

Financial Statements of

THE GREAT-WEST LIFE ASSURANCE COMPANY

IG/GWL DIVIDEND SEGREGATED FUND

December 31, 2017



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Independent Auditor's Report

To the Contractholders of IG/GWL Dividend Segregated Fund

We have audited the accompanying financial statements of IG/GWL Dividend Segregated Fund, which comprise the statements of financial position as at December 31, 2017 and December 31, 2016, and the statements of comprehensive income, statements of changes in net assets attributable to contractholders and the statements of cash flows for the years 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 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audits 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 in our audits 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 IG/GWL Dividend Segregated Fund as at December 31, 2017 and December 31, 2016, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards and the requirements of Part XII of the Canadian Life and Health Insurance Association Guideline G2.

/s/ Deloitte LLP
Chartered Professional Accountants
March 9, 2018
Winnipeg, Manitoba

IG/GWL Dividend Segregated Fund

(in Canadian \$ thousands)

Fund Manager: Investors Group

Statement of Financial Position

	December 31 2017	December 31 2016
Assets		
Cash and short-term deposits	\$ —	\$ —
Investment income due and accrued	—	—
Due from The Great-West Life Assurance Company (note 8)	—	—
Due from brokers	17	104
Due from outside parties	—	—
Investments		
Investment fund units (note 3)	101,320	114,645
Total investments	101,320	114,645
Total assets	\$ 101,337	\$ 114,749
Liabilities		
Overdrafts	\$ 18	\$ 137
Due to The Great-West Life Assurance Company (note 8)	21	119
Due to brokers	—	—
Due to outside parties	—	—
Total liabilities excluding net assets attributable to contractholders	39	256
Net assets attributable to contractholders	\$ 101,298	\$ 114,493

Statement of Comprehensive Income

For the years ended	December 31 2017	December 31 2016
Income		
Net gain (loss) on investments	\$ 6,299	\$ 16,897
Miscellaneous income (loss)	—	—
Total income	6,299	16,897
Expenses		
Management fees (note 8)	1,117	918
Other	92	76
Total expenses	1,209	994
Net increase (decrease) in net assets from operations attributable to contractholders	\$ 5,090	\$ 15,903

Statement of Changes in Net Assets Attributable to Contractholders

For the years ended	December 31 2017	December 31 2016
Net assets attributable to contractholders - beginning of year	\$ 114,493	\$ 121,575
Contractholder deposits	1,379	2,090
Contractholder withdrawals	(19,664)	(25,075)
Increase (decrease) in net assets from operations attributable to contractholders	5,090	15,903
Change in net assets attributable to contractholders	(13,195)	(7,082)
Net assets attributable to contractholders - end of year	\$ 101,298	\$ 114,493

IG/GWL Dividend Segregated Fund

(in Canadian \$ thousands)

Statement of Cash Flows

For the years ended December 31

	<u>2017</u>	<u>2016</u>
Net Inflow (Outflow) of Cash Related to the Following Activities		
Operating Activities		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 5,090	\$ 15,903
Adjustments		
Realized (gains) losses	(3,467)	(2,535)
Unrealized (gains) losses	980	(10,159)
Gross proceeds of disposition of investments	20,274	24,410
Gross payments for the purchase of investments	(649)	(545)
Change in distribution income of underlying mutual fund	(3,813)	(4,202)
Change in due from/to The Great-West Life Assurance Company	(98)	88
Change in due from/to brokers	87	(67)
	<u>18,404</u>	<u>22,893</u>
Financing Activities		
Contractholder deposits	1,379	2,090
Contractholder withdrawals	(19,664)	(25,075)
	<u>(18,285)</u>	<u>(22,985)</u>
Net increase (decrease) in cash, short-term deposits and overdrafts	119	(92)
Cash, short-term deposits and overdrafts, beginning of year	(137)	(45)
Cash, short-term deposits and overdrafts, end of year	\$ (18)	\$ (137)

IG/GWL Dividend Segregated Fund

Schedule of Investment Portfolio

(in Canadian \$ thousands, except number of units)

