THE POWER OF DISCIPLINED INVESTING®

Greystone Real Estate Fund Inc.

# Financial Statements

DECEMBER 31, 2017

GREYSTONE

IESO-N-0047588

Deloitte.

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# Independent Auditor's Report

To the Shareholders of Greystone Real Estate Fund Inc.

We have audited the accompanying financial statements of Greystone Real Estate Fund Inc. ("the Fund"), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of 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 International Financial Reporting Standards, 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.

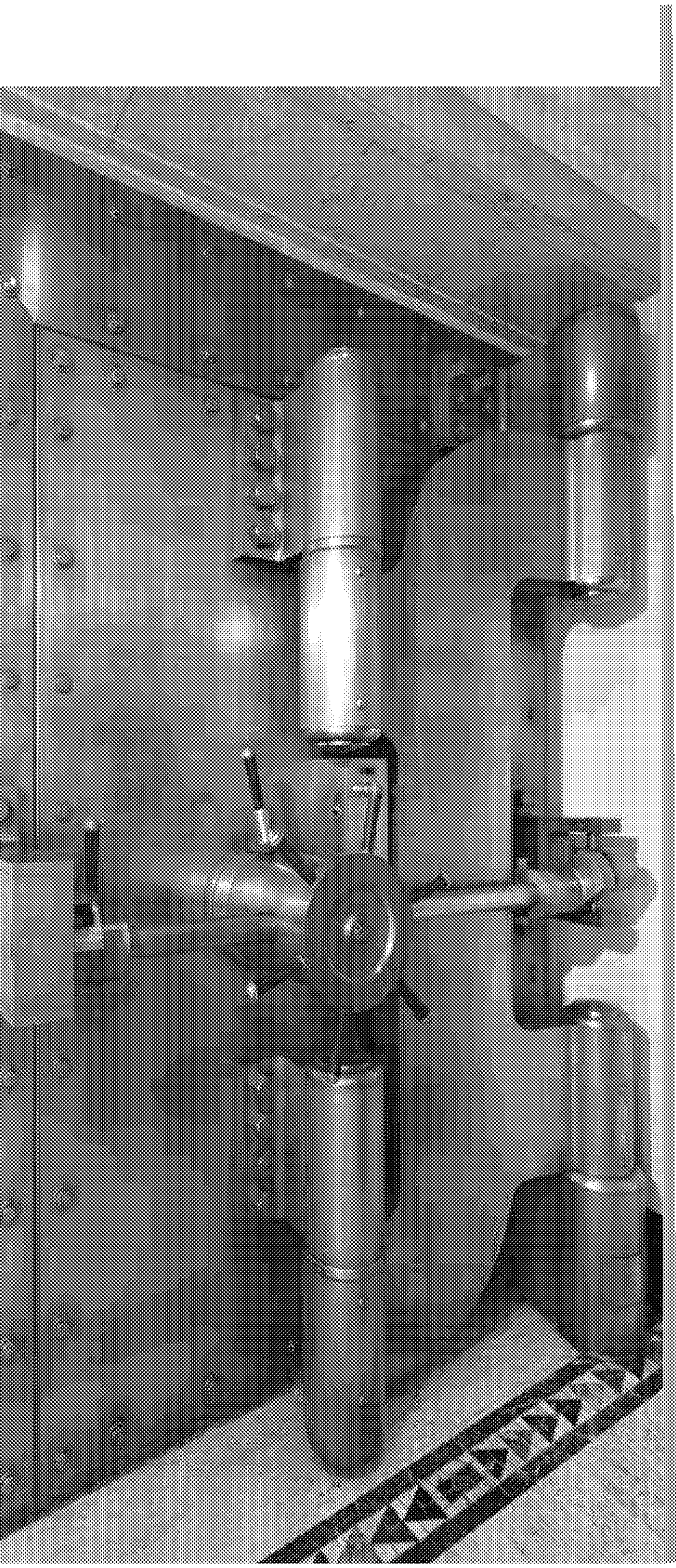
### Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Professional Accountants

March 29, 2018
Regina, Saskatchewan



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# GREYSTONE REAL ESTATE FUND INC.

**Statement of Financial Position**

**As at December 31, 2017**

| | 2017 | 2016 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Investments, at fair value [average cost - $6,598,765,845; December 31, 2016 - $5,429,494,885] | **$ 8,417,728,907** | $ 6,694,417,347 |
| Cash and cash equivalents, at fair value [average cost - $95,360,237; December 31, 2016 - $46,512,305] | **95,360,237** | 46,512,305 |
| Receivable for securities sold | - | 16,693 |
| **TOTAL ASSETS** | **8,513,089,144** | 6,740,946,345 |
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Accrued liabilities | **17,746** | 80,792 |
| **TOTAL LIABILITIES** | **17,746** | 80,792 |
| **NET ASSETS** | **$ 8,513,071,398** | $ 6,740,865,553 |
| **EQUITY ATTRIBUTABLE TO EQUITY HOLDERS** | | |
| Shareholders' capital | **5,019,240,380** | 4,025,991,277 |
| Retained earnings | **3,493,831,018** | 2,714,874,276 |
| **TOTAL SHAREHOLDERS' EQUITY** | **$ 8,513,071,398** | $ 6,740,865,553 |
| **Number of shares outstanding (Note 4)** | **62,057,284** | 54,364,844 |
| **NET ASSET VALUE PER SHARE** | **$ 137.18** | $ 123.99 |

**APPROVED BY THE BOARD,**

Director

Director

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



IESO-N-0047588

# GREYSTONE REAL ESTATE FUND INC.

**Statement of Comprehensive Income**

**For the year ended December 31, 2017**

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **INVESTMENT INCOME** | | | | |
| Earnings from real estate investments | $ | **230,938,482** | $ | 199,884,230 |
| Interest for distribution purposes | | **978,657** | | 577,473 |
| Other | | **414** | | 1,894 |
| Net realized gains (losses) on investments | | **(6,747,477)** | | 75,323,132 |
| Net change in unrealized appreciation of investments | | **535,395,210** | | 165,500,346 |
| Net change in unrealized appreciation of mortgages | | **18,645,390** | | 30,226,180 |
| Total income | | **779,210,676** | | 471,513,255 |
| | | | | |
| **EXPENSES (Note 5)** | | | | |
| Filing fees | | **116,207** | | 40,110 |
| Record keeping fees | | **53,338** | | 49,556 |
| Audit fees | | **45,205** | | 37,603 |
| Custodial fees | | **34,098** | | 34,923 |
| Legal fees | | **5,086** | | 8,423 |
| Total expenses | | **253,934** | | 170,615 |
| **NET COMPREHENSIVE INCOME** | **$** | **778,956,742** | $ | 471,342,640 |
| **NET COMPREHENSIVE INCOME PER SHARE** | **$** | **13.14** | $ | 9.03 |

# GREYSTONE REAL ESTATE FUND INC.

**Statement of Changes in Equity**

**For the year ended December 31, 2017**

| | Shareholders' capital | Retained earnings | 2017 Total |
|---|---|---|---|
| **Net comprehensive income** | **$ -** | **$ 778,956,742** | **$ 778,956,742** |
| **Capital share transactions (Note 4)** | | | |
| Proceeds from the issuance of shares | **1,121,697,372** | **-** | **1,121,697,372** |
| Shares redeemed during the year | **(128,448,269)** | **-** | **(128,448,269)** |
| | **993,249,103** | **-** | **993,249,103** |
| **Increase in equity for the year** | **993,249,103** | **778,956,742** | **1,772,205,845** |
| **EQUITY, BEGINNING OF YEAR** | **4,025,991,277** | **2,714,874,276** | **6,740,865,553** |
| **EQUITY, END OF YEAR** | **$ 5,019,240,380** | **$ 3,493,831,018** | **$ 8,513,071,398** |

| | Unitholders' equity | Retained earnings | 2016 Total |
|---|---|---|---|
| **Increase in equity from operations** | $ - | $ 471,342,640 | $ 471,342,640 |
| **Capital share transactions (Note 4)** | | | |
| Proceeds from the issuance of units | 618,991,437 | - | 618,991,437 |
| Units redeemed during the year | (129,035,778) | - | (129,035,778) |
| | 489,955,659 | - | 489,955,659 |
| **Increase in equity for the year** | 489,955,659 | 471,342,640 | 961,298,299 |
| **EQUITY, BEGINNING OF YEAR** | 3,536,035,618 | 2,243,531,636 | 5,779,567,254 |
| **EQUITY, END OF YEAR** | $ 4,025,991,277 | $ 2,714,874,276 | $ 6,740,865,553 |

