

Unaudited condensed interim

Financial statements

REFLEX Plan

for the six month periods ended June 30, 2021 and 2020



KALEIDO

The REFLEX Plan

Table of content

Unaudited condensed interim financial statements

Unaudited condensed interim statements of financial position.....	3
Unaudited condensed interim statements of net income and comprehensive income.....	4
Unaudited condensed interim statements of changes in net assets attributable to contracts.....	5-6
Unaudited condensed interim statements of cash flows.....	7

Unaudited condensed interim schedule of investment portfolio.....	8-18
--	-------------

Notes to the unaudited condensed interim financial statements.....	19-27
---	--------------

**Statements of financial position
condensed interim unaudited**

(in thousands of Canadian \$)

	Notes	June 30, 2021	December 31, 2020
Assets			
Cash		1,347	1,529
Sales pending settlement		3,361	19,912
Other accounts receivable	6	937	170
Dividends receivable		263	306
Interest receivable		5,206	4,886
Canada Education Savings Grant (CESG) receivable	11	1,762	2,109
Quebec Education Savings Incentive (QESI) receivable		5,708	10,406
Investments	4, 11	1,096,225	1,044,812
		1,114,809	1,084,130
Liabilities			
Purchases pending settlement		3,662	19,890
Accounts payable and other liabilities	7	1,764	1,625
Quebec Education Savings Incentive (QESI) refundable		883	1,135
		6,309	22,650
Net assets attributable to contracts		1,108,500	1,061,480

The notes are an integral part of these unaudited condensed interim financial statements.

Statements of net income and comprehensive income

condensed interim unaudited

for the six month periods ended June 30

(in thousands of Canadian \$)

	Notes	2021	2020
Revenues from ordinary activities			
Interest income for educational assistance payments		11,112	10,809
Dividends		2,242	2,349
Realized gain on disposal of investments		12,795	9,955
Change in unrealized (loss) gain on investments		(15,169)	12,795
		10,980	35,908
Operating expenses			
Brokerage fee		32	91
American tax fees		74	-
Portfolio management fees		501	413
Trustee fee		12	10
Custodian fee		86	86
Administration fee	9	7,142	6,301
Independent Review Committee fee		13	13
		7,860	6,914
Net income and comprehensive income attributable to contracts		3,120	28,994

The notes are an integral part of these unaudited condensed interim financial statements.

Statements of changes in net assets attributable to contracts

condensed interim unaudited

for the six month periods ended June 30

(in thousands of Canadian \$)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
Net assets as at December 31, 2020	584,077	75,852	35,052	233,742	42,898	79,509	10,350	1,061,480
Net income and comprehensive income	-	-	464	-	2,260	-	396	3,120
Increase								
Subscribers' savings	45,073	-	-	-	-	-	-	45,073
Change in the SCROM	-	1,255	-	-	-	-	-	1,255
Grants received from the government	-	-	-	11,943	-	5,669	-	17,612
Transfers from other promoters	-	-	-	35	-	5	-	40
	45,073	1,255	-	11,978	-	5,674	-	63,980
Decrease								
Refund of savings at maturity	(9,443)	-	-	-	-	-	-	(9,443)
Pre-maturity withdrawal of savings	(2,597)	-	-	-	-	-	-	(2,597)
Refund of sales charges at maturity	-	(512)	-	-	-	-	-	(512)
Change in the SCROM	-	-	(1,255)	-	-	-	-	(1,255)
Transfers between plans	(32)	-	-	(67)	(12)	(7)	(1)	(119)
Grants returned to the government	-	-	-	-	-	(172)	-	(172)
Transfers to other promoters	-	-	-	(603)	(66)	(155)	(13)	(837)
Grants and income on grants	-	-	-	(2,016)	(628)	(854)	(178)	(3,676)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	(1)	-	(59)	-	(12)	(72)
Outflow of accumulated income on savings	-	-	(1)	-	-	-	-	(1)
Educational assistance payments (EAPs)	-	-	(1,396)	-	-	-	-	(1,396)
	(12,072)	(512)	(2,653)	(2,686)	(765)	(1,188)	(204)	(20,080)
Net assets as at June 30, 2021	617,078	76,595	32,863	243,034	44,393	83,995	10,542	1,108,500

Statements of changes in net assets attributable to contracts

condensed interim unaudited

for the six month periods ended June 30

(in thousands of Canadian \$)

	Subscribers' savings	SCROM	EAP account	CESG	Accumulated income CESG	QESI	Accumulated income QESI	Total
Net assets as at December 31, 2019	518,475	63,697	7,643	213,001	32,258	71,916	7,263	914,253
Net income and comprehensive income	-	-	26,353	-	1,920	-	721	28,994
Increase								
Subscribers' savings	40,624	-	-	-	-	-	-	40,624
Change in the SCROM	-	8,390	-	-	-	-	-	8,390
Grants received from the government	-	-	-	11,497	-	5,365	-	16,862
Transfers from other promoters	-	-	-	88	-	14	-	102
	40,624	8,390	-	11,585	-	5,379	-	65,978
Decrease								
Refund of savings at maturity	(6,412)	-	-	-	-	-	-	(6,412)
Pre-maturity withdrawal of savings	(2,560)	-	-	-	-	-	-	(2,560)
Refund of sales charges at maturity	-	(335)	-	-	-	-	-	(335)
Change in the SCROM	-	-	(8,390)	-	-	-	-	(8,390)
Transfers between plans	(90)	-	-	(124)	(25)	(28)	(3)	(270)
Grants returned to the government	-	-	-	-	-	(947)	-	(947)
Transfers to other promoters	-	-	-	(579)	(52)	(132)	(10)	(773)
Grants and income on grants	-	-	-	(1,182)	(330)	(487)	(89)	(2,088)
Outflow of accumulated income on grants for payments to a designated educational institution	-	-	-	-	(66)	-	(13)	(79)
Educational assistance payments (EAPs)	-	-	(824)	-	-	-	-	(824)
	(9,062)	(335)	(9,214)	(1,885)	(473)	(1,594)	(115)	(22,678)
Net assets as at June 30, 2020	550,037	71,752	24,784	222,701	33,705	75,701	7,869	986,547

Statements of cash flows
condensed interim unaudited
for the six month periods ended June 30
(in thousands of Canadian \$)

