

Financial statements of

Canadian Investor Protection Fund

December 31, 2017

Canadian Investor Protection Fund

December 31, 2017

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Independent Auditor's Report

To the Board of Directors of the
Canadian Investor Protection Fund

We have audited the accompanying financial statements of the Canadian Investor Protection Fund, which comprise the balance sheet as at December 31, 2017, the statements of revenues and expenses and changes in general fund balance, changes in investment in capital assets fund, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Canadian Investor Protection Fund as at December 31, 2017 and the results of its operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 29, 2018

Canadian Investor Protection Fund

Balance Sheet

as at December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Assets		
Current assets		
Cash	870	926
Prepaid insurance and recoverables	597	539
Investments, at fair value (Note 4)	484,412	478,322
Recoverable from the estate trustee (Note 9)	5,596	-
Member assessments receivable	3,066	2,908
	494,541	482,695
Tangible capital assets (Note 5)	314	301
Software development (Note 5)	72	32
	494,927	483,028
Liabilities		
Current liabilities		
Payables and accruals	411	416
Provision for claims and/or related expenses (Note 9)	-	603
Deferred lease inducements	203	232
	614	1,251
Employee future benefits (Note 7)	10,000	9,459
Fund balances		
Investment in Capital Assets Fund	386	333
General Fund	483,927	471,985
	484,313	472,318
	494,927	483,028

Approved by the Board

Director

Director

Canadian Investor Protection Fund

Statement of Revenues and Expenses and Changes in General Fund Balance for the year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Revenues		
Regular assessments	12,092	11,449
Assessments for capital deficiencies	42	13
Investment income	12,727	13,237
	24,861	24,699
Expenses		
Salaries and employee benefits (Note 7)	4,363	3,593
Bank lines of credit fees and excess insurance premium	2,227	2,050
Professional fees	662	860
Pension and other employment benefits (Note 7)	640	612
Directors' fees, travel and education	553	533
Other operating costs	519	437
Occupancy	405	406
Computer server hosting and maintenance	208	186
Custodial fees	114	114
Communications	94	215
	9,785	9,006
Excess of revenues over expenses before the undernoted items	15,076	15,693
Recovery of provision for claims and/or related expenses (Note 9)	7,438	420
Gain on capital asset disposal	48	-
Unrealized losses on investments	(10,343)	(8,754)
Excess of revenues over expenses	12,219	7,359
General Fund, beginning of year	471,985	464,376
Excess of revenues over expenses	12,219	7,359
Transfer to the Investment in Capital Assets Fund for capital asset additions	(213)	(30)
Employee future benefits remeasurements (Note 7)	(64)	280
General Fund, end of year	483,927	471,985

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Investor Protection Fund

Statement of Changes in Investment in Capital Assets Fund

for the year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Investment in Capital Assets Fund, beginning of year	333	449
Transfer from the General Fund for capital asset additions	213	30
Amortization of capital assets	(160)	(146)
Investment in Capital Assets Fund, end of year	386	333

Canadian Investor Protection Fund

Statement of Cash Flows

for the year ended December 31, 2017

(In thousands of dollars)

	2017	2016
	\$	\$
Operating activities		
Excess of revenues over expenses	12,219	7,359
Items not affecting cash		
Amortization of deferred lease inducements	(29)	(29)
Interest accrued	(105)	62
Bond premium amortization	3,584	2,864
Unrealized losses on investments	10,343	8,754
Employee future benefits remeasurements	(64)	280
Gain on capital asset disposal	(48)	-
Changes in non-cash working capital		
Prepaid insurance and recoverables	(58)	(63)
Member assessments receivable	(158)	(72)
Recoverable from the estate trustee	(5,596)	-
Payables and accruals	(5)	105
Provision for claims and/or related expenses	(603)	(2,333)
Employee future benefits	541	199
	20,021	17,126
Investing activities		
Purchases of capital assets, net of disposal	(165)	(30)
Purchases of investments	(51,514)	(82,501)
Proceeds from maturities and sales of investments	31,602	65,770
	(20,077)	(16,761)
(Decrease)/increase in cash during the year	(56)	365
Cash, beginning of year	926	561
Cash, end of year	870	926

The accompanying notes to the financial statements are an integral part of this financial statement.

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

1. Organization

The Canadian Investor Protection Fund ("CIPF") was established in 1969 by an Agreement and Declaration of Trust, by its then sponsoring Self-Regulatory Organizations ("SROs"), to protect customers who have suffered financial loss due to the insolvency of a Member of any one of the sponsoring SROs.