# GREYSTONE REAL ESTATE FUND INC.

**Statement of Cash Flows**

**For the year ended December 31, 2017**

| | | 2017 | | 2016 |
|---|---|---|---|---|
| **Cash flows from (used in) operating activities** | | | | |
| Net comprehensive income | **$** | **778,956,742** | $ | 471,342,640 |
| **Adjustments for:** | | | | |
| Net realized (gains) losses on investments | | **6,747,477** | | (75,323,130) |
| Net change in unrealized (appreciation) of investments | | **(535,395,210)** | | (165,500,346) |
| Net change in unrealized (appreciation) of mortgages | | **(18,645,390)** | | (30,226,180) |
| Proceeds from sale of investments | | **450,130,565** | | 675,151,926 |
| Purchase of investments | | **(1,626,149,002)** | | (1,388,311,123) |
| **Change in non-cash working capital:** | | | | |
| Receivable for securities sold | | **16,693** | | (16,693) |
| Accrued liabilities | | **(63,046)** | | (6,981) |
| | | **(944,401,171)** | | (512,889,887) |
| **Cash flows from (used in) financing activitites** | | | | |
| Proceeds from issuance of shares | | **1,121,697,372** | | 618,991,437 |
| Amounts paid on redemption of shares | | **(128,448,269)** | | (129,035,778) |
| | | **993,249,103** | | 489,955,659 |
| **Net increase (decrease) in cash during the year** | | **48,847,932** | | (22,934,228) |
| **CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR** | | **46,512,305** | | 69,446,533 |
| **CASH AND CASH EQUIVALENTS, END OF YEAR** | **$** | **95,360,237** | $ | 46,512,305 |
| **Additional Disclosures:** | | | | |
| **Interest received** | | **978,657** | | 577,473 |
| **Earnings from real estate investments received** | | **230,938,482** | | 199,884,230 |

# GREYSTONE REAL ESTATE FUND INC.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

REAL ESTATE

OFFICE

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| 11 KING EQ INC | 11 King Street W | Toronto, ON | 49,045,360 | 50,734,622 | 66,151,597 | 0.78 |
| 1166 EQ INC | 1166 West Pender Street | Vancouver, BC | 50 | 66 | 194,162 | 0.00 |
| 200 SPADINA EAST EQ | River Landing | Saskatoon, SK | 12,190,704 | 12,190,704 | 11,395,504 | 0.13 |
| 201 PORTAGE EQ INC | 201 Portage Avenue | Winnipeg, MB | 38,471,732 | 38,471,732 | 35,742,855 | 0.42 |
| 2400 GRANVILLE EQ | 1497 West Broadway | Vancouver, BC | 15,644,612 | 13,721,797 | 23,027,540 | 0.27 |
| 320 BAY EQ INC | 320 Bay Street | Toronto, ON | 73,752,911 | 73,752,911 | 91,875,255 | 1.08 |
| ALBERT & LYON EQ INC | Constitution Square | Ottawa, ON | 221,865,104 | 221,865,104 | 228,545,462 | 2.69 |
| ASET PROPERTIES | 300 - 5 Avenue SW | Calgary, AB | 8,518,443 | 38,224,127 | 35,920,870 | 0.42 |
| BAY BLOOR EQ INC | 60 Bloor Street W | Toronto, ON | 34,672,725 | 34,672,725 | 58,826,057 | 0.69 |
| BAY BLOOR EQ INC | 77 Bloor Street W | Toronto, ON | 61,305,970 | 61,305,970 | 110,005,593 | 1.29 |
| BAYSIDE EQ INC | Bayside | Saskatoon, SK | 100 | 101 | 842,982 | 0.01 |
| CITADEL PLAZA EQ INC | 9915-9945 108 Street | Edmonton, AB | 29,421,030 | 29,421,030 | 27,117,157 | 0.32 |
| CITADEL PLAZA EQ INC | SOLD | Calgary, AB | 88 | 88 | 15,086 | 0.00 |
| CITY CENTRE EQ INC | Regina Office Port | Regina, SK | 35,878,084 | 47,195,771 | 108,252,468 | 1.27 |
| COLLEGE-BAY EQ INC | 777 Bay St | Toronto, ON | 124,280,664 | 124,280,664 | 117,140,118 | 1.38 |
| COMMERCE VALLEY EQ | Commerce Valley Dr | Toronto, ON | 85 | 118 | 213,725 | 0.00 |
| CORDOVA EQ INC | 333 Seymour Street | Vancouver, BC | 8,130,731 | 12,307,072 | 43,392,679 | 0.51 |
| EASTSIDE 2008 EQ INC | 235 Water Street | St. John's, NL | 46,850,510 | 47,079,213 | 42,756,665 | 0.50 |
| EASTSIDE 2008 EQ INC | 351 Water Street | St. John's, NL | 52,086,996 | 54,878,865 | 60,397,529 | 0.71 |
| EXPLORER DRIVE EQ | 5700, 5800, 5900 Explorer Drive | Mississauga, ON | 16,716,405 | 22,662,986 | 30,435,324 | 0.36 |
| FP EQ INC | 475 - 2 Avenue S | Saskatoon, SK | 17,875,732 | 22,843,277 | 24,513,868 | 0.29 |
| GC EQ INC | 9925 - 109 Street | Edmonton, AB | 9,564,264 | 35,797,641 | 31,238,732 | 0.37 |
| GC EQ INC | 10011 - 109 Street | Edmonton, AB | 5,758,276 | 23,976,605 | 23,659,000 | 0.28 |
| GREGP HOLDINGS INC | N/A | N/A | 14,148 | 14,148 | 14,148 | 0.00 |
| ICORP PROPERTIES LTD | 5150 Spectrum Way | Mississauga, ON | 44,717,082 | 48,574,447 | 50,910,577 | 0.60 |
| INCORE (III) EQ | 1 St Clair E | Toronto, ON | 26,226,847 | 26,226,847 | 25,778,263 | 0.30 |
| INCORE (III) EQ INC | 1 St. Clair Avenue W | Toronto, ON | 25,388,287 | 25,388,287 | 25,776,017 | 0.30 |
| INCORE (III) EQ INC | 2323 Yonge Street | Toronto, ON | 12,676,643 | 12,676,643 | 13,391,530 | 0.16 |
| INCORE (III) EQ INC | 5075 Yonge St | Toronto, ON | 25,111,086 | 25,111,086 | 23,377,015 | 0.28 |
| INCORE EQ INC | 2 St Clair Ave W | Toronto, ON | 63,833,601 | 63,833,601 | 81,190,277 | 0.95 |
| INCORE EQ INC | 2 St. Clair Avenue E | Toronto, ON | 14,431,631 | 16,238,989 | 27,528,063 | 0.32 |
| INCORE EQ INC | 5 Park Home Avenue | Toronto, ON | 18,305,442 | 21,150,589 | 21,672,581 | 0.25 |
| INCORE EQ INC | 21 St. Clair Avenue E | Toronto, ON | 12,100,263 | 13,944,557 | 15,122,171 | 0.18 |
| INCORE EQ INC | 30 St. Clair Avenue W | Toronto, ON | 21,258,246 | 24,072,622 | 31,777,294 | 0.37 |
| INCORE EQ INC | 40 St. Clair Avenue W | Toronto, ON | 14,020,538 | 14,020,538 | 20,188,832 | 0.24 |
| INCORE EQ INC | 55 St. Clair Avenue W | Toronto, ON | 65,709,759 | 72,069,001 | 78,826,676 | 0.93 |
| INCORE EQ INC | 56 Wellesley Street | Toronto, ON | 22,744,685 | 26,265,453 | 35,011,507 | 0.41 |
| INCORE EQ INC | 151 Bloor Street W | Toronto, ON | 54,371,585 | 62,256,921 | 58,786,394 | 0.69 |
| INCORE EQ INC | 154 University Avenue | Toronto, ON | 9,936,073 | 11,424,949 | 11,965,884 | 0.14 |
| KEYNOTE EQ INC | 1100 - 1 Street SE | Calgary, AB | 57,761,458 | 57,761,458 | 50,626,820 | 0.60 |
| KGS EQ INC | The Hub @ King George Station | Surrey BC | 128,256,908 | 128,256,908 | 151,075,479 | 1.78 |
| KS EQ NO 3 INC | Various | Toronto, ON | 52 | 55 | 239,262 | 0.00 |
| LAKESHORE EQ INC | LCBO Lands | Toronto, ON | 103,064,104 | 103,064,104 | 114,426,612 | 1.34 |
| MACLEOD EQ INC | 3700 Macleod Trail SE | Calgary, AB | 11,868,842 | 11,868,842 | 15,462,941 | 0.18 |
| MISSISSAUGA ROAD EQ | 7835 Mississauga Road | Toronto, ON | 5,650,957 | 5,623,937 | 5,598,499 | 0.07 |
| NORTHFIELD EQ INC | 580 Weber Street | Waterloo, ON | 51,426,498 | 51,129,664 | 50,481,588 | 0.59 |
| OUTCORE EQ INC | 191 Laurier Avenue W | Ottawa, ON | 17,753,134 | 17,753,134 | 20,522,836 | 0.24 |
| OUTCORE EQ INC | 234 Laurier Avenue W | Ottawa, ON | 57,927,521 | 57,927,521 | 69,945,627 | 0.82 |
| OUTCORE EQ INC | 251 Laurier Avenue W | Ottawa, ON | 11,188,973 | 11,188,973 | 13,998,155 | 0.16 |
| PENSIONFUND REALTY | 250 Albert Street | Ottawa, ON | 10,031,912 | 16,939,619 | 22,454,127 | 0.26 |
| PEREGRINE EQ LTD | 325 & 386 Broadway Avenue | Winnipeg, MB | 23,605,288 | 25,158,989 | 27,660,842 | 0.33 |
| POPLAR PROPERTIES | 1285 West Broadway | Vancouver, BC | 7,565,342 | 19,744,913 | 48,115,695 | 0.57 |
| POPLAR PROPERTIES | 1333 West Broadway | Vancouver, BC | 6,135,654 | 18,831,408 | 51,114,673 | 0.60 |
| POPLAR PROPERTIES | 1385 West 8th Avenue | Vancouver, BC | 5,628,271 | 16,853,411 | 42,901,083 | 0.50 |
| RODICK EQ INC | 1380 Rodick Road | Markham, ON | 78 | 105 | 337,943 | 0.00 |
| SLATER 2011 EQ INC | 215 Slater Street | Ottawa, ON | 22,498,650 | 22,757,277 | 25,654,513 | 0.30 |
| ST JOHNS HARBOUR | St. John's Office Port | St. John's, NL | 66 | 65 | 89,908 | 0.00 |
| SUBCORE EQ INC | Various | Toronto, ON | 88 | 1 | 42,833 | 0.00 |
| TWIN EQ INC | SOLD | Edmonton, AB | 74 | 119 | 8,426 | 0.00 |
| UNIVERSITY EQ INC | 40 University Avenue | Toronto, ON | 17,110,190 | 26,193,175 | 60,132,666 | 0.71 |
| WESTSIDE EQ INC | 17187 - 114 Avenue NW<br>4212 - 97 Street<br>4207 - 98 Street | Edmonton, AB | 14,093,225 | 17,904,621 | 18,075,815 | 0.21 |
| WHITEMUD EQ INC | 9618 - 42 Avenue NW | Edmonton, AB | 12,509,871 | 21,851,570 | 20,308,650 | 0.24 |
| WR EQ INC | 505 - 3 Street | Calgary, AB | 21,093,396 | 17,631,098 | 13,527,026 | 0.16 |
| WR EQ INC | 10060 Jasper Avenue | Edmonton, AB | 125,198,370 | 129,176,764 | 96,845,947 | 1.14 |
| Y EQ INC | 332 - 6 Avenue SW | Calgary, AB | 10,497,786 | 19,633,694 | 19,403,688 | 0.23 |
| YORKVILLE-YONGE EQ | Bloor & Cumberland | Toronto, ON | 75,743,025 | 75,743,025 | 123,730,019 | 1.45 |
| | | | | $ 2,301,646,317 | $ 2,755,759,130 | 32.37 |