As at December 31, 2017

	<u>No. of Units</u>	<u>Average Cost</u>	<u>Fair Value</u>
Investment Fund Units			
Investors Dividend Fund Series S*	3,782,332	84,065	101,320
Total Investments		84,065	101,320

Top 25 Holdings

Security Description	% of Total
Enbridge Inc.	7.00%
Royal Bank of Canada	6.80%
The Bank of Nova Scotia	6.56%
Shaw Communications Inc. Class B non-voting	5.64%
TELUS Corp.	5.63%
Bank of Montreal	5.03%
Power Financial Corp.*	4.95%
Emera Inc.	4.62%
TransCanada Corp.	4.16%
Manulife Financial Corp.	3.25%
Great-West Lifeco Inc.*	3.10%
The Toronto-Dominion Bank	3.10%
Thomson Reuters Corp.	2.47%
Verizon Communications Inc.	2.36%
Fortis Inc.	2.14%
CI Financial Corp.	1.93%
Hydro One Inc.	1.88%
Sun Life Financial Inc.	1.50%
Power Corp. of Canada sub-voting*	1.49%
Government of Canada 0.50% 11-01-2018	1.42%
Cash and short-term deposits	1.30%
Loblaw Companies Ltd.	1.25%
Canada Housing Trust No. 1 1.25% 12-15-2020	1.24%
Canada Housing Trust No. 1 2.00% 12-15-2019	1.23%
Canada Housing Trust No. 1 1.25% 06-15-2021	1.20%

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

IG/GWL Dividend Segregated Fund

(in Canadian \$, except number of units outstanding)

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.

Net Assets Attributable to Contractholders by Category

For the years ended December 31

	Number of units outstanding					Net asset value (in \$ thousands)				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Investment Only	—	—	—	—	10	—	—	—	—	—
Individual Back-End Load (IB)	3,498,048	4,143,047	5,046,900	5,883,573	6,810,385	101,298	114,493	121,575	153,581	166,701

Net Assets Attributable to Contractholders Per Unit (note 7)

For the years ended December 31

	Net asset value per unit (\$)					Increase (decrease) per unit (\$)	
	2017	2016	2015	2014	2013	2017	2016
Investment Only	—	—	—	—	26.05	—	—
Individual Back-End Load (IB)	28.96	27.64	24.09	26.10	24.48	1.32	3.55

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

1. THE FUND

The IG/GWL Dividend Segregated Fund (the Fund) is offered by The Great-West Life Assurance Company.

The Great-West 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 a 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 100 Osborne Street North, Winnipeg, Manitoba, Canada, R3C 1V3.

The Financial Statements of the Fund as at and for the year ended December 31, 2017 were approved for issue by the Company on March 9, 2018.

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, 2017. 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) 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.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 on a periodic basis, if any changes in criteria or circumstances exist.

b) 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 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.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

The Fund classifies its financial assets and financial liabilities at initial recognition at fair value through profit or loss into the following:

Financial assets and liabilities held-for-trading: financial assets are classified as held-for-trading if they are acquired for the purpose of selling and/or repurchasing in the near term. Derivatives are classified as held-for-trading unless they are designated as effective hedging instruments as defined by IAS 39, *Financial Instruments: Recognition and Measurement*. The Fund's policy is not to apply hedge accounting.

Financial instruments designated as fair value through profit or loss upon initial recognition: these include stocks, bonds, and other interest-bearing investments. These financial assets are designated upon initial recognition on the basis that they are part of a group of financial assets that are managed and have their performance evaluated on a fair value basis, in accordance with risk management and investment strategies of the Fund, as set out in the Fund's offering document.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The following is a summary of the classification of financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*:

<u>Financial Instrument</u>	<u>Classification</u>
Cash, short-term deposits and overdrafts	Loans and receivables
Investment income due and accrued	Loans and receivables
Due to/from The Great-West Life Assurance Company	Loans and receivables
Due to/from brokers	Loans and receivables
Due to/from outside parties	Loans and receivables
Bonds	Fair value through profit or loss
Stocks	Fair value through profit or loss
Investment fund units	Fair value through profit or loss
Derivatives	Held-for-trading
Net assets attributable to contractholders	Fair value through profit or loss

All financial instruments classified as loans and receivables are held at cost, which approximates their fair value.

c) 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.

d) 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. Cash, short-term deposits and overdrafts are held at cost, which approximates fair value.

e) 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 fair value through profit or loss.

f) 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 fair value through profit or loss 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.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 measures financial instruments which are classified as fair value through profit or loss, at fair value at the reporting date. Changes in the fair value of those financial instruments are recorded in net gain (loss) on investments in the Statement of Comprehensive Income.