	2021	2020
Cash flows from operational activities		
Income received		
Interest	10,792	10,290
Dividends	2,236	2,427
	13,028	12,717
Operating expenses paid		
Brokerage fee	(32)	(91)
American tax fees	(74)	-
Portfolio management fees	(492)	(441)
Trustee fee	(11)	(10)
Custodian fee	(86)	(70)
Administration fee	(7,075)	(7,374)
Independent Review Committee fee	(13)	(13)
	(7,783)	(7,999)
Other operational activities		
Disposal of investments	377,081	562,065
Acquisition of investments	(430,489)	(608,457)
	(53,408)	(46,392)
Net cash flows used in operational activities	(48,163)	(41,674)
Cash flows from financing activities		
Savings received	45,381	45,221
Savings paid to other promoters	(1,084)	(965)
Refunds of savings to subscribers	(12,024)	(8,969)
CESG and income on CESG received	11,656	11,039
QESI and income on QESI received	10,372	90
QESI and income on QESI paid	(592)	(712)
Transfers between plans	(119)	(270)
Sales charge refunds	(512)	(335)
Educational assistance payments (EAPs)	(5,097)	(2,912)
Net cash flows from financing activities	47,981	42,187
Net increase (decrease) in cash	(182)	513
Cash, beginning of period	1,529	2,610
Cash, end of period	1,347	3,123

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Short-term investments					
41,175	Cash	-	-	41,175	41,175
11,562	Province of Ontario	2 Jun 2022	3.150	12,029	11,864
5,350	Société de transport de l'Outaouais	9 Nov 2021	1.800	5,261	5,369
3,300	City of Saint-Lambert	2 Nov 2021	1.900	3,243	3,316
3,025	City of St-Bruno-de-Montarville	8 Sep 2021	1.850	2,978	3,032
3,000	Municipality of La Prairie	8 Sep 2021	1.850	2,953	3,008
2,932	Cash sweep	-	-	2,942	2,942
2,700	City of Brossard	2 Nov 2021	1.850	2,664	2,709
2,355	City of Mirabel	21 Sep 2021	1.800	2,320	2,360
2,250	City of Saguenay	20 Apr 2022	1.850	2,216	2,273
2,185	City of Longueuil	13 Jul 2021	1.850	2,156	2,186
2,000	City of Chateauguay	14 Sep 2021	1.900	1,973	2,005
1,831	Province of New Brunswick	3 Dec 2021	3.350	1,898	1,855
1,700	Toronto-Dominion Bank	22 Dec 2021	2.621	1,726	1,718
1,500	City of Beaconsfield	26 Jul 2021	1.750	1,478	1,501
1,500	City of Varennes	3 Aug 2021	1.800	1,474	1,501
1,325	City of Saint-Constant	23 Aug 2021	1.850	1,305	1,327
1,216	Transit in Quebec City	18 Nov 2021	0.550	1,215	1,215
1,035	City of Lévis	4 Jun 2022	2.100	1,026	1,049
1,028	Regional Municipality of Niagara	24 Jul 2021	1.950	1,028	1,029
1,000	City of Saint-Jean-sur-Richelieu	11 Jun 2022	2.000	992	1,013
1,000	Province of Ontario	8 Mar 2022	1.350	1,013	1,007
1,000	City of Alma	23 Aug 2021	1.850	985	1,002
1,000	City of Granby	6 Jul 2021	1.750	982	1,000
900	Government of Canada	5 Aug 2021	-	900	900
830	City of Quebec	26 Aug 2021	3.600	847	834
805	City of Magog	2 Oct 2021	2.650	798	809
751	City of Sept-Îles	25 Sep 2021	2.050	747	754
738	Société de transport de l'Outaouais	11 Oct 2021	2.650	732	742
600	City of Sainte Catherine	23 Apr 2022	2.100	595	607
500	City of Drummondville	27 Jul 2021	1.750	493	500
300	City of Val-d'Or	1 Dec 2021	0.600	300	300
250	City of Brossard	19 Jul 2021	1.750	245	250
Total - Short-term investments				102,689	103,152
Bonds					
Bonds issued or guaranteed by the Government of Canada					
4,750	Export Development Canada	1 Sep 2022	1.800	4,869	4,829
				4,869	4,829

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a Canadian province					
44,577	Province of Ontario	2 Jun 2030	2.050	46,781	45,074
43,582	Province of Ontario	1 Feb 2027	1.850	45,452	44,622
41,049	Province of Ontario	2 Jun 2028	2.900	43,805	44,455
29,634	Province of Ontario	2 Jun 2024	3.500	31,835	31,904
28,744	Province of Quebec	1 Sep 2023	3.000	29,994	30,233
19,579	Province of Ontario	8 Mar 2033	5.850	28,001	26,945
22,630	Province of Quebec	1 Sep 2025	2.750	24,265	24,144
20,442	Province of Quebec	1 Sep 2024	3.750	22,114	22,286
18,125	Province of Ontario	2 Jun 2025	2.600	18,894	19,163
18,680	Province of Quebec	1 Sep 2030	1.900	19,595	18,701
15,014	Province of Quebec	1 Dec 2022	3.500	15,898	15,666
13,900	Province of Ontario	2 Jun 2031	2.150	13,922	14,032
12,628	Province of Quebec	1 Sep 2026	2.500	12,920	13,375
11,547	Province of Ontario	2 Jun 2027	2.600	11,983	12,271
11,243	Province of Quebec	1 Sep 2029	2.300	11,689	11,708
10,378	Province of Quebec	1 Sep 2028	2.750	10,723	11,178
10,378	Province of Quebec	1 Sep 2027	2.750	10,760	11,158
10,083	Province of Ontario	2 Jun 2023	2.850	10,338	10,524
9,871	Province of Ontario	2 Jun 2026	2.400	10,218	10,383
8,324	Province of Ontario	2 Jun 2029	2.700	8,879	8,887
7,575	Province of Quebec	27 May 2031	2.100	7,558	7,691
6,745	Province of Ontario	8 Sep 2025	1.750	6,917	6,910
5,859	Province of Quebec	22 Feb 2024	2.250	5,886	6,098
6,248	Province of Ontario	2 Dec 2030	1.350	6,141	5,912
4,286	Province of Quebec	1 Oct 2029	6.000	5,821	5,660
5,462	Province of Quebec	13 Feb 2027	1.850	5,468	5,608
3,847	Province of Ontario	8 Mar 2029	6.500	5,255	5,147
4,253	Province of Ontario	5 Feb 2025	2.650	4,447	4,503
4,109	OPB Finance Trust	25 Jan 2027	2.980	4,131	4,394
3,286	Province of Quebec	1 Apr 2026	8.500	4,673	4,366
3,973	Province of Ontario	8 Sep 2023	2.600	4,034	4,144
2,760	Province of Quebec	16 Jan 2023	9.375	3,497	3,135
3,000	Province of Alberta	1 Sep 2022	1.600	2,977	3,044
2,827	Province of New Foundland and Labrador	2 Jun 2028	2.850	2,811	3,025
2,442	Province of Saskatchewan	2 Jun 2030	2.200	2,588	2,499
2,041	Province of Ontario	8 Sep 2024	2.300	2,080	2,131
2,100	Province of Alberta	1 Jun 2030	2.050	2,117	2,116
1,903	Province of Quebec	6 Jul 2025	2.600	2,001	2,019
1,674	Hydro Québec	15 Jul 2022	9.625	2,093	1,833
1,779	Province of Ontario	8 Sep 2027	1.050	1,777	1,729
1,551	Province of Alberta	1 Dec 2028	2.900	1,581	1,676
1,201	Province of Ontario	2 Jun 2031	6.200	1,647	1,654
1,251	Province of Ontario	27 Jan 2023	1.950	1,255	1,280
1,116	Province of Ontario	8 Sep 2026	1.350	1,113	1,115
1,000	Province of Manitoba	2 Jun 2028	3.000	989	1,089
1,116	Ontario Teachers' Finance Trust	19 Oct 2027	1.100	1,112	1,080