# GREYSTONE REAL ESTATE FUND INC.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

REAL ESTATE

| RETAIL | | | | | | |
|---|---|---|---|---|---|---|
| Issuer | Property Name/Address | | Shares | Average Cost | Fair Value | % Fair Value |
| 1383 ST CATHERINE EQ | 1383 St Catherine | Montreal, QC | 14,942,353 | 14,942,353 | 14,832,153 | 0.17 |
| 1383 ST CATHERINE EQ | 1391 St Catherine | Montreal, QC | 9,120,301 | 9,120,301 | 8,471,765 | 0.10 |
| 410 & 7 EQ INC | 410 @ 7 | Brampton, ON | 19,384,783 | 26,180,187 | 34,813,732 | 0.41 |
| 6383424 CANADA INC | Montée des Pionniers and Highway 640 | Terrebonne, QC | 15,680,054 | 15,169,943 | 15,828,183 | 0.19 |
| APPLEBY EQ INC | Appleby Crossing | Burlington, ON | 28,433,293 | 37,053,991 | 41,826,853 | 0.49 |
| BOWFORT ROAD (III) | Trinity Hills | Calgary, AB | 100,000 | 100,000 | 100,000 | 0.00 |
| BROADWAY EQ INC | Cross Roads | Vancouver, BC | 22,062,026 | 70,311,635 | 121,989,919 | 1.43 |
| DEERFOOT EQ INC | Deerfoot City | Calgary, AB | 77,753,034 | 77,897,816 | 82,686,231 | 0.97 |
| EAU CLAIRE EQ INC | Eau Claire Market | Calgary, AB | 25,155,094 | 26,263,064 | 29,926,210 | 0.35 |
| EMERALD HILLS (III) | Emerald Hills | Edmonton, AB | 169,906,168 | 169,906,168 | 169,655,047 | 1.99 |
| FP EQ INC | Scotiabank Theatre | Saskatoon, SK | 21,617,678 | 23,541,342 | 27,619,805 | 0.32 |
| FV MALL(III) EQ INC. | Fairview Mall | Toronto, ON | 25,150,000 | 25,150,000 | 25,150,000 | 0.30 |
| INCORE (III) EQ INC | 1496 - 1500 Yonge Street | Toronto, ON | 31,100,719 | 31,100,719 | 29,580,578 | 0.35 |
| ISLINGTON 401 EQUITIES INC | 1240 Twinney Dr | Toronto, ON | 16,473,879 | 16,473,879 | 16,473,879 | 0.19 |
| KS EQ NO 4 INC | Various | Toronto, ON | 3,506,951 | 4,180,739 | 20,604,846 | 0.24 |
| KS EQ NO 5 INC | Various | Toronto, ON | 28,533,542 | 30,161,657 | 56,494,244 | 0.66 |
| KS EQ NO 6 INC | Various | Toronto, ON | 40,086,077 | 40,086,077 | 42,214,327 | 0.50 |
| KS URBAN EQ INC | Various | Toronto, ON | 28,247,896 | 28,247,896 | 30,266,548 | 0.36 |
| MAINCORE EQ INC | Portfolio of Retail properties in Toronto, ON and Ottawa, ON | Toronto, ON | 82,314,649 | 82,314,649 | 100,221,295 | 1.18 |
| NNTC EQ INC | Nanaimo North Town Centre | Nanaimo, BC | 119,062,739 | 114,690,328 | 102,296,919 | 1.20 |
| PENSIONFUND REALTY | Bonnie Doon Centre | Edmonton, AB | 16,640,652 | 23,208,527 | 25,651,516 | 0.30 |
| PENSIONFUND REALTY | Coquitlam Centre | Vancouver, BC | 3,629,789 | 3,629,789 | 20,836,569 | 0.24 |
| PENSIONFUND REALTY | Crossroads Shopping Centre | Winnipeg, MB | 12,150,900 | 29,773,164 | 38,231,422 | 0.45 |
| PENSIONFUND REALTY | Shoppers World Danforth | Toronto, ON | 8,488,175 | 16,359,992 | 42,176,578 | 0.50 |
| PENSIONFUND REALTY | The Holt Renfrew Centre | Toronto, ON | 9,878,282 | 49,903,787 | 102,895,293 | 1.21 |
| PRAIRIE BRAMALEA EQ | Bramalea City Centre | Brampton, ON | 66,252,328 | 138,346,223 | 180,963,796 | 2.13 |
| RAVINE EQ INC | Uptown | Victoria, BC | 246,385,452 | 238,625,079 | 221,834,127 | 2.61 |
| REDKO EQ INC | Sportsworld Crossing | Kitchener, ON | 87 | 228,484 | 659,179 | 0.01 |
| SEVENOAKS EQ INC | Sevenoaks Shopping Centre | Abbotsford, BC | 75 | 180 | 5,698,221 | 0.07 |
| SKY CENTRE EQ INC | The City of Lougheed | Burnaby, BC | 80,086,673 | 80,119,188 | 224,661,136 | 2.64 |
| SKYHUB EQ INC | Gatineau Lands | Burnaby, BC | 8,444,344 | 8,444,344 | 57,379,377 | 0.67 |
| SKYVIEW EQ INC | Skyview Power Centre | Edmonton, AB | 21,599,617 | 52,332,494 | 64,796,755 | 0.76 |
| WESTHILLS EQ INC | Westhills Towne Centre | Calgary, AB | 31,902,064 | 89,967,816 | 116,597,290 | 1.37 |
| WOODHILL EQ INC | Woodhill Centre | Brampton, ON | 9,052,200 | 9,562,756 | 10,507,902 | 0.12 |
| | | | | $ 1,583,394,567 | $ 2,083,941,695 | 24.48 |

