

ANNUAL FINANCIAL STATEMENTS 2024

SUN LIFE OF CANADA
FUND A

DECEMBER 31, 2024



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Independent auditor's report

To the Contractholders of Sun Life of Canada Fund A (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ["IFRSs"].

Basis for opinion

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

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Toronto, Canada

March 31, 2025

The logo for Ernst & Young LLP, featuring the company name in a stylized, handwritten-style script.

Chartered Professional Accountants
Licensed Public Accountants

Sun Life of Canada Fund A

Financial Statements

Statements of Financial Position

as at December 31

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

	2024	2023
Assets		
Current assets		
Investments*	61,577	55,032
Cash	95	-
Fees rebate receivable	1	1
Interest receivable	-	-
Receivable for investments sold	761	628
Receivable for unit subscriptions	3	-
	62,437	55,661
Liabilities		
Current liabilities		
Bank overdraft	-	22
Payable for investments purchased	-	-
Payable for unit redemptions	767	564
Management fees payable	64	55
Administration fees payable	-	-
Insurance fees payable	12	10
	843	651
Net assets attributable to contractholders	61,594	55,010
*Investments at cost	43,095	45,665
Net assets attributable to contractholders per unit:		
Class A	1,723.62	1,430.36

Statements of Comprehensive Income

for the years ended December 31

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

	2024	2023
Income		
Net gain (loss) on investments		
Income distributions from investments	1,275	990
Capital gain distributions from investments	-	-
Net realized gain (loss) on sale of investments	1,453	518
Change in unrealized appreciation (depreciation) in value of investments	9,115	5,887
Other income		
Interest	2	4
Fees rebate (Note 6)	-	-
	11,845	7,399
Expenses (Note 6)		
Management fees	624	564
Administration fees	-	-
Insurance fees	119	107
Interest expense	1	-
Harmonized sales tax	79	72
	823	743
Increase (decrease) in net assets from operations attributable to contractholders	11,022	6,656
Increase (decrease) in net assets from operations attributable to contractholders per unit:		
Class A	294.25	166.51
Weighted average number of units:		
Class A	37,459	39,972

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Sun Life of Canada Fund A

Financial Statements

Statements of Changes in Net Assets Attributable to Contractholders for the years ended December 31 (in \$000's)

	2024	2023
Net assets attributable to contractholders at the beginning of year	55,010	51,345
Increase (decrease) in net assets from operations attributable to contractholders	11,022	6,656
Unit transactions		
Proceeds from issuance of units	518	279
Amounts paid on redemption of units	(4,956)	(3,270)
Net increase (decrease) from unit transactions	(4,438)	(2,991)
Net assets attributable to contractholders at the end of year	61,594	55,010

Statements of Cash Flows for the years ended December 31 (in \$000's)

	2024	2023
Cash flows from (used in) operating activities		
Increase (decrease) in net assets from operations attributable to contractholders	11,022	6,656
Adjustments for:		
Net realized (gain) loss on sale of investments	(1,453)	(518)
Change in unrealized (appreciation) depreciation in value of investments	(9,115)	(5,887)
Proceeds from sale of investments	5,668	4,528
Purchase of investments	(503)	(984)
Non-cash distributions from investments	(1,275)	(990)
(Increase) decrease in interest receivable	-	-
Increase (decrease) in management fees payable	9	55
Increase (decrease) in administration fees payable	-	-
Increase (decrease) in insurance fees payable	2	10
(Increase) decrease in fees rebate receivable	-	(1)
Net cash from (used in) operating activities	4,355	2,869
Cash flows from (used in) financing activities		
Proceeds from issuance of units	515	279
Amounts paid on redemption of units	(4,753)	(3,228)
Net cash from (used in) financing activities	(4,238)	(2,949)
Net increase (decrease) in cash	117	(80)
Cash (bank overdraft), beginning of year	(22)	58
Cash (bank overdraft), end of year	95	(22)
Supplementary Information:		
Interest received*	2	4
Interest paid*	(1)	-

*Interest received as well as interest paid relate to operating activities of the Fund.
The accompanying notes are an integral part of these financial statements.

