Davis-Rea Balanced Fund

Unaudited Financial Statements

For the Periods ended June 30, 2018 and 2017

(Expressed in Canadian dollars)

NOTICE TO READER:

These interim financial statements and related notes for the six-month period ended June 30, 2018 have been prepared by the management of the Fund. The external auditors of the Fund have not audited or reviewed these interim financial statements.

DAVIS-REA BALANCED FUND
Unaudited Statements of Financial Position
As at June 30, 2018 and December 31, 2017
(Expressed in Canadian Dollars)

		June 30, 2018		December 31, 2017
Assets				
Cash	**$**	**28,453**	$	303,817
Investments at fair value		**20,157,696**		21,642,683
Subscriptions receivable		**30,006**		-
Total assets		**20,216,155**		21,946,500
Liabilities				
Payable for investments purchased		**-**		210,000
Other accrued expenses		**13,556**		22,010
Total liabilities		**13,556**		232,010
Net assets attributable to holders of redeemable units (Note 5)	**$**	**20,202,599**	$	21,714,490
Net assets attributable to holders of redeemable units per class (Note 5)				
CLASS A	**$**	**13**	$	12
CLASS O	**$**	**20,202,586**	$	21,714,478
Net assets attributable to holders of redeemable units per unit				
CLASS A	**$**	**12.19**	$	11.56
CLASS O	**$**	**13.45**	$	12.74

DAVIS-REA BALANCED FUND
Unaudited Statements of Comprehensive Income
For the six-month periods ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

		2018		2017
Investment Income				
Dividend income	$	**25,157**	$	438,631
		25,157		438,631
Net Gain (Loss) on Investments				
Net realized gain (loss)		**94,416**		(840)
Change in unrealized appreciation (depreciation)		**1,182,440**		(1,031,673)
		1,276,856		(1,032,513)
Net Investment Income (Loss)		**1,302,013**		(593,882)
Expenses				
Administration fees		**7,490**		7,421
Audit fees		**8,145**		8,145
Custodial fees		**1,288**		2,172
Harmonized sales tax		**3,343**		4,340
Independent review committee fees		**1,222**		1,310
Interest expense		**146**		25
Legal fees		**330**		1,590
Registration and other filing fees		**595**		495
Trustee fees		**2,471**		2,715
Unitholder communication fees		**6,064**		9,955
		31,094		38,168
Expenses waived/absorbed by the manager		**-**		-
Increase (decrease) in net assets attributable to holders of redeemable units	$	**1,270,919**	$	(632,050)
Increase (decrease) in net assets attributable to holders of redeemable units per class				
CLASS A	$	**1**	$	-
CLASS O	$	**1,270,918**	$	(632,050)
Average redeemable units outstanding				
CLASS A		**1**		1
CLASS O		**1,553,270**		1,849,210
Increase (decrease) in net assets attributable to holders of redeemable units per unit				
CLASS A	$	**0.77**	$	(0.28)
CLASS O	$	**0.82**	$	(0.34)

DAVIS-REA BALANCED FUND

Unaudited Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the six-month periods ended June 30, 2018 and 2017

(Expressed in Canadian Dollars)

Total		**2018**		**2017**
Net assets attributable to holders of redeemable units at beginning of period	**$**	**21,714,490**	$	24,341,322
Increase (decrease) in net assets attributable to holders of redeemable units		**1,270,919**		(632,050)
Distributions paid or payable to holders of redeemable units				
From net investment income (Note 6)		**(192,211)**		(156,996)
From net realized capital gains (Note 6)		**-**		(242,416)
Total distributions to holders of redeemable units		**(192,211)**		(399,412)
Redeemable unit transactions				
Amount received from the issuance of units		**468,125**		404,279
Amount received from reinvestment of distributions		**182,323**		380,175
Amount paid on redemptions of units		**(3,241,047)**		(1,351,263)
Net increase (decrease) from redeemable unit transactions		**(2,590,599)**		(566,809)
Net increase (decrease) in net assets attributable to holders of redeemable units		**(1,511,891)**		(1,598,271)
Net assets attributable to holders of redeemable units at end of period	**$**	**20,202,599**	$	22,743,051

CLASS A		**2018**		**2017**
Net assets attributable to holders of redeemable units at beginning of period	**$**	**12**	$	12
Increase (decrease) in net assets attributable to holders of Class A units		**1**		-
Net increase (decrease) in net assets attributable to holders of redeemable units		**1**		-
Net assets attributable to holders of redeemable units at end of period	**$**	**13**	$	12

