

# MDPIM Global Tactical Opportunities Pool

## Financial Statements

### Statement of Financial Position (unaudited)

(in \$000's except for units outstanding and per unit amounts)

	June 30, 2019	December 31, 2018
<b>Assets</b>		
<b>Current assets</b>		
Investments	\$ 1,379,092	\$ 849,593
Cash	161,174	822,531
Dividends and interest receivable	7,388	2,584
Financial derivative instruments	20,119	23,124
Net margin and collateral due from broker on futures contracts	1,056	75,268
Subscriptions receivable	923	224
	1,569,752	1,773,324
<b>Liabilities</b>		
<b>Current liabilities</b>		
Payable for investment transactions	1,900	373,172
Redemptions payable	1,227	117
Financial derivative instruments	16,409	93,284
	19,536	466,573
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 1,550,216</b>	<b>\$ 1,306,751</b>
<b>Number of redeemable units outstanding (see Supplementary Schedules)</b>	<b>150,003,793</b>	<b>146,898,636</b>
<b>Net assets attributable to holders of redeemable units per unit, per series</b>	<b>\$ 10.33</b>	<b>\$ 8.90</b>

### Statement of Comprehensive Income (unaudited)

for the periods ended June 30 (in \$000's except for per unit amounts)

	2019	2018
<b>Income</b>		
Net gain (loss) on investments		
Dividends	\$ 10,365	\$ 8,044
Interest for distribution purposes	8,950	4,671
Net realized gain (loss) on sale of investments	8,299	2,125
Change in unrealized appreciation (depreciation) of investments	77,544	23,764
Net gain (loss) on investments	105,158	38,604
Net gain (loss) on derivative instruments		
Net realized gain (loss) on derivative instruments	39,208	13,296
Change in unrealized appreciation (depreciation) of derivative instruments	73,870	(13,150)
Net gain (loss) on derivatives instruments	113,078	146
<b>Other Income</b>		
Foreign exchange gain (loss) on cash	(2,159)	(855)
Securities lending (see Supplementary Schedules)	44	-
Other	-	7
Total other income	(2,115)	(848)
Total income (loss)	216,121	37,902
<b>Expenses</b>		
Regulatory filing fees	38	-
Audit fees	11	11
Custodial fees	25	7
Securityholder reporting costs	9	6
Administration fees	110	111
Independent Review Committee (IRC) fees	2	1
Interest expense	22	40
Withholding tax on foreign income	1,060	498
Operating expenses absorbed by the Fund Manager (Note 4)	(195)	(136)
Transaction costs	97	126
Total expenses	1,179	664
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>\$ 214,942</b>	<b>\$ 37,238</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>	<b>\$ 1.43</b>	<b>\$ 0.26</b>

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

# MDPIM Global Tactical Opportunities Pool

## Financial Statements

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units ("Net Assets") (unaudited)

for the periods ended June 30 (in \$000's)

	2019	2018
<b>SERIES A</b>		
<b>Net assets - beginning of period</b>	\$ 1,306,751	\$ 1,390,343
Add (deduct) changes during the period:		
<b>Operations</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	214,942	37,238
<b>Redeemable unit transactions</b>		
Proceeds from issue of redeemable units	117,807	90,490
Cash paid for redemption of redeemable units	(89,284)	(71,450)
Units issued on reinvestment of distributions	-	3,602
	28,523	22,642
<b>Distributions</b>		
From net investment income	-	(3,812)
	-	(3,812)
<b>Net assets - end of period</b>	\$ 1,550,216	\$ 1,446,411

### Statement of Cash Flows (unaudited)

for the periods ended June 30 (in \$000's)

	2019	2018
<b>Cash flows from (used in) operating activities</b>		
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	\$ 214,942	\$ 37,238
<b>Adjustments for:</b>		
Proceeds from sale of investments	509,876	164,557
Purchase of investments	(1,324,152)	(165,628)
Amortization income	(652)	(602)
Unrealized foreign exchange (gain) loss on cash	16	(446)
Net realized (gain) loss on sale of investments	(8,299)	(2,125)
Change in unrealized (appreciation) depreciation of investments	(77,544)	(23,764)
Change in unrealized (appreciation) depreciation of derivative instruments	(73,870)	13,150
Net change in non-cash working capital	69,408	(15,920)
<b>Net cash from (used in) operating activities</b>	(690,275)	6,460
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issue of redeemable units	117,108	90,507
Distributions to holders of redeemable units, net of reinvested distribution	-	(45)
Cash paid for redemption of redeemable units	(88,174)	(71,261)
<b>Net cash from (used in) financing activities</b>	28,934	19,201
<b>Unrealized foreign exchange gain (loss) on cash</b>	(16)	446
<b>Net increase (decrease) in cash during the period</b>	(661,357)	26,107
<b>Cash, beginning of period</b>	822,531	542,250
<b>Cash, end of period</b>	\$ 161,174	\$ 568,357
Interest received	6,599	4,669
Dividends received, net of withholding taxes	6,848	7,880

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

# MDPIM Global Tactical Opportunities Pool

## Financial Statements – Supplementary Schedules (unaudited)

### Redeemable Unit Transactions

for the periods ended June 30

	2019	2018
<b>SERIES A</b>		
Outstanding, beginning of period	146,898,636	141,191,925
Issued	11,920,923	10,522,354
Redeemed	(8,815,766)	(8,260,083)
<b>Outstanding, end of period</b>	<b>150,003,793</b>	<b>143,454,196</b>

### Soft Dollar Commissions

Soft dollar commissions refers to the portion of total brokerage commissions paid to certain brokers that was available for payment to third party vendors for providing research, statistical or investment decision making services. These services assist the investment managers with their investment decision making for the Fund.

The soft dollar portion of the commissions paid to dealers for executing portfolio transactions is not ascertainable for the first six months of 2019 and 2018.

### Securities on Loan

(in \$000's)	June 30, 2019	December 31, 2018
Fair value of securities loaned	\$ 693,009	\$ -
Fair value of collateral (non-cash)	\$ 727,894	\$ -

State Street Bank and Trust Co. is entitled to receive payments out of the gross amount generated from the securities lending transactions of the Fund and bears all operational costs directly related to securities lending as well as the cost of borrower default indemnification.