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a Canadian province (continued)					
986	Province of Ontario	13 Jul 2022	9.500	1,276	1,078
705	Ontario Hydro	22 Jun 2026	8.250	1,000	935
778	Province of Quebec	1 Mar 2023	2.450	793	804
599	Province of Ontario	2 Dec 2025	8.500	838	785
649	Province of Ontario	8 Sep 2023	8.100	836	754
463	Province of Ontario	7 Feb 2024	7.500	589	542
433	OPB Finance Trust	24 May 2023	2.900	443	451
362	Ontario Hydro	18 Aug 2022	8.900	461	396
189	OPB Finance Trust	2 Feb 2026	2.950	195	202
				524,466	522,514
Bonds issued or guaranteed by a municipality					
5,505	Transit in Quebec City	18 Nov 2025	1.000	5,441	5,379
4,850	City of Saint-Jean-sur-Richelieu	17 Jun 2025	1.300	4,861	4,824
4,107	City of Toronto	21 May 2024	3.400	4,245	4,403
4,000	Régie d'assainissement des eaux Terrebonne-Mascouche	9 Sep 2025	1.000	3,932	3,919
2,800	TransLink	4 Jun 2025	3.050	3,014	3,001
3,030	City of Mascouche	7 Oct 2025	0.950	3,000	2,959
3,000	City of Sainte-Marthe-Sur-Le-Lac	9 Sep 2025	1.100	2,984	2,952
2,634	City of Beloeil	15 Oct 2025	0.950	2,607	2,572
2,128	City of Laval	21 Mar 2028	3.000	2,112	2,295
2,000	City of Saint-Lambert	17 Oct 2023	3.000	1,974	2,091
1,850	City of Quebec	20 Dec 2027	2.650	1,800	1,955
1,852	City of St-Hyacinthe	17 Oct 2023	3.000	1,828	1,936
1,800	City of Brossard	25 Jul 2023	2.900	1,780	1,872
1,800	City of Lévis	4 Jun 2023	2.200	1,780	1,845
1,525	Société de transport de Lévis	9 Jul 2025	1.200	1,505	1,510
1,460	Réseau de transport métropolitain	30 Apr 2026	1.350	1,440	1,441
1,250	City of Montreal	1 Sep 2023	3.500	1,353	1,326
1,324	City of Mascouche	7 Oct 2024	0.800	1,312	1,305
1,284	Transit in Quebec City	18 Nov 2022	0.650	1,281	1,282
1,165	Municipal finance of British Columbia	23 Oct 2028	3.050	1,161	1,272
1,251	Transit in Quebec City	18 Nov 2023	0.800	1,246	1,245
1,160	City of Trois-Rivières	18 Apr 2028	3.000	1,140	1,237
1,243	Transit in Quebec City	18 Nov 2024	0.900	1,234	1,227
1,000	City of Longueuil	19 Jul 2023	2.800	988	1,038
1,000	City of Saint-Jean-sur-Richelieu	11 Jun 2023	2.100	991	1,023
1,000	TransLink	3 Jul 2030	1.600	1,000	967
900	City of Val-d'Or	1 Dec 2025	1.000	887	879
806	City of Sept-Îles	25 Sep 2023	2.150	798	827
779	City of Sept-Îles	25 Sep 2022	2.100	773	792
725	City of Saint-Jerome	14 Nov 2029	2.450	708	741
725	Regional Municipality of Niagara	24 Jul 2022	1.950	725	733

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued or guaranteed by a municipality (continued)					
710	City of Terrebonne	10 Sep 2024	2.000	701	727
670	City of Montreal	1 Sep 2026	2.750	672	713
650	City of Lévis	9 Mar 2026	2.950	637	689
655	City of Sainte Catherine	23 Apr 2023	2.200	648	671
625	City of Candiac	31 Jul 2023	2.750	615	648
590	City of Lévis	5 Jun 2028	3.250	581	639
575	City of Saint-Jacques	24 Feb 2026	1.000	565	560
505	City of Saint-Amable	23 Feb 2026	0.950	495	490
480	City of Mascouche	7 Oct 2023	0.700	477	477
450	City of Saint-Eustache	30 Sep 2025	0.900	445	439
400	Regional Municipality of Niagara	23 Feb 2026	1.000	395	389
338	City of New Tecumseth	23 Mar 2025	4.800	373	380
353	City of Longueuil	10 Nov 2025	3.200	351	378
374	City of Beloeil	15 Oct 2024	0.850	371	369
338	City of Rouyn-Noranda	27 Feb 2028	3.100	349	363
320	City of St-Hyacinthe	28 Feb 2028	3.100	330	343
320	City of Beloeil	7 May 2023	2.200	317	328
300	Société de transport de l'Outaouais	12 Sep 2023	1.950	297	306
300	Société de transport de l'Outaouais	12 Sep 2022	1.900	298	304
300	City of Val-d'Or	1 Dec 2022	0.700	299	300
300	City of Val-d'Or	1 Dec 2023	0.800	298	298
300	City of Val-d'Or	1 Dec 2024	0.900	297	296
244	City of Saint-Raymond	9 Feb 2026	0.900	241	237
231	City of Montmagny	8 Feb 2026	0.900	228	224
210	City of Wickham	8 Mar 2026	1.100	207	205
112	City of Val-d'Or	25 Oct 2022	2.450	110	115
100	City of Longueuil	14 Nov 2022	2.300	99	102
57	City of Lac-Beauport	16 Mar 2025	1.900	59	58
55	MRC La Haute-Côte-Nord	5 Feb 2024	2.950	58	58
55	City of Gatineau	14 Sep 2026	2.500	58	57
				70,771	72,011

Bonds issued by a corporation

7,600	Fédération des caisses Desjardins du Québec	11 Sep 2023	3.056	7,952	7,957
6,140	National Bank of Canada	12 Jul 2024	2.545	6,375	6,374
6,016	Greater Toronto Airport Authority	3 Apr 2029	2.730	6,311	6,303
6,225	National Bank of Canada	15 Jun 2026	1.534	6,225	6,184
4,500	Toronto-Dominion Bank	13 Mar 2025	1.943	4,500	4,591
4,300	Bank of Montreal	29 Jul 2024	2.280	4,461	4,432
4,500	The Bank of Nova Scotia	1 Nov 2027	1.400	4,337	4,364
4,129	Manulife Financial Corporation	12 May 2030	2.237 (floating)	4,129	4,227
4,000	Altalink, L.P.	29 May 2026	2.747	4,165	4,222
4,100	Royal Bank of Canada	1 May 2025	1.936	4,192	4,178