Sun Life of Canada Fund A

Schedule of Investment Portfolio

as at December 31, 2024

Number of Units/Shares	Description	Average Cost (\$)	Fair Value (\$)	% of Net Assets
UNDERLYING FUND(S)				
1,914,503	CI Select Canadian Equity Corporate Class (I Shares)	43,095,053	61,577,297	100.0
Total Investment Portfolio		43,095,053	61,577,297	100.0
Other Net Assets (Liabilities)			16,807	0.0
Net Assets Attributable to Contractholders			61,594,104	100.0

Top 25 Holdings of the Underlying Fund

as at December 31, 2024 (unaudited)

Number of Units/Shares or Par Value	Description	Average Cost (\$)	Fair Value (\$)
810,847	CI Global Financial Sector ETF (Common Units)	19,796,502	24,730,834
529,741	Manulife Financial Corp.	11,909,070	23,393,363
8,724	Fairfax Financial Holdings Ltd.	5,159,538	17,448,000
102,798	Shopify Inc., Class A	9,691,920	15,727,066
248,332	Enbridge Inc.	11,854,441	15,150,735
99,463	Bank of Montreal	11,381,546	13,880,062
170,793	Bank of Nova Scotia (The)	11,917,434	13,183,512
280,361	Canadian Natural Resources Ltd.	5,858,466	12,442,421
127,770	US Foods Holding Corp.	5,894,149	12,389,905
36,220	Amazon.com Inc.	2,818,473	11,422,417
132,288	Wheaton Precious Metals Corp.	4,972,727	10,703,422
124,115	Brookfield Corp., Class A	7,203,603	10,254,381
198,290	Suncor Energy Inc.	7,094,393	10,174,260
459,984	Cenovus Energy Inc.	6,881,220	10,023,051
124,998	Toronto-Dominion Bank (The)	9,988,306	9,566,097
118,663	Alimentation Couche-Tard Inc.	2,897,626	9,459,814
36,403	WSP Global Inc.	4,435,889	9,208,503
47,241	NVIDIA Corp.	3,775,839	9,119,174
49,962	Royal Bank of Canada	6,342,836	8,659,414
74,101	Agnico Eagle Mines Ltd.	4,813,538	8,333,398
46,844	Advanced Micro Devices Inc.	1,778,981	8,133,504
28,715	Alphabet Inc., Class A	4,850,723	7,813,618
72,817	Canadian Pacific Kansas City Ltd.	4,502,171	7,578,793
18,551	Apple Inc.	1,395,207	6,677,734
9,122	UnitedHealth Group Inc.	4,113,146	6,633,048

Financial statements for the CI Investments Inc. Underlying Fund(s), including information on the holdings of the Underlying Fund(s), are available in electronic format on the Underlying Fund(s) manager's website at www.ci.com.

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

Sun Life of Canada Fund A

Fund Specific Notes to Financial Statements

Interest in Underlying Fund(s) (Note 2)

The following tables present the Fund's interest in the Underlying Fund(s).

as at December 31, 2024

Underlying Fund(s)	Fair Value of the Underlying Fund(s) (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund(s) (in \$000's)	Ownership in the Underlying Fund(s) (%)
CI Select Canadian Equity Corporate Class	506,311	61,577	12.2

as at December 31, 2023

Underlying Fund(s)	Fair Value of the Underlying Fund(s) (in \$000's)	Fair Value of the Fund's Investment in the Underlying Fund(s) (in \$000's)	Ownership in the Underlying Fund(s) (%)
CI Select Canadian Equity Corporate Class	472,184	55,032	11.7

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

Sun Life of Canada Fund A

Fund Specific Notes to Financial Statements

Unit Transactions (Note 5)

for the years ended December 31

	Class A	
	2024	2023
Number of units at the beginning of year	38,459	40,644
Units issued for cash	317	208
Units redeemed	(3,041)	(2,393)
Number of units at the end of year	35,735	38,459

Loss Carry Forwards (Note 4)

as at December 31 (in \$000's)

	2024
Non-capital losses expiring:	
2044	-
2043	-
2042	-
2041	-
2040	-
2039	-
2038	-
2037	-
2036	-
2035	-
2034	-
2033	-
2032	-
2031	-
2030	-
2029	-
2028	-
2027	-
2026	-
2025	-
Total	-

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.
The accompanying notes are an integral part of these financial statements.

Sun Life of Canada Fund A

Financial Information (for the years ended December 31) (unaudited)

Financial Highlights

The following table/tables shows/show selected key financial information about the Fund and is/are intended to help you understand the Fund's financial performance for the past five years, as applicable.

	The Fund's Net Asset Value per Unit	Ratios and Supplemental Data			Management Expense Ratio			
	Net assets attributable to contractholders per unit at the end of the year shown (\$)	Net assets (\$000's)	Number of units outstanding	Portfolio turnover rate (%)	Management expense ratio before taxes (%)	Harmonized sales tax (%)	Management expense ratio after taxes (%)	Effective HST rate for the year (%)
Class A ^{(1) (2) (3)}								
2024	1,723.62	61,594	35,735	3.00	1.25	0.13	1.38	10.68
2023	1,430.36	55,010	38,459	3.69	1.25	0.13	1.38	10.69
2022	1,263.27	51,345	40,644	8.90	1.25	0.13	1.38	10.75
2021	1,381.33	60,518	43,811	2.69	1.25	0.13	1.38	10.69
2020	1,088.82	51,272	47,090	2.43	1.25	0.13	1.38	10.72

(1) This information is provided for the December 31 of the years shown.

