Canadian Equity Fund

(SRA) SF274

Annual audited financial statements and unaudited supplementary financial information

For the year ending December 31, 2018

Canadian Equity Fund
(SRA) SF274

Year in review 2018 – CCIFA

After an unprecedented year of calm in 2017 and after two years of steady growth in asset prices, 2018 proved more of a challenge for investors, particularly in the last three months of the year. U.S. equities finished in the red but outperformed relative to their developed market peers. Robust corporate earnings, boosted by tax cuts, provided fundamental support for U.S. stocks. Canadian equities struggled, weighed down by weaker commodity prices and some Canada-centric issues around high household debt, inflated housing prices, low oil prices, resource export bottlenecks, trade frictions and business competitiveness. Across the ocean, political tensions and uncertainty weighed on European equities with the U.K. edging closer to a hard Brexit in 2019 and a new Italian government, whose views on fiscal policy stood at odds with the European Union's guidelines. Emerging markets also declined as they floundered in the face of a stronger U.S. dollar, tightening global liquidity, a slowing Chinese economy, trade uncertainty and a variety of issues (mainly political) in Turkey, Russia and Latin America. Against this backdrop the Bank of Canada raised interest rates three times in 2018, moving Canada's key interest rate to 1.75%. Not to be outdone, the Federal Reserve in the United States raised rates four times as they experienced their lowest unemployment rate since 1969. Other rather notable events that occurred in 2018 were that North and South Korea vowed to formally end the Korean War. Cuba announced a new president thus ending the 59-year Castro leadership. Iraq held its first parliamentary elections since the defeat of ISIS in that country. Believe it or not, the Trump administration officially banned bump stocks for guns and Canada became the second nation in the world after Uruguay to legalize the use of marijuana.

For the year ending December 31, 2018, the SRA Canadian Equity Fund underperformed its benchmark for the year generating a negative return of 10.8% vs. the benchmark S&P/TSX Composite

Index, which returned -8.9%. The Information Technology, Real Estate and Consumer Staple sectors contributed positively to the return of the index but those sectors were weighed down by the negative returns of the Energy, Health Care, Consumer Discretionary and Material sectors of the index. Our zero weight position in the Healthcare sector added value as it underperformed the market by ~8%. However, our zero weight position in Consumer Staples detracted value as that sector outperformed the market by ~11%. As well, our underweight position in Information Technology detracted value as that sector outperformed by ~22%.

Having garnered significant gains earlier in the year, cannabis stocks declined as the legalization date came and went. As a bottom-up value investor, we find the valuations extremely difficult to justify. In Consumer Discretionary, our position in Gildan Activewear increased 4% on the back of stronger results, while Dollarama (which we don't own) fell ~38% as sales growth results failed to meet market expectations. In Communication Services, our position in Rogers Communications increased 13% due to ongoing strength in their underlying business, especially their wireless segment.

In Energy, Crescent Point Energy and Trican Well Service declined due to the decline in oil prices (Alberta specific Western Canada Select), which in turn impacted revenues and drilling services. In Industrials, WestJet, which the fund owns, declined due to booking weakness earlier in the year due to the unionization of the pilots that coincided with the busy summer booking period. With fare increases implemented, capacity reductions put in place and work place stability later in the year, the company's fundamentals have improved. We continue to believe that the stock has strong upside potential from current levels even given the latest Boeing 737 MAX 8 jet issues.

In Financials, our positions in CI Financial and Power Corporation of Canada both underperformed; CI Financial due to weakness in their fund returns which has impacted asset levels and Power Corporation due to general equity market weakness (due to their holding company structure being impacted by the underlying holdings). Both have begun to recover in 2019.

During the period we initiated positions in Detour Gold Corporation. (an open-pit gold mine in northern Ontario), Uni Select Inc. (a leader in the distribution of automotive “aftermarket” replacement parts, paint, tools and equipment) and Cominar REIT (one of Canada’s largest diversified real estate investment trusts and the largest commercial property owner and manager in Quebec). We exited our positions in Boardwalk REIT, Capital Power and Trinidad Drilling Ltd.