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued by a corporation (continued)					
3,839	Rogers Communications Inc.	1 May 2029	3.250	3,891	4,016
3,800	Bank of Montreal	6 Mar 2024	2.850	3,948	3,970
3,633	TransCanada Pipelines Ltd.	5 Apr 2027	3.800	3,652	3,945
3,801	Royal Bank of Canada	28 Jan 2027	2.328	3,720	3,907
3,405	TELUS Corporation	8 Jul 2026	2.750	3,343	3,544
3,400	Canadian Imperial Bank of Commerce	17 Apr 2025	2.000	3,397	3,471
3,461	Bell Canada	29 May 2028	2.200	3,457	3,458
3,145	Toronto-Dominion Bank	26 Jan 2032	3.060	3,046	3,314
3,200	Toronto Hydro Corporation	10 Apr 2023	2.910	3,334	3,303
2,981	Ontario Power Generation	8 Apr 2030	3.215	2,981	3,194
3,000	The Bank of Nova Scotia	1 May 2023	2.380	3,048	3,080
2,700	407 International Inc.	16 May 2024	3.350	2,867	2,856
2,700	Enbridge Inc.	8 Jun 2027	3.200	2,773	2,846
2,700	Hydro One Inc.	24 Feb 2026	2.770	2,887	2,846
2,402	Suncor Energy Inc.	9 Apr 2030	5.000	2,437	2,820
2,757	Allied Properties Real Estate Investment Trust	12 Feb 2026	1.726	2,757	2,717
2,575	bclMC Realty Corporation	3 Jun 2025	2.840	2,705	2,710
2,375	Toronto-Dominion Bank	4 Mar 2031	4.859	2,681	2,692
2,475	OMERS Realty Corporation	4 Oct 2027	3.244	2,683	2,672
2,600	Wells Fargo & Company	18 Feb 2027	2.493	2,600	2,659
2,525	Fairfax Financial	3 Mar 2031	3.950	2,531	2,605
2,300	The Bank of Nova Scotia	8 Nov 2022	2.360	2,335	2,354
1,810	407 International Inc.	27 Jul 2029	6.470	2,414	2,352
2,300	Laurentian Bank of Canada	3 Jun 2024	1.150	2,299	2,284
2,017	North West Redwater Partnership	1 Jun 2029	4.250	2,261	2,272
2,100	Shaw Communications Inc.	31 Jan 2024	4.350	2,245	2,246
2,200	BCI QuadReal	12 Mar 2024	1.056	2,202	2,199
2,000	Bell Canada	29 Sep 2027	3.600	2,139	2,161
2,050	Toronto-Dominion Bank	22 Apr 2030	3.105	2,059	2,159
2,100	Saputo Inc.	16 Jun 2027	2.242	2,104	2,112
2,000	The Bank of Nova Scotia	3 Feb 2025	2.160	2,089	2,054
1,850	Choice Properties Real Estate Investment Trust	10 Jan 2025	3.546	1,956	1,968
1,925	Great-West Lifeco Inc.	14 May 2030	2.379	1,925	1,942
1,891	Enbridge Gas Inc.	9 Aug 2029	2.370	1,926	1,930
2,000	Sun Life Financial Inc.	1 Oct 2035	2.060	1,998	1,926
1,724	IGM Financial Inc.	26 Jan 2027	3.440	1,745	1,853
1,742	Enbridge Gas Inc.	1 Apr 2030	2.900	1,771	1,835
1,743	TELUS Corporation	13 Nov 2031	2.850	1,739	1,748
1,557	Suncor Energy Inc.	24 May 2029	3.100	1,612	1,627
1,540	Enbridge Inc.	10 Aug 2026	3.000	1,598	1,625
1,506	Choice Properties Real Estate Investment Trust	11 Jun 2029	3.532	1,574	1,606
1,507	Enbridge Inc.	3 Oct 2029	2.990	1,528	1,553
1,450	CT Real Estate Investment	1 Jun 2026	3.289	1,516	1,531

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued by a corporation (continued)					
1,490	Choice Properties Real Estate Investment Trust	4 Mar 2030	2.981	1,490	1,519
1,520	RioCan Real Estate Investment Trust	10 Mar 2027	2.361	1,520	1,517
1,400	Canadian Tire Corporation Ltd.	6 Jul 2023	3.167	1,449	1,455
1,309	Pembina Pipeline Corporation	27 Mar 2028	4.020	1,399	1,432
1,307	Brookfield Renewable partners	15 Jan 2030	3.380	1,281	1,406
1,300	Intact Financial Corp.	24 Mar 2025	3.691	1,300	1,402
1,381	Summit Industrial Income REIT	12 Jan 2027	2.250	1,380	1,385
1,300	Toronto-Dominion Bank	8 Mar 2024	2.850	1,368	1,359
1,305	TransCanada Pipelines Ltd.	18 Sep 2029	3.000	1,312	1,349
1,290	Sun Life Financial Inc.	10 May 2032	2.580 (floating)	1,290	1,330
1,275	Epcor Utilities Inc.	19 May 2023	1.299	1,275	1,285
1,250	OMERS Realty Corporation	22 Sep 2023	1.298	1,250	1,259
1,242	Royal Bank of Canada	28 Jan 2033	1.670 (floating)	1,242	1,202
1,200	Intact Financial Corp.	16 Dec 2030	1.928	1,200	1,151
1,100	Choice Properties Real Estate Investment Trust	21 May 2027	2.848	1,107	1,138
1,116	Omers Finance Trust	21 Apr 2027	1.550	1,115	1,113
1,000	Royal Bank of Canada	24 Nov 2080	4.500 (floating)	1,000	1,063
1,000	TELUS Corporation	2 May 2029	3.300	1,060	1,061
1,000	Intact Financial Corp.	18 May 2028	2.179	1,000	1,008
893	Omers Finance Trust	14 May 2029	2.600	915	939
900	Énergir	16 Apr 2027	2.100	900	917
900	Bank of Montreal	28 May 2026	1.551	901	895
865	Athene Global Funding	9 Jun 2028	2.470	865	865
800	Shaw Communications Inc.	1 Mar 2027	3.800	833	863
615	FortisBC Energy Inc.	21 Sep 2029	6.950	830	833
822	H&R Real Estate Investment Trust	19 Feb 2027	2.633	822	813
770	Alimentation Couche-Tard Inc.	1 Nov 2022	3.899	816	801
750	TMX Group Inc.	11 Dec 2024	2.997	770	790
750	Royal Bank of Canada	30 Jun 2030	2.088 (floating)	750	761
654	Brookfield Property Partners LP	15 Jan 2029	4.250	686	743
672	Granite Real Estate Investment Trust	4 Jun 2027	3.062	672	706
700	Toronto-Dominion Bank	8 Mar 2028	1.888	700	699
640	Allied Properties Real Estate Investment Trust	15 Aug 2029	3.394	653	665
640	407 International Inc.	22 May 2025	1.800	640	652
500	Loblaw Companies Ltd.	7 May 2030	2.284	500	492
440	Allied Properties Real Estate Investment Trust	15 May 2028	3.131	440	454
400	TMX Group Inc.	5 Jun 2028	3.779	441	445
400	TELUS Corporation	1 Apr 2024	3.350	413	420
325	bcIMC Realty Corporation	31 Mar 2027	3.000	344	346
300	Rogers Communications Inc.	13 Mar 2024	4.000	319	319
300	Intact Financial Corp.	7 Jun 2027	2.850	314	315
300	Bank of Montreal	20 Jun 2023	2.890	307	312