(2) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of a contractholder receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(3) Management expense ratio is calculated based on expenses charged directly to the Fund plus, if applicable, expenses of the underlying fund(s), calculated on a weighted average basis on the percentage weighting of the underlying fund(s) and is expressed as an annualized percentage of average net assets for the years shown. The Effective HST tax rate is calculated using the attribution percentage for each province based on contractholders' residency and can be different from 13%.

For inception date of the Fund, please refer to Note 1 in the Notes to the Financial Statements.

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

Sun Life of Canada Fund A

Fund Specific Notes to Financial Statements

Financial Instruments Risk of the Underlying Fund(s)

The Fund is indirectly exposed to credit risk, liquidity risk, other price risk, currency risk and interest rate risk through its holdings in the Underlying Fund(s), to the extent the Underlying Fund(s) is (are) exposed to these risks. Please refer to Note 8 for an explanation of the management of the financial risks. The detailed risk analyses of the Underlying Fund(s) are disclosed in the financial statements of the Underlying Fund(s).

Notes to the Financial Statements

1. THE FUND

Sun Life of Canada Fund A (the Fund) was created by a board resolution of Sun Life Assurance Company of Canada (Sun Life) on April 1, 1969.

Sun Life, a wholly owned subsidiary of Sun Life Financial Inc., is the sole issuer of the individual variable insurance contract providing for investment in each Fund. The assets of the Fund are owned by Sun Life and are segregated from Sun Life's other assets. The Fund is not a separate legal entity but is a separate reporting entity.

Sun Life has appointed CI Investments Inc. (CI or the Manager) to perform certain administrative and management services on its behalf in relation to the Fund and its contracts. CI is a subsidiary of CI Financial Corp.

These financial statements were authorized for issue by the Manager on March 31, 2025.

The Statements of Financial Position are as at December 31, 2024 and 2023. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Contractholders and Statements of Cash Flows are for the years ended December 31, 2024 and 2023. The Schedule of Investment Portfolio is as at December 31, 2024. The Fund Specific Notes to Financial Statements for each Fund consist of Interest in Underlying Fund as at December 31, 2024 and 2023, Unit Transactions for the years ended December 31, 2024 and 2023, and Financial Instruments Risks as at December 31, 2024 and 2023.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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

The following is the material accounting policy information of the Fund:

a. Classification and recognition of financial instruments

Investment fund held by the Fund is measured at fair value through profit or loss (FVTPL) in accordance with IFRS 9, *Financial Instruments*. Purchases and sales of financial assets are recognized at their trade date. The Fund's obligations for net assets attributable to contractholders are presented at the redemption amount, which approximates their fair value. All other financial assets and liabilities are measured at amortized cost, which approximates their fair value. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the effective rate of interest.

b. Fair value of financial investments

At the financial reporting date, listed securities are valued based on the last traded market price for 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 existing market conditions. Unlisted securities are valued based on price quotations received from recognized investment dealers or failing that, their fair value is determined by the Manager based on the latest reported information available. The underlying fund is valued on each business day at its net asset value (NAV) as reported by the underlying fund's manager.

c. Cash

Cash is comprised of cash on deposit. Bank overdrafts are shown in current liabilities in the Statements of Financial Position.

d. Cost of investments

Cost of investments represents the amount paid for each security and is determined on an average cost basis.

e. Investment transactions

Investment transactions are accounted for on the trade date. Realized gains and losses on sales of investments and unrealized appreciation or depreciation in value of investments are calculated on an average cost basis.

f. Income recognition

Distributions from investments are recorded on the ex-distribution date and interest income is accrued on a daily basis.