DAVIS-REA BALANCED FUND
Unaudited Statements of Cash Flows
For the six-month periods ended June 30, 2018 and 2017
(Expressed in Canadian Dollars)

	2018	2017
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	**$ 1,270,919**	$ (632,050)
Adjustments for:		
Net realized (gain) loss on sale of investments	**(94,416)**	840
Net change in unrealized (appreciation) depreciation of investments	**(1,182,440)**	1,031,673
Purchase of investments	**(433,131)**	(394,160)
Proceeds from the sale of investments	**2,984,974**	830,000
Dividends receivable	**-**	(109,590)
Other liabilities	**(8,454)**	(6,952)
	2,537,452	719,761
Financing activities		
Amount received from the issuance of units	**438,119**	404,279
Amount received from reinvestment of distributions		
Amount paid on redemptions of units	**(3,241,047)**	(1,345,655)
Distributions paid to unitholders	**(9,888)**	(14,807)
	(2,812,816)	(956,183)
Increase (decrease) in cash during the period	**(275,364)**	(236,422)
Cash at beginning of period	**303,817**	264,806
Cash at end of period	**$ 28,453**	$ 28,384

DAVIS-REA BALANCED FUND
Unaudited Statement of Investment Portfolio
As of June 30, 2018
(Expressed in Canadian Dollars)

	Number of Units	Average Cost $	Fair Value $
Mutual Funds - 99.78%			
Davis-Rea Investments			
Davis-Rea Ltd. Equity Fund, Class 'N'	1,105,255	12,306,213	14,260,883
Davis-Rea Ltd. Fixed Income Fund, Class 'N'	608,628	6,284,543	5,896,813
Total Mutual Funds		**18,590,756**	**20,157,696**
Total Investments - 99.78%		**18,590,756**	**20,157,696**
Other Assets and Liabilities, Net - 0.22%			**44,903**
Net Assets Attributable to Holders of Redeemable Units - 100.00%			**20,202,599**

Percentage shown relate to investments at fair value at Net Assets Attributable to Holders of Redeemable Units (Net Assets) as at June 30, 2018

1. ESTABLISHMENT OF TRUST

The Davis-Rea Balanced Fund (the “Fund”) is an open ended unincorporated investment unit trust established under the laws of the Province of Ontario by a declaration of trust dated February 7, 2003. CIBC Mellon Trust Company is the trustee (“Trustee") and the custodian (the “Custodian") of the Fund. Davis-Rea Ltd. is the manager of the Fund (the "Manager"). Issuance of Class A units commenced on March 14, 2005. Prior to March 18, 2013, Class A units were intended for accredited investors investing in units of a class of the Fund. Class O units are designed exclusively for institutional investors and individual investors that have been approved by the Manager. On and after March 18, 2013, Class A, Class B, Class F and Class O units of the Fund can be bought by any retail investor, provided that in the case of Class A units of the Fund, the investor is a client of the Manager, Class F units of the Fund, the investor is participating in a fee based program with their dealer, and in the case of Class O units of the Fund, the investor has entered into a Class O investment management agreement with the Manager. Class N units can only be purchased by another Davis-Rea Fund.

The financial statements of the Fund for the period ended June 30, 2018 were authorized for issue on August 20, 2018.

2. BASIS OF PRESENTATION

The Fund meets the definition of an investment entity and its purpose is to provide investment management services to its unitholders by investing its net assets for capital growth and/or investment income and by measuring its investment performance on a fair value basis. Refer to the Financial Instruments risk note below for the Fund’s investment objective.

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). The financial statements are prepared on the historical cost basis except for certain assets, liabilities and financial instruments which are measured at their fair values, as explained in the relevant accounting policies.

3. SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the significant accounting policies followed by the Fund.

IFRS 9 Transition

Effective January 1, 2018, the Funds adopted IFRS 9, *Financial Instruments*. The new standard requires financial assets to be carried at amortized cost or fair value, with changes in fair value recognized in fair value through profit or loss (“FVTPL”) or fair value through other comprehensive income (“FVOCI”) based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Assessment and decision on the business model approach used is an accounting judgement.

Upon transition to IFRS 9, the Funds’ financial assets and financial liabilities were classified as FVTPL. This classification differs from the classification under the previous International Accounting Standard (“IAS”) 39, *Financial Instruments: Recognition and Measurement*, therefore there were changes in categorization of certain financial assets and financial liabilities upon transition to IFRS 9. Effective January 1, 2018, all financial assets that had previously been designated as FVTPL and all financial assets and liabilities that were previously classified as financial assets and financial liabilities at amortized cost were reclassified as FVTPL. Derivative assets and derivative liabilities that were previously considered as held-for-trading financial instruments and were classified as FVTPL remain unchanged upon transition to IFRS 9.

