INVESTMENT COUNSEL

Davis-Rea Fixed Income Fund

Semi-Annual Management Report of Fund Performance

For the six months ended June 30, 2018

This Semi-Annual Management Report of Fund Performance contains financial highlights, but does not contain the unaudited semi-annual financial statements of the Davis-Rea Fixed Income Fund. You can get a copy of the unaudited semi-annual financial statements of the Davis-Rea Fixed Income Fund at your request and, at no cost, by calling Davis-Rea Ltd. at (416) 324-2200 or at (877) 391-9929, by writing to us at 79 Wellington Street West, Suite 3535, P.O. Box 239, Toronto, Ontario, M5K 1J3, or by visiting our website at www.davisrea.com or SEDAR at www.sedar.com.

Securityholders may also contact us using one of these methods to request a copy of the Davis-Rea Fixed Income Fund's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

Davis-Rea Fixed Income Fund

Semi-Annual Management Report of Fund Performance

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Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of the Davis-Rea Fixed Income Fund (the "**Fund**") is to preserve capital while providing income and some capital gains by primarily investing in bonds and other fixed income securities with a strong credit rating.

The fixed income investments held by the Fund may include government securities, corporate securities and bonds issued by foreign governments and issuers. Usually, we will not invest the Fund in such investments unless they have a credit rating of B or higher. The duration of any fixed income investment held by the Fund will also vary depending on our assessment of the direction of interest rates. At our discretion, the Fund may also hold cash and/or short-term money market instruments, preferred shares and convertible debentures.

Risk

The Fund is subject to a number of risks that have not changed over the last year. These risks include the Fund not being able to obtain its investment objective, general economic conditions, interest rate fluctuations and bond market risk. See the prospectus of the Fund for a full description of the risks that the Fund may be exposed to. The Fund also continues to have a risk rating of low-to-medium.

Results of Operations

For the six months ended June 30, 2018, the Fund achieved a positive return of 0.94% compared to 0.59% for the iShares Core Canadian Universe Bond Index ETF over the same period. The Fund continued to focus on keeping its duration short for 2018, and maintained its focus on corporate bonds, which remained attractively valued for 2018. We continue to position the portfolio for rising interest rates in both Canada and the U.S. Stronger global economic conditions have prompted many central banks to shift towards tighter monetary policy, with much of this tightening occurring in North America. Both the Bank of Canada (BoC) and the Federal Reserve (Fed) have begun to raise short term rates, with the Fed doing so more aggressively while also reducing the size of its balance sheet. Fears of U.S. trade actions with the potential to hurt Canadian exports have and will continue to keep the Bank of Canada on a slower trajectory of rate hikes than the Fed. Rising government bond yields caused fixed income returns to lag throughout the first half of 2018. The Fund produced positive relative performance as it was defensively positioned with respect to interest rates, and overweight corporate bonds.

Looking at the Fund's overall interest rate exposure, the amount of duration measured in years, remained unchanged at 4.30 years (as it was at the end of 2017), as we continue to remain defensive. The Fund's average credit rating also remained unchanged, however its exposure to government bonds was slightly reduced in favor of a slight increase in higher-yielding corporate bonds. As of June 30, 2018, the Fund's yield was 4.0% as compared to 3.83% on December 31, 2017.

Recent Developments

The bond market lost a little ground in the first quarter of 2018 as Government of Canada bond yields edged up by 2 to 10 basis points across the maturity spectrum. In sharp contrast, U.S. Treasury yields rose by 30 to 40 basis points, in spite of weak and volatile equity prices, as concerns about rising short-term interest rates and potential inflation risks started to set in. The Federal Reserve raised the Fed funds rate by a quarter-point to a 1.50-1.75% range in March as was unanimously expected, and restated its view that additional, but gradual rate hikes were likely. Canadian short-term rates also rose in the quarter, with the Bank of Canada increasing the overnight rate from 1.00% to 1.25% in mid-January. Bank of Canada officials, however, outlined a cautious approach to any further rate hikes due to uncertainty related to ongoing NAFTA negotiations. Like equities, corporate bonds also struggled in the first quarter and underperformed their government counterparts.