The table below sets out a reconciliation of the gross amount generated from the securities lending transactions of the Fund to the revenue from securities lending disclosed under securities lending income in the Fund's Statement of Comprehensive Income.

for the periods ended June 30 (in \$000's)	2019	2018
Gross amount generated from the securities lending transactions	\$ 56	\$ -
Amounts paid to State Street Bank and Trust Co.	\$ (12)	\$ -
Net securities lending income as reported in the Statement of Comprehensive Income	\$ 44	\$ -

### Investment in Unconsolidated Structured Entities

(in \$000's)

As at	Structure Type	Number of Investee Funds	Net Asset Value of Investee Funds (Range and Weighted Average) in Billions	Fair Value of Fund's Investment in Underlying Funds (in thousands)
June 30, 2019	Exchange Traded Funds	2	5.16 - 356.61 (178.9)	775,539
December 31, 2018	Exchange Traded Funds	4	1.73 - 325.33 (166.43)	651,157

### Tax Loss Carry Forwards

as at June 30 (in \$000's)

	2019
<b>Net capital loss carried forward</b>	\$ 800
<b>Non-capital losses expiring:</b>	
2019	\$ -
2020	-
in 2021 and thereafter	24,541
<b>Total</b>	<b>\$ 24,541</b>

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income for the year, including net realized capital gains which is not paid or payable to its unitholders as at the end of the year. It is the intention of management that all annual net investment income and sufficient net realized taxable capital gains will be distributed to unitholders annually by December 31, such that there are no Canadian income taxes payable by the Fund. As a result, the Fund does not record income taxes.

Since the Fund does not record income taxes, no benefit has been recorded by the Fund in its financial statements in respect of its unused losses as at June 30, 2019. As of the taxation year ended December 15, 2018, the Fund has accumulated net realized capital losses of \$800 and non-capital losses of \$24,541 available for utilization in future years against net realized capital gains and other net investment income in the case of the non-capital losses. Capital losses have no expiry. Non-capital losses can be carried forward for up to 20 years.

### Amounts Subject to Master Netting Arrangements

(in \$000's)

In the normal course of business, the Fund enters into various enforceable master netting arrangements with its derivative counterparties.

The following tables present the Fund's financial assets and liabilities subject to enforceable master netting arrangements. The tables are presented by financial instrument type.

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



# MDPIM Global Tactical Opportunities Pool

## Financial Statements – Supplementary Schedules (unaudited)

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### FINANCIAL ASSETS

	Gross Asset	Gross Liabilities Offset	Net Amounts Presented	Financial Instruments Eligible for Offset	Net
June 30, 2019					
Derivative assets	\$ 20,559	\$ 440	\$ 20,119	\$ 4,528	\$ 15,591
December 31, 2018					
Derivative assets	\$ 30,931	\$ 7,807	\$ 23,124	\$ 23,124	\$ -

### FINANCIAL LIABILITIES

	Gross Liability	Gross Asset Offset	Net Amounts Presented	Financial Instruments Eligible for Offset	Net
June 30, 2019					
Derivative liabilities	\$ 16,849	\$ 440	\$ 16,409	\$ 4,528	\$ 11,881
December 31, 2018					
Derivative liabilities	\$101,091	\$ 7,807	\$ 93,284	\$ 23,124	\$ 70,160

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

# MDPIM Global Tactical Opportunities Pool

## Financial Instruments Risks (unaudited)

(in \$000's)

### Financial Instruments

MDPIM Global Tactical Opportunities Pool (the "Fund") invests in equity investments, including exchange traded funds, and short term fixed income investments, as well as forward and futures contracts as shown in the Schedule of Investment Portfolio. The Fund also invests excess cash in high grade short-term notes with maturities of less than one year. These investments expose the Fund to risks associated with financial instruments. The Fund's exposures and sensitivities to these risks are presented below. A description of the risks and how the Fund manages these risks is discussed in Note 7 of the Notes to the Financial Statements.

### Credit Risk

The Fund's credit risk is concentrated in investments in debt and derivative instruments. The Fund's maximum exposure to credit risk from debt instruments is the carrying value of short-term investments and any domestic and foreign bonds presented on the Schedule of Investment Portfolio as well as the cash as shown on the Statement of Financial Position. The Fund's maximum exposure to credit risk from derivative instruments is the carrying value of the financial derivative instrument asset as presented on the Statement of Financial Position.

As at June 30, 2019 and December 31, 2018, the Fund invested in preferred shares and short-term debt instruments with the following credit ratings:

Credit Rating	% of Net Assets Attributable to Holders of Redeemable Units June 30, 2019	% of Net Assets Attributable to Holders of Redeemable Units December 31, 2018
<b>Debt Instruments</b>		
AAA / R-1 (High)	4.8%	8.8%
AA / R-1 (Mid)	3.3%	1.8%
A / R-1 (Low)	25.6%	4.3%
BBB	3.9%	-
Unrated	1.3%	0.3%
	38.9%	15.2%
<b>Total</b>	38.9%	15.2%

All credit ratings are from external credit rating agencies such as Dominion Bond Rating Service, Standard & Poor's and Moody's.

### Currency Risk

Exposures to foreign currencies as at June 30, 2019 and December 31, 2018 are presented in the table below. Short-term investments, which are monetary in nature, are included in the Investments at Fair Value column.

Currency	Cash and Other Net Assets Attributable to Holders of Redeemable Units	Investments at Fair Value	Derivative Exposure	Net Currency Exposure	% of Net Assets Attributable to Holders of Redeemable Units
<b>June 30, 2019</b>					
U.S. Dollar	\$ 4,974	\$ 383,394	\$ 146,150	\$ 534,518	34.48%
European Euro	100	-	2,360	2,460	0.16%
Australian Dollar	(477)	-	2,168	1,691	0.11%
New Zealand Dollar	-	-	152,760	152,760	9.85%
British Pound	136	-	(150,515)	(150,379)	(9.70)%
Swedish Krona	-	-	(152,334)	(152,334)	(9.83)%
Swiss Franc	(157)	-	(152,307)	(152,464)	(9.84)%
<b>Total</b>	\$ 4,576	\$ 383,394	\$ (151,718)	\$ 236,252	15.23%
<b>December 31, 2018</b>					
U.S. Dollar	\$ 40,698	\$ 325,930	\$ 127,255	\$ 493,883	37.79%
European Euro	2,363	-	(89,717)	(87,354)	(6.68)%
Australian Dollar	3,759	-	160,674	164,433	12.58%
Japanese Yen	9,700	-	(110,195)	(100,495)	(7.69)%
British Pound	5,598	-	(157,666)	(152,068)	(11.64)%
Swedish Krona	-	-	(82,438)	(82,438)	(6.31)%
Swiss Franc	7,481	-	(78,265)	(70,784)	(5.42)%
<b>Total</b>	\$ 69,599	\$ 325,930	\$ (230,352)	\$ 165,177	12.63%

As at June 30, 2019, if the Canadian Dollar had strengthened against all other currencies by 10%, the Net Assets Attributable to Holders of Redeemable Units of the Fund could have decreased by approximately \$23,625, or 1.52% of Net Assets Attributable to Holders of Redeemable Units (December 31, 2018 - \$16,518, or 1.26%). Conversely, had the Canadian Dollar weakened against all other currencies by 10%, the Net Assets Attributable to Holders of Redeemable Units of the Fund could have increased by approximately \$23,625, or 1.52% of Net Assets Attributable to Holders of Redeemable Units (December 31, 2018 - \$16,518, or 1.26%). These sensitivities are estimates. Actual results may vary and the variance may be material.