2019 Outlook

The market sell-off at the end of 2018 is at odds with operating performance being posted by the constituents of the market indices. Earnings, for the most part, have been strong with year over year improvements. Notwithstanding those earnings gains and a favourable economic backdrop (decent GDP growth, strong employment gains, decent yet not extreme wage increases), the marketplace has fixated on political squabbling and trade concerns. This has resulted in some valuation multiples collapsing to levels not seen since 2008. Specifically, if we look at the Canadian banks (that make up a large part of our portfolio), the companies have collectively grown earnings by double digit amounts year-on-year, generating mid-teen return on equities (ROEs) with the strongest Tier I capital levels of any global banking institutions. Meanwhile, the market has punished them by taking their forward earnings multiples down close to the levels seen during the 2008 financial crisis (banks declined 11% during the quarter) along with a view that losses are around the corner. Suffice it to say, we believe the bank valuations are too cheap at these levels. Incidentally, the view that losses are just around the corner is one that has been around for several years now without becoming fact. Eventually it will happen, but a year later we expect the banking group will continue their historical practice of compounding returns year-on-year and that the quarterly disappointment should be all but forgotten (as has happened in the past).

Recall that the pain experienced in 2008 was more than offset by the subsequent gain in 2009 and is the reason for our optimism as we believe that common sense will prevail and that the trade and political concerns that preoccupy markets will fade.

We continue to see strong upside potential in our portfolio that remains underweight in a number of the expensive areas of the market (healthcare, information technology, utilities, pipelines, real estate investment trusts) and overweight in the basic materials, airlines, banks and selective financial services companies, which we find attractive.

Lloyd E. Rowlett, CFA
President
Scheer, Rowlett and Associates
Investment Management Ltd.

Independent Auditor's Report

To the Contractholders of Canadian Equity Fund (SRA) SF274 (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2018, and 2017, and the statements of comprehensive income, changes in net assets attributable to contractholders holders and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2018, and 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS") and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

/s/ Deloitte LLP
Chartered Professional Accountants
Winnipeg, Manitoba

March 8, 2019

Canadian Equity Fund
(SRA) SF274

Schedule of Investment Portfolio
As at December 31, 2018

(in Canadian $ thousands, except number of units)	No. of units	Average cost	Fair value
Investment Fund Units			
Scheer Rowlett Canadian Equity Fund Pooled	5,525,198	70,701	62,749
Total Investments		**70,701**	**62,749**

Fund manager: Scheer Rowlett & Associates Investment Management Ltd.

Statement of Financial Position

(in Canadian $ thousands)	December 31 2018	December 31 2017
Assets		
Cash and short-term deposits	**-**	-
Investment income due and accrued	**-**	-
Due from The Canada Life Assurance Company (note 8)	**-**	-
Due from brokers	**24**	-
Due from outside parties	**-**	-
Investments Investment fund units (note 3)	**62,749**	76,231
Total investments	**62,749**	76,231
Total assets	**62,773**	76,231
Liabilities		
Overdrafts	**23**	216
Due to The Canada Life Assurance Company (note 8)	**53**	80
Due to brokers	**-**	-
Due to outside parties	**-**	-
Total liabilities excluding net assets attributable to contractholders	**76**	296
Net assets attributable to contractholders	**62,697**	75,935

Statement of Comprehensive Income

(in Canadian $ thousands) For the years ended	December 31 2018	December 31 2017
Income		
Net gain (loss) on investments	**(7,730)**	7,765
Miscellaneous income (loss)	**-**	-
Total income	**(7,730)**	7,765
Expenses		
Management fees (note 8)	**613**	626
Other	**63**	66
Total expenses	**676**	692
Net increase (decrease) in net assets from operations attributable to contractholders	**(8,406)**	7,073

Net Assets Attributable to Contractholders Per Unit (note 7)

(in Canadian $, except number of units outstanding) For the years ended December 31	2018	2017
Number of units outstanding	**87,468**	93,632
Net asset value per unit	**716.79**	811.00
Increase (decrease) per unit	**(94.21)**	74.03

Statement of Cash Flows

(in Canadian $ thousands) For the years ended December 31	2018	2017
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease in net assets from operations attributable to contractholders	**(8,406)**	7,073
Adjustments		
Realized (gains) losses	**(282)**	(729)
Unrealized (gains) losses	**13,744**	2,106
Gross proceeds of disposition of investments	**5,752**	5,420
Gross payments for the purchase of investments	**-**	(208)
Distribution income of underlying mutual fund	**(5,732)**	(9,141)
Change in due from/ to The Canada Life Assurance Company	**(27)**	69
Change in due from/to brokers	**(24)**	-
	5,025	4,590
Financing Activities		
Contractholder deposits	**399**	394
Contractholder withdrawals	**(5,231)**	(5,165)
	(4,832)	(4,771)
Net increase (decrease) in cash, short-term deposits and overdrafts	**193**	(181)
Cash, short-term deposits and overdrafts, beginning of year	**(216)**	(35)
Cash, short-term deposits and overdrafts, end of year	**(23)**	(216)