The Fund underperformed the benchmark during the first quarter. It lost 0.61% compared to a 0.23% loss in the index. The two key factors behind this lagging performance were the Fund's larger exposure to corporate bonds and softness in the two equity positions. Over the last year, the Fund generated a positive return of 0.80%, though this was slightly below the index return of 1.16%. Portfolio changes in the first quarter were designed to solidify the average credit rating of BBB+ in the Fund by selling bonds issued by companies with more vulnerable credit positions, adding some floating rate notes as insurance in the event that the Bank of Canada raises rates more than we expect, and trimming equity exposure. There was little change in the Fund's yield over the quarter despite some firming in credit quality and an increase in the weight of shorter-term bonds in the portfolio.

Equity exposure was scaled back with the sale of part of the Fund's position in Automotive Properties REIT and a larger stake in Altagas Ltd. Subscription Receipts. Bonds issued by Alliance Grain Traders, Emera Inc., and Fairfax Financial were sold to boost the portfolio's credit quality. Also, a small position in a fixed rate Dollarama bond was sold. The proceeds from these sales were used to buy a seven-month Sobey's bond with a very attractive 2.0% yield, and 2-3 year term floating rate notes issued by Dollarama, Ford Motor Canada and Manulife Bank. Finally, an Air Canada bond was sold and the proceeds were used to buy a better-rated and shorter-term Cameco bond and a lower-rated Nuvista Energy bond with a 2 percentage point pick up in yield with the same duration.

Rising government bond yields were once again a headwind for fixed income returns in the second quarter of 2018. Improving global economic conditions have caused many central banks to start shifting away from the extraordinary measures they took in response to the global financial crisis. So far, much of that action has occurred in North America with both the Bank of Canada (BoC) and the Federal Reserve (Fed) pushing short-term interest rates upward and the Fed shrinking the size of its balance sheet. The Fed has been more aggressive on this front than the BoC, and short-term U.S. rates have risen more than their Canadian counterparts. This continued trend continued in the second quarter and was reflected in U.S. Treasury yields rising by more than Government of Canada yields. The Fed increased the Fed funds rate target by 25 basis points to 1.75-2.00% and signaled more increases to come this year and next. In contrast, the Bank of Canada kept the overnight rate steady at 1.25% during the quarter, but indicated that it was disposed to increasing it in July. Expectations of higher short-term interest rates caused two-year bond yields to rise more than ten-year yields. Fears of U.S. trade actions that will hurt Canadian exports will keep the Bank of Canada on a slower trajectory of interest rate increases than the Fed.

The favorable economic backdrop in the second quarter was positive for corporate earnings, which gave corporate bonds a lift and helped them outperform their government counterparts. This was an important factor helping the Fund in the second quarter, given its higher weighting in corporate bonds. The rise in bond yields also supported the Fund's heavier weight in shorter-term bonds. As a result, the Fund returned 1.56% in the quarter, versus the index return of 0.82%. The yield on the fund edged up to 4.00% from 3.86% on March 31, largely reflecting the general increase in yields through the quarter. There were no changes in the Fund's average credit rating or duration, but its allocation to government bonds was trimmed slightly in favour of a larger weight in higher-yielding corporate bonds.

The reduction in government bond holdings occurred in two provincial issues, an eight-year B.C. bond and a seven-year Quebec bond. The proceeds from the B.C. bond sale were used to buy a very short-dated, U.S. dollar Keycorp bond with the same yield, while the Quebec sale funded a purchase of a five-year TD Bank bond with a higher yield. Other sales during the quarter included bonds issued by Riocan, BMW, Superior Plus, Kraft, Sobeys, and Alimentation Couche Tard. We purchased a high-yield consumer staples name (Kruger), ten-year Keyera and Transcanada pipeline bonds, and a short-term SNC Lavalin floating rate note. We also continued to trim our position in Automotive Properties REIT.