There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

Financial Instruments
The Fund recognizes a financial asset or a financial liability when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

The Fund classifies its financial assets and financial liabilities at initial recognition into the following categories, in accordance IFRS 9.

Financial Assets and Liabilities at Fair Value through Profit or Loss
The Fund classifies its investments as financial assets at FVTPL. These financial assets are designated upon initial recognition on the basis that they are, in accordance with risk management and investment strategies of the Fund, as set out in the Fund’s simplified prospectus.

Subsequent to initial recognition, all financial assets and financial liabilities at FVTPL are measured at fair value. Gains and losses arising from changes in the fair value of the ‘financial assets or financial liabilities at FVTPL’ category are presented in the Statement of Comprehensive Income within 'changes in unrealized appreciation(depreciation)' in the period in which they arise. Interest and dividends earned or paid on these instruments are recorded separately in interest revenue or expense and dividend revenue or expense.

Loans and Receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables are initially measured at fair value and subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the asset. The Fund includes cash in this category.

Other Financial Liabilities
This category includes all financial liabilities, other than those classified at fair value through profit or loss. Financial liabilities classified as other financial liabilities are subsequently measured at amortized cost. Transaction costs are included in the initial carrying amount of the liability. The Fund includes in this category payable for investments purchased and other accrued expenses.

Impairment of Financial Assets
Financial assets are de-recognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. The Fund de-recognizes a financial liability when its contractual obligations are discharged or cancelled or expire. On de-recognition of a financial asset, the difference between the carrying amount of the asset and the consideration received is recognized in the Statement of Comprehensive Income.

A financial asset not classified at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is ‘impaired’ if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset(s) and that loss event(s) had an impact on the estimated future cash flows of that asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or adverse changes in the payment status of the borrowers.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. If an event occurring after the impairment was recognized, causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss to a maximum of the carrying amount of the asset had the impairment not been recognized.

Investment Transactions and Income Recognition
The accrual method of recording income and expense is followed by the Fund, with investment transactions accounted for on the trade date basis and dividend income recorded on the ex-dividend date. Gains and losses on the sale of investments are determined using an average cost basis. Distributions from mutual and pooled funds are recognized on the ex-distribution date and are recorded as income, capital gains or return of capital, based on the best information available. Those treated as return of capital reduce the average costs of the underlying investment. Interest for distribution purposes, as disclosed in Statement of Comprehensive Income on debt securities at fair value through profit or loss is recognized on an accrual basis and represents the coupon interest received accounted on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis.

Valuation of Investments
Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. Investment in any underlying fund is valued at its closing net asset per unit each business day and is categorized as Level I in the hierarchy.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include discounted cash flow analysis and option pricing models, which consider factors such as the market value of the underlying security, strike price, volatility and terms of the warrants or options.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown of the Fund into the three-level hierarchy is provided in Note 10.

Distributions
Each unitholder's share of income, net of the Fund's expenses and net capital gain is distributed quarterly.

Income Taxes
The Fund qualifies as a unit trust under the Income Tax Act (Canada), and accordingly, is not subject to income tax on the portion of its income, including net realized capital gains, that is distributed to unit holders other than Alternative Minimum Tax. A unit trust may be subject to Alternative Minimum Tax in certain circumstances. All or substantially all of the income for income tax purposes of the fund is distributed to unit holders in each taxation year.

Foreign Currency Translation
The Fund's subscriptions and redemptions are denominated in Canadian dollars (CAD), which is also its functional and presentation currency.

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses on the sale of investments are included in net foreign exchange gain (loss) on the Statement of Comprehensive Income.

Commissions and Other Transaction Costs
Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are expensed in the Statement of Comprehensive Income.

Valuation of Fund Units
The value at which units are issued or redeemed is the net asset value per unit. Net asset value per unit for each class is calculated at the end of each day on which the Fund's Manager is open for business ("valuation day') by dividing the net asset value of each class by its outstanding units. The net asset value of each class is computed by calculating the value of the class' proportionate share of a Fund's assets less the class' proportionate share of the fund's common liabilities and less class-specific liabilities. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each class of a fund based on that class' prorate share of total net asset value of that fund. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units.

Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit
The increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the year divided by the weighted average units outstanding during the year for each class.

Other Assets and Liabilities
Payable for investments purchased and other accrued expenses are designated as other financial liabilities and are recorded at amortized cost. These balances are short term in nature, therefore, amortized cost approximates fair value for these assets and liabilities.