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Par value	Security	Maturity	Rate (%)	Cost	Carrying amount
Bonds (continued)					
Bonds issued by a corporation (continued)					
300	Ivanhoe Cambridge	27 Jun 2023	2.909	313	311
290	Bell Canada	29 Jan 2025	2.750	293	302
275	Wells Fargo & Company	19 May 2026	2.975	289	289
270	Allied Properties Real Estate Investment Trust	8 Apr 2027	3.113	273	281
240	Loblaw Companies Ltd.	11 Dec 2028	4.488	281	276
250	Royal Bank of Canada	25 Jul 2029	2.740 (floating)	250	259
200	Consumers Gas Company Ltd.	5 Jul 2023	6.050	227	219
125	Gaz Métro Inc.	16 May 2025	9.000	169	160
150	North West Redwater Partnership	1 Jun 2027	2.800	151	156
100	Alimentation Couche-Tard Inc.	26 Jul 2024	3.056	102	105
100	Bell Canada	16 Aug 2027	1.650	101	97
				201,738	204,728
Total - Bonds				801,844	804,082

Number of shares	Security	Cost	Carrying amount
Equities			
Energy			
61,336	Enbridge Inc.	2,834	3,041
7,823	Atmos Energy Corporation	1,164	931
22,068	Parkland Fuel Corporation	778	879
8,441	TC Energy Corp.	491	517
4,435	Eog Resources Inc.	295	458
		5,562	5,826

Materials

37,826	Nutien Ltd.	2,326	2,838
39,587	CCL Industries Inc.	1,968	2,697
14,857	Franco-Nevada Corporation	2,286	2,669
3,238	Linde plc	1,000	1,159
5,756	AptarGroup Inc.	905	1,004
8,389	Nucor Corporation	533	996
2,704	Air Products & Chemicals	942	963
2,841	Sherwin-Williams	957	958
12,256	Agnico Eagle Mines Ltd.	901	917
12,215	Wheaton Precious Metals	583	666
2,699	3M	654	664
13,825	Wipak Ltd.	465	534

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Materials (continued)			
9,595	Stella-Jones Inc.	330	428
13,479	Intertape Polymer Group Inc.	201	385
916	Illinois Tool Works	238	254
1,206	PPG Industries	254	253
17,142	Amcor PLC	257	243
624	Ecolab Inc.	164	159
228	Stepan Company	37	34
		15,001	17,821
Communication Services			
49,859	TELUS Corporation	1,202	1,382
21,531	BCE Inc.	1,262	1,314
27,332	AT&T Inc	1,155	974
2,260	FactSet	947	939
18,055	TELUS Corporation	402	402
		4,968	5,011
Utilities			
14,673	Brookfield Infrastructure Finance Limited	943	1,007
18,087	Fortis Inc.	899	992
9,024	American States Water	928	889
14,088	Emera Inc.	756	791
13,009	Brookfield Renewable partners	517	621
5,918	Consolidated Edison Inc.	702	526
5,212	Nextera Energy Inc.	460	473
4,387	Eversource Energy	529	436
11,561	Hydro One Limited	306	346
7,139	Algonquin Power & Utilities Corp.	135	132
655	California Water Service Group	47	45
		6,222	6,258
Financials			
95,373	Brookfield Asset Management Inc.	4,187	6,013
59,571	The Bank of Nova Scotia	3,723	4,802
24,840	Intact Financial Corp.	2,872	4,183
47,411	Toronto-Dominion Bank	2,879	4,114
23,684	Royal Bank of Canada	2,176	2,969
120,656	Manulife Financial Corporation	2,474	2,944
23,090	National Bank of Canada	1,853	2,142
27,538	IA Financial corp Inc.	1,441	1,856

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Financials (continued)			
2,911	Mastercard Inc.	1,240	1,316
3,879	CME Group Inc.	981	1,021
4,123	T. Rowe Price	912	1,010
14,719	Canadian Apartment Properties REIT	755	853
660	BlackRock Inc.	534	715
12,467	Altus Group Limited	509	714
8,603	Granite Real Estate Investment Trust	582	708
7,629	Commerce Bancshares Inc.	665	704
4,695	Cullen/Frost Inc.	495	651
6,864	Sun Life Financial Inc.	339	438
5,087	Interactive Brokers Group Inc.	414	414
780	Public Storage	290	290
2,221	TMX Group Inc.	283	290
2,141	RLI Corp.	294	277
1,967	Canadian Imperial Bank of Commerce	214	277
3,646	Brown & Brown	239	240
		30,351	38,941

Consumer Staples

26,322	Premium Brands Holdings Corporation	2,487	3,313
61,862	Alimentation Couche-Tard Inc.	2,104	2,815
43,243	Metro Inc.	1,864	2,564
65,631	Saputo Inc.	2,386	2,425
49,380	Maple Leaf Foods	1,355	1,271
31,918	Empire Company Limited	824	1,248
15,147	Loblaw Companies Ltd.	973	1,153
4,592	The Clorox Company	1,171	1,023
5,855	Walmart Inc.	943	1,022
9,630	Church and Dwight Co., Inc.	1,111	1,016
9,293	McCormick & Company Inc.	1,076	1,016
6,095	Kimberly-Clark Corporation	1,138	1,009
3,372	Target Corporation	587	1,009
8,566	George Weston Ltd.	890	1,008
6,267	The J.M. Smucker Company	926	1,005
6,011	The Procter & Gamble Company	998	1,004
16,983	Hormel Foods Corporation	1,083	1,004
9,775	Pepsico Inc.	1,821	1,793
9,957	Colgate-Palmolive Company	983	1,003
27,136	The North West Company Inc.	786	954
2,916	Five Below	663	698
1,819	McDonald's Corporation	527	520
958	Costco	399	469
1,749	Lancaster Colony Corporation	401	419
3,535	The TJX Companies Inc.	255	295