Related Party Transactions

Davis-Rea Ltd. (the "**Manager**") is the manager and portfolio adviser for the Fund. The Manager is responsible for managing the day-to-day activities of the Fund and providing or arranging for all required administrative services of the Fund. In consideration for such services, certain classes of units of the Fund pay the Manager a monthly management fee based on the net asset value ("**NAV**") of the applicable classes of units of the Fund, calculated daily. As no Class A, Class B or Class F units of the Fund have yet been issued, the Fund has not yet incurred any management fees. Each holder of Class O units of the Fund pays their management fee directly to us pursuant to their Class O investment management agreement. The Class N units of the Fund do not pay a management fee and may only be bought by another Davis-Rea Mutual Fund.

The Manager has also created an independent review committee ("**IRC**") to review and provide impartial judgment on conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by the Manager and makes recommendations on whether a course of action is fair and reasonable for the Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC's report for 2017 is available at www.davisrea.com.

Management Fees

The table below outlines the Fund's annual management fees and the trailer fees, if any, that the Manager pays to dealers who distribute units of the applicable class of the Fund (i.e., a percentage of the daily NAV of such class). The Manager is paid an annual management fee by each unitholder who invests in Class O units of the Fund pursuant to a Class O investment management agreement, which will not exceed the management fee that we receive from Class A units of the Fund. The Class N units of the Fund do not pay a management fee and may only be bought by another Davis-Rea Mutual Fund.

	Class A	Class B	Class F	Class O	Class N
Management Fee	1.75%	2.00%	1.50%	Negotiated	N/A
Trailer Fee (maximum rate as a percentage of management fees)	N/A	0.50%	N/A	N/A	N/A

Class O Units*

Financial Highlights

The following tables show selected key financial information about the Class O units of the Fund* and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2018 as well as for the past five years ended December 31**.

The Fund's Net Assets per Unit	Jun. 30, 2018***	Dec. 31, 2017***	Dec. 31, 2016***	Dec. 31, 2015***	Dec. 31, 2014***	Dec. 31, 2013***
Net assets - beginning of period[(1)]	$68,735,614	$76,675,247	$76,240,541	$70,380,281	$74,948,033	$77,655,576
Increase (decrease) from operations:						
Total revenue	$1,254,822	$2,749,692	$2,886,635	$3,789,790	$3,326,234	$3,542,047
Total expenses	$56,542	$153,662	$167,756	$145,456	$183,244	$141,631
Realized gains (losses) for the period	($108,857)	($164,203)	($1,160,945)	$1,114,839	$961,397	$706,574
Unrealized gains (losses) for the period	($545,382)	$172,407	$2,785,355	$4,357,860	($5,195)	($2,230,171)
Total increase (decrease) from operations[(2)]	$544,042	$2,259,418	$4,343,289	$395,232	$4,099,193	$1,876,819
Distributions:						
From net realized gain on investments	$0	$0	$0	$1,890,827	$903,672	$707,370
From net investment income	$1,216,810	$2,628,115	$2,770,460	$2,912,062	$3,172,380	$3,402,459
From return of capital	$0	$0	$0	$0	$0	$688,193
Total Annual Distributions	$1,216,810	$2,628,115	$2,770,460	$4,002,890	$4,076,052	$4,798,022
Net assets - end of period	$62,191,985	$68,735,614	$76,675,247	$76,240,541	$70,380,281	$74,948,033
Ratios and Supplemental Data						
Total net asset value[(1)]	$62,191,985	$68,735,614	$76,675,247	$76,240,541	$70,380,281	$74,948,033
Number of units outstanding[(1)]	6,406,434	7,011,631	7,772,031	7,873,825	6,920,381	7,355,057
Management expense ratio	0.17%	0.21%	0.19%	0.18%	0.22%	0.18%
Management expense ratio^ before waivers or absorption (%)[(2)]	0.17%	0.21%	0.19%	0.18%	0.22%	0.18%
Trading expense ratio (%)[(3)]	0.01%	0.00%	0.02%	0.01%	0.04%	0.06%
Portfolio turnover rate (%)[(4)]	24.08%	80.05%	147.65%	142.8%	84.1%	180.8%
Net asset value per unit	$9.71	$9.80	$9.87	$9.68	$10.17	$10.19

* Class O units of the Fund were first offered by prospectus on March 18, 2013 and were offered on an exempt basis since June 19, 2011. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

** Class A, Class B and Class F units of the Fund are offered by prospectus, but as at June 30, 2018 no units of any of these classes had yet been issued to the public.