| INDUSTRIAL | | | | | | |
|---|---|---|---|---|---|---|
| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
| 194TH STREET EQ INC | 9255 - 194 St | Vancouver, BC | 10,369,658 | 10,369,658 | 11,068,957 | 0.13 |
| 2250 ISLINGTON EQ | 2250 Islington Ave | Toronto, ON | 18,670,309 | 18,670,309 | 18,036,601 | 0.21 |
| 50TH STREET EQ INC | 50 Street Business Park | Edmonton, AB | 23,896,769 | 36,298,008 | 57,457,559 | 0.67 |
| AIRWAYS EQ INC | Western Commerce Court | Calgary, AB | 6,514,542 | 10,611,838 | 27,631,051 | 0.32 |
| ARMSTRONG EQUITIES INC | Armstrong Lands | St. John's, NL | 40,141,691 | 40,141,691 | 41,088,393 | 0.48 |
| ARMSTRONG-BREN ROAD | 7869 Tenth Line | Toronto, ON | 7,315,445 | 7,315,445 | 7,179,100 | 0.08 |
| ARMSTRONG-BREN ROAD | Dixie & Eglinton | Toronto, ON | 12,685,953 | 12,685,953 | 12,433,997 | 0.15 |
| ARMSTRONG-BREN ROAD | Torbram & Steeles | Toronto, ON | 14,966,960 | 14,966,960 | 15,449,974 | 0.18 |
| BECLIN EQ INC | Beclin Business Park | Mt. Pearl, NL | 34,360,224 | 35,352,059 | 38,128,269 | 0.45 |
| BIG BEND EQ INC | Glenwood Industrial Estates | Burnaby, BC | 18,560,114 | 19,566,824 | 30,286,376 | 0.36 |
| BREN ROAD EQUITIES INC | 7510 Bren Road | Toronto, ON | 16,129,434 | 16,129,434 | 19,653,167 | 0.23 |
| CITY WEST II EQ INC | City West Business Park | Edmonton, AB | 20,400,859 | 16,085,740 | 18,238,654 | 0.21 |
| COLEBROOK 152 HLDGS | Street | Surrey, BC | 19,413,777 | 20,983,852 | 28,368,148 | 0.33 |
| CORNWALL ROAD EQ INC | SOLD | Oakville, ON | 4 | 3 | 40 | 0.00 |
| DC EQ INC | 3400 Rue Raymond | St. Laurent, QC | 32,430,800 | 39,662,237 | 48,173,392 | 0.57 |
| DC EQ INC | 8754 Boston Church Road | Milton, ON | 76,679,503 | 76,679,503 | 92,575,011 | 1.09 |
| EASTSIDE 2008 EQ INC | Portfolio of INDUSTRIAL Buildings in St. John's, NL and Halifax, NS | St. John's, NL | 33,812,589 | 32,868,902 | 38,892,186 | 0.46 |
| FH SOUTH EQ INC | Foothills South | Calgary, AB | 7,718,243 | 8,749,132 | 9,448,472 | 0.11 |
| GATEWAY RE EQ INC | Gateway Business Park | Edmonton, AB | 43,708,505 | 45,519,668 | 47,732,528 | 0.56 |
| GMA EQ INC | 152 Alston Drive7300 TransCanada | Montreal, QC | 24,679,873 | 24,416,958 | 24,353,062 | 0.29 |
| GOREWAY EQ INC | 8495 Goreway Drive | Toronto, ON | 16,684,656 | 16,684,656 | 21,818,024 | 0.26 |
| GREYPAN EQ INC | 4 & 6 Manchester Court | Toronto, ON | 23,072,864 | 23,072,864 | 32,628,237 | 0.38 |
| GREYPAN EQ INC | 90 Whybank Drive | Brampton, ON | 8,685,454 | 8,685,454 | 11,111,657 | 0.13 |
| GREYPAN EQ INC | 910 Mid-Way Boulevard | Toronto, ON | 7,590,540 | 7,590,539 | 11,027,506 | 0.13 |
| GREYAIR EQ INC | GTAA Lands | Toronto, ON | 35,067,821 | 35,067,821 | 45,852,999 | 0.54 |
| HIGH POINT DRIVE EQ | 2701 High Point Drive | Milton, ON | 53,765,000 | 53,765,000 | 84,223,733 | 0.99 |
| HWY 50 & 7 EQ INC | Hwy 50&7 | Toronto, ON | 29,670,618 | 29,670,618 | 29,685,780 | 0.35 |
| ISLINGTON 401 EQ INC | 2200 Islington | Toronto, ON | 84,147,729 | 84,147,729 | 87,070,348 | 1.02 |
| KENNEDY ROAD EQ INC | 174 Kennedy Road | Toronto, ON | 10,160,083 | 10,160,083 | 14,673,507 | 0.17 |

# GREYSTONE REAL ESTATE FUND INC.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

REAL ESTATE

**INDUSTRIAL**

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| L.C. BRAMPTON EQ INC | SOLD | Toronto, ON | 10 | 12 | 10 | 0.00 |
| MATRIX EQ INC | Matrix Business Park | Saskatoon, SK | 41,194,410 | 41,194,410 | 44,520,776 | 0.52 |
| NORELCO DRIVE EQ INC | Norelco Industrial Complex | Toronto, ON | 74,400,000 | 75,815,876 | 91,710,127 | 1.08 |
| PENSIONFUND REALTY | 35 Automatic Road | Brampton, ON | 3,582,170 | 8,097,207 | 10,225,000 | 0.12 |
| PENSIONFUND REALTY | 35 Dynamic Drive | Toronto, ON | 8,975,000 | 9,936,304 | 10,781,218 | 0.13 |
| PENSIONFUND REALTY | Marine Drive Industrial Park | Vancouver, BC | 7,254,412 | 15,434,601 | 36,139,201 | 0.42 |
| PENSIONFUND REALTY | N/A | N/A | 1,000 | 1,000 | 1,000 | 0.00 |
| PENSIONFUND REALTY | SOLD | Brampton, ON | 389,867 | 629,634 | 406,762 | 0.00 |
| PORTLAND ST DEPOT | Portland Street Depot | Calgary, AB | 26,674,261 | 39,987,483 | 46,484,968 | 0.55 |
| PORTSIDE EQ INC | Modalink Distribution Hub | Vancouver, BC | 71,166,907 | 71,642,911 | 89,196,189 | 1.05 |
| REDKO EQ INC | 100 Market Drive | Toronto, ON | 30,120,055 | 36,888,048 | 44,933,308 | 0.53 |
| REDKO EQ INC | Airport North Business Park | Vancouver, BC | 4,881,981 | 4,199,118 | 1,921,567 | 0.02 |
| RUTHERFORD PROP LTD | 410 @ Steeles business and Retail Centre | Brampton, ON | 75,724,888 | 79,938,775 | 86,846,905 | 1.02 |
| SOUTH FRASER EQ INC | South Fraser Industrial Centre | Vancouver, BC | 27,060,310 | 27,992,527 | 33,902,293 | 0.40 |
| SOUTHED EQ INC | Border Business Park | Nisku, AB | 66,673,509 | 71,356,411 | 80,692,148 | 0.95 |
| WEST ISLAND EQ INC | Portfolio of Industrial Buildings in Montreal, QC | Montreal, QC | 17,743,010 | 19,792,893 | 21,174,117 | 0.25 |
| WILKINSON EQ INC | Burnside BP | Halifax, NS | 12,854,248 | 12,854,248 | 9,896,486 | 0.12 |
| | | | | $ 1,271,680,396 | $ 1,533,118,803 | 18.01 |

**MIXED**

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| UNION-FRONT EQ INC | 100 Front St W | Toronto, ON | 44,188,673 | 44,188,673 | 53,826,002 | 0.63 |
| | | | | $ 44,188,673 | $ 53,826,002 | 0.63 |