### Interest Rate Risk

The Fund's exposure to interest rate risk was concentrated in investments in domestic and foreign bonds presented in the Schedule of Investment Portfolio. The amounts of these investments by term to maturity are presented in the table below. In general, longer terms to maturity result in increased interest rate risk.

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

# MDPIM Global Tactical Opportunities Pool

## Financial Instruments Risks (unaudited)

(in \$000's)

The sensitivity represents the expected impact to Net Assets Attributable to Holders of Redeemable Units if interest rates for all maturities fluctuate by 25 basis points (parallel yield shift). If interest rates rise, Net Assets Attributable to Holders of Redeemable Units will decrease by the amount shown. Conversely, if interest rates fall, Net Assets Attributable to Holders of Redeemable Units will increase by the amount shown. These sensitivities are estimates. Actual results may vary and the variance may be significant.

As at June 30, 2019 and December 31, 2018 the Fund's exposures to debt instruments by maturity are presented in the table below:

Debt Instruments by Maturity Date	June 30, 2019		December 31, 2018	
	Fair Value	%	Fair Value	%
Less than 1 year	\$ 380,673	24.5%	\$ 143,745	11.0%
1 to 7 years	\$ 222,880	14.4%	\$ 54,690	4.2%
Total	\$ 603,553	38.9%	\$ 198,435	15.2%
Sensitivity (+/-)	\$ 1	0.0%	\$ 154	0.0%

## Liquidity Risk

The Fund's financial liabilities are all due within one year. Redeemable units are redeemable on demand at the holder's option; however, the Fund does not expect the contractual maturity will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

## Other Price Risk

As at June 30, 2019, 50.0% (December 31, 2018 - 49.8%) of the Fund's Net Assets Attributable to Holders of Redeemable Units were invested in equity financial instruments traded in active markets. If prices of securities traded on these markets decrease by 10%, with all other factors remaining constant, Net Assets Attributable to Holders of Redeemable Units could fall by approximately \$77,554 (December 31, 2018 - \$65,116). Conversely, if prices increase by 10%, Net Assets Attributable to Holders of Redeemable Units could rise by approximately \$77,554 (December 31, 2018 - \$65,116). These sensitivities are estimates. Actual results may vary and the variance may be significant.

## Concentration Risk

Concentration risk arises as a result of the concentration of exposures within the same category. The following table summarizes the Fund's concentration risk as a percentage of net assets attributable to holders of redeemable units:

Market Segment	June 30, 2019	December 31, 2018
Exchange Traded Funds	50.03%	49.83%
Corporate Bonds	30.97%	6.05%
Municipal Bonds	1.26%	0.38%
Foreign Bonds	0.79%	
Short Term Investments	5.91%	8.76%
Cash and Other Net Assets (Liabilities)	11.04%	34.98%
Total	100.00%	100.00%

## Fair Value Hierarchy

The following is a summary of the Fund's use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of the Fund's securities. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total*
<b>June 30, 2019</b>			
Exchange Traded Funds	\$ 775,539	\$ -	\$ 775,539
Domestic Bonds	-	499,694	499,694
Foreign Bonds	-	12,254	12,254
Short-Term Investments	-	91,605	91,605
Financial Derivative Instruments – Assets	12,025	8,094	20,119
Financial Derivative Instruments – Liabilities	(9,014)	(7,395)	(16,409)
<b>Total</b>	<b>\$ 778,550</b>	<b>\$ 604,252</b>	<b>\$ 1,382,802</b>
<b>December 31, 2018</b>			
Exchange Traded Funds	\$ 651,157	\$ -	\$ 651,157
Domestic Bonds	-	83,946	83,946
Foreign Bonds	-	-	-
Short-Term Investments	-	114,490	114,490
Financial Derivative Instruments – Assets	23,124	-	23,124
Financial Derivative Instruments – Liabilities	(78,659)	(14,625)	(93,284)
<b>Total</b>	<b>\$ 595,622</b>	<b>\$ 183,811</b>	<b>\$ 779,433</b>

\*The Fund does not hold any Level 3 investments.

There have been no significant transfers between Level 1 and Level 2 for the periods January 1, 2019 to June 30, 2019 and January 1, 2018 to December 31, 2018.

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

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

## 1. Name and formation of the Funds

### ESTABLISHMENT OF THE FUNDS

The MDPIIM Pooled Funds (individually a "Fund" and collectively the "Funds") are unincorporated mutual fund trusts formed under the laws of the province of Ontario pursuant to the Declarations of Trust, and the creation dates are as follows:

	Series A Units	Private Trust Units	Series D Units	Series I Units	Series F Units
MDPIIM Short-Term Bond Pool (Formerly MDPIIM Canadian Bond Pool)	December 6, 2002				
MDPIIM Bond Pool (Formerly MDPIIM Canadian Long Term Bond Pool)	March 24, 2010				
MDPIIM Dividend Pool	January 4, 2007				
MDPIIM Strategic Yield Pool	January 23, 2013				
MDPIIM Canadian Equity Pool	June 16, 1999	August 9, 2000			
MDPIIM US Equity Pool	August 6, 1999	August 9, 2000			
MDPIIM International Equity Pool	December 6, 2002				
MDPIIM Strategic Opportunities Pool	January 23, 2013				
MDPIIM Emerging Markets Equity Pool	April 11, 2014		March 19, 2018	March 19, 2018	March 19, 2018
MDPIIM Global Tactical Opportunities Pool	March 20, 2017				
MDPIIM S&P/TSX Capped Composite Index Pool	March 20, 2017				November 21, 2017
MDPIIM S&P 500 Index Pool	March 20, 2017				November 21, 2017
MDPIIM International Equity Index Pool	March 20, 2017				November 21, 2017

On June 14, 2019, the name of MDPIIM Canadian Bond Pool was changed to MDPIIM Short-Term Bond Pool and MDPIIM Canadian Long Term Bond Pool was changed to MDPIIM Bond Pool.

MD Financial Management Inc. ("the Manager") is the Manager and Trustee of the Funds. As of October 3, 2018, the Manager is a wholly-owned subsidiary of The Bank of Nova Scotia ("Scotiabank"). The address of the Funds' registered office is 40 King Street West, 8th Floor, Toronto, Ontario.

The financial statements of the Funds include the Statement of Financial Position as of June 30, 2019 and December 31, 2018, and the Statement of Comprehensive Income, the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units and the Statement of Cash Flows for the periods ended June 30, 2019 and June 30, 2018, except for Funds established during either period, in which case the information provided relates to the period from creation date to June 30, 2019 or June 30, 2018.

These financial statements were authorized for issue by the Manager on August 8, 2019.