CIPF was incorporated by letters patent dated November 19, 2001 as a Corporation without share capital under provisions of Part II under the *Canada Corporations Act*. On March 24, 2014, CIPF received its Certificate of Continuance from Industry Canada to continue under the *Canada Not-for-profit Corporations Act* as required by the legislation.

Effective January 1, 2002, an industry agreement (the "Original Industry Agreement") was established between the SROs and CIPF, replacing the Agreement and Declaration of Trust. The parties to this agreement included the Investment Dealers Association of Canada ("IDA") and CIPF.

Effective June 1, 2008, the IDA combined with Market Regulation Services Inc. to become the Investment Industry Regulatory Organization of Canada ("IIROC"). At that time, IIROC was the only SRO that carried on Member regulation activities in respect of its Members and accordingly, IIROC and CIPF agreed that the Original Industry Agreement be terminated and replaced by a new Industry Agreement (the "Industry Agreement") effective September 29, 2008. The parties to the new Industry Agreement are IIROC and CIPF. Throughout these financial statements, the reference to Member means a Dealer Member of IIROC.

CIPF is a not-for-profit member corporation, as described in Section 149(1)(l) of the Income Tax Act and, as such, is not subject to either federal or provincial income taxes.

2. Statement of compliance with Canadian accounting standards for not-for-profit organizations

These financial statements have been prepared in accordance with Canadian accounting standards for not-for-profit organizations in Part III of the Chartered Professional Accountants (CPA) Canada Handbook – Accounting.

3. Summary of significant accounting policies

The more significant accounting policies are as follows:

General Fund

The purpose of the General Fund is to provide protection to customers of Members who, in accordance with the CIPF Coverage Policy, have suffered or may suffer financial loss as a result of the insolvency of a Member, all on such terms and conditions as may be determined by CIPF in its sole discretion.

In the event of Member insolvencies, the claims against CIPF are limited to the financial losses suffered by eligible customers of Members for the failure of the Member to return or account for customer property solely as a result of the insolvency of a Member. CIPF can draw on several sources to pay customer claims, including the General Fund, insurance and the ability to assess Members. In the event that CIPF would be unable to satisfy such claims in their entirety, the Board would determine the period over which to assess Members to make up the shortfall.

Investment in Capital Assets Fund

The Investment in Capital Assets Fund represents the CIPF's unamortized balance of its capital assets.

Use of estimates

The preparation of financial statements in conformity with Canadian accounting standards for not-for-profit organizations requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant area requiring the use of estimates is provision for claims and/or related expenses. Actual results could differ from those estimates.

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

Financial instruments

CIPF's financial instruments consist of cash, investments, recoverable from the estate trustee, member assessments receivable, and payables and accruals.

CIPF records its financial instruments at fair value upon recognition. Subsequently, all financial instruments are recorded at amortized cost, except for investments which are recorded at fair value.

Cash

Cash includes cash on hand and cash balances in bank and investment accounts.

Investments

Investments are comprised of fixed income securities and are carried at fair value. Gains and losses resulting from the difference between fair value and amortized cost are recorded as unrealized gains (losses) on investments in the Statement of Revenues and Expenses and Changes in General Fund Balance. Accrued interest on the fixed income securities is included in the Investments balance.

Regular assessments and assessments for capital deficiencies

Regular assessment amounts are set by the Board of Directors and are payable by Members each quarter. The amount assessed by the Board is allocated to each Member based on a differential rate, which is derived from a Member's risk relative to other Members. Regular assessments are subject to a minimum and maximum amount. New members pay twice their regular assessment for the first three years of membership. Additional assessments are paid by Members that have incurred capital deficiencies.

The Industry Agreement provides for a limit on assessments in any calendar year such that no Member shall be assessed more than 1% of its aggregate gross revenue (maximum amount) unless an additional amount is required to either cover operational expenses or to permit CIPF to meet the obligations under its bank lines of credit. This limit does not apply to the minimum, new member and capital deficiency assessments.

Regular assessments and assessments for capital deficiencies are recorded in these financial statements when they are assessed. As provided for in the Industry Agreement, the assessments are collected by IIROC on behalf of CIPF. IIROC is required, under the terms of the Industry Agreement, to pay to CIPF the amount of the assessments (whether or not collected from Members).

Investment income

Investment income includes interest earned, net of any amortization of bond premiums or discounts using the effective interest rate method, plus realized gains and losses on maturity or sale of an investment.