Statement of Changes in Net Assets Attributable to Contractholders

(in Canadian $ thousands) For the years ended	**December 31 2018**	December 31 2017
Net assets attributable to contractholders - beginning of year	**75,935**	73,633
Contractholder deposits	**399**	394
Contractholder withdrawals	**(5,231)**	(5,165)
Increase (decrease in net assets from operations attributable to contractholders	**(8,406)**	7,073
Change in net assets attributable to contractholders	**(13,238)**	2,302
Net assets attributable to contractholders - end of year	**62,697**	75,935

Top 25 Holdings As at December 31, 2018

Security Description	% of Total
Royal Bank of Canada	8.93%
The Toronto-Dominion Bank	8.77%
The Bank of Nova Scotia	7.51%
Canadian Imperial Bank of Commerce	6.22%
Canadian Natural Resources Ltd.	5.30%
Manulife Financial Corp.	5.23%
Nutrien Ltd.	5.18%
Power Corp. of Canada *	4.65%
Cenovus Energy Inc.	4.01%
Methanex Corp.	3.82%
Cash and short-term deposits	3.80%
Major Drilling Group International Inc.	3.80%
Element Fleet Management Corp.	3.74%
Suncor Energy Inc.	3.68%
Detour Gold Corp.	3.68%
Uni Select Inc.	3.60%
Lundin Mining Corp.	3.59%
WestJet Airlines Ltd.	3.48%
Teck Resources Ltd.	3.38%
CI Financial Corp.	3.24%
Crescent Point Energy Corp.	1.52%
Trican Well Service Ltd.	1.51%
Sherritt International	1.36%

*The issuer of this security is a related company to the issuer of the fund.

Notes to the Financial Statements

(in Canadian $ thousands)

1. THE FUND

The Canadian Equity Fund (SRA) SF274 (the Fund) is offered by The Canada Life Assurance Company.

The Canada Life Assurance Company (the Company) is the sole issuer of the insurance contracts providing for investment in the Fund. The assets of the Fund are owned by the Company and are segregated from the other assets of the Company. The Fund is not a separate legal entity. The Fund invests in a portfolio of assets to generate returns in the form of investment income and capital appreciation for the contractholders, who are the ultimate beneficiaries of the Fund. The Fund's investment activities are overseen by the Company.

The Company is an indirect wholly owned subsidiary of Great-West Lifeco Inc. (Lifeco), a publicly listed company incorporated and domiciled in Canada. Lifeco is a member of the Power Financial Corporation (Power Financial) group of companies and its direct parent is Power Financial.

The Fund's registered office is at 330 University Avenue, Toronto, Ontario, Canada, M5G 1R8.

The financial statements of the Fund as at and for the year ended December 31, 2018 were approved for issue by the Company on March 8, 2019.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). Uniform accounting policies were applied in the preparation of the Fund's financial statements. These accounting policies are based on the IFRS and IFRS Interpretations Committee (IFRIC) interpretations issued and effective at December 31, 2018. The financial statements of the Fund have also been prepared in accordance with the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

a) Changes in Accounting Policies

The Fund has adopted the following standards on their effective date of January 1, 2018:

IFRS 9, *Financial Instruments*

IFRS 9, *Financial Instruments* (IFRS 9), replaced IAS 39, *Financial Instruments: Recognition and Measurement*. The standard provides changes to financial instruments accounting for the following:

- Classification and measurement of financial instruments based on a business model approach for managing financial assets and the contractual cash flow characteristics of the financial asset;
- Impairment based on an expected loss model; and
- Hedge accounting that incorporates the risk management practices of an entity.

Under IFRS 9, upon initial recognition all financial instruments are classified as fair value through profit or loss (FVTPL). All financial assets and liabilities are recognized in the Statement of Financial Position where the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date.

All financial instruments have been classified as FVTPL on the January 1, 2018 adoption date of this standard. The adoption of this standard did not have any impact on the measurement or presentation of the Fund's financial instruments.

IFRS 15, *Revenue from Contracts with Customers*

IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), replaced IAS 11, *Construction Contracts* and IAS 18, *Revenue*. This standard provides a single revenue recognition standard to align the financial reporting of revenue from contracts with customers and related costs. The revenue arising from leases and financial instruments are out of scope of IFRS 15, therefore the adoption of this standard had no impact on the financial statements of the Fund.

b) Use of Estimates, Significant Accounting Judgments and Assumptions

The preparation of the Fund's financial statements in accordance with IFRS requires management to make estimates, judgments and assumptions that affect the reported amount of assets and liabilities at the reporting date and the reported amount of revenues and expenses during the reporting period. The valuation of investments is the most significant component of the financial statements subject to estimates. Although some variability is inherent in these judgments and assumptions, the Fund believes that the amounts recorded are reasonable.