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Consumer Staples (continued)			
1,365	MSA Safety Inc.	238	280
2,317	D.R. Horton	265	259
454	Brown-Forman Corporation	41	42
		<u>28,295</u>	<u>31,637</u>
Health			
4,093	Danaher Corporation	980	1,360
7,196	Abbott Laboratories	936	1,033
3,363	Becton Dickinson and Company	1,181	1,012
2,204	Charles River Laboratories	691	1,009
4,939	Johnson & Johnson	970	1,007
2,253	West Pharmaceutical Services Inc.	599	1,001
7,179	AbbVie	913	1,001
6,492	Medtronic	970	998
2,515	Amgen	733	759
895	Cardinal Health	66	63
		<u>8,039</u>	<u>9,243</u>
Consumer Discretionary			
36,616	Thomson Reuters Corporation	3,133	4,495
24,983	Magna International Inc.	1,663	2,867
53,595	Gildan Activewear Inc.	1,843	2,446
28,363	Restaurant Brands International Inc.	2,148	2,261
37,756	Quebecor Inc.	1,156	1,240
4,110	ADP	923	1,011
8,266	Cogeco Communications Inc.	849	1,001
1,967	S&P Global	827	999
17,205	Dollarama Inc.	852	972
4,671	Canadian Tire Corporation Ltd.	631	913
16,514	Shaw Communications Inc.	491	590
3,770	Cogeco Inc.	333	361
		<u>14,849</u>	<u>19,156</u>
Industrials			
51,399	Canadian National Railway Company	5,482	6,713
20,914	Groupe WSP Global Inc.	1,551	3,020
52,035	Stantec Inc.	1,893	2,868
70,872	SNC-Lavalin Group Inc.	1,999	2,279
49,503	CAE Inc.	1,052	1,872
7,107	Boyd Group Services Inc.	1,490	1,592
8,390	Waste Connections Inc.	1,099	1,241

Schedule of investment portfolio

condensed interim unaudited

as at June 30, 2021

(in thousands of Canadian \$)

Number of shares	Security	Cost	Carrying amount
Equities (continued)			
Industrials (continued)			
6,450	Expeditors International of Washington	689	1,011
8,467	C.H. Robinson	1,052	982
3,485	Caterpillar Inc.	815	939
39,648	Transcontinental Inc.	636	921
11,731	Fastenal	754	755
21,120	LifeWorks	678	698
1,846	Rockwell Automation	589	654
6,171	Graco	575	578
780	W.W. Grainger	405	423
1,525	Allegion plc	219	263
1,871	Toromont Industries Ltd.	122	201
2,578	Ritchie Bros. Auctioneers Inc.	156	189
1,720	Canadian Pacific Railway Limited	164	164
1,133	Badge Meter	134	138
519	Cargojet	84	95
1,194	Finning International Inc.	32	39
		21,670	27,635
Technology			
65,772	Open Text Corporation	3,062	4,130
1,959	Shopify Inc.	1,647	3,549
23,076	CGI inc.	1,642	2,585
6,604	Microsoft Corporation	1,675	2,215
432	Amazon.com Inc.	1,617	1,840
33,043	Enghouse Systems Ltd.	1,935	1,820
1,920	Adobe Inc.	1,083	1,392
7,574	Apple Inc.	898	1,284
7,672	Kinaxis Inc.	1,066	1,249
631	Constellation Software Inc.	921	1,183
385	Alphabet Inc. Class A	802	1,163
13,304	The Descartes Systems Group Inc.	433	1,138
2,581	FaceBook Inc.	758	1,111
5,523	IBM	887	1,003
2,664	Texas Instruments Inc.	527	634
949	Netflix Inc.	561	621
4,467	John Wiley & Sons Inc.	276	333
291	Roper Technologies	160	169
676	Brookfield Asset Management Reinsurance Partners	47	44
		19,997	27,463
Total - Equities		154,954	188,991
Total - Schedule of investment portfolio		1,059,487	1,096,225

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

1. General information about the Plan

The REFLEX Plan (the “Plan”) is a trust maintained by declaration of trust pursuant to the Civil Code of Quebec. It is governed by a trust agreement (the “Agreement”) concluded on July 9, 2010, between the Kaleido Foundation, (the “Foundation”), Eterna Trust Inc. and Kaleido Growth Inc. The latter acts as the investment fund manager of the REFLEX Plan promoted by the Foundation. The Plan’s head office and principal place of business is located at 1035 Wilfrid-Pelletier Avenue, Suite 500, Quebec City (Quebec) G1W 0C5.

The REFLEX Plan is a group scholarship plan under which the refund of contributions (savings) is guaranteed at all times, including the sales charges if the plan reaches maturity. The Plan is available to beneficiaries aged 0 to 16 years inclusive. Since December 14, 2017, eligible studies that qualify for EAPs are general or technical, full-time or part-time (college, community college or university) post-secondary educational programs offered in Canada or the foreign equivalent. Programs offered in a post-secondary institution intended to provide a person with or improve the skills required in the exercise of a professional activity are also eligible. In all cases, these programs must have a minimum duration of three consecutive weeks, comprising at least 10 hours of courses or schoolwork per week. Specified educational programs are also eligible; they are postsecondary programs of study with a minimum duration of three consecutive weeks and to which a student must dedicate minimum of 12 hours per month on courses. When a beneficiary is registered in a distance learning program for such studies, they are also considered eligible. The Plan invests in equities of Canadian companies, debt securities issued or guaranteed by a Canadian government and Canadian treasury short-term debt securities.

The release of these financial statements was authorized by the Audit Committee on August 25th, 2021.

2. Significant accounting policies

Statement of compliance

The interim condensed statements of financial position, the interim condensed statements of net and comprehensive income, the interim condensed statements of changes in net assets attributable to contracts, the interim condensed statements of cash flows and the accompanying interim condensed notes were prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed financial statements should be read in conjunction with the financial statements for the year ended December 31, 2020. The significant accounting policies used in preparing these condensed interim financial statements are consistent with those found in the financial statements for the year ended December 31, 2020.

3. Significant accounting judgments, estimates and assumptions

In the application of the Plan's accounting policies, as described in Note 2 of financial statements for the year ended December 31, 2020, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors considered relevant. Actual results may differ from these estimates.

The main sources of uncertainty regarding estimates and the main judgments made by management for the unaudited interim condensed financial statements are identical to those presented in the annual financial statements for the year ended December 31, 2020.

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

4. Investments

	June 30, 2021	December 31, 2020
Short-term investments	103,152	84,311
Bonds	804,082	768,963
Equities	188,991	191,538
	1,096,225	1,044,812

5. Current assets and liabilities

The Plan expects to recover the amounts relating to the sales pending settlement, dividends receivable, interest receivable, CESG receivable, QESI receivable, and other accounts receivable no later than 12 months following the end date of the reporting period. In addition, the Plan expects to settle the sums for the purchases pending settlement, QESI refundable as well as accounts payable and other liabilities related no later than 12 months following the end date of the reporting period.