**MULTI-UNIT RESIDENTIAL**

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| HUSKY EQ INC | 461 Larry Uteck Boulevard | Halifax, NS | 7,201,382 | 7,414,789 | 8,440,229 | 0.10 |
| HUSKY EQ INC | 5500 Borden Avenue | Montreal. QC | 5,173,283 | 5,476,632 | 7,719,490 | 0.09 |
| KS HYF EQU INC | Various | Toronto, ON | 103,750,000 | 103,750,000 | 103,750,000 | 1.22 |
| MUSTANG EQ INC | 50 - 70 Garry | Winnipeg, MB | 12,577,486 | 12,577,486 | 11,043,397 | 0.13 |
| MUSTANG EQ INC | 55 Rue LaFramboise | St-Laurent, QC | 5,880,107 | 5,993,625 | 9,900,647 | 0.12 |
| MUSTANG EQ INC | 80 & 100 Gowan Avenue | Toronto, ON | 12,981,906 | 13,070,346 | 29,157,426 | 0.34 |
| MUSTANG EQ INC | 204 Hespeler Road | Cambridge, ON | 69 | 69 | 498,323 | 0.01 |
| MUSTANG EQ INC | 274 Cedar Avenue | Richmond Hill, ON | 5,806,870 | 5,904,090 | 11,846,647 | 0.14 |
| MUSTANG EQ INC | 321 Sherbourne Street | Toronto, ON | 4,882,741 | 4,916,779 | 9,481,546 | 0.11 |
| MUSTANG EQ INC | 325 - 959 Cote-Vertu Boulevard | St-Laurent, QC | 69 | 70 | 196,461 | 0.00 |
| MUSTANG EQ INC | 520 - 560 Mornington Avenue | London, ON | 14,978,971 | 14,702,190 | 16,731,930 | 0.20 |
| MUSTANG EQ INC | 620 Richmond Street W | Toronto, ON | 5,996,991 | 5,996,991 | 6,628,084 | 0.08 |
| MUSTANG EQ INC | 833 Kennedy Road | Toronto, ON | 2,848,436 | 2,936,595 | 5,865,299 | 0.07 |
| MUSTANG EQ INC | 1212 Avenue Des Pins Ouest | Montrea, QC | 19,489,753 | 19,414,834 | 20,715,307 | 0.24 |
| MUSTANG EQ INC | 1750 Bloor Street & 3315 Fieldgate Drive | Toronto, ON | 20,690,732 | 21,057,867 | 40,891,363 | 0.48 |
| MUSTANG EQ INC | Heron Gate Village | Ottawa, ON | 105,030,762 | 105,265,058 | 124,116,427 | 1.46 |
| PARLIAMENT & QUEEN | Queen & Parliament | Toronto, ON | 49,080,370 | 49,080,370 | 50,288,287 | 0.59 |
| RESCORE EQ INC | 15 & 16 Bently Drive | Halifax, NS | 12,980,153 | 12,980,153 | 16,640,556 | 0.19 |
| RESCORE EQ INC | 30 Lakeshore Road | Montreal, QC | 12,239,498 | 12,239,498 | 28,023,530 | 0.33 |
| RESCORE EQ INC | 75 Stewart Street | Oakville, ON | 5,563,409 | 5,563,409 | 20,087,617 | 0.24 |
| RESCORE EQ INC | 345 Rue de la Gauchetiere | Montreal, QC | 19,148,550 | 19,148,550 | 43,312,890 | 0.51 |
| RESCORE EQ INC | 420 Central Avenue | London, ON | 4,337,173 | 4,337,173 | 7,975,736 | 0.09 |
| RESCORE EQ INC | 444 Kerr Street | Oakville, ON | 1,379,408 | 1,379,408 | 6,650,937 | 0.08 |
| RESCORE EQ INC | 485 Castlegrove Boulevard | London, ON | 5,107,612 | 5,107,612 | 7,722,168 | 0.09 |
| RESCORE EQ INC | 498 Queens Avenue | London, ON | 3,691,388 | 3,691,388 | 7,039,687 | 0.08 |
| RESCORE EQ INC | 500 - 560 Proudfoot Lane | London, ON | 19,320,285 | 19,320,285 | 30,361,983 | 0.36 |
| RESCORE EQ INC | 565 Talbot Street | London, ON | 2,396,652 | 2,396,652 | 5,632,957 | 0.07 |
| RESCORE EQ INC | 650 Waterloo Street | London, ON | 2,443,366 | 2,443,366 | 5,218,346 | 0.06 |
| RESCORE EQ INC | 750 Wonderland Street | London, ON | 17,377,272 | 17,377,272 | 24,590,404 | 0.29 |
| RESCORE EQ INC | 955 Warwick Court | Burlington, ON | 8,666,518 | 8,666,518 | 30,644,289 | 0.36 |
| RESCORE EQ INC | 1260 Webster Street | London, ON | 100 | 100 | 100,865 | 0.00 |
| RESCORE EQ INC | 2837 Yonge Street | Toronto, ON | 100 | 96 | 42,560 | 0.00 |
| RESCORE WEST EQ INC | 123 - 10 Avenue SW | Calgary, AB | 44,050,521 | 44,050,521 | 77,378,881 | 0.91 |
| RESCORE WEST EQ INC | 160 Smith Street | Winnipeg, MB | 51,583,704 | 51,431,870 | 51,654,632 | 0.61 |
| RESPORT EQ INC | 233 Kennedy St | Winnipeg, MB | 12,331,906 | 12,331,906 | 12,555,298 | 0.15 |
| RESPORT EQUITIES INC | 1416 1420 Crescent | Montreal, QC | 12,228,485 | 12,228,485 | 15,019,759 | 0.18 |
| RESPORT EQUITIES INC | 8515 8532 Jasper Avenue | Edmonton, AB | 77,848,503 | 77,848,503 | 83,486,214 | 0.98 |
| SHERBOURNE & QUEEN | Sherbourne & Queen | Toronto, ON | 91,221,872 | 91,221,872 | 99,198,951 | 1.16 |
| TCR 2008 EQ INC | 34 - 42 Maitland Street | Toronto, ON | 2,350,175 | 3,175,155 | 6,086,548 | 0.07 |

# GREYSTONE REAL ESTATE FUND INC.

SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2017

REAL ESTATE

## MULTI-UNIT RESIDENTIAL

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| TCR 2008 EQ INC | 2920 Fairlea Crescent | Ottawa, ON | 45 | 1 | 7,939 | 0.00 |
| TCR 2008 EQ INC | Various | Various | 8,917 | 27,959 | 88,468 | 0.00 |
| TCR 2008 EQ INC | 25 Rambler Drive | Brampton, ON | 3,262,243 | 4,305,483 | 9,267,542 | 0.11 |
| TCR 2008 EQ INC | 30 Central Parkway | Mississauga, ON | 3,429,807 | 4,564,145 | 8,982,950 | 0.11 |
| TCR 2008 EQ INC | 44 & 50 Glen Road | Hamilton, ON | 4,956,100 | 6,457,205 | 11,653,956 | 0.14 |
| TCR 2008 EQ INC | 65 Dynevor Road | Toronto, ON | 611,653 | 727,451 | 4,903,828 | 0.06 |
| TCR 2008 EQ INC | 75 Broadway Avenue | Toronto, ON | 9,126,624 | 12,020,659 | 20,046,702 | 0.23 |
| TCR 2008 EQ INC | 107 Roselawn Avenue | Toronto, ON | 443,269 | 549,292 | 1,397,024 | 0.02 |
| TCR 2008 EQ INC | 300 Regina Street | Toronto, ON | 21,592,961 | 21,592,961 | 20,909,177 | 0.25 |
| TCR 2008 EQ INC | 500 Portage Ave | Winnipeg, MB | 17,878,622 | 17,878,622 | 18,177,374 | 0.21 |
| TCR 2008 EQ INC | 600 Kingston Road | Toronto, ON | 3,179,957 | 4,163,057 | 5,968,576 | 0.07 |
| TCR 2008 EQ INC | 620 Northcliffe Boulevard | Toronto, ON | 941,089 | 1,136,492 | 4,134,959 | 0.05 |
| TCR 2008 EQ INC | 665 Roselawn Avenue | Toronto, ON | 3,705,838 | 4,897,683 | 9,264,736 | 0.11 |
| TCR 2008 EQ INC | 1867 Bloor Street | Mississauga, ON | 14,414,844 | 15,185,608 | 24,322,080 | 0.29 |
| TCR 2008 EQ INC | 2085 Rue Guy | Montreal QC | 2,367,441 | 2,776,285 | 5,095,993 | 0.06 |
| TCR 2011 EQ INC | 27 & 40 Vanier Drive | Toronto, ON | 10,655,419 | 12,414,115 | 18,973,827 | 0.22 |
| TCR 2011 EQ INC | 150 Darling & 126 Wellington Street | Toronto, ON | 11,642,701 | 14,313,198 | 17,239,300 | 0.20 |
| TCR 2011 EQ INC | 175 & 205 Hunter St | Toronto, ON | 14,340,310 | 17,209,372 | 26,723,741 | 0.31 |
| TCR 2011 EQ INC | 200 Dufferin Street | Toronto, ON | 20,590,518 | 23,330,690 | 37,751,561 | 0.44 |
| TCR 2011 EQ INC | 392 Sherbourne St | Toronto, ON | 10,433,481 | 13,302,491 | 15,664,828 | 0.18 |
| TCR 2011 EQ INC | 2000 Main Street | Toronto, ON | 1,641,727 | 1,861,920 | 5,680,055 | 0.07 |
| TCR 2011 EQ INC | 2125 St. Marc | Montreal, QC | 14,214,784 | 14,665,264 | 27,639,055 | 0.32 |
| TCR 2011 EQ INC | 6020 & 6030 Bathurst | Toronto, ON | 21,661,152 | 27,884,207 | 49,743,991 | 0.58 |
| TCR 2011 EQ INC | Portfolio of Multi-Unit Residential Buildings in Ontario/Quebec | Eastern Canada | 70 | 61 | 260,996 | 0.00 |
| TCR 2011 EQ INC | Tennis & Broadview | Toronto, ON | 8,577,039 | 10,984,313 | 16,228,033 | 0.19 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in Central Ontario | Central Ontario | 107,887,805 | 107,887,805 | 181,362,097 | 2.13 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in Halifax, NS | Halifax, NS | 20,192,865 | 20,192,865 | 37,915,234 | 0.45 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in London, ON | London, ON | 49,806,843 | 49,806,843 | 55,065,748 | 0.65 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in Montreal, QC | Montreal, QC | 52,133,152 | 52,133,152 | 91,014,422 | 1.07 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in Ottawa, ON | Ottawa, ON | 29,258,874 | 29,258,874 | 64,068,156 | 0.75 |
| TREIT EQ INC | Portfolio of Multi-Unit Residential Buildings in Windsor, ON | Windsor, ON | 29,264,101 | 29,264,101 | 48,643,374 | 0.57 |
| | | | | $ 1,305,289,757 | $ 1,874,891,393 | 22.03 |