When the fair values of financial assets and financial liabilities recorded in the Statement of Financial Position cannot be derived from active markets, the fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this information is not available, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statement of Financial Position and the level where the financial instruments are disclosed in the fair value hierarchy. Actual results could differ from these estimates.

The Company is required to make significant judgments in order to determine the most appropriate classification in accordance with IFRS 9. The Company has assessed the Fund's business model, the manner in which all financial instruments are managed and the requirements of other accounting standards, and has concluded that FVTPL provides the most appropriate measurement and presentation of the Fund's financial instruments.

Entities that meet the definition of an investment entity within IFRS 10, *Consolidated Financial Statements* are required to measure their subsidiaries at FVTPL 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 on a periodic basis, if any changes in criteria or circumstances exist.

c) Fair Value Measurement and Classification

The fair value of financial assets and liabilities have been categorized based upon the following fair value hierarchy:

Level 1: Fair value measurements utilize observable, quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund has the ability to access. Assets and liabilities utilizing Level 1 inputs include equity securities that are actively traded on an exchange and underlying mutual funds which have available prices in an active market with no redemption restrictions.

Level 2: Fair value measurements utilize inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. The fair values for some Level 2 securities were obtained from a pricing service. The pricing service inputs include, but are not limited to, benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, offers and reference data. Level 2 assets and liabilities include those priced using a matrix which is based on credit quality and average life, and generally include some private bonds and equities, most investment-grade and high-yield corporate bonds, most asset-backed securities, most over-the-counter derivatives, and mortgage loans.

Level 3: Fair value measurements utilize one or more significant inputs that are not based on observable market inputs and include situations where there is little, if any, market activity for the asset or liability. The values of the majority of Level 3 securities were obtained from single broker quotes, internal pricing models, or external appraisers. Assets and liabilities utilizing Level 3 inputs generally include certain bonds and private investments.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by re-assessing the categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair values of financial instruments are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. Additional disclosures relating to transfers between levels and a reconciliation of beginning and ending balances in Level 3 are included in the notes to the Schedule of Investment Portfolio, where applicable.

Level 3 financial instruments are reviewed on a periodic basis by the Fund's Administrator. The Fund's Administrator considers the appropriateness of the valuation model inputs, as well as the valuation result using various valuation methods and techniques generally recognized as standard within the industry.

The Company estimates the fair value of bonds not traded in active markets by referring to actively traded securities with similar attributes, dealer quotations, matrix pricing methodology, discounted cash flow analyses and/or internal valuation models. This methodology considers such factors as the issuer's industry, the security's rating, term, coupon rate and position in the capital structure of the issuer, as well as, yield curves, credit curves, prepayment rates and other relevant factors. For bonds that are not traded in active markets, valuations are adjusted to reflect illiquidity, and such adjustments generally are based on available market evidence. In the absence of such evidence, management's best estimate is used.

Transfers into Level 3 are due primarily to decreased observability of inputs in valuation methodologies. Transfers out of Level 3 are due primarily to increased observability of inputs in valuation methodologies as evidenced by corroboration of market prices with multiple pricing vendors.

The Fund's fair value hierarchy classification of its assets and liabilities is included in note 9 on Financial Instrument Risk Management.

Upon initial recognition, the Fund classifies and measures all financial assets and financial liabilities in the Statement of Financial Position at FVTPL. The financial assets and financial liabilities are recognized when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. As such, investment purchase and sale transactions are recorded as of the trade date. The Fund's policy is not to apply hedge accounting.

d) Investment Fund Units

Investment fund units are recorded at fair value, which is the closing net asset value (NAV) per unit of the underlying fund.

e) Cash, Short-term Deposits and Overdrafts

Cash, short-term deposits and overdrafts are comprised of cash on deposit, short-term deposits and overdrafts with terms to maturity of less than three months at acquisition. Due to the nature of these assets being highly liquid and having short terms to maturity these items are reported at fair value, which approximates their cost.

f) Classification of Units Issued by the Fund

The units of the Fund are classified as financial liabilities under IFRS as the Fund is contractually obligated to repurchase or redeem them for cash or another financial asset when the units are disposed. The net assets attributable to contractholders are classified as FVTPL.

g) Recognition of Investments and Income

Financial investment purchases and sales are recorded when the Fund becomes a party to the contractual provisions of the instrument on a trade date basis.

Financial assets and financial liabilities at FVTPL are recorded in the Statement of Financial Position at fair value.

The accrual basis of accounting is used to record all types of investment income earned and expenses incurred by the Fund.

The following are included in net gain (loss) on investments on the Statement of Comprehensive Income:

Realized gains (losses) on investments - recorded upon the sale or maturity of an asset and determined using the average cost basis.