Distributions received from investment fund holdings are recognized by the Fund in the same form in which they were received from the underlying fund.

g. Functional and presentation currency

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also the Fund's functional and presentation currency.

h. Net asset value per unit

NAV per unit is calculated at the end of each day on which the Manager is open for a full day of business by dividing the total NAV of the Fund by its outstanding units.

i. Classification of units

The units of the Fund are classified as financial liabilities in accordance with IAS 32, *Financial Instruments: Presentation* (IAS 32), as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes.

j. Increase (decrease) in net assets from operations attributable to contractholders per unit

"Increase (decrease) in net assets from operations attributable to contractholders per unit" is calculated by dividing the increase (decrease) in net assets from operations attributable to contractholders of the Fund by the weighted average number of units outstanding during the year.

k. Consolidated financial statements

Under IFRS 10, *Consolidated Financial Statements* (IFRS 10), a Fund is required to provide consolidated financial statements if it has control over the entities it invests in. In October 2013, the IASB issued an "Investment Entity" amendment to IFRS 10, which provides an exception to consolidation for an entity that meets the definition of Investment Entity. The Manager has determined that the Fund satisfies the criteria of an Investment Entity.

l. Investments in associates, joint ventures, subsidiaries and unconsolidated structured entities

Subsidiaries are entities, including investments in other investment entities, over which the Fund has control. A Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity, and has the ability to affect those returns through its power over the entity. Associates and joint ventures are investments over which a Fund has significant influence or joint control.

Notes to the Financial Statements (cont'd)

Conversely, structured entities are entities that have been designed such that voting or similar rights are not the dominant factors in determining control over the entity, such as when voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

The Manager has determined that the bottom investee fund meets the definition of a structured entity to the top investing Fund.

Investment exposure related to the Fund's Interest in Underlying Fund appears under the Fund Specific Notes to Financial Statements.

m. Non-zero amounts

Some of the balances reported in the financial statements include amounts that are rounded to zero.

n. New standards, amendments and interpretations not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective as of December 31, 2024 and have not been applied in preparing these financial statements.

i) *Classification and Measurement of Financial Instruments* (Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7. Among other amendments, IASB clarified that a financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice to derecognise financial liabilities settled using an electronic payment system before the settlement date. These amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted.

ii) *IFRS 18 Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. It introduces several new requirements that are expected to impact the presentation and disclosure of the financial statements. These include:

- The requirement to classify all income and expense into specified categories and provide specified totals and subtotals in the statement of profit or loss.
- Enhanced guidance on the aggregation, location and labeling of items across the financial statements and the notes to the financial statements.
- Required disclosures about management-defined performance measures.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

The Fund is currently assessing the effect of the above standard and amendments. No other new standards, amendments and interpretations are expected to have a material effect on the financial statements of the Fund.

3. USE OF ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities at the reporting date and the reported amounts of income and expenses during the reporting year.

The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing its financial statements:

Fair value measurement of investments not quoted in active market

The fair value of investments in the underlying fund that are not quoted in active markets is determined primarily by reference to the latest available NAV of such units for each of the underlying fund, as determined by the underlying fund's managers.

4. INCOME TAXES

The Fund is deemed to be a trust, referred to as a "related segregated fund trust" under the provisions of the *Income Tax Act* (Canada) and is deemed to have allocated its income to the beneficiaries. The Fund's net capital gains (losses) are deemed to be those of the beneficiaries. Accordingly, the Fund is not subject to income tax on its net income, including net realized capital gains for the year.

Refer to Loss Carry Forwards table in the Fund Specific Notes to Financial Statements for further information relating to non-capital loss carry forwards.

5. CONTRACTHOLDERS UNITS

Units issued and outstanding represent the capital of the Fund.

The relevant changes pertaining to subscriptions and redemptions of the Fund's units are disclosed in the Statements of Changes in Net Assets Attributable to Contractholders. In accordance with the objectives and risk management policies outlined in Note 8, the Fund endeavours to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions by disposal of investments when necessary.

Unit Transactions information of the Fund appears under the Fund Specific Notes to Financial Statements.

6. FEES AND OTHER EXPENSES

The Manager, in consideration of management fees received, provides management services that are required in the day-to-day operations of the Fund.

The management fee is calculated as an annual percentage of the total NAV of the Fund at the end of each day and is paid at the end of each month.

In addition to the management fee, the Fund and the underlying fund are charged an annual administration fee. In return for an annual administration fee, the Manager bears all of the operating expenses of the Fund and the underlying fund (other than certain taxes, borrowing costs, certain new governmental fees and costs and expenses of reports and information folders required to comply with laws and regulatory guidelines regulating the issuance or sale of variable annuity contracts).

The administration fee is calculated as an annual percentage of the total NAV of the Fund at the end of each business day and paid at the end of each month.

The Fund will not pay a duplicate management and administration fee on the portion of assets that are invested in units of the underlying fund. During the reporting year, the Fund may receive management fee rebates from the Manager relating to its investment in the underlying fund. The management fee rebates are included in "Fees rebate receivable" and in "Fees rebate" as reflected in the Statements of Financial Position and Statements of Comprehensive Income of the Fund, as applicable.