## RESIDENTIAL

| Issuer | Property Name/Address | Location | Shares | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|---|---|
| RESPORT EQ INC | 58 Ave SW | Calgary, AB | 10,130,372 | 10,130,372 | 10,141,343 | 0.12 |
| RESPORT EQ INC | 742 Kingsmere Cres | Calgary, AB | 20,498,200 | 20,498,200 | 20,536,470 | 0.24 |
| RESPORT EQ INC | 930 - 15 Ave SW | Calgary, AB | 6,661,455 | 6,661,455 | 6,669,256 | 0.08 |
| RESPORT EQ INC | 1122 - 15 Ave SW | Calgary, AB | 9,218,493 | 9,218,493 | 9,246,462 | 0.11 |
| RESPORT EQ INC | 2050 De Maisonneuve | Montreal, QC | 9,687,021 | 9,687,021 | 9,786,671 | 0.11 |
| RESPORT EQ INC | 2166 De Maisonneuve | Montreal, QC | 5,986,592 | 5,986,592 | 6,038,292 | 0.07 |
| RESPORT EQ INC | Falconridge Gardens | Calgary, AB | 8,411,384 | 8,411,384 | 8,431,790 | 0.10 |
| RESPORT EQ INC | Grier Place NE | Calgary, AB | 5,668,936 | 5,668,936 | 5,681,844 | 0.07 |
| TREIT (III) EQ INC | Northview Apt REIT | Toronto, ON | 16,303,682 | 16,303,682 | 16,238,696 | 0.19 |
| | | | | $ 92,566,135 | $ 92,770,824 | 1.09 |

## TOTAL REAL ESTATE

| | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|
| **TOTAL REAL ESTATE** | **$ 6,598,765,845** | **$ 8,394,307,847** | 98.61 |
| UNREALIZED APPRECIATION OF MORTGAGES (Note 6) | | 23,421,060 | 0.28 |
| **TOTAL REAL ESTATE INVESTMENTS (Note 3)** | **$ 6,598,765,845** | **$ 8,417,728,907** | **98.89** |

## CASH AND CASH EQUIVALENTS

| | Units | Average Cost | Fair Value | % Fair Value |
|---|---|---|---|---|
| Cash - CAD | | 1,503,495 | 1,503,495 | 0.02 |
| Greystone Money Market Fund | 9,385,674 | 93,856,742 | 93,856,742 | 1.10 |
| **TOTAL CASH AND CASH EQUIVALENTS** | | **$ 95,360,237** | **$ 95,360,237** | **1.12** |
| OTHER ASSETS AND LIABILITIES | | | (17,746) | (0.00) |
| **TOTAL NET ASSETS** | | | **$ 8,513,071,398** | **100.00** |

## 1. FUND FORMATION

Greystone Real Estate Fund Inc. ("the Fund") is a Corporation managed by Greystone Managed Investments Inc. ("the Fund Manager"). The Fund invests in a portfolio of diversified Canadian real estate investments permitted by section 149(1)(o.2) of the Income Tax Act (Canada). The real estate portfolio consists of equity interests in common shares or participating bonds issued by tax exempt real estate corporations or other issuers permitted under pension legislation where the assets underlying the debentures or shares are income producing real estate. The office of the Fund Manager is at 300 Park Centre, 1230 Blackfoot Drive, Regina, SK S4S 7G4.

To participate in the Fund, shareholders must comply with the requirements of Section 149(1)(o.2) of the Income Tax Act (Canada).

These financial statements were approved by the Directors on March 29, 2018.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS").

The Fund's presentation and functional currency is Canadian dollars ("$"). The financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

### A) FINANCIAL INSTRUMENTS

#### i) CLASSIFICATION

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their IAS 39 classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics, and the Fund's designation of such instruments.

| | |
|---|---|
| Investments | Fair value through profit or loss |
| Cash and cash equivalents | Loans and receivables |
| Accrued liabilities | Other liabilities |

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's investment strategy and information about these financial assets are evaluated by management on a fair value basis together with other relevant financial information.

Loans and receivables and other liabilities are subsequently measured at amortized cost using the effective interest rate method. Interest income is recognized by applying the effective interest rate.

#### ii) RECOGNITION

Financial assets and financial liabilities at fair value through profit or loss are recognized when the Fund becomes party to the contractual provision of the instrument. Recognition takes place on the trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

#### iii) MEASUREMENT

Investments in real estate are initially measured at cost, including transactions costs. Subsequent to initial recognition, these are measured at fair value. Subsequent to initial recognition, financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in their fair value are included in profit or loss for the period in which they arise. Earnings from real estate investments earned on financial assets at fair value through profit or loss is disclosed in a separate line item in profit or loss. Fair value is determined in the manner described in Note 2d).

#### iv) DERECOGNITION

Financial assets are derecognized when the contractual rights to the cash flows from the asset have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Realized gains and losses on derecognition are determined using the average cost method and are included in profit or loss for the period in which they arise.

#### v) OFFSETTING

The Fund only offsets financial assets and financial liabilities if the Fund has a legally enforceable right to offset recognized amounts and either intends to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has not offset any financial assets or financial liabilities as of December 31, 2017 and December 31, 2016 in the Statement of Financial Position.

### B) CAPITAL MANAGEMENT

The Fund Manager manages the capital of the Fund which consists of the equity, in accordance with the Fund's investment objectives. The relevant capital movements are shown on the Statement of Changes in Equity. The Fund has no externally imposed regulatory capital requirements.

### C) USE OF ACCOUNTING JUDGMENTS AND ESTIMATES

In preparing the Fund's financial statements, management uses estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements. Actual results could differ from those estimates. The key estimates made by the Company are the fair value of the investment properties.

In the process of applying the Fund's accounting policies, management has made the following judgments, which have the most significant effect on the amounts recognized in the financial statements:

The Fund owns shares in corporations that own investment properties that have entered into commercial and residential property leases. The Fund has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties and therefore accounts for the contracts as operating leases.

Investment properties that are held for long-term rental yields or for capital appreciation or both, are classified as investment properties. Investment properties also include properties that are being constructed or will be developed for future use as investment properties. Land held under operating leases is classified and accounted for by the Fund as investment property when the definition of investment property is met.

Investment properties are measured initially at their cost, including related transaction costs and where applicable, borrowing costs. After initial recognition, investment properties are carried at fair value.

Management uses its judgment in selecting an appropriate valuation technique for the investments carried at fair value that are not based on quoted prices in an active market. Valuation techniques commonly used by market practitioners are applied. The financial assets are valued using a discounted cash flow analysis and income capitalization methods, based on assumptions supported, where possible by observable market prices or rates.

The fair value of mortgage debt is determined using future payments of principal and interest of the actual outstanding mortgages, discounted at the current market interest rates available plus a third party spread.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements,* are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

In the judgment of management, the Fund meets the definition of an investment entity. This conclusion will be reassessed periodically to determine and account for changes in criteria or circumstances.

### D) FAIR VALUE MEASUREMENTS

The fair value of a financial instrument is the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties who are under no compulsion to act. In certain circumstances, however, the initial fair value may be based on other observable current market transactions in the same instrument, without modification or on a valuation technique using market-based inputs. Except as noted below, the carrying values of the Fund's financial assets and financial liabilities approximate their fair values because of the short period of time until the receipt or payment of cash. The fair value of the mortgages payable is estimated based on discounted future cash flows using discount rates that reflect current market conditions for instruments with similar terms and risks.

Fair value measurements recognized in the statement of financial position are categorized using a fair value hierarchy that reflects the significance of inputs used in determining the fair values:

Level 1: Quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset and liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The fair value of real estate investments is determined on the last business day of each month, the valuation date, using the most recent cost-based financial information obtained from the individual property managers. The working capital and underlying mortgages are fair value-based and are combined with the appraised value of real estate properties to determine the fair value of the real estate investments.

Real estate properties are appraised semi-annually by external, independent professional real estate appraisers who are accredited through the Appraisal Institute of Canada. Real estate appraisals are performed in accordance with generally accepted appraisal standards and procedures, and are based primarily on the discounted cash flow and income capitalization methods. Due to uncertainties involved in the real estate appraisal process, recorded values of the Fund's investments in real estate may differ significantly from the value that would have been obtained if the real estate was actually sold. For recent investments in real estate, the investment will continue to be carried at cost for up to a maximum of six months. Real estate under development must be appraised within the Fund's ongoing appraisal schedule. Real estate targeted for sale is removed from the appraisal process but is appraised at year end if it has not been sold.

Financial instruments classified as loans and receivables and other liabilities are held at amortized cost, which approximates their fair value as at the end of the reporting period.