*** Financial Highlights for the first half of 2018, and for the years 2017, 2016, 2015, and 2014 have been prepared under IFRS standards. Prior years were prepared under Canadian GAAP standards. Previously under Canadian GAAP, the Fund measured the values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement. As a result of the adoption of IFRS on January 1, 2014, an adjustment was recognized to increase the carrying value of the Fund's investments by $207,402 as at January 1, 2013.

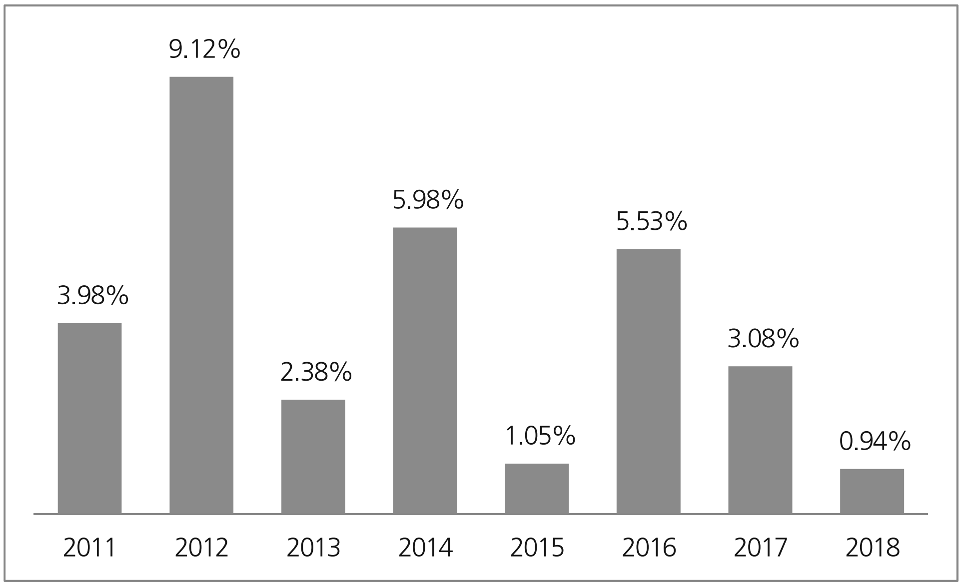
^ Each investor enters into a Class O investment management agreement with the Manager and pays a management fee to the Manager directly.

Past Performance

The following information does not take into account any Class O management fees, which are paid to the Manager pursuant to a Class O investment management agreement. The past performance indicated below assumes that all distributions made by the Fund in the periods shown were re-invested in additional units of the applicable class of the Fund. In addition, the past performance results shown below does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Finally, past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The bar chart below shows the Fund's performance for Class O units in each of the years shown. It illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made at the beginning of the period has increased or decreased by the end of the period. The return shown for 2011 is for the period from inception on June 19, 2011. The return shown for 2018 is for the six months ended June 30, 2018.



Class N Units*

Financial Highlights

The following tables show selected key financial information about the Class N units of the Fund* and are intended to help you understand the Fund's financial performance for the six months ended June 30, 2018 as well as for the past five years ended December 31.