### SERIES OF UNITS

All MDPIIM Pooled Funds offer either "Private Trust Series" or "Series A" units which may be purchased by either MD Private Investment Counsel (an operating division of MD Financial Management Inc.) or MD Private Trust Company clients who have appointed MD Private Investment Counsel to provide discretionary portfolio management services and advice to them or MD Private Trust Company to provide trust services.

The MDPIIM Canadian Equity Pool and MDPIIM US Equity Pool "Series A" units are available to all qualified investors. These units are closed to new subscribers. Investors holding "Series A" units of these Funds are allowed to hold their units, as well as subscribe for additional "Series A" units of the Funds.

"Series D" units are available to all MD Management Ltd. clients who are qualified eligible investors and who have an MD Direct Trade™ account with MD Management Ltd.

"Series F" units are available to all MD Management Ltd. clients who are qualified eligible investors and who have a fee-based account with MD Management Ltd.

"Series I" units were established to support the MD Precision Conservative Portfolio, the MD Precision Moderate Balanced Portfolio, the MD Precision Balanced Growth Portfolio, the MD Precision Maximum Growth Portfolio, the MD Precision Balanced Income Portfolio and the MD Precision Moderate Growth Portfolio. These units are only available to the six Funds listed above and certain institutional investors, and are not charged management fees.

## 2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB).

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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## 3. Significant accounting policies

### FUNCTIONAL AND PRESENTATION CURRENCY

The financial statements are presented in Canadian dollars, which is the Funds' functional currency. Cash, investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on each valuation date. Transactions during the year in currencies other than Canadian dollars are translated into Canadian dollars at the rate of exchange prevailing on the trade date of the transaction. The difference in the foreign exchange rate between trade date and settlement date of a transaction is recognized in income on the Statement of Comprehensive Income. Foreign exchange gains and losses relating to cash are presented as "Foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities are presented within net gains or losses on the sale of investments or derivatives.

All financial information is presented in Canadian dollars and has been rounded to the nearest thousand, unless otherwise stated.

### FINANCIAL INSTRUMENTS

Effective January 1, 2018, the Funds classify and measure financial instruments in accordance with IFRS 9 "Financial Instruments" (IFRS 9)—refer to Note 9 "Transition to IFRS 9". Prior to January 1, 2018, the Funds classified and measured financial instruments in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". All financial assets and liabilities are recognized in the Statement of Financial Position when the Funds become party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Funds have transferred substantially all the risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

The Funds classify investments, including derivatives, as fair value through profit or loss (FVTPL), as these financial assets and liabilities are managed together and their performance is evaluated on a fair value basis in accordance with the Funds' investment strategy. Subsequent to initial recognition, investments, including derivatives, are measured at FVTPL. Gains and losses arising from changes in the fair value are presented in the Statement of Comprehensive Income.

The Funds' obligation for net assets attributable to holders of redeemable units is measured at FVTPL, with fair value being the redemption amount at the reporting date.

Cash is measured at fair value upon recognition and subsequently at amortized cost.

Other financial assets and liabilities, such as accrued interest and dividends receivable, accounts receivable for investment transactions, subscriptions receivable, amounts receivable for securities lending transactions, distributions payable, accounts payable for investment transactions and redemptions payable are recognized initially at fair value, net of transaction costs, and subsequently stated at amortized cost using the effective interest rate method. Under this method, these financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contracts' effective interest rate.

The Funds' accounting policies for measuring the fair value of their investments and derivatives are identical to those used in measuring the net asset value (NAV) for transactions with unitholders.

### INCOME RECOGNITION

The interest for distribution purposes shown on the Statement of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. Dividend income and distributions to unitholders are recorded on the ex-dividend date. Distributions from underlying funds out of interest, foreign income and related withholding taxes, Canadian dividends and net realized capital gains are recognized when declared. Realized gains or losses from investment transactions and the unrealized appreciation or depreciation of investments are computed on an average cost basis, which exclude brokerage commissions and other trading expenses. Brokerage commissions and other trading expenses are charged to income as incurred.

### OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount reported in the statement of financial position where the Funds currently have a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, the Funds may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts.

Transactions with counterparties are governed by separate master netting agreements. Each agreement allows for net settlement of certain open contracts where the Fund and respective counterparty both elect to settle on a net basis. In the absence of such an election, contracts will be settled on a gross basis. However, each party to the master netting agreement will have the option to settle all open contracts on a net basis in the event of default of the other party.

### FAIR VALUE MEASUREMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments are categorized as FVTPL and are recorded at fair value. In the case of securities traded in an active market, fair value is based on quoted market prices at the close of trading on the reporting date as provided by independent pricing services. The Funds use the last traded market price for both financial assets and financial liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. In the case of investments not traded in an active market, or for those securities for which the Manager feels the latest market prices are not reliable, fair value is estimated based on valuation techniques established by the Manager. Valuation techniques established by the Manager are based on observable market data except in situations where there is no relevant or reliable market data. The value of securities estimated using valuation techniques not based on observable market data, if any, is disclosed in the Financial Instruments Risks section of the financial statements.

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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## **FINANCIAL DERIVATIVES INSTRUMENTS**

A derivative is a financial contract between two parties, the value of which is derived from the value of an underlying asset such as equity, bond, commodity, interest rate or currency. Certain Funds may use derivatives, such as options, futures, forward contracts, swap contracts, and other similar instruments, in a manner considered appropriate to achieving the Fund's investment objectives. Derivatives may be used to protect a security price, currency exchange rate or interest rate from negative changes (hedging) or to provide exposure to securities, indices, or currencies without investing in them directly (non-hedging). Derivatives contain various risks including the potential inability for the counterparty to fulfil their obligations under the terms of the contract, the potential for illiquid markets and the potential price risk which may expose the Funds to gains and/or losses in excess of the amounts shown on the Statement of Financial Position. Derivatives with unrealized gains are reported as financial derivative instruments under current assets and derivatives with unrealized losses are reported as financial derivative instruments under current liabilities.

### **Forward Currency Contracts**

Certain Funds may enter into forward currency contracts for either hedging or non-hedging purposes where such activity is consistent with their investment objectives and as permitted by the Canadian securities regulatory authorities. A forward currency contract is an agreement between two parties to buy and sell a currency at a set price on a future date. Investments in forward currency contracts are entered into with approved counterparties and are recorded at fair value. The fair value of a forward currency contract fluctuates with changes in foreign currency exchange rates. The fair value of forward currency contracts is reported as financial derivative instruments in the Statement of Financial Position. Forward currency contracts are marked to market daily and the changes in fair value of forward currency contracts are recorded in "Change in unrealized appreciation (depreciation) of derivatives". Upon closing of the contracts, the accumulated gains or losses are reported in "Net realized gain (loss) on sale of derivative instruments". The contractual amounts of open contracts are disclosed in the Schedule of Investment Portfolio in the Schedule of Derivative Instruments.