Cash
Cash is comprised of deposits with financial institutions. For the purpose of the Statement of Cash Flows, cash is presented net of outstanding bank overdrafts when applicable.

Redeemable Participating Shares/Units
Redeemable units are redeemable at the unitholder's option and are classified as other financial liabilities and are recorded at the present value of the redeemable amount. Net asset value per unit of each series is calculated daily (unless such day is not a business day, in which case the last business day prior to such day is used) (each a "valuation day") by dividing the net asset value of each series by the outstanding units of that series. The net asset value of each series is computed by calculating the fair value of the assets less liabilities of the series.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires management to use judgement in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgements and estimates that the Fund has made in preparing the financial statements:

Fair Value Measurement and Securities not Quoted in an Active Market
When the Fund holds financial instruments that are not quoted in active markets, the fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Broker quotes as obtained from the pricing sources may be indicative and not executable. Where no market data is available, the

Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

Classification and Measurement of Investments and Application of the Fair Value Option
In classifying and measuring financial instruments held by the Funds, the Manager is required to make significant judgments about whether or not the business of the Funds is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IFRS 9. The Manager has assessed the Funds' business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Funds' financial instruments.

5. REDEEMABLE UNITS

The capital of the Fund is represented by Class A, B, F, N and O issued redeemable units with no par value. Unit holders are entitled to distributions, if any, and to payment of a proportionate share of the net assets based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. Capital movements are disclosed in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the investment strategies and risk management policies outlined in Note 9, the Fund endeavors to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

There were no Class B, F, or N units issued or outstanding during the period.

(Expressed in Canadian Dollars)

The following table summarizes the changes in the number of units for the period ended June 30, 2018:

	Class A Number of Units	**Class O Number of Units**	**Total Number of Units**
Balance, beginning of period	**1**	**1,704,518**	**1,704,519**
Units issued	**-**	**36,767**	**36,767**
Units redeemed	**-**	**(252,984)**	**(252,984)**
Reinvestments	**-**	**14,158**	**14,158**
Balance, end of period	**1**	**1,502,459**	**1,502,460**

The following table summarizes the changes in the number of units for the year ended December 31, 2017:

	Class A Number of Units	Class O Number of Units	Total Number of Units
Balance, beginning of year	1	*1,868,611	1,868,612
Units issued	-	48,854	48,854
Units redeemed	-	(257,961)	(257,961)
Reinvestments	-	45,014	45,014
Balance, end of year	1	1,704,518	1,704,519

*Units corrected to match December 31, 2016 audited financial statements

6. DISTRIBUTIONS PER UNIT

Distributions may be made by the Fund of all or any part of its net income and net realized gains or as a return of capital to unitholders of record as of the close of business on or before the last valuation date in the year or at such other dates as determined by the Fund Manager, according to each unitholder's proportionate share of the Fund less any tax required to be deducted. The Manager intends to automatically reinvest such distributions of the Fund in additional units of the same class of the Fund on behalf of each unitholder.

The Fund had the following distributions for the six-month period ended June 30:

	2018	2017
From net realized capital gains	**$ -**	$ 242,416
From net investment income	**$ 192,211**	$ 156,996

7. INCOME TAXES

The Fund qualifies as a unit trust under the Income Tax Act (Canada) and thus is not subject to income tax on its net taxable capital gains and its net investment income for the year if it allocates net capital gains and net investment income to unitholders. It is the intention of the Fund Manager to allocate the taxable income and realized gains of the Fund annually to unitholders so as to eliminate any income taxes otherwise payable by the Fund. Occasionally, the Fund may distribute more than it earns. This excess distribution is a return of capital and reduces the cost base of the units at the unitholder level.

The Fund may be subject to Alternative Minimum Tax in a year in which it has a net investment loss for tax purposes as well as net realized capital gain. This Alternative Minimum Tax can be carried forward indefinitely to be applied against future taxes otherwise payable. There was no Alternative Minimum Tax as at December 31, 2017.

8. MANAGEMENT FEES AND OTHER EXPENSES AND RELATED PARTY TRANSACTIONS

In accordance with a management agreement, the Manager is responsible for providing investment management administrative services and facilities to the Fund, including general portfolio management, maintenance of accounting records and preparation of reports to unit holders.

The management fee, for Class A, Class B and Class F, is computed at 1.75%, 2.00% and 1.50%, respectively, per annum of the net asset value of the Fund plus applicable taxes. The management fee is calculated daily, accrued daily and payable quarterly to the Manager. Class O unitholders pay management fees directly to the Manager.

These transactions are in the normal course of operations and are measured at the amount of consideration established and agreed to by the related parties.