Unrealized gains (losses) on investments - calculated as the in-year change in fair value of the investment and determined using the average cost basis.

After initial measurement, the Fund classifies and measures financial instruments as FVTPL at the reporting date. Changes in the fair value are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign currency

The financial statements have been presented in Canadian dollars, which is the currency of the primary economic environment in which the Fund is domiciled and is the Fund's functional currency.

Foreign currency translations are calculated using the exchange rate in effect when the transaction occurred. Monetary assets and liabilities denominated in foreign currencies are re-translated at the functional currency rate of exchange at the reporting date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. The gains or losses generated by foreign exchange are recorded in the Statement of Comprehensive Income within net gain (loss) on investments.

h) Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

i) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased that have been contracted for, but not yet delivered, on the reporting date.

Amounts due from brokers include margin accounts and receivables for securities sold that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at fair value which approximates their cost.

Amounts due to/from brokers are settled within a few business days of the reporting date. All securities are purchased and sold in regular way transactions.

j) Amounts Due to/from Outside Parties

Amounts due to outside parties are payables to parties other than related parties of the Fund.

Amounts due from outside parties are receivables due from parties other than related parties of the Fund.

Amounts due to/from outside parties are held at fair value which approximates their cost.

k) Other Expenses

Other expenses consist primarily of securities handling charges. All these expenses are paid to third parties. The accrual basis of accounting is used to record all types of expenses incurred by the Fund.

l) Income Allocation

Net gain (loss) on investments, which includes realized gains and losses and unrealized gains and losses, accrues to each contractholder through the increase (decrease) of the net asset value (NAV) per unit.

m) Issue and Redemption of Units

Units attributable to contractholders are redeemable at the contractholders' option at prices based on the Fund's NAV per unit at the time of redemption and are therefore classified as financial liabilities.

Units are issued and redeemed at their NAV per unit established as noted in the information folder of the Fund.

The Fund's obligation for net assets attributable to contractholders is presented at the redemption amount at the reporting date. The deposits and withdrawals of contractholders are adjusted for inter-fund transfers.

3. INVESTMENT FUND UNITS

Investment fund units of the Fund invest solely in underlying mutual funds.

As the Fund's assets are invested in underlying investment funds, the Fund indirectly pays management fees and operating expenses of the underlying funds. All such charges are included in the management expense ratio of the segregated funds.

Distributions of income from the underlying investment funds are shown as net gain (loss) on investments on the Statement of Comprehensive Income.

Investment activity of the underlying fund indirectly exposes the Fund to financial risk. See note 9 on Financial Instrument Risk Management.

Investments in unconsolidated structured entities

The Company has determined that the Fund meets the definition of an investment entity and as such, accounts for its holdings in unlisted open-ended investment funds, at FVTPL. The Company has concluded that the underlying funds in which the Fund invests, but do not consolidate, meet the definition of structured entities because: (i) the voting rights in the underlying funds are not dominant rights in deciding who controls them; (ii) each underlying fund's activities are restricted by its prospectus; and (iii) the underlying funds have narrow and well-defined objectives to provide investment opportunities to investors.

4. DESCRIPTION OF UNITS

The capital of the Fund is divided into a category of units.

Individual units are available to individuals for investment in:

- Registered Retirement Savings Plans,
- Registered Savings Plans,
- Tax Free Savings Accounts, and
- Non-Registered Savings Plans through the purchase of an Individual Savings Contract or a Retirement Income Fund.

Individual units are available under this option:

- Ingenium

The category of units is accounted for separately and any increases or decreases in net assets attributable to contractholders during the year are allocated to the category.

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirements and has no legal restrictions on the issue, repurchase or resale of redeemable units beyond those included in the Fund's offering document. Units are redeemed at the NAV per unit of a Fund on the redemption date. The capital received by a Fund is utilized within the respective investment mandate of the Fund.

6. INCOME TAXES

The Fund is deemed to be a Trust under the provisions of the Income Tax Act (Canada). Income of a segregated fund is deemed to be payable to the contractholders and therefore the segregated fund will not have taxable income. In addition, capital gains and losses are deemed to be those of the contractholders and not of the trust. Realized gains or losses may be reduced by the amount of gains or losses realized by contractholders on the redemption of their investment. As a result, no provision of income tax is required in the financial statements of the Fund.

Foreign investment income is subject to withholding tax deducted at the source of the income in some jurisdictions. Withholding tax is a generic term used for the amount of withholding tax deducted at the source of the income. The Fund presents the withholding tax separately from the net gain (loss) on investments in the Statement of Comprehensive Income.

7. NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS PER UNIT

The presentation of unit values is broken down by contractholder category.