Foreign 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.

g) 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.

h) Amounts Due to/from Broker

Amounts due to brokers are payables for securities purchased (in a regular way transaction) 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 (in a regular way transaction) that have been contracted for, but not yet delivered, on the reporting date.

Amounts due to/from brokers are held at cost, classified as loans and receivables, and their cost approximates their fair value.

Amounts due to/from brokers are settled within a few business days of the reporting date.

i) 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 cost, classified as loans and receivables, and their cost approximates their fair value.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

j) 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.

k) 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.

l) 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.

m) Presentation 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.

n) Future Accounting Policies

IFRS 9, *Financial Instruments*

In July 2014, the IASB issued a final version of IFRS 9, *Financial Instruments* to replace 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.

The standard is effective January 1, 2018. Adoption of this standard is not expected to have a significant impact on the Fund's financial statements.

IFRS 15, *Revenue from Contracts with Customers*

In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (IFRS 15), which replaces 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. A fund would recognize revenue when it transfers goods or services to a customer in the amount of consideration the fund expects to receive from the customer.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Fund will be adopting the standard on its effective date of January 1, 2018. Adoption of this standard will have no impact on the Fund's financial statements.

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 fair value through profit or loss. 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 categories of units as follows:

Investment Only units are available to:

- Canadian Group Registered, and
- Non-Registered Plans.

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 the Flexible Accumulation Annuity and the Flexible Income Fund.

Category I units are available under one option:

- Option B is a back end load investment option

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

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

5. CAPITAL MANAGEMENT

The Fund is not subject to externally imposed capital requirement 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 trusts. 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 is the parent of the Company as well as 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 Investors Group Inc. 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
GLC Asset Management Group Ltd.	Wholly owned subsidiary	Canada
London Life Insurance Company	Indirect wholly owned subsidiary	Canada
The Canada Life Assurance Company	Indirect wholly owned subsidiary	Canada
Setanta Asset Management Limited	Indirect wholly owned subsidiary	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	United Kingdom

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

8. RELATED PARTY TRANSACTIONS (continued)

- a) The Company provides management, advisory and administrative services to the Funds which includes the services of key management personnel. In respect of these services, the Funds are charged management and other fees which are at market terms and conditions. For the Managed Money category, advisory and management service fees are charged directly to the contractholder by redeeming units from their policy. Management and other fees are calculated at set rates applied against the net assets at each valuation date. 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) A separate investment management fee is charged directly to the transaction account of each Category A contractholder by the Company in the normal course of business at market terms and conditions. Accordingly such fees are not included as an expense in these financial statements for Category A units. All management fees, in the Statement of Comprehensive Income, are paid to the Company.
- c) The amounts shown as "Due from (to) The Great-West Life Assurance Company" represents outstanding management fees, un-cleared deposits/withdrawals and investment activity from the December 31, 2017 valuation date of the fund.
- d) The Fund invests in assets or underlying funds managed by Investors Group. All investment transactions with the corresponding underlying funds are at quoted market prices.

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, 2017. 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.

IG/GWL Dividend Segregated Fund

Notes to the Financial Statements

(in Canadian \$ thousands)

9. FINANCIAL INSTRUMENT RISK MANAGEMENT (continued)

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 credit worthiness 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.

IG/GWL Dividend Segregated Fund

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 (%) ⁽¹⁾

For the years ended December 31	2017	2016	2015	2014	2013
Individual Back-End Load (IB)	2.98	2.98	2.97	2.98	2.99

Portfolio Turnover Rate (%) ⁽²⁾

For the years ended December 31	2017	2016	2015	2014	2013
Portfolio Turnover Rate	1.55	0.55	2.08	3.54	8.35

(1) 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.

(2) 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.