6. Other accounts receivable

	Notes	June 30, 2021	December 31, 2020
Amount receivable from Kaleido Foundation	9	937	170
		937	170

7. Accounts payable and other liabilities

	Notes	June 30, 2021	December 31, 2020
Amount payable to Kaleido Growth Inc.	7	1,203	1,135
Accumulated income on grants for payment to a designated educational institution		312	240
Other		249	250
		1,764	1,625

8. Sales Charge Refund Obligation at Maturity (SCROM)

	June 30, 2021	December 31, 2020
Discounted value of the SCROM	76,595	75,852
Non-discounted value of the SCROM	99,891	98,325

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

8. Sales Charge Refund Obligation at Maturity (SCROM) (continued)

Given that the underlying conditions evolve over the years, especially the rate of return, these assumptions could also change and therefore cause a change in the discounted value of the SCROM.

Impact of a change in the discount rate	June 30, 2021	December 31, 2020
Discount rate applied	3.06%	2.87%
Increase of 1.0%	(6,023)	(5,737)
Decrease of 1.0%	6,737	6,384

9. Related party transactions

Kaleido Growth Inc.

Kaleido Growth Inc., a wholly-owned subsidiary of the Foundation, is the distributor of the products promoted by the Foundation and serves as the Plan's distributor and investment fund manager.

Kaleido Foundation

The Foundation is the promoter of the REFLEX Plan. The Plan and the Foundation report to the same Board of Directors.

Administration fee	June 30, 2021	June 30, 2020
Kaleido Growth Inc.	7,142	6,209
Kaleido Foundation	-	92
	7,142	6,301

Amount receivable (payable)	June 30, 2021	December 31, 2020
Kaleido Growth Inc.	(1,203)	(1,135)
Kaleido Foundation	937	170
	(266)	(965)

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

10. Capital management

The Plan's capital corresponds to the net assets attributable to contracts. Capital management objectives are as follows:

- Preserving the value of the subscribers' savings and government grants;
- Ensuring the refund of sales charges at maturity;
- Achieving a maximum net investment return while maintaining an appropriate degree of risk to reach satisfactory EAP values per unit.

In order to meet these objectives, the portfolio managers have a mandate to optimize total returns through high-quality investments, diversification and strategic asset allocation, security selection, duration management and credit analysis. The Plan reviews and revises its policies and procedures regularly.

For the period ended June 30, 2021, the following policies and procedures were applied:

- Subscribers' savings: The Plan commits to refund subscribers' savings and to invest the savings solely in fixed-income securities guaranteed by a Canadian government or bonds issued by a corporation before plan maturity. After plan maturity, the Plan invests exclusively in money-market securities guaranteed by a Canadian government or held as cash or cash equivalents to ensure the liquidity of investments, as these sums may be withdrawn at any time.
- Government grants: Grants received before April 20, 2012, are currently invested entirely in American and Canadian equities. The government grants received on or after April 20, 2012, are invested entirely in government bonds guaranteed by a Canadian government.
- Grants earnings, SCROM and EAP account: The target asset allocation for these funds is 100% in American and Canadian equities.

During the period ended June 30, 2021, the Plan maintained the same strategy of prudent portfolio management as that of previous reporting periods by maintaining the investment philosophy adopted by the Investment Committee and portfolio managers.

These policies and procedures must comply with the provisions of the Securities Act (Quebec) and meet the requirements of Paragraph 146.1 (1) of the Income Tax Act (Canada). The Plan is not subject to any other external requirement concerning its capital.

11. Financial instruments

Fair value

▪ Establishing fair value

The fair value of cash, sales pending settlement, dividends receivable, interest receivable, CESG receivable, QESI receivable, other accounts receivable, purchases pending settlement, CESG refundable, QESI refundable and accounts payable and other liabilities approximates their carrying amounts due to their short-term maturities.

The fair value of the net assets attributable to contracts corresponds to its carrying amount, given that it is the residual amount allocated to contract holders and beneficiaries as at the reporting date.

The fair value of equity investments is established from the bid price values. If quoted prices in active markets are unavailable, the fair value of investments in short-term investments and bonds is determined through the use of current industry-specific valuation methods, such as a model whose application is based on discounting the expected future cash flows or similar techniques. These methods take into account current observable data on the market for financial instruments with a similar risk profile and comparable terms. The important data used in these models include, but are not limited to, yield curves and credit risks.

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

11. Financial instruments (continued)

Fair value (continued)

▪ **Fair value hierarchy**

For financial reporting, fair value measurements are classified in accordance with a hierarchy (levels 1-2-3). This classification is based on the level at which input data concerning fair value measurements are observable, as well as on the significance of a particular input to the fair value measurement in its entirety. The fair value hierarchy consists of the following levels:

- Level 1 - Valuation based on quoted prices (unadjusted) in active markets for identical assets or liabilities (for example, prices observable on the TSX) and for which the entity can have access at the measurement date.
- Level 2 - Valuation based on 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). For example, inputs such as yield curves and indices.
- Level 3 - Valuation using inputs for assets or liabilities that are not based on observable market data (unobservable inputs). For example, private investment valuations by investment fund managers.

The hierarchy that applies as part of the determination of fair value requires the use of observable market inputs whenever such inputs exist. Fair values are classified as Level 1 when the security is traded on an active market and a quoted price is available. If a financial instrument classified as Level 1 ceases to trade in an active market, it is transferred to the next level (Level 2). If valuation of its fair value requires significant use of unobservable market inputs, then it is classified as Level 3.

The following tables present the financial instruments recorded at fair value in the statements of financial position, classified using the fair value hierarchy:

As at June 30, 2021	Level 1	Level 2	Level 3	Total
Short-term investments	30,538	72,614	-	103,152
Bonds	-	804,082	-	804,082
Equities	188,991	-	-	188,991
	219,529	876,696	-	1,096,225

As at December 31, 2020	Level 1	Level 2	Level 3	Total
Short-term investments	31,970	52,341	-	84,311
Bonds	-	768,963	-	768,963
Equities	191,538	-	-	191,538
	223,508	821,304	-	1,044,812

Over the course of the periods ended June 30, 2021 and December 31, 2020, there was no significant transfer between Levels 1 and 2.

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

11. Financial instruments (continued)

Risk management related to financial instruments

Due to the nature of its business activities, the Plan is exposed to a variety of financial risks arising from financial instruments, such as credit risk, liquidity risk and market risk, including other price risk, currency risk and interest rate risk. The Plan's overall risk management program seeks to maximize the returns achieved without exposing subscribers' savings to undue risks and by minimizing potential adverse impacts on financial performance. All investments present a risk of loss of capital. The main risks stemming from financial instruments to which the Plan is exposed and the main actions taken to manage these are the following:

▪ **Credit risk**

The Plan is exposed to credit risk, which is the possibility of incurring financial losses resulting from the inability of a company, an issuer or counterparty to meet its financial commitments to the Plan. The Plan's exposure to credit risk arises from its investments in debt securities. The Plan has established qualitative selection criteria for investments to limit this risk. As for investments related to subscribers' savings and a portion of the government grants received prior to April 20, 2012, the Plan only selects securities issued by the Government of Canada, a provincial government, a municipality or a corporation guaranteed by a government. The other amounts making up the net assets attributable to contracts may also be invested in securities issued by corporations.