Net increase (decrease) in net assets from operations attributable to contractholders per unit per category is calculated by dividing the net increase (decrease) in net assets attributable to contractholders from operations as disclosed in the Statement of Comprehensive Income, by the weighted average number of units of each category outstanding during the year.

8. RELATED PARTY TRANSACTIONS

Lifeco controls The Great-West Life Assurance Company (GWL) which is the parent of Canada Life Financial Corporation, the direct parent of the Company. As such, the Company is related to Lifeco and its other major operating subsidiaries. In addition, Lifeco is a member of the Power Financial group of companies. Through this relationship, the Company is related to IGM Financial Inc., a company in the financial services sector along with its subsidiaries IG Wealth Management and Mackenzie Inc.

The financial statements of the Fund may include transactions with the following related parties to the Company:

Related party	Relationship	Incorporated in
The Great-West Life Assurance Company	Indirect parent of the Company	Canada
GLC Asset Management Group Ltd.	Wholly owned subsidiary of GWL	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary of GWL	Ireland
Putnam Investments, LLC	Wholly owned subsidiary of Lifeco	United States
IGM Financial Inc.	Subsidiary of Power Financial	Canada
Canada Life Investments	Indirect wholly owned subsidiary of the Company	United Kingdom

a) The Company provides management, advisory and administrative services to the Fund which includes the services of key management personnel. In respect of these services, the Fund is charged management and other fees which are at market terms and conditions. Management fees and other fees charged to other categories are calculated at set rates applied against the net assets of the specific category at each valuation date.

b) The amounts shown as “Due from (to) The Canada Life Assurance Company” represent outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2018 valuation date of the Fund.

9. FINANCIAL INSTRUMENT RISK MANAGEMENT

a) Risk Management

The Fund’s investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2018. The following sections describe the significant risks that are relevant to the Fund.

To assist with managing risk, the Fund Manager maintains a governance structure that oversees the Fund’s investment activities and monitors compliance with the Fund’s stated investment strategy and securities regulations. Financial statements for the underlying funds, which include discussions about their respective risk exposure, are available upon request.

b) Liquidity Risk

Liquidity risk arises when a Fund encounters difficulty in meeting its financial obligations as they come due. The Fund is exposed to liquidity risk due to potential daily cash redemptions of redeemable units. As the Fund primarily invests all of its net assets in the underlying funds, liquidity risk is mitigated by the underlying funds’ ability to meet the obligation to fund daily cash redemptions of their redeemable units/shares. In addition, the underlying funds retain sufficient cash and cash equivalent positions to maintain adequate liquidity.

c) Currency Risk

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, which is the Fund’s reporting currency, will fluctuate due to changes in exchange rates. The Fund’s investments in all underlying funds are denominated in Canadian dollars. However, the Fund is indirectly exposed to currency risk to the extent that the investments of the underlying funds are denominated or traded in a foreign currency.

d) Interest Rate Risk

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Fund does not directly hold any interest-bearing financial instruments. The Fund is indirectly exposed to the risk that the value of interest-bearing financial instruments held by the underlying funds will fluctuate due to changes in the prevailing levels of market interest rates.

e) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund has no direct exposure to credit risk. The greatest indirect concentration of credit risk is in debt securities, such as bonds, held by underlying funds. The fair value of debt securities includes consideration of the creditworthiness of the debt issuer.

f) Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate, currency or credit risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. For the instruments held by the Fund, maximum risk of loss is equivalent to their fair value. The Fund Manager moderates this risk through a careful selection of underlying funds within the parameters of the investment strategy.

g) Fair Value Classification

Investment Fund Units are recorded at fair value, which is the closing NAV per unit of the underlying fund. This valuation is considered to be a Level 1 classification

Supplemental Information

(unaudited)

The following tables show selected key financial information about the Fund and are intended to help users of the financial statements understand the Fund's financial performance.

Management Expense Ratio

The management expense ratio has been calculated as the aggregate of all fees, taxes, charges and other expenses incurred during the year divided by the average daily net asset value of the segregated fund attributable to the particular fee option. All ratios shown are on an annual basis. In circumstances where the particular fund or fee option did not have twelve months' exposure the ratios have been annualized. Management expense ratios are calculated for Individual Retirement and Investment Services clients only. No management expense ratio is calculated for the Preferred Series 2 guarantee policy option as such fees are charged directly to the contractholder.