Provision for claims and/or related expenses

Provision for claims from customers of insolvent Members is recorded when CIPF is notified of potential claims and CIPF makes a determination that the claims are eligible under CIPF's Coverage Policy. Provision for related expenses, such as trustee's fees, legal fees, hearing costs and other administrative costs, is recorded when a reliable estimate can be made of the costs to administer the potential claims. Recoveries of amounts paid or accrued with respect to customers' claims and administrative costs are recorded when reasonably determinable. No amounts are set aside to cover possible losses and customer claims that could arise from future insolvencies.

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

3. Summary of significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost and are amortized in the Investment in Capital Assets Fund on the following basis:

Office furniture and equipment	Straight-line method over 5 years
Leasehold improvements	Straight-line method over the term of the lease
Computers	Straight-line method over 3 years
Software development	Straight-line method over 3 years

Deferred lease inducements

Deferred lease inducements are taken into income over the term of the lease.

Employee future benefits

CIPF accrues for its obligations under employee future benefit plans and the related costs, net of plan assets, as follows:

- The cost of pensions and other retirement benefits earned by employees is actuarially determined using the projected benefit method prorated on service and management's best estimate of salary escalation, retirement ages of employees and expected health care costs.
- Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. These differences between actual results and actuarial assumptions are recognized directly in the General Fund balance in the Balance Sheet and reported as pension remeasurements as a separate item in the Statement of Changes in General Fund Balance.
- Past service costs for plan amendments are immediately recognized as pension remeasurements in the Statement of Changes in General Fund Balance.

4. Investments

The investments are held by CIBC Mellon Global Securities Company as custodian.

The following table discloses the fair value, maturity and average yields to maturity of CIPF's investments at December 31, 2017. The weighted average yield to maturity of the portfolio at December 31, 2017 is 2.10% (2016 – 1.69%).

					2017	2016
	Less than 1 year	1 year to 3 years	3 years to 5 years	More than 5 years	Total fair value	Total fair value
	\$	\$	\$	\$	\$	\$
Treasury bills	14,260	-	-	-	14,260	959
Yield	1.03%	-	-	-	1.03%	0.35%
Canada bonds	-	-	-	10,278	10,278	10,510
Yield	-	-	-	2.02%	2.02%	1.72%
Canada Housing Trust bonds	8,568	43,316	59,586	119,441	230,911	229,660
Yield	1.27%	1.74%	2.04%	2.28%	2.08%	1.58%
Provincial bonds	40,283	45,346	29,017	114,317	228,963	237,193
Yield	1.44%	1.90%	2.13%	2.58%	2.18%	1.79%
	63,111	88,662	88,603	244,036	484,412	478,322

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

5. Capital assets

	2017		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	332	292	40
Leasehold improvements	313	107	206
Computers	236	168	68
Tangible assets	881	567	314
Software development	1,304	1,232	72
Total capital assets	2,185	1,799	386

	2016		
	Cost	Accumulated amortization	Net book value
	\$	\$	\$
Office furniture and equipment	401	352	49
Leasehold improvements	313	77	236
Computers	157	141	16
Tangible assets	871	570	301
Software development	1,205	1,173	32
Total capital assets	2,076	1,743	333

6. Bank lines of credit and excess insurance

CIPF has lines of credit provided by two Canadian chartered banks totalling \$125 million (2016 – \$125 million). IIROC has guaranteed these lines of credit by pledging its ability to assess Members.

CIPF has arranged insurance in the amount of \$160 million (2016 – \$160 million) in the annual aggregate, in respect of losses to be paid by CIPF in excess of \$150 million (2016 – \$150 million) in the event of Member insolvency. CIPF has arranged a second layer of insurance in the amount of \$230 million (2016 – \$170 million) in respect of losses to be paid in excess of \$310 million (2016 – \$310 million) in the event of Member insolvency.

7. Employee future benefits

CIPF has the following pension plans:

- pension benefits to a retired employee since September 1, 1998. This pension benefit is not registered under the Income Tax Act, nor is it funded.
- a Supplementary Executive Retirement Plan (SERP) for certain executives, effective April 9, 2002. This plan is not registered under the Income Tax Act, nor is it funded.

CIPF also provides extended health benefits on retirement to all employees who retire on or after age 55 with service greater than ten years. These extended health benefits terminate at age 75. This plan is not funded.

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

7. Employee future benefits (continued)

The most recent actuarial valuation of the pension plans for accounting purposes was made on December 31, 2017, and the most recent actuarial valuation of the health benefit plan for accounting purposes was made on December 31, 2017.