The Fund's Net Assets per Unit	Jun. 30, 2018**	Dec. 31, 2017**	Dec. 31, 2016**	Dec. 31, 2015**	Dec. 31, 2014**	Dec. 31, 2013**
Net assets - beginning of period[1]	$6,705,832	$7,603,969	$6,853,033	$5,962,044	$4,951,634	$3,224,328
Increase (decrease) from operations:						
Total revenue	$118,079	$275,197	$255,989	$315,600	$272,631	$191,703
Total expenses	$5,351	$15,398	$14,932	$12,187	$15,520	$7,665
Realized gains (losses) for the period	($10,048)	($16,370)	($103,619)	$91,483	$80,166	$38,241
Unrealized gains (losses) for the period	($50,058)	($19,064)	$238,498	$383,668	($26,867)	($137,885)
Total increase (decrease) from operations[2]	$52,622	$224,363	$375,936	$40,990	$310,410	$84,395
Distributions:						
From net realized gain on investments	$0	$0	$0	$161,272	$79,741	$46,730
From net investment income	$113,745	$261,210	$249,589	$248,220	$270,051	$200,465
From return of capital	$0	$0	$0	$0	$0	$28,853
Total Annual Distributions	$113,745	$261,210	$249,589	$409,492	$349,792	$276,048
Net assets - end of period	$5,897,454	$6,705,832	$7,603,969	$6,853,033	$5,962,044	$4,951,634
Ratios and Supplemental Data						
Total net asset value[1]	$5,897,454	$6,705,832	$7,603,969	$6,853,033	$5,962,044	$4,951,634
Number of units outstanding[1]	608,628	685,401	709,144	709,144	587,393	486,886
Management expense ratio	0.17%	0.21%	0.19%	0.18%	0.23%	0.18%
Management expense ratio before waivers or absorption (%)[2]	0.17%	0.21%	0.19%	0.18%	0.23%	0.18%
Trading expense ratio (%)[3]	0.01%	0.02%	0.02%	0.01%	0.04%	0.06%
Portfolio turnover rate (%)[4]	24.08	80.05%	147.65%	142.82%	84.1%	180.8%
Net asset value per unit	$9.69	$9.78	$9.85	$9.66	$10.15	$10.17

* Class N units of the Fund may only be purchased by another Davis-Rea Mutual Fund. For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

** Financial Highlights for the first half of 2018, and for the years 2017, 2016, 2015, and 2014 have been prepared under IFRS standards. Prior years were prepared under Canadian GAAP standards. Previously under Canadian GAAP, the Fund measured the values of its investments in accordance with Section 3855, Financial Instruments – Recognition and Measurement. As a result of the adoption of IFRS on January 1, 2014, an adjustment was recognized to increase the carrying value of the Fund's investments by $8,585 as at January 1, 2013.

Explanatory Notes to Financial Highlights

Net assets per unit:

(1) This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. In the period the Fund or a class of units of the Fund is established, the financial information is provided from the date of inception to the end of the period.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.

Ratios and Supplemental Data:

(1) This information is provided at the end of the period shown.

(2) Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's investments are traded. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all its investments once in the course of the relevant period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