Canadian Equity (SRA) SF274
Management Expense Ratio (%)

	For the years ended December 31				
	2018	2017	2016	2015	2014
Ingenium	0.94	0.95	0.95	0.95	0.89

Portfolio Turnover Rate

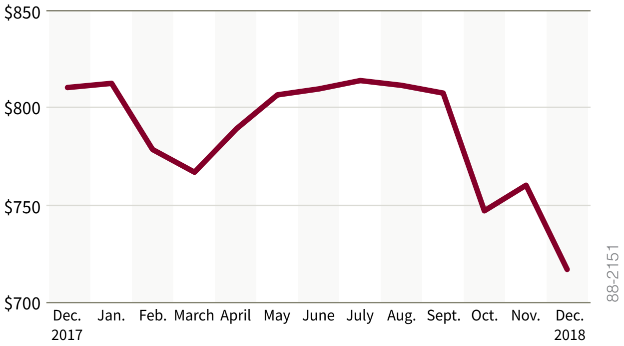
The portfolio turnover rates presented in the financial statements reflects the Canadian Life and Health Insurance Association Inc. (CLHIA) Guideline G2, Individual Variable Insurance Contracts Relating to Segregated Funds 12.3(a)(iii). The portfolio turnover rates indicate how actively the portfolio investments have been bought or sold throughout the year. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year.

Portfolio Turnover Rate (%)

	For the years ended December 31				
	2018	2017	2016	2015	2014
Portfolio Turnover Rate	—	**0.28**	**8.76**	**0.03**	**0.18**

Month-end unit values for the period (unaudited)

ending December 31, 2018



Ten-year history of the fund and the number of outstanding policies (unaudited)

Period-end	Period-end unit values ($)	Net asset value at period-end ($ thousands)	Number of policies at period-end
Dec. 31, 2009	489.79	84,595	5,069
Dec. 31, 2010	563.03	90,819	4,789
Dec. 31, 2011	492.03	72,617	4,533
Dec. 31, 2012	544.60	74,056	4,259
Dec. 31, 2013	615.65	77,605	4,010
Dec. 31, 2014	635.85	73,427	3,821
Dec. 31, 2015	587.18	62,559	3,625
Dec. 31, 2016	736.97	73,633	3,428
Dec. 31, 2017	811.00	75,935	3,257
Dec. 31, 2018	716.79	62,697	3,108

SRA Canadian Equity Fund

December 31, 2018

The unedited portfolio of investments of the Canadian Equity fund (SRA) as provided by the Fund Manager, is as follows.

Holdings	Description	Total Cost	Market Value	% of Total
700600	iShares S&P/TSX 60 Index ETF	$16,357,842.36	$15,146,972.00	1.95%
Total		**$16,357,842.36**	**$15,146,972.00**	**1.95%**
Energy				
402600	Cameco Corp.	$5,217,412.07	$6,232,248.00	0.80%
809790	Canadian Natural Resources Ltd.	$30,107,592.34	$26,674,482.60	3.44%
1131710	Cenovus Energy Inc.	$22,001,247.29	$10,864,416.00	1.40%
2016300	Crescent Point Energy Corp.	$18,788,615.31	$8,347,482.00	1.08%
370100	Enbridge Inc.	$17,938,510.32	$15,695,941.00	2.02%
472502	Suncor Energy Inc.	$16,218,375.06	$18,016,501.26	2.32%
598600	TransCanada Corp.	$30,605,239.37	$29,181,750.00	3.76%
4019140	Trican Well Service Ltd.	$13,854,782.56	$4,782,776.60	0.62%
Total Energy		**$154,731,774.32**	**$119,795,597.46**	**15.44%**
Materials				
615892	Barrick Gold Corp.	$17,720,931.03	$11,350,889.56	1.46%
489400	Detour Gold Corp.	$5,227,716.80	$5,642,782.00	0.73%
1418600	Goldcorp Inc.	$24,818,860.62	$18,966,682.00	2.44%
2101300	Lundin Mining	$12,160,658.45	$11,851,332.00	1.53%
1279000	Major Drilling Group Intl	$9,700,900.15	$6,785,625.60	0.87%
140000	Methanex Corp.	$10,457,720.14	$9,192,400.00	1.18%
574982	Nutrien Ltd.	$25,176,825.18	$36,867,845.84	4.75%
6659310	Sherritt Intl.	$33,298,976.97	$2,996,689.50	0.39%
441500	Teck Resources Ltd.	$14,441,591.65	$12,975,685.00	1.67%
Total Materials		**$153,004,180.99**	**$116,629,931.50**	**15.03%**
Industrials				
394910	Canadian National Railway	$21,338,267.18	$39,929,350.10	5.15%
106100	Canadian Pacific Railway Ltd.	$20,673,346.77	$25,701,664.00	3.31%
1069600	WestJet Airlines Ltd.	$23,447,869.19	$19,252,800.00	2.48%
Total Industrials		**$65,459,483.14**	**$84,883,814.10**	**10.94%**
Consumer Discretionary				
176200	Gildan Activewear Class A	$4,715,611.07	$7,301,728.00	0.94%
257800	Magna International Inc. Class A	$11,943,782.39	$15,975,866.00	2.06%
294100	Uni Select Inc.	$6,238,899.72	$5,708,481.00	0.74%
Total Consumer Discretionary		**$22,898,293.18**	**$28,986,075.00**	**3.74%**

SRA Canadian Equity Fund

December 31, 2018

The unedited portfolio of investments of the Canadian Equity fund (SRA) as provided by the Fund Manager, is as follows.