CIPF's net benefit plan expense, which is recorded in pension and other employment benefits expenses, and the annual contributions are as follows:

				2017	2016
	Pension	SERP	Other	Total	Total
	\$	\$	\$	\$	\$
Net benefit plan expense	53	547	40	640	612
Benefits paid	125	30	8	163	133

Information about CIPF's defined benefit plans is as follows:

				2017	2016
	Pension	SERP	Other	Total	Total
	\$	\$	\$	\$	\$
Continuity of accrued benefit liability					
Balance, beginning of year	1,611	7,384	464	9,459	9,260
Benefit expense	53	547	40	640	612
Benefits paid	(125)	(30)	(8)	(163)	(133)
Remeasurements	53	45	(34)	64	(280)
Balance, end of year	1,592	7,946	462	10,000	9,459
Funded status					
Fair value of plan assets	-	-	-	-	-
Accrued benefit liability	1,592	7,946	462	10,000	9,459
Plan deficit	(1,592)	(7,946)	(462)	(10,000)	(9,459)

The significant actuarial assumptions adopted in measuring CIPF's accrued benefit obligations are as follows:

	Pension benefit plan		SERP		Other benefit plan	
	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%
Discount rate	3.1	3.4	3.1	3.4	3.1	3.4
Rate of compensation increase	-	-	3.0	3.0	-	-

For measurement purposes, inflation of medical expenses was assumed to be 12% in 2018, declining to 5% in annual increments of 1%. Inflation of dental costs was assumed to be 8% in 2018, declining to 4% in annual increments of 1%.

In addition to these plans, the salaries and employee benefits expense on the Statement of Revenues and Expenses includes \$0.19 million (2016 – \$0.15 million) related to CIPF's contribution to the Group RSP plan.

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

8. Lease commitments

At December 31, 2017, CIPF has future minimum annual lease commitments of \$1,570 (2016 – \$1,736) for office space, office equipment and information technology services as follows:

	\$
2018	250
2019	227
2020	228
2021	221
2022	221
Thereafter	423
	<hr/> 1,570

CIPF is also committed to its share of operating costs and taxes with respect to the office lease, which approximates \$0.23 million per year.

9. Provision for claims and/or related expenses

At December 31, 2017, two Member insolvencies continue to either be under the administration of a trustee in bankruptcy or are being administered in respect of which no trustee was appointed.

(a) MF Global Canada Co.

MF Global Canada Co. ("MFGC") was suspended by IIROC on November 1, 2011 and a trustee in bankruptcy was appointed on November 4, 2011.

During the year ended December 31, 2017, CIPF received a net refund of \$2.3 million (2016 – \$0.3 million). The recovery of provision for claims and/or related expenses for the year ended December 31, 2017 was \$2.8 million (2016 – \$0.3 million).

At December 31, 2017, the provision for claims and/or related expenses on the Balance Sheet of \$nil (2016 – \$0.5 million) represents the amount owing in accordance with settlement agreements reached with certain customers, plus third-party costs.

At December 31, 2017, there were no known customer claims on the estate and the estate continues to be administered by the trustee.

(b) Barret Capital Management Inc.

Barret Capital Management Inc. ("Barret") was suspended by IIROC on February 13, 2012 and was determined by the Board of Directors of CIPF to be insolvent as of that date for the purpose of claims by customers of Barret against CIPF. In accordance with CIPF's Coverage Policy, a claims submission deadline of August 11, 2012 was established, which was later extended to October 31, 2013 due to the international location of many claimants. During the year ended December 31, 2017, CIPF made no payments with respect to Barret (2016 – \$nil).

At December 31, 2017, the provision on the Balance Sheet for third-party costs was \$nil (2016 – \$0.01 million).

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

9. Provision for claims and/or related expenses (continued)

(c) First Leaside Securities Inc.

First Leaside Securities Inc. ("FLSI") was suspended by IIROC on February 24, 2012 and was determined by the Board of Directors of CIPF to be insolvent as of that date for the purpose of claims by former customers of FLSI to CIPF. In accordance with CIPF's Coverage Policy, a claims submission deadline of October 12, 2013 was established. CIPF received claims from former customers of FLSI in the amount of approximately \$189 million. CIPF reviewed each claim received, and assessed and communicated eligibility based on the CIPF Coverage Policy, and in accordance with the CIPF Claims Procedures. CIPF paid no claims or administrative costs in the year ended December 31, 2017 (2016 – \$0.6 million and \$0.7 million respectively). The reduction in the provision for claims and/or related expenses charged to the General Fund for the year was \$nil (2016 – \$0.1 million).

At December 31, 2017, there is no provision for claims and/or related expenses on the Balance Sheet (2016 – \$nil).