### **Futures Contracts**

Futures contracts are valued on each valuation day using the closing market price posted on the related public exchange. The fair value of future contracts is reported as "Financial Derivative Instruments" in the Statement of Financial Position. All gains or losses arising from futures contracts are recorded as part of "Change in unrealized appreciation (depreciation) of derivatives" in the Statement of Comprehensive Income until the contracts are closed out or expire, at which time the gains or losses are realized and reported as "Net realized gain (loss) on derivative instruments".

### **Credit Default Swaps**

Certain Funds may enter into credit default swap contracts, primarily to manage and/or gain exposure to credit risk where such activity is consistent with their investment objectives and as permitted by the Canadian securities regulatory authorities. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, or a tranche of a credit index. The credit risk exposure of a Fund to the referenced asset is comparable to the exposure that would have resulted if the Fund were invested directly in the referenced debt obligation. If the Funds are buyers of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Funds will either (i) receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation or (ii) receive a net settlement amount equal to the notional amount of the credit default swap contract less the recovery amount of value of the referenced debt obligation. If the Funds are sellers of protection and a credit event occurs, as defined under the terms of that particular swap agreement, the Funds will either (i) pay to the buyer of protection an amount equal to the notional amount of the swap and take delivery of the referenced obligation, other deliverable obligations or underlying securities comprising the referenced index or (ii) pay a net settlement amount in the form of cash or securities equal to the notional amount of the swap less the recovery value of the referenced obligation or underlying securities comprising the referenced index. The maximum credit risk to the Fund as a seller of protection is the notional amount of the contract.

Over the term of the contract, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments paid or received are accrued daily and are included in the Statement of Comprehensive Income in Net Interest Income (Expense) from Swap Contracts. Credit Default Swaps are disclosed in the Schedule of Derivative Instruments. The change in value of a credit default swap contract and any upfront premium paid or received is included in the Statement of Financial Position as Financial Derivative Instruments. When the credit default swap contracts are closed out, gains or losses, including upfront premiums, are realized and included in the Statement of Comprehensive Income in "Net realized gain (loss) on derivatives instruments". Pursuant to the terms of the credit default swap contract, cash or securities may be required to be deposited as collateral.

### **Interest Rate Swaps**

Certain Funds may enter into interest rate swap contracts, primarily to manage and/or gain exposure to fluctuations in interest rates. An interest rate swap is an agreement between the Fund and a counterparty whereby the parties agree to exchange a fixed payment for a floating payment that is linked to an interest rate and an agreed upon notional amount.

Over the term of the contract, each party will pay to the other party a periodic stream of payments. Such periodic payments paid or received are accrued daily and are included in the Statement of Comprehensive Income in Net Interest Income (Expense) from Swap Contracts. Interest Rate Swaps are disclosed in the Schedule of Derivative Instruments. The change in value of an interest rate swap contract and any upfront premium paid or received is included in the Statement of Financial Position as Financial Derivative Instruments. When the interest rate swap contracts are closed out, gains or losses, as well as any upfront premiums, are realized and included in the Statements of Comprehensive Income in Net realized gain (loss) on derivatives instruments.



# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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## **Total Return Swaps**

Certain Funds may enter into total return swap contracts primarily to manage and/or gain exposure to the underlying reference asset. A total return swap is an agreement between the Fund and a counterparty where single or multiple cash flows are exchanged based on the price of an underlying reference asset and based on a fixed or variable rate.

Over the term of the contract, the Funds will pay to the counterparty a periodic stream of payments based on fixed or variable rate. Such periodic payments paid are accrued daily and are included in the Statement of Comprehensive Income in Net Interest Income (Expense) from Swap Contracts. At the maturity date, a net cash flow is exchanged where the total return is equivalent to the return of the underlying reference asset less a financing rate, if any. As a receiver, the Funds would receive payments based on any net positive total return and would owe payments in the event of a net negative total return. Total return swaps are disclosed in the Schedule of Derivative Instruments. The change in value of a total return swap contract is included in the Statement of Financial Position as Financial Derivative Instruments. When the total return swap contracts are closed out, gains or losses are realized and included in the Statements of Comprehensive Income in Net realized gain (loss) on derivatives instruments.

## **Cross Currency Swaps**

Certain Funds may enter into cross currency swap contracts, primarily to manage and/or gain exposure to currency risk. A cross currency swap is an agreement between the Fund and a counterparty whereby the parties agree to exchange interest payments and principal on loans denominated in two different currencies.

Over the term of the contract, each party will pay to the other party a periodic stream of payments. Such periodic payments paid or received are accrued daily and are included in the Statement of Comprehensive Income in Net Interest Income (Expense) from Swap Contracts. Cross currency swaps are disclosed in the Schedule of Derivative Instruments. The change in value of a cross currency swap contract and any upfront premium paid or received is included in the Statement of Financial Position as Financial Derivative Instruments. When the cross currency swap contracts are closed out, gains or losses, as well as any upfront premiums, are realized and included in the Statements of Comprehensive Income in Net realized gain (loss) on derivatives instruments.

## **Foreign Currency Option Contracts**

Certain Funds may purchase foreign currency options. Purchasing foreign currency options gives the Fund the right, but not the obligation to buy or sell the currency and will specify the amount of currency and a rate of exchange that may be exercised by a specified date. These options may be used as a hedge against possible variations in foreign exchange rates or to gain exposure to foreign currencies.

Foreign currency option contracts are disclosed in the Schedule of Derivative Instruments. The change in value of a foreign currency option contract and any premiums paid are included in the Statement of Financial Position as Financial Derivative Instruments. When the foreign currency option contracts are closed out, gains or losses, as well as any premiums paid, are realized and included in the Statements of Comprehensive Income in Net realized gain (loss) on derivatives instruments.

## **CAPITAL RISK MANAGEMENT**

Units issued and outstanding are considered to be the capital of the Funds. The Funds do not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription. The Funds' units are offered for sale on any business day and may be redeemed or issued at the Net Asset Value (NAV) per unit for the respective series on that business day. A business day refers to any day the Toronto Stock Exchange is open for business. The NAV for each series is computed daily by calculating the value of that series' proportionate share of net assets and liabilities of the Fund common to all series less liabilities attributable to that series. Expenses directly attributable to a series are charged to that series. Assets, common liabilities, revenues and other expenses are allocated proportionately to each series based upon the relative NAVs of each series. The NAV per unit is determined by dividing the NAV of each series of a Fund by the total number of units of that series outstanding.

## **INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT**

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" in the Statement of Comprehensive Income represents the increase or decrease in net assets attributable to holders of redeemable units attributable to each series of units for the period, divided by the weighted average units outstanding in that series during the period.

## **SECURITIES LENDING TRANSACTIONS**

A Fund may lend portfolio securities to earn additional income through a securities lending agreement with its custodian. The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund receives collateral in the form of securities deemed acceptable under National Instrument 81-102, "Mutual Funds" ("NI81-102") of at least 102% of the fair value of securities on loan. Collateral held is typically government and corporate bonds.