The Fund pays an insurance fee to Sun Life. The insurance fee of the Fund is a charge by Sun Life for the applicable Guarantee Option in respect of the Fund. The insurance fees payable at year-end are included in the "Insurance fees payable" in the Statements of Financial Position, while insurance fees expense for the year are included in the "Insurance fees" in the Statements of Comprehensive Income.

Notes to the Financial Statements (cont'd)

7. RELATED PARTY TRANSACTIONS

The Fund may invest in an underlying fund that is also managed by CI, the Manager of the Fund. For details refer to the Fund Specific Notes to Financial Statements or the Schedule of Investment Portfolio of the Fund.

The management and administration fees paid to CI are also considered a related party transaction. For more details refer to Note 6.

8. FINANCIAL INSTRUMENTS RISK

Risk management

The Fund invests in units of the underlying fund and is exposed indirectly to a variety of financial instruments risks: concentration risk, credit risk, liquidity risk and market risk (including other price risk, currency risk and interest rate risk). The level of risk to which the Fund is exposed to depends on the investment objective and the type of investments held by the underlying fund. The value of investments within an underlying fund portfolio can fluctuate daily as a result of changes in prevailing interest rates, economic and market conditions, and company-specific news related to investments held by the underlying fund, which affect the value of the Fund. The Manager of the underlying fund may minimize potential adverse effects of these risks by, but not limited to, regular monitoring of the underlying fund's positions and market events, diversification of the investment portfolio by asset type, country, sector, term to maturity within the constraints of the stated objectives, and through the usage of derivatives to hedge certain risk exposures.

Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, asset type, industry sector or counterparty.

Details of the Fund's exposure to concentration risk are available in the Fund Specific Notes to Financial Statements.

Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration of the creditworthiness of the debt issuer. The carrying amount of debt instruments represents the credit risk exposure of the underlying fund. Credit risk exposure for derivative instruments is based on each underlying fund's unrealized gain on the contractual obligations with the counterparty as at the reporting date. The credit risk exposure of Fund's other assets is represented by their carrying amount as disclosed in the Statements of Financial Position.

Liquidity risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The Fund invests all of its assets in the underlying fund which can be readily disposed of.

Market risk

The Fund's investments are subject to market risk, which is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market conditions.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The value of each investment is influenced by the outlook of the issuer and by general economic and political conditions, as well as industry and market trends. All securities present a risk of loss of capital.

Other assets and liabilities are monetary items that are short-term in nature and therefore are not subject to other price risk.

Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, which is the functional currency of the Fund and the underlying fund. As a result, the underlying fund may be exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. Equities traded in foreign markets are also exposed to currency risk as the prices denominated in foreign currencies are converted to the underlying fund's functional currency to determine their fair value.

Interest rate risk

Interest rate risk is the risk that the fair value of interest-bearing investments will fluctuate due to changes in prevailing levels of market interest rates. As a result, the value of the underlying fund that invests in debt securities and/or income trusts will be affected by changes in applicable interest rates. If interest rates fall, the fair value of existing debt securities may increase due to the increase in yield. Alternatively, if interest rates rise, the yield of existing debt securities decrease which may then lead to a decrease, in their fair value. The magnitude of the decline will generally be greater for long-term debt securities than for short-term debt securities.

Interest rate risk also applies to convertible securities. The fair value of these securities varies inversely with interest rates, similar to other debt securities. However, since they may be converted into common shares, convertible securities are generally less affected by interest rate fluctuations than other debt securities.

The Fund's exposure to interest rate sensitivity on short-term interest-bearing investments is minimal due to their short-term nature.

Fair value hierarchy

The Fund is required to classify financial instruments measured at fair value using a fair value hierarchy. Investments whose values are based on quoted market prices in active markets are classified as Level 1. This level includes publicly traded equities, exchange-traded and retail mutual fund(s), exchange-traded warrants, futures contracts and traded options.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified as Level 2. These include fixed-income securities, mortgage-backed securities, short-term instruments, non-traded warrants, over-the-counter options, structured notes of indexed securities, if applicable, foreign currency forward contracts and swap instruments.

Investments classified as Level 3 have significant unobservable inputs. Level 3 instruments include private equities, private term loans, private equity fund(s) and certain derivatives. As observable prices are not available for these securities, the Fund may use a variety of valuation techniques to derive the fair value.

The Fund invests only in another investment fund and that investment is classified as Level 1.

Details of each Fund's exposure to financial instruments risks are available in the Fund Specific Notes to Financial Statements for each Fund.

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