(d) Octagon Capital Corporation

Octagon Capital Corporation ("Octagon") was suspended by IIROC on December 3, 2015 and a trustee in bankruptcy was appointed on December 4, 2015.

During the year ended December 31, 2017, CIPF advanced a further \$1.1 million to fund the trustee (2016 – \$1.0 million). The recovery of provision for claims and/or related expenses for the year ended December 31, 2017 was \$4.6 million (2016 – \$nil).

At December 31, 2017, CIPF has a recovery from the estate trustee on the Balance Sheet of \$5.6 million as a result of settlement agreements reached by the trustee (2016 – provision for claims and/or related expenses of \$0.1 million). The trustee continues to administer the estate.

The provision for claims and/or related expenses and the change in the provision during the year and payments made for these insolvencies are as follows:

	Provision at January 1, 2017	Decrease in Provision	Receipts (payments) during the year	Provision at (Recoverable) at December 31, 2017
MF Global Canada Co. (a)	\$ 492	\$ (2,806)	\$ 2,314	\$ -
Barret Capital Management Inc. (b)	8	(8)	-	-
First Leaside Securities Inc. (c)	-	-	-	-
Octagon Capital Corporation (d)	103	(4,624)	(1,075)	(5,596)
	603	(7,438)	1,239	(5,596)

	Provision at January 1, 2016	Decrease in Provision	Receipts (payments) during the year	Provision at December 31, 2016
MF Global Canada Co. (a)	\$ 486	\$ (328)	\$ 334	\$ 492
Barret Capital Management Inc. (b)	8	-	-	8
First Leaside Securities Inc. (c)	1,379	(92)	(1,287)	-
Octagon Capital Corporation (d)	1,063	-	(960)	103
	2,936	(420)	(1,913)	603

Canadian Investor Protection Fund

Notes to the financial statements

December 31, 2017

(In thousands of dollars)

10. Financial instruments

The fair value of a financial instrument is the estimated amount CIPF would receive or pay to settle a financial asset or financial liability as at the reporting date.

The fair value of cash, member assessments receivable, and payables and accruals approximates their carrying value due to the immediate or short-term nature of these financial instruments.

The fair value of the CIPF's fixed income investments is determined by reference to published bid price quotations at year-end. These investments have maturity dates and effective interest rates as disclosed in Note 4.

Risk management

Risk management relates to the understanding and active management of risks associated with invested assets. Investments can be exposed to interest rate, liquidity, credit, market and currency risk. CIPF manages its exposure to the risks associated with its investment portfolio by following the Board-approved investment policy that restricts the types and amounts of its eligible investments and requires dealing with highly rated counterparties. The policy requires that at least 50% of investments be held in Government of Canada issued or guaranteed securities, with the balance in provincial or territorial government issued or guaranteed securities, and a maximum exposure to any one province or territory of 20% of the portfolio. The policy provides for investing in a laddered portfolio with a maximum term to maturity of 10 years.

Significant risks that are relevant to the CIPF's investments are as follows:

Interest rate risk

Interest rate risk is the risk that the fair value of investments will fluctuate due to changes in market interest rates. CIPF manages the interest rate risk exposure of its investment portfolio by following the investment policy described above and by holding all investments until maturity, unless required to make a payment in accordance with the mandate of CIPF or as directed by the Board.

An immediate hypothetical 100 basis point increase in interest rates would decrease the fair value of the investments by \$20.7 million (2016 – \$22.8 million).

Liquidity risk

Liquidity risk is the risk that CIPF will not be able to meet its cash outflow commitments as they fall due. This includes the risk of being forced to sell assets at depressed prices resulting in realized losses on sale. CIPF manages the liquidity risk exposure by following the investment policy described above and by maintaining lines of credit of \$125 million (2016 – \$125 million).

Credit risk

Credit risk is the risk of financial loss due to a counterparty failing to meet its contractual obligations. CIPF manages the credit risk exposure of its investment portfolio by following the investment policy described above. At December 31, 2017, all investments were in securities issued by counterparties that met or exceeded the minimum credit rating of "A" as rated by two nationally recognized rating agencies (DBRS Limited and Standard & Poor's).

Market risk

Market risk is the risk that the fair value of investments will fluctuate as a result of changes in market conditions, whether these changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. CIPF manages the market risk exposure of its investment portfolio by following the investment policy described above.

Currency risk

Currency risk is the risk that the fair value of investments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. All assets and liabilities of CIPF are denominated in Canadian dollars and as such are not subject to currency risk.