Summary of Investment Portfolio

Davis-Rea Fixed Income Fund – as at June 30, 2018

	% of NAV
CANADIAN BONDS	
Corporate Bonds	
AG Growth International Inc., Convertible, Callable, 4.500%, 2022/12/31	1.48%
Air Canada, Callable, 4.750%, 2023/10/06	3.05%
Alcanna Inc., Convertible, Callable, 4.700%, 2022/01/31	1.49%
Alimentation Couche-Tard Inc., Callable, 3.056%, 2024/07/26	0.72%
Allied Properties REIT, Series 'C', Callable, 3.636%, 2025/04/21	2.87%
Artis REIT, Series 'A', 3.753%, 2019/03/27	2.96%
Brookfield Asset Management Inc., Callable, 3.950%, 2019/04/09	1.49%
Brookfield Infrastructure Finance ULC, Callable, 3.315%, 2024/02/22	1.46%
Brookfield Infrastructure Finance ULC, Callable, 3.452%, 2022/03/11	2.97%
Brookfield Renewable Partners ULC, Series '10', Callable, 3.630%, 2027/01/15	2.18%
Cameco Corp., Series 'D', Callable, 5.670%,2019/09/02	2.27%
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.000%, 2024/10/28	1.47%
Canadian Natural Resources Ltd., Callable, 3.420%, 2026/12/01	0.72%
Canadian Natural Resources Ltd., 2.050%, 2020/06/01	1.16%
Crew Energy Inc., Callable, 6.500%, 2024/03/14	4.11%
Dollarama Inc., Series '3', Floating Rate, Restricted, 2.009%, 2021/02/01	1.10%
Dollarama Inc., 2.337%, 2021/07/22	0.72%
Fairfax Financial Holdings Ltd., Callable, 6.400% ,2021/05/25	3.21%
Fairfax Financial Holdings Ltd., 4.500%, 2023/03/22	0.77%
Fiera Capital Corp., Convertible, Callable, 5.000%, 2023/06/30	1.25%
Ford Credit Canada Co., Floating Rate, Restricted, 2.433%, 2020/12/01	0.73%
Keyera Corp., Callable, 3.934%, 2028/06/21	1.48%
Kruger Products L.P., Callable, 6.000%, 2025/04/24	1.11%
Lightstream Resources Ltd., Callable, 8.625%, 2020/02/01	0.00%
Manulife Bank of Canada, Floating Rate, Callable, 1.975%, 2020/01/27	0.73%
Mattamy Group Corp., Callable, 6.500%, 2025/10/01	0.73%
Morguard Corp., Series 'B', 4.013%, 2020/11/18	4.45%
Nuvista Energy Ltd., Restricted, Callable, 6.500%, 2023/03/02	1.11%
Osisko Gold Royalties Ltd., Convertible, Callable, 4.000%, 2022/12/31	1.47%
Parkland Fuel Corp., Callable, 5.625%, 2025/05/09	0.89%
Parkland Fuel Corp., Callable, 5.750%, 2024/09/16	1.49%
Pembina Pipeline Corp., Callable, 2.990%, 2024/01/22	1.44%
Precision Drilling Corp., Callable, 7.125%, 2026/01/15	1.98%
RioCan REIT, Series 'V', 3.746%, 2022/05/30	1.50%
Rogers Communications Inc., Callable, 3.000%, 2023/03/15	3.77%
Royal Bank of Canada, 1.400%, 2019/04/26	1.46%
Royal Bank of Canada, 1.583%, 2021/09/13	2.83%
SNC-Lavalin Group Inc., Series '5', Floating Rate, 2.122%, 2019/06/06	0.74%
Sobeys Inc., 3.520%, 2018/08/08	1.47%
Suncor Energy Inc., Series '5', Callable, 3.000%, 2026/09/14	0.72%
Suncor Energy Inc., Series '5', Callable, 4.340%, 2046/09/13	1.24%
Superior Plus L.P., Callable, 5.250%, 2024/02/27	0.71%
TD Capital Trust III, Variable Rate, Perpetual, 7.243%, 2018/12/31	4.52%
Toronto-Dominion Bank (The), 1.680%, 2021/06/08	1.08%
Toronto-Dominion Bank (The), 3.005%, 2023/05/30	1.48%
TransCanada PipeLines Ltd., Callable, 3.390%, 2028/03/15	0.73%
Total Corporate Bonds	77.30%

Provincial and Municipal Bonds	
Municipal Finance Authority of British Columbia, 2.950%, 2024/10/14	0.74%
Province of Quebec, 2.750%, 2025/09/01	1.48%
Total Provincial and Municipal Bonds	2.22%
Total Canadian Bonds	79.52%
FOREIGN BONDS	
Apple Inc., Callable, 2.513%, 2024/08/19	2.86%
KeyCorp., Callable, 2.300%. 2018/12/13	1.54%
McDonald's Corp., Callable, 3.125%, 2025/03/04	1.46%
United States Treasury Inflation Indexed Bond, 0.750%, 2045/02/15	4.99%
Walt Disney Co. (The), 2.758%, 2024/10/07	1.45%
Total Foreign Bonds	12.31%
Total Bonds	91.83%
CANADIAN EQUITIES	
Energy	
AltaGas Ltd., Subscription Receipts	3.73%
	3.73%
Real Estate	
Automotive Properties REIT	2.91%
	2.91%
TOTAL EQUITIES	6.64%
TOTAL COST AND FAIR VALUE OF INVESTMENTS	98.47%
TRANSACTION COSTS INCLUDED IN AVERAGE COST	
TOTAL INVESTMENTS	98.47%
OTHER ASSETS AND LIABILITIES	1.53%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	100.00%

The Fund's summary of investment portfolio set out above will change due to ongoing portfolio transactions. A quarterly update is available on request.

DAVIS-REA FIXED INCOME FUND

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