### E) INVESTMENT TRANSACTIONS AND INCOME RECOGNITION

Investment transactions are accounted for on the trade date (the date the order to buy or sell is executed). Realized gains and losses and unrealized appreciation or depreciation of investments are determined with reference to the average cost of investments. Earnings from real estate investments consist of earnings from equity interests in participating bonds and shares. As these earnings fluctuate from month to month, the Fund Manager has made it a practice to review the earnings for reasonability before the Net Asset Value is finalized for that reporting year. Interest for distribution purposes represents the coupon interest received by the Fund accounted for on an accrual basis.

### F) SHARE VALUATION, ISSUE AND REDEMPTIONS

The Net Asset Value per share is determined at the close of business on the valuation date by dividing the total value of the net assets of the Fund by the number of shares outstanding. For each share issued, the Fund receives an amount equal to the Net Asset Value per share at the close of business on the valuation date following the receipt of the subscription for the purchase of shares. For each share redeemed, shareholders' equity is reduced by the net asset value of the share at the related valuation date.

Trading of shares is restricted to the week following pricing. This is due to the timing of the market information received and the fact that pricing is done monthly. Share redemptions are more restrictive, as they are generally redeemed on a quarterly basis. This ensures that the most current appraisal information is used in determining the Share Values. As a general matter, the Fund Manager reserves the right to defer a redemption request if the liquidity of the Fund is adversely affected.

### G) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of money market funds with daily liquidity.

### H) INCOME AND OTHER TAXES

The Fund is considered a tax-exempt investment corporation under Section 149(1)(o.2) of the Income Tax Act (Canada). Accordingly, no provision for income taxes has been made in these financial statements. It is the present policy of the Fund Manager not to distribute to the shareholders the net investment income of the Fund. If the Fund Manager chose to distribute net investment income of the Fund, there would be no tax consequences to the Fund.

### I) FUTURE IFRS ACCOUNTING STANDARDS

*New standards, amendments and interpretations issued but not yet effective*

*IFRS 9 Financial Instruments ("IFRS 9")*

IFRS 9 issued in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. It is effective for annual periods beginning on or after January 1, 2018. The Fund plans to adopt the new standard the date it becomes effective.

Classification and measurement of financial assets and financial liabilities

Under IFRS 9, classification and measurement of financial assets will be driven by the Fund's business model for managing them and their contractual cash flows. Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). IFRS 9 largely retains the existing requirements for classification and measurement of financial liabilities. However, unlike IAS 39 where all fair value changes of liabilities designated at fair value through profit or loss are recognized in profit or loss, under IFRS 9, fair value changes related to changes in the issuer's own credit risk will be presented in other comprehensive income.

Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact on classification and measurement of financial instruments, since the Fund makes decisions based on the assets' fair values and manages the assets to realize those fair values. As such the majority of the Fund's financial assets will continue to be measured at FVTPL. In addition, derivatives will continue to be measured at FVTPL. Other financial instruments at amortized cost, will continue to be measured at amortized cost as the business model for these is solely to collect principal and interest. However, the Fund will continue to analyze the contractual cash flow characteristics of these financial instruments before concluding on the classification and measurement as per IFRS 9.

Impairment of financial assets

IFRS 9 also introduces the expected credit loss ("ECL") model for impairment of financial assets measured at amortized cost and debt instruments measured at FVOCI. The ECL impairment model will not have a material impact to the Fund's financial assets given that the majority of the Fund's financial assets will continue to be measured at FVTPL.

Hedge accounting

The Fund does not apply hedge accounting, therefore, IFRS 9 hedge accounting related changes do not have an impact on the Fund's financial statements. Based on the Fund's initial assessment, IFRS 9 is not expected to have a material impact to the Fund's financial statements.

*IFRS 16 –Leases*

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17.

The standard is effective for annual periods beginning on or after 1 January 2019.

Management is still assessing the impact of these new standards.

## 3. INVESTMENTS

The Fund's investments in real estate are valued using the total appraised value of the individual properties, the working capital at cost, and reduced by the underlying mortgages which are carried at fair value.

The properties are appraised and the fair values are determined based upon, among other things, rental income from current leases and assumptions about rental income from future leases reflecting market conditions applicable at the end of the reporting period, less future cash outflow pertaining to the respective leases. The properties are appraised using a number of approaches that typically include discounted cash flow analysis, a direct capitalization income method and a direct comparison approach. The discounted cash flow analysis is primarily based on discounting the expected future cash flows, generally over a term of 10 years including a terminal value based on the application of a capitalization rate to estimated year 11 cash flows.

Significant increases (decreases) in estimated rental values and rental growth per annum in isolation would result in significantly higher (lower) fair value. A 0.25% change in capitalization rate, in isolation, would result in an inverse approximate 3-5% change in fair market value.

As at December 31, 2017 and December 31, 2016, the total investments in real estate are broken down as follows:

| | 2017 ($) | 2016 ($) |
|---|---|---|
| Properties | **11,519,737,807** | 8,948,649,580 |
| Working capital, at property level | **68,125,144** | 109,779,227 |
| Mortgages | **(3,170,134,044)** | (2,364,011,460) |
| **Investments in real estate** | **8,417,728,907** | 6,694,417,347 |

## 4. SHAREHOLDERS' CAPITAL

Shareholders' capital consists of amounts paid for shares less redemptions, unrealized appreciation or depreciation of investments and undistributed net realized gain or loss on investments. The shareholders' interest in the Fund is divided by the number of shares outstanding at year-end, each representing an equal and proportionate undivided interest in the net assets of the Fund without distinction, preference or priority. Shareholder transactions during the year were as follows:

| | 2017 | 2016 |
|---|---|---|
| Issued shares, beginning of year | **54,364,844** | 50,208,404 |
| Shares issued during the year | **8,702,933** | 5,262,004 |
| Shares redeemed during the year | **(1,010,493)** | (1,105,564) |
| **Issued shares, end of year** | **62,057,284** | 54,364,844 |

During the years, the Fund did not distribute any earnings.

As at December 31, 2017 and December 31, 2016, the Fund's shares were held by a fund as follows:

| Fund | 2017 (Shares) | 2016 (Shares) |
|---|---|---|
| Greystone PCS Inc. Balanced Fund | **98,744** | 98,744 |

## 5. MANAGEMENT FEES AND EXPENSES

Under the terms of the Shareholder Agreement, all reasonable expenses incurred in connection with the administration and management of the Fund are paid by the Fund.

The Fund Manager does not charge the Fund any management fees. The shareholders are charged an agreed upon management fee directly based on their assets under management.

In return for the custodial services provided for the year, State Street Trust Company Canada received total fees amounting to $34,098 as of December 31, 2017 [2016 - $34,923].

## 6. RISK MANAGEMENT

The Fund's activities may expose it to a variety of financial risks. The Fund invests in Canadian real estate securities in accordance with the Fund's investment policy. The Fund Manager uses disciplined quantitative and qualitative investment processes for portfolio



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construction and management. The Fund is continually monitored to ensure the portfolio is meeting its objectives and within its risk constraints. In addition, the Fund is monitored independent of the investment team for compliance with the investment policy. The investment policy is approved by the Chief Investment Officer. Compliance reporting, which is reviewed by the Chief Compliance Officer, is provided to shareholders on a quarterly basis.

### CURRENCY RISK

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar. The risk is that the value of a security will be adversely affected by a change in currency exchange rates. The Fund's assets and liabilities are all denominated in Canadian dollars. As a result, there is no currency risk.

### INTEREST RATE RISK

Interest rate risk arises on interest-bearing financial instruments held in the Greystone Money Market Fund (a related party). The Fund is exposed to the risk that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

Interest rate volatility may have an impact on the value of the investments. Significant fluctuations in prevailing interest rates may have an adverse effect on the various factors impacting the property valuations. Management's strategy mitigates the Fund's exposure to interest rate risk by ensuring that excessive amounts of mortgage debt do not mature in any one year.

There is a risk that the underlying investments will not refinance maturing mortgage debt on terms and conditions acceptable to the Fund (including interest rate increases) or on any terms at all. At December 31, 2017, the mortgages assigned on certain real estate properties is $3,193,555,104 [December 31, 2016 - $2,368,787,130] and the weighted average interest rate of the mortgages is 3.5% [December 31, 2016 – 3.6%]. The weighted average term to maturity is 6.9 years [December 31, 2016 – 5.5 years].

The underlying mortgage agreements are such that 88.0% [December 31, 2016 – 84.0%] of the total mortgages are fixed-rate, while the remaining 12.0% [December 31, 2016 – 16.0%] are variable-rate mortgages.

As at December 31, 2017 and December 31, 2016, had prevailing interest rates increased or decreased by 1%, assuming all other variables held constant, net assets would have decreased or increased by approximately 1.50% [December 31, 2016 – 1.24%] of the Fund's net assets. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### MARKET RISK

Market risk is the possibility of loss due to adverse changes in the value of real estate investments as a result of economic or other major non company-specific events that impact large portions of the market.