Income from securities lending is recorded as "Securities lending" on a monthly basis when it is receivable. Securities lending details are listed in Securities on Loan included in the supplementary schedules to the financial statements. The securities lending agent earns 20% of the gross income generated through any securities lending transactions in the Funds.

## **REDEEMABLE UNITS**

Certain Funds issue different series of redeemable units, which are redeemable at the holder's option and do not have identical rights. Such units are classified as financial liabilities. Redeemable units can be put back to the Funds at any date for cash equal to a proportionate share of the Funds' net asset value attributable to the series. The redeemable units are carried at the redemption amount that is payable at the Statement of Financial Position date if the holder exercises the right to put the unit back to the Funds. Funds with only one series do not meet the criteria to be classified as equity as they impose on the Fund the obligation to deliver cash other than on redemption. Each such Fund must distribute its taxable income to unitholders annually and has provided unitholders the option to receive such distributions in cash.

## **INVOLVEMENT IN UNCONSOLIDATED STRUCTURED ENTITIES**

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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Certain Funds' investment strategy entails trading in other funds on a regular basis. The Funds consider all of their investments in other funds ("Investee Funds") to be investments in unconsolidated structured entities. The Funds invest in Investee Funds whose objectives range from conserving principal to maximizing dividend income to long-term capital growth and whose investment strategies do not include leverage. The Investee Funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportionate stake in the respective Investee Fund's net assets. The Funds hold redeemable units in each of their Investee Funds and the Funds have the right to request redemption of their investment in Investee Funds daily. The Funds' investments in Investee Funds are subject to the terms and conditions of the respective Investee Fund's offering documentation. The change in fair value of each Investee Fund is included in the Statement of Comprehensive Income in "Change in unrealized appreciation (depreciation) of investments". The Funds' maximum exposure to loss from their interest in Investee Funds is equal to the fair value of their investments in Investee Funds. Once a Fund has disposed of its shares in an Investee Fund the Fund ceases to be exposed to any risk from that investee fund.

Certain Funds invest in Exchange Traded Funds ("ETFs") which are disclosed on the Schedule of Investment Portfolio and these Funds have determined that their investments in such ETFs are deemed unconsolidated structured entities. These ETFs replicate, to the extent possible, the performance of the applicable benchmark indices, or seek to provide long-term capital growth or income, as applicable, by investing primarily in and holding the constituent securities of the applicable benchmark indices in substantially the same proportion as they are reflected in the applicable benchmark indices or seek to track the investment results of applicable benchmark indices. The ETFs finance their operations by issuing redeemable shares which are puttable at the holder's option and entitle the holder to a proportional stake in the respective ETF's net asset value. The underlying ETFs are listed on a recognized public stock exchange.

Certain Funds invest in mortgage-related and other asset-backed securities ("MBS"). These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans. The Funds' maximum exposure to loss from their interest in MBS is equal to the fair value of their investments in such securities as disclosed on the Schedule of Investment Portfolio.

A table has been included in the "Supplementary Schedules" section of the financial statements which describes the types of structured entities that the Funds do not consolidate but in which they hold an interest.

## 4. Expenses and other related party transactions

Management fees are unique to each Fund and are unique to each series of units and are disclosed in the Funds' Supplementary Schedules.

The Manager provides the Funds with investment management and administrative services, including providing key management personnel to the Funds. In return, the Manager receives a management fee based on the NAV of the Funds calculated on a daily basis. Management fees are reported in the Statement of Comprehensive Income.

No management fee is charged by Manager of the Funds in respect of: all units of MDPIM International Equity Pool, MDPIM Canadian Bond Pool, MDPIM Canadian Long Term Bond Pool, MDPIM Dividend Pool, MDPIM Strategic Opportunities Pool and MDPIM Strategic Yield Pool; the Private Trust Series of MDPIM Canadian Equity Pool and MDPIM US Equity Pool; and Series A of MDPIM S&P/TSX Capped Composite Index Pool, MDPIM S&P 500 Index Pool, MDPIM International Equity Index Pool and MDPIM Emerging Markets Equity Pool, since investors in these units and series of units have agreed to pay a separate scaled managed account fee based on assets under management directly to MD Private Investment Counsel. The maximum fee is 1.56%.

Each of MDPIM S&P/TSX Capped Composite Index Pool, MDPIM S&P 500 Index Pool and MDPIM International Equity Index Pool in respect of Series F units, and MDPIM Emerging Markets Equity Pool, in respect of Series D and F units, pays the Manager an annual management fee based on a fixed percentage of the weekly average of the daily Series NAV of a Fund.

Series A unitholders of MDPIM International Equity Pool are responsible for the payment of an Investment Advisory Surcharge charged by the Fund's advisor. The Manager absorbs a portion of this advisory fee, and as a result the Fund is responsible for the payment of a portion of the fee charged, which varies in the range of 0.20% to 0.30% of the NAV.

Series A unitholders of MDPIM Emerging Markets Equity Pool are responsible for the payment of Investment Advisory Surcharge charged by the Fund's advisor. The Manager absorbs a portion of this advisory fee, and as a result the Fund is responsible for the payment of a portion of the fee charged, which varies in the range of 0.40% to 0.50% of the NAV.

Each Fund (except for MDPIM Emerging Market Equity Pool in respect of Series I, Series F and Series D) pay for certain operating expenses as allowed by securities regulator which relate to that particular Fund. Operating expenses include, but are not limited to, securities commission fees, audit fees, custodial fees, IRC fees and expenses, issue costs, all expenses related to the prospectus and to meetings of unitholders as well as Fund servicing costs. Operating expenses which relate to the series of units as a whole are proportionately allocated among those Funds to which they relate. The Manager of the Funds can, at any time, waive or absorb any operating expense for which the Fund is responsible.

The Manager bears certain operating expenses of Series I, Series F and Series D units of MDPIM Emerging Markets Equity Pool in return for administration fees, calculated as a fixed annual percentage of the Funds' NAV.

### INDEPENDENT REVIEW COMMITTEE

The Manager has established an Independent Review Committee ("IRC") as required under National Instrument 81-107, "Independent Review Committee for Investment Funds" ("81-107"). The IRC reviews conflict of interest matters related to the operations of the Funds. In addition, in some circumstances, in place of obtaining unitholder approval, a Fund may be reorganized with or its assets transferred to another mutual fund managed by the Manager or an affiliate. This requires IRC approval, and that unitholders are sent a written notice at least 60 days before the effective date. The approval of the IRC is also required for a change of auditor.



# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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The IRC is composed of five persons who are independent of the Manager, the Funds and entities related to the Manager.

## SHORT-TERM TRADING/EARLY REDEMPTION FEE

Clients who redeem or switch units or shares of an MD Fund are charged an early redemption fee equal to 2.00% of the amount redeemed or switched if the redemption or switch occurs within thirty (30) days of the date that the units or shares were purchased or switched. Redemption fees are recorded as income in the period of early redemption.