Custodian fees are payable to the Custodian and are computed at a per annum rate of 0.07% on the first $10 million, 0.06% on the next $40 million, and 0.05% on the remaining average net assets of the Fund. In addition, transaction fees are payable to the Custodian.

9. FINANCIAL INSTRUMENTS AND RISK DISCLOSURES

The Fund is exposed to a variety of financial risks: credit risk, liquidity risk, and market risk (including other price risk), in the normal course of business. The value of investments held within the Fund will fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market, and company specific news. The level of risk depends on the Fund's investment objectives and the type of securities in which it invests.

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives. The risk management practices include monitoring compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events, and diversify investment portfolios within the constraints of the investment guidelines.

Credit Risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to honour its financial obligation or commitment that it has entered into with a Fund. The Fund minimizes credit risk by maintaining its primary bank account at a reputable financial institution.

The Fund may be exposed to indirect credit risk through its investments in the Underlying Funds. All transactions in listed securities are settled for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. Maximum credit risk exposure is equal to carrying amount of investments.

Liquidity Risk

Liquidity risk is the risk that a Fund may not be able to settle or meet its obligation on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed on demand at the then current Net Asset Value per unit at the option of the unit-holder. Liquidity risk is managed by investing the majority of the Fund's assets in investments that can be readily disposed of. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity for the purpose of funding redemptions. The Fund's financial liabilities are all due within one year, and the Fund has sufficient cash on hand to settle these in due course.

Market Risk

Other Price Risk
Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate due to changes in market conditions (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the market value of the financial instruments held by the Fund. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at June 30, 2018, a 5% increase or decrease in market prices would have increased or decreased the Fund's Net Assets by $1,007,885 (December 31, 2017 - $1,082,134). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Currency Risk
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency. Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollar terms, of any foreign securities held in the Fund. These fluctuations may reduce, or even eliminate, any return the Fund has earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments.

The Fund's investments are potentially subject to currency risk fluctuations depending on their holdings.

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

	Percentage of Net Assets (%)	
Portfolio by Asset Type	**June 30, 2018**	December 31, 2017
Equity instruments	**70.6**	68.8
Fixed income instruments	**29.2**	30.9
Other assets and labilities, net	**0.2**	0.3
	100.0	100.0

10. FAIR VALUE DISCLOSURES

Financial instruments recorded at fair value on the Statement of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

As at June 30, 2018 and December 31, 2017, all investments were Level 1.

11. CAPITAL MANAGEMENT

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's NAV per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. The Fund endeavors to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. There has been no change in the capital management policy during the period.

(Expressed in Canadian Dollars)

12. INTEREST IN UNDERLYING FUNDS

The Fund qualifies as an investment entity under IFRS 10, *Consolidated Financial Statements*, and therefore accounts for investments it controls at fair value through profit and loss. The investment objective of the Fund is to preserve capital and to minimize market fluctuations while generating superior long-term returns by primarily investing in a combination of equity and fixed income investments, either directly or indirectly. The Fund may invest in units of an underlying fund, the units of the Underlying Fund that are held by the Top Fund will not be voted. Since the Manager manages both the Top and the Underlying Fund, no sales or redemption fees are paid by the Top Fund for investing in units of an Underlying Fund, when they purchase or redeem units of the Underlying Fund.

The tables below set out interests held by the Fund in underlying funds for the period ended June 30, 2018 and the year ended December 31, 2017. The Fund holds Class N of the funds listed.

June 30, 2018

Name of Fund	**Principal Place of Business**	**Investment Fair Value**	**% of Ownership Interest**	**Net Asset Value of Investee Fund**
Davis-Rea Equity Fund, Class 'N'	Canada	$ 14,260,883	12.4%	$ 114,932,902
Davis-Rea Fixed Income Fund, Class 'N'	Canada	$ 5,896,813	8.7%	$ 68,089,453
		$ 20,157,696		

December 31, 2017

Name of Fund	Principal Place of Business	Investment Fair Value	% of Ownership Interest	Net Asset Value of Investee Fund
Davis-Rea Equity Fund, Class 'N'	Canada	$ 14,937,059	12.3%	$ 121,829,086
Davis-Rea Fixed Income Fund, Class 'N'	Canada	$ 6,705,624	8.9%	$ 75,441,460
		$ 21,642,683		

13. STATEMENT OF PORTFOLIO TRANSACTION

A statement of portfolio transactions (unaudited) for the period ended June 30, 2018 will be provided without charge by writing to:

Davis-Rea Ltd.
Investment Counsel
79 Wellington Street West
Suite 3535, P.O. Box 239
Toronto, Ontario M5K 1J3