### LIQUIDITY RISK

Liquidity risk is the possibility that the Fund will be unable to meet its obligations associated with its financial liabilities due to the inability to buy or sell an investment in the secondary market in a timely manner. The Fund primarily invests in securities that do not trade in an active market, and cannot be readily disposed.

The Fund is exposed to monthly cash redemptions of shares that the Fund Manager has authority to control under provisions set forth in its Client Redemption Procedures schedule of the Investment Management Agreement. The Fund retains cash and cash equivalent positions based on monthly cash flow projections to maintain liquidity. As at December 31, 2017 and December 31, 2016, all of the Fund's liabilities are current, including accrued liabilities which are generally payable within 90 days.

To mitigate liquidity risk, management prepares cash flow forecasts on a monthly basis that include: principal and interest payments by borrowers, investment income, cash distributions, shareholder redemptions and subscriptions, mortgage repayments at maturity, and mortgage acquisition commitments. This forecast enables the Fund to have sufficient cash available to meet its cash flow requirements.

The following chart is a summary of the debt maturity schedule for the mortgages assumed in the underlying investments.

**December 31, 2017**

| Year of Maturity | Debt Maturing ($) | % of Gross Asset Value |
|---|---|---|
| 2018 | 267,287,694 | 2.3 |
| 2019 | 215,236,342 | 1.9 |
| 2020 | 249,191,649 | 2.2 |
| 2021 | 134,252,166 | 1.2 |
| 2022 | 146,787,828 | 1.3 |
| 2023 | 233,184,248 | 2.0 |
| 2024 | 146,780,055 | 1.3 |
| 2025 | 200,569,701 | 1.7 |
| 2026 | 435,302,281 | 3.8 |
| 2027 | 207,941,677 | 1.8 |
| 2028 | 52,744,091 | 0.5 |
| 2029 | 77,028,790 | 0.7 |
| 2030 | 79,709,687 | 0.7 |
| 2031 | 5,601,266 | 0.0 |
| 2037 | 211,050,417 | 1.8 |
| Various | 530,887,212 | 4.6 |
| Unrealized appreciation of mortgages | (23,421,060) | (0.2) |
| **Total mortgages** | **3,170,134,044** | **27.5** |

Mortgage interest rates range from 1.85% to 7.19% with maturities out until 2037.

**December 31, 2016**

| Year of Maturity | Debt Maturing ($) | % of Gross Asset Value |
|---|---|---|
| 2017 | 420,081,580 | 4.7 |
| 2018 | 197,159,384 | 2.2 |
| 2019 | 124,885,508 | 1.4 |
| 2020 | 145,126,930 | 1.6 |
| 2021 | 141,354,204 | 1.6 |
| 2022 | 138,494,910 | 1.5 |
| 2023 | 111,389,352 | 1.2 |
| 2024 | 126,819,454 | 1.3 |
| 2025 | 162,474,079 | 1.8 |
| 2026 | 323,807,664 | 3.6 |
| 2027 | 120,876,133 | 1.4 |
| 2028 | 40,433,591 | 0.5 |
| 2030 | 76,273,056 | 0.9 |
| 2031 | 4,732,164 | 0.1 |
| Various | 234,879,121 | 2.6 |
| Unrealized appreciation of mortgages | (4,775,670) | |
| **Total mortgages** | **2,364,011,460** | **26.4** |

Mortgage interest rates range from 1.85% to 7.19% with maturities out until 2031.

ENVIRONMENTAL RISK

The Fund's investments are subject to various federal, provincial and municipal laws relating to environmental matters. Such laws provide a range of possible liabilities, including potentially significant penalties, and potential liability for the costs of removal or remediation of certain hazardous substances. The presence of such substances, if any, could adversely affect the ability to sell or redevelop such real property or to borrow using such real estate as collateral and, potentially, could also result in civil claims against the investee real estate corporations. Prior to any acquisition of a property, a Phase 1 audit is completed, any exposure to environmental risk is mitigated by carrying environmental insurance. There is an exposure to financial risk arising from environmental factors which could cause a variation in income to the extent that liabilities may exceed such coverage.

## 7. FAIR VALUE MEASUREMENTS

The following chart is a summary of financial instruments based on the inputs used as of December 31, 2017 and December 31, 2016 in valuing the Fund's investments carried at fair values. The inputs or methodology used in valuing the real estate investments may not be an indication of the risk or liquidity associated with investing:

| December 31, 2017 | Quoted prices in active markets (Level 1) ($) | Significant other observable inputs (Level 2) ($) | Significant unobservable inputs (Level 3) ($) | Total ($) |
|---|---|---|---|---|
| **Real Estate Investments** | - | - | 8,417,728,907 | 8,417,728,907 |
| **Cash and Cash Equivalents** | 1,503,495 | 93,856,742 | - | 95,360,237 |
| **Total Investments** | 1,503,495 | 93,856,742 | 8,417,728,907 | 8,513,089,144 |



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| December 31, 2016 | Quoted prices in active markets (Level 1) ($) | Significant other observable inputs (Level 2) ($) | Significant unobservable inputs (Level 3) ($) | Total ($) |
|---|---|---|---|---|
| Real Estate Investments | - | - | 6,694,417,347 | 6,694,417,347 |
| Cash Equivalents | - | 46,512,305 | - | 46,512,305 |
| Total Investments | - | 46,512,305 | 6,694,417,347 | 6,740,929,652 |

There were no significant transfers between levels for the year ended December 31, 2017 and December 31, 2016.

During the year ended December 31, 2017 and December 31, 2016, the reconciliation of investments measured at fair value using unobservable inputs (Level 3) is presented as follows:

| December 31, 2017 | Shares, Notes & Bonds ($) |
|---|---|
| **January 1, 2017** | **6,694,417,347** |
| **Purchases** | **1,626,149,002** |
| **Sales** | **(450,130,565)** |
| **Net transfer into/out of Level 3** | **-** |
| **Realized losses** | **(6,747,477)** |
| **Change in unrealized appreciation of mortgages** | **18,645,390** |
| **Change in unrealized appreciation of investment properties** | **535,395,210** |
| **December 31, 2017** | **8,417,728,907** |

| December 31, 2016 | Shares, Notes & Bonds ($) |
|---|---|
| January 1, 2016 | 5,710,208,494 |
| Purchases | 1,388,311,123 |
| Sales | (675,151,926) |
| Net transfer into/out of Level 3 | - |
| Realized gains | 75,323,130 |
| Change in unrealized appreciation of mortgages | 30,226,180 |
| Change in unrealized appreciation of investment properties | 165,500,346 |
| December 31, 2016 | 6,694,417,347 |

### SIGNIFICANT UNOBSERVABLE INPUTS

The following are the Fund's range of significant unobservable inputs used in measuring the fair value of investments.

| | December 31, 2017 | December 31, 2016 |
|---|---|---|
| **Capitalization Rate** | **3.75% - 9.00%** | 4.00% - 8.00% |
| **IRR (Discount Rate)** | **4.75% - 9.00%** | 5.00% - 8.75% |
| **Terminal Capital Rate (Exit Yield)** | **4.25% - 8.50%** | 4.25% - 9.00% |

The weighted occupancy as at December 31, 2017 was 90.8% [December 31, 2016 – 92.0%], resulting in a vacancy rate of 9.2% [December 31, 2016 – 8.0%].

| | December 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| Property Type | Occupancy (%) | Weighted Occupancy (%) | Occupancy (%) | Weighted Occupancy (%) |
| **Industrial** | **91.06** | **12.8** | 92.42 | 12.8 |
| **Residential** | **94.82** | **29.2** | 95.52 | 32.3 |
| **Office** | **86.04** | **29.1** | 90.84 | 26.2 |
| **Retail** | **92.19** | **19.7** | 88.76 | 20.8 |
| | | **90.8** | | 92.1 |

The inter-relationship between the key unobservable inputs and fair value measurements would be as follows:

- A decrease in the discount rate would result in an increase in fair value. An increase in the discount rate would result in a decrease in fair value.
- A decrease in the capitalization rate would result in an increase in the fair value. An increase in the capitalization rate would result in a decrease in fair value.
- A decrease in the vacancy rate would generally result in an increase in fair value. An increase in the vacancy rate would generally result in a decrease in fair value.

## 8. UNDERLYING POOLED FUND OWNERSHIP INTEREST

The table below summarizes the Fund's interest in the underlying pooled funds as a percentage of net assets of the Fund, and the Fund's ownership interest as a percentage of the net assets of the underlying funds. All underlying funds are established and conduct business in Canada, and have an associate relationship to the Fund.

| Underlying Pooled Fund Holding | % of Fund Net Assets | % of Ownership Interest in Underlying Pooled Funds |
|---|---|---|
| **As at December 31, 2017** | | |
| **Greystone Money Market Fund** | **1.1** | **30.9** |
| | | |
| As at December 31, 2016 | | |
| Greystone Money Market Fund | 0.7 | 15.9 |

Headquartered in Regina, with additional offices in Winnipeg, Toronto and Hong Kong, Greystone Managed Investments Inc. is a Canadian-based institutional asset manager, providing investment management services to its broad client base since 1988.

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