Holdings	Description	Total Cost	Market Value	% of Total
Financials				
108900	Bank of Montreal	$10,427,881.45	$9,712,791.00	1.25%
743700	Bank of Nova Scotia	$45,832,265.90	$50,608,785.00	6.52%
707100	CI Financial Corp.	$19,367,511.38	$12,218,688.00	1.57%
415020	Canadian Imperial Bank of Commerce	$32,458,448.36	$42,199,233.60	5.44%
1940900	ECN Capital Corp	$6,367,177.54	$6,696,105.00	0.86%
1697200	Element Fleet Management Corp.	$16,444,029.54	$11,727,652.00	1.51%
972420	Manulife Financial Corp.	$19,999,582.03	$18,835,775.40	2.43%
930100	Power Corp. of Canada	$28,688,517.53	$22,815,353.00	2.94%
767300	Royal Bank of Canada	$49,052,669.93	$71,696,512.00	9.24%
1013226	Toronto-Dominion Bank	$45,403,769.87	$68,757,516.36	8.86%
Total Financials		**$274,041,853.53**	**$315,268,411.36**	**40.62%**
Information Technology				
622700	Celestica Inc.	$8,327,164.87	$7,447,492.00	0.96%
Total Information Technology		**$8,327,164.87**	**$7,447,492.00**	**0.96%**
Telecommunication Services				
106828	BCE Inc.	$4,251,879.54	$5,761,234.04	0.74%
360245	Rogers Comm Inc. Class B	$14,596,085.33	$25,202,740.20	3.25%
439300	Telus Corp.	$11,932,466.98	$19,878,325.00	2.56%
Total Telecommunication Services		**$30,780,431.85**	**$50,842,299.24**	**6.55%**
Utilities				
1844900	Transalta Corp.	$12,833,038.46	$10,312,991.00	1.33%
Total Utilities		**$12,833,038.46**	**$10,312,991.00**	**1.33%**
Real Estate				
485200	Cominar Real Estate Invt Tr	$5,185,956.86	$5,434,240.00	0.70%
475500	H&R REIT Units	$9,697,751.47	$9,819,075.00	1.27%
Total Real Estate		**$14,883,708.33**	**$15,253,315.00**	**1.97%**
Cash and Equivalent				
3107617.96	Dividend Accrual	$3,107,617.96	$3,107,617.96	0.40%
1373992.054	Canadian Cash Account	$1,373,992.05	$1,373,992.05	0.18%
1250000	Canada Tbills	$1,247,307.87	$1,249,419.81	0.16%
600000	Canada Tbills	$598,482.00	$599,359.59	0.08%
3100000	Canada Tbills	$3,088,529.00	$3,094,732.17	0.40%
1950000	Canada Tbills	$1,943,240.66	$1,944,251.99	0.25%
Total Cash and Equivalent		**$11,359,169.54**	**$11,369,373.57**	**1.47%**
Total Portfolio		**$764,676,940.57**	**$775,936,272.23**	**100.00%**

Great-West Life, London Life and Canada Life are leading insurance, wealth management and benefits specialists, focused on improving the financial, physical and mental well-being of Canadians. Under the new Canada Life brand, we help Canadians achieve their potential, every day. Our customers across Canada have trusted us to provide for their financial security needs and deliver on the promises we have made. Together, we serve the financial security needs of more than 13 million people across Canada and provide a wide range of products and services for individuals, families and business owners.

Canada Life has received strong ratings on our claims paying ability and financial strength from the major rating agencies.* For current information on Canada Life's rating and financial strength, see our website www.canadalife.com.

*As rated by A.M. Best Company, Dominion Bond Rating Service, Fitch Ratings, Moody's Investors Service and Standard & Poor's Corporation at time of publication. Ratings are subject to change without notice.

For more information on Canada Life and its products, visit www.canadalife.com or talk to your advisor.

In Quebec, advisor refers to a financial security advisor for individual insurance and segregated fund policies, and to an advisor in group insurance/annuity plans for group products.

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