Quantitative restrictions have also been established to reduce credit risk. Securities from all borrowers, except a government, are limited to 10% of the total fair value of the fixed-income securities entrusted to the portfolio manager. A minimum BBB rating is required when purchasing.

As at June 30, 2021, and as at December 31, 2020, the Plan invested in fixed-income securities that are neither past due nor impaired, and presented the following credit rating:

Credit rating	Percentage of total debt securities*	
	June 30, 2021	December 31, 2020
	%	%
AAA	0.8	0.3
AA	66.8	65.9
A	24.2	26.3
BBB	8.2	7.5

*Excludes short-term investments

The Plan's maximum exposure to credit risk is the carrying amount of the financial instruments presented in the statements of financial position.

▪ **Liquidity risk**

This risk pertains to the Plan's ability to meet its commitments in terms of financial liabilities and therefore, its capacity to carry out payments as required. The Plan is exposed to daily refunds to subscribers, who are entitled to request the refund of their savings at any time. However, the majority of subscribers hold their investment until the contract's maturity date. The liquidity risk is noticeably reduced by the fact that the subscribers' savings are invested only in fixed-income securities on liquid markets. The Plan carefully manages its cash position daily and ensures the minimum cash level required to meet its liquidity needs is maintained.

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

11. Financial instruments (continued)

Risk management related to financial instruments (continued)

▪ **Market risk**

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Certain parameter changes in financial markets influence the Plan's statements of financial position and comprehensive income. The Plan considers these risks when deciding on the global distribution of its assets. More specifically, market risk is reduced through portfolio diversification, meaning the Plan holds a portfolio that includes several asset categories (money market, bond and stock exchange), diverse products with varying risk profiles (participative or fixed-income securities) and multiple market sectors (government, municipal, energy, materials, communication services, utilities, financials, consumer staples, consumer discretionary, industrials and technology).

▪ **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Plan carries out transactions denominated in foreign currencies and is therefore exposed to currency risk when selling and buying investments in United States dollars (USD) and when the Plan has US currency in its cash. As of June 30, 2021, the Plan had USD 144.3 (USD 212.9 as of December 31, 2020) representing \$178.7 (\$271.2 as of December 31, 2020) in cash. The Plan also had shares in USD for a total of USD 51.6M (USD 46.3M as of December 31, 2020) representing \$63.9M (\$58.9M as of December 31, 2020) in investments. Finally, the Plan had USD 73.5 in dividends receivable (\$82.4 as at December 31, 2020) representing \$91.0 (\$105.0 as of December 31, 2020) in dividends receivable, sales pending settlement of USD 656.0 (USD 8.5M as of December 31, 2020) representing \$812.3 (\$10.8M as of December 31, 2020), foreign exchange contract receivable of USD 121.1 (nil as of December 31, 2020) representing \$150.0 in assets and purchase pending settlement of USD 772.9 (USD 8.7M as of December 31, 2020) representing \$957.1 (\$11.1M as of December 31, 2020) in liabilities.

▪ **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates. Changes in interest rates have a direct impact on the value of the investment portfolio's fixed-maturity securities. This risk is mitigated by a duration range for the active portion of the bond portfolio, and by developing a target duration correlated to the economic outlook for the passive portion of the bond portfolio. Maturity allocation of bonds is regularly adjusted based on the anticipated movement of interest rates, in compliance with the established maturities under the Plan's investment policy. The target duration is based on an analysis of the economic situation, future prospects and risk based on the very nature of the Plan.

As at June 30, 2021, a change of 100 basis points in the interest rates on the market, assuming a parallel shift in the yield curve with all other variables remaining constant, would cause the fair value of the bonds held in the Plan's investment portfolio, the net income, the comprehensive income and the net assets attributable to contracts to change by approximately \$40.5M (\$38.9M as at December 31, 2020). In practice, actual results may differ materially.

The Plan's bond portfolio by maturity date is distributed as follows:

	June 30, 2021	December 31, 2020
	%	%
Maturing in less than one year	11.4	9.9
Maturing in one to five years	40.3	42.6
Maturing after five years	48.3	47.5

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

11. Financial instruments (continued)

Risk management related to financial instruments (continued)

▪ **Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The stock exchange market volatility mostly influences the value of the equities held by the Plan. It should be noted, however, that this exposure is spread in various market sectors, especially in Canadian large-cap securities, which reduces risk. The market index related to equities is the S&P/TSX. A 10% variation in the market index, with all other variables held constant, would create a change of approximately \$18.9M as at June 30, 2021 (\$19.2M as at December 31, 2020), in the fair value of the Plan's equity holdings, net income, comprehensive income and net assets attributable to contracts. In practice, actual results may differ materially. Sensitivity analysis on the fair value of bonds and Treasury bills is described in the "Interest rate risk" section.

▪ **Concentration risk**

The concentration risk arises from the concentration of positions within a given category, whether a geographical location, a product type, an market sector or a type of counterparty. The following table summarizes the Plan's concentration risk in relation to the total carrying amount of equity investments:

Market sectors	June 30, 2021	December 31, 2020
	%	%
Energy	3.1	4.1
Materials	9.4	7.5
Communication Services	2.7	2.8
Utilities	3.3	4.4
Financials	20.6	22.8
Consumer Staples	16.8	16.3
Consumer Discretionary	10.1	10.1
Health	4.9	5.0
Industrials	14.6	13.5
Technology	14.5	13.5

▪ **Offsetting**

The following table outlines the financial instruments that have been offset in the Plan's financial statements:

Canada Education Savings Grant (CESG) receivable	June 30, 2021	December 31, 2020
Gross financial assets	2,001	2,323
Financial liabilities offset	(239)	(214)
	1,762	2,109

The Plan has no other financial instrument subject to an enforceable master netting agreement or similar agreement.

The Plan does not hold assets that can be used as a guarantee for the CESG receivable.

Unaudited condensed interim notes
for the six month periods ended June 30, 2021 and 2020
(in thousands of Canadian \$)

12. COVID-19

Since the first quarter of calendar 2020, global financial markets have experienced, and may continue to experience, significant volatility resulting from the spread of a novel coronavirus known as COVID-19. The situation is still evolving and the economy remains volatile for now, which could impact the financial results, as the duration of the pandemic remains unknown.

The financial statements of the Plan take into account the impacts of Covid-19 that are known at closing date.

Kaleido Growth Inc.

Distributor and manager of the scholarship plans
promoted by Kaleido Foundation

**1035 Wilfrid-Pelletier Ave., Suite 500
Quebec QC G1W 0C5**

**Phone: 1 877 710-7377
Fax: 418 651-8030
Email: info@kaleido.ca**