The early redemption fee does not apply to redemptions or switches:

- made in connection with any systematic and scheduled withdrawal program;
- where the amount of the redemption or switch is less than \$10,000; or
- made as a result of the recommendation of an MD Financial Consultant or MD Portfolio Manager related to a financial plan.

## 5. Redeemable units

The Funds' capital is represented by an unlimited number of authorized units without nominal or par value. All series of units are redeemable on demand by unitholders at the redemption amount represented by respective NAV of that series. Each unit entitles the unitholder to one vote at unitholder meetings and participates equally, with respect to other units of the same series, in any dividends or distributions, liquidation or other rights of that series.

The relevant movements in redeemable units for the period have been presented in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. The Funds invest proceeds from subscriptions in financial instruments in accordance with the policies and risk management practices of the Funds, while maintaining sufficient liquidity to meet unitholder redemptions. The Funds' investment policies are set out in the prospectus and the risk management and liquidity management practices are disclosed in Note 7.

## 6. Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Funds have made in preparing the financial statements:

### FAIR VALUE MEASUREMENT OF SECURITIES AND DERIVATIVES NOT QUOTED IN AN ACTIVE MARKET

The Funds may, from time to time, hold financial instruments that are not quoted in active markets. The fair value of such securities may be determined by the Funds using reputable pricing sources or indicative prices from market makers. Broker quotes obtained from pricing sources may be indicative but not executable or binding. Where no market data is available, the Fund may value positions using internal valuation models as determined appropriate by the Manager and based on valuation methods and techniques generally recognized as standard within the industry. Models use observable data to the extent practicable; however, the Manager may be required to make certain assumptions and/or estimates regarding risks, volatility and correlations as required. Changes in assumptions and estimates could affect the reported fair values of financial instruments. The Funds consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable and provided by independent sources that are actively involved in the relevant market.

## CLASSIFICATION AND MEASUREMENT OF FINANCIAL INSTRUMENTS

In classifying and measuring financial instruments held by the Funds, the Manager is required to make judgments in determining the most appropriate classification in accordance with IFRS 9. The Manager has assessed the Funds' business model and considered that the Funds' investments, including derivatives, are managed and performance evaluated as a group on a fair value basis. The Manager has concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation for the Funds' investments.

## 7. Financial instrument risk

The Funds use financial instruments in order to achieve their respective investment objectives. The Funds' investments are presented in the respective Schedule of Investment Portfolio, which groups securities by asset type, geographic region and/or market segment.

The use of financial instruments subjects the Funds to a variety of financial instrument risks. The Funds' risk management practices include setting investment policies to limit exposures to financial instrument risks and employing experienced and professional investment advisors to invest the Funds' capital in securities within the constraints of investment policies. The Manager regularly monitors the Fund advisors' performance and compliance with the investment policies.

The significant financial instrument risks, to which the Funds are exposed, along with the specific risk management practices related to those risks, are presented below. Fund specific disclosures are presented in the "Financial Instruments Risks" section of the financial statements.

### CREDIT RISK

Credit risk is the risk that a counterparty to a financial instrument will not honour its obligation under the terms of the instrument, resulting in a loss. The Funds are exposed to credit risk through domestic and foreign bonds, preferred shares, derivative contracts, cash and short-term investments, amounts due from brokers, dividends and interest receivable and other receivables. A Fund may engage in securities lending pursuant to the terms of an agreement which includes restrictions as set out in the Canadian Securities Legislation. Collateral held is in the form of highly rated fixed income instruments. All securities under lending agreements are fully collateralized.

Credit risks arising from short-term investments and fixed income securities, including domestic and foreign bonds and preferred shares, are generally limited to the fair value of the investments as shown in the Schedule of Investment Portfolio. The Funds limit exposure to individual issuers/sectors and credit quality ratings. The credit worthiness of issuers in which the Funds invest are reviewed regularly and the portfolios are adjusted as required to match the minimum requirement as set forth in each Fund's prospectus. Each individual Fund's exposure to credit risk, if any, is presented in the Financial Instruments Risk section of the Financial Statements.

Credit risks arising from cash are limited to the carrying value as shown on the Statement of Financial Position, except in the case of MD Money Fund, where the credit risk is limited to the fair value of investments as shown on the Schedule of Investment Portfolio. The Funds manage credit risk on cash and short-term investments by investing in high grade short-term notes with credit ratings of R-1 (low) or higher as well as limiting exposure to any single issuer.

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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Derivative contracts are subject to netting arrangements whereby if one party to a derivative contract defaults, all amounts with the counterparty are terminated and settled on a net basis. As such, the maximum credit loss on derivative contracts is the financial derivative instrument asset in the Statement of Financial Position. Each Fund manages credit risk on derivatives by only entering into agreements with counterparties that have an approved credit rating. Credit risk on amounts due from brokers is minimal since transactions are settled through clearinghouses where securities are only delivered for payment when cash is received.

Credit risk related to securities lending transactions is limited by the fact that the value of cash or securities held as collateral by the Funds in connection with these transactions is at least 102% of the fair value of the securities loaned. The collateral and loaned securities are marked to market each business day. The aggregate dollar value of portfolio securities lent and collateral held is presented in the Financial Statement–Supplementary Schedules.

## LIQUIDITY RISK

Liquidity risk is the risk that the Funds will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. All Funds' financial liabilities come due within one year, other than those derivatives with longer maturities as disclosed in the Schedule of Investment Portfolio. In addition, the Funds' units are redeemable on demand. In accordance with NI81-102, the Funds must provide payment for redeemed units within two business days of receipt of a redemption order. To manage this liquidity requirement, the Funds invest primarily in liquid securities that can readily be sold in active markets and each Fund may borrow up to 5% of its NAV. At year end, no Fund had borrowed against its respective line of credit.

## CURRENCY RISK

Currency risk is the risk that the values of financial assets and liabilities denominated in foreign currencies fluctuate due to changes in foreign exchange rates. To the extent the Funds hold assets and liabilities denominated in foreign currencies, the Funds are exposed to currency risk. The Funds may also use forward contracts at the discretion of the Manager. Each individual Fund's exposure to currency risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

## INTEREST RATE RISK

Interest rate risk is the risk that the fair value (measured as the present value) of cash flows associated with interest bearing financial instruments will fluctuate due to changes in the prevailing market rates of interest. In general, as interest rates rise, the fair value of interest bearing financial instruments will fall. Financial instruments with a longer term to maturity will generally have a higher interest rate risk.

The Funds' interest-bearing financial instruments that subject the Funds to interest rate risk include domestic and foreign bonds and mortgage related and other asset back securities. The Funds' may also be exposed indirectly to interest rate risk through their position in interest rate swaps presented in the Schedule of Derivative Instruments. Short-term money market instruments are also interest bearing and therefore subject to interest rate risk. However, due to the short-term nature of the securities, the interest rate risk is generally not significant.

Interest rate risk management practices employed by the Funds include setting target durations based on the appropriate benchmark indices and monitoring the Funds' durations relative to the benchmarks. If interest rates are anticipated to rise, the Funds' durations can be shortened to limit potential losses. Conversely, if interest rates are anticipated to fall, the durations can be lengthened to increase potential gains. Each individual Fund's exposure to interest rate risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

## OTHER PRICE RISK

Other price risk is the risk that the fair value of financial instruments may decline because of changes in market prices of the financial instruments, other than declines due to interest rate risk and currency risk. Other price risk stems from financial instruments' sensitivity to changes in the overall market (market risk) as well as factors specific to the individual financial instrument. Other price risk attributable to individual investments is managed through diversification of the portfolio and security selection and adjustments to fair value when there is significant volatility in international markets after markets are closed. Each individual Fund's exposure to other price risk, if any, is presented in the "Financial Instruments Risks" section of the financial statements.

Details of each Fund's exposure to financial instruments risks including fair value hierarchy classification are available in the "Financial Instruments Risks" section of the financial statements of each Fund.

## FINANCIAL RISKS FROM UNDERLYING MUTUAL FUNDS

Certain Funds may invest in other mutual funds. The Funds' investments in mutual funds are subject to the terms and conditions of the respective mutual fund's offering documentation and are susceptible to the risks related to the underlying mutual funds' financial instruments. The Funds' maximum exposure to loss from their interests in mutual funds is equal to the total fair value of their investment in mutual funds. Once the Funds dispose of their shares in an underlying mutual fund, the Funds cease to be exposed to any risk from that mutual fund. The exposure to underlying mutual fund investments is disclosed in the "Financial Instruments Risks" section of the financial statements of each Fund.

## 8. Fair value measurement

The Funds classify fair value measurements within a hierarchy that prioritizes the inputs to Funds' valuation techniques used in measuring fair value. Under these provisions, an entity is required to classify each financial instrument into one of three fair value levels as follows:

- Level 1 for unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and,
- Level 3 for inputs that are based on unobservable market data.

The classification of a financial instrument is based on the lowest level of input that is significant to the determination of fair value.

# Notes to Financial Statements

For the 6 months ended June 30, 2019 and 2018

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All fair value measurements are recurring. The carrying values of cash, receivable for investment transactions, dividends and interest receivable, subscriptions receivable, payable for investment transactions, redemptions payable, distributions payable and the Fund's obligation for net assets attributable to holders of redeemable units approximate their fair values due to their short-term nature. Fair values of securities and derivatives are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 ceases to be actively traded, it is transferred out of Level 1. In such cases, fair value is determined using observable market data (eg. transactions for similar securities of the same issuer) and the instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Changes in valuation methods may result in transfers into or out of the assets' or liabilities' assigned levels. The level summary based on the hierarchy inputs is disclosed in the "Financial Instrument Risks" section of each Fund.

Level 3 financial instruments are reviewed by the Funds' fair valuation committee. The fair valuation committee considers the appropriateness of the valuation model inputs, as well as the valuation result, using valuation methods recognized as standard within the industry. Quantitative information about the unobservable inputs, sensitivity of the fair value measurements to changes in unobservable inputs and interrelationships between those inputs are disclosed in the supplementary schedules under "Fair value measurement" if significant unobservable inputs are used when valuing Level 3 financial instruments.

## EQUITIES

The Funds' equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. The Funds subscribe to the services of a third-party valuation service provider to provide fair value adjustments, when a defined threshold is met, to the prices of foreign securities due to changes in the value of securities in North American markets following the closure of the foreign markets. The parameters used to apply the fair value adjustments are based on observable market data. Where applicable, the foreign securities will be considered Level 2 priced securities. The Funds do not hold any securities classified as Level 3.

## BONDS AND SHORT-TERM INVESTMENTS

Debt securities generally trade in the OTC market rather than on a securities exchange. Bonds including government, corporate, convertible and municipal bonds and notes, bank loans, US and Canadian treasury obligations, sovereign issues and foreign bonds are normally valued by pricing service providers that use broker-dealer quotations, reported trades and valuations from their internal pricing models. These internal pricing models use inputs which are observable including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Funds' bonds and short-term investments have been classified as Level 2, unless the determination of fair value requires significant unobservable input, in which the measurement is classified as Level 3.

## INVESTMENTS IN MUTUAL FUNDS AND EXCHANGE TRADED FUNDS

The Funds' positions in the mutual funds and exchange traded funds are typically in positions that are actively traded and a reliable price is observable and as such is classified as Level 1.

## FINANCIAL DERIVATIVE INSTRUMENTS

Derivatives consisting of foreign currency forward contracts, interest rate swaps, credit default swaps and foreign currency options which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rate and credit spreads. These derivative financial instruments have been classified as Level 2.

Futures contracts that are traded on a national securities exchange are stated at the last reported sale or settlement price on the day of valuation. To the extent these financial derivative instruments are actively traded they are categorized as Level 1.

## FAIR VALUATION OF INVESTMENTS (INCLUDING UNLISTED SECURITIES)

If the valuation methods described above are not appropriate, the Funds will estimate the fair value of an investment using established fair valuation procedures, such as consideration of public information, broker quotes, valuation models, discounts from market prices of similar securities or discounts applied due to restrictions on the disposition of securities, and external fair value service providers.

The extent of Funds' use of quoted market prices (Level 1), internal models using observable market information as inputs (Level 2), and internal models without observable market information (Level 3) in the valuation of securities is summarized in each Fund's "Financial Instruments Risks" section of the financial statements.

## 9. Transition to IFRS 9

Effective January 1, 2018, the Funds adopted IFRS 9, the standard replacing IAS 39, Financial Instruments: Recognition and Measurement (IAS 39). IFRS 9 relates to the classification and measurement of financial assets and financial liabilities in the Funds and requires financial assets to be classified at amortized cost, FVTPL or fair value through other comprehensive income (FVOCI) based on the Funds business model for managing financial instruments and the related contractual cash flow characteristics. The classification and measurement of financial liabilities remains generally unchanged. Assessment and decision on the business model approach is an accounting judgment (see note 6).

Upon transition to IFRS 9, the Funds' financial assets and financial liabilities previously classified as FVTPL under IAS 39 continue to be categorized as FVTPL and those previously classified as loans and receivable or other liabilities are now categorized as amortized cost. There were no changes in the measurement attributes for any of the financial assets or financial liabilities upon transition to IFRS 9.

## 10. Exemption from filing

MDPIM Global Tactical Opportunities Pool is relying on an exemption in applicable securities regulation and does not file these financial statements with the securities regulators.



**MD Financial  
Management Inc.**