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# Investors Canadian Bond Fund

## Annual Management Report of Fund Performance

FOR THE PERIOD ENDED MARCH 31, 2018

### CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

We stress that the above mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

### CAUTION REGARDING FUTURE PERFORMANCE

Sales commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the Fund's offering documents before investing. The indicated rates of return are the historical annual compounded total returns including changes in security value and reinvestment of all distributions (except for fee rebates) and do not take into account sales, redemption, distribution or optional charges, advisory fees payable directly by securityholders in certain series, or income taxes payable by any investor that would have reduced returns. Mutual funds are not guaranteed. Their values change frequently and past performance may not be repeated.

This annual Management Report of Fund Performance contains financial highlights, but does not contain the complete audited annual financial statements of the investment fund. If the audited annual financial statements of your investment fund did not accompany the mailing of this report, you may receive a copy of them, at your request, and at no cost, by calling 1-888-746-6344 (1-800-661-4578 if you live in Québec) or by writing to us at 447 Portage Avenue, Winnipeg, Manitoba, R3B 3H5 (2001, boulevard Robert-Bourassa, bureau 2000, Montréal (Québec), H3A 2A6 if you live in Québec), or by visiting our website at [www.investorsgroup.com](http://www.investorsgroup.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also use one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Every effort has been made to ensure that the information contained in this Report is accurate as of March 31, 2018 (except when stated otherwise), however, the Fund cannot guarantee the accuracy or the completeness of this material. Please refer to the Fund's Prospectus and audited annual financial statements for more information.

References to “Consultant” or “Consultants” mean “Representative” or “Representatives” in Québec.

**For current net asset values per security for the Fund and for more recent information on general market events, please visit our website at [www.investorsgroup.com](http://www.investorsgroup.com).**

## Management Discussion of Fund Performance

This management discussion of Fund performance presents views of the portfolio management team about the significant factors and developments during the past year that have affected the Fund's performance and outlook.

Please read the *Caution Regarding Forward-looking Statements* located on the first page of this document.

### Investment Objective and Strategies

The Fund aims to provide a high level of current income by investing primarily in a combination of Canadian corporate and government-issued debt securities.

To achieve the Fund's investment objective, the portfolio management team will assess bonds for the Fund using these criteria:

- creditworthiness of the issuer;
- income level that the bond provides;
- pricing of the bond; and
- term and interest rate sensitivity of the bond.

The Fund may invest any portion of its assets in Canadian federal, provincial or municipal government bonds or corporate bonds or other similar debt securities. The Fund's investments in debt instruments rated below "BBB" or its equivalent will not generally exceed 10% of its assets. The Fund may hold equities acquired through conversion of its debt securities, and the Fund may hold mortgage-backed securities and other less liquid obligations. The Fund may also invest up to 10% of its assets in non-debt, income-producing securities.

Generally speaking, it is the Fund's intention that its investment in foreign securities will range from 0% to 30% of its assets, but the Fund may invest up to 50% of its assets in foreign securities from time to time.

### Risk

The overall level of risk of investing in the Fund remains as discussed in the Prospectus, and is not expected to have significantly increased or decreased as a result of operations during the period. Accordingly, the Fund also remains suitable for the same investors as discussed in the Prospectus.

### Results of Operations

#### CHANGES IN NET ASSETS

The Fund's net assets decreased by 5.2% during the period to \$3.1 billion. This change was comprised primarily of gains from operations of \$29.3 million and a decrease of \$199.7 million due to net securityholder activity.

#### FEES AND EXPENSES

The management expense ratios (MERs) are generally similar to the MERs for the 12-month period ended March 31, 2017, except for Series S, which is lower primarily due to reductions in its fee rates. Total expenses paid also vary period to period as a result of changes in average assets in each series. Average net assets of the Fund for the period were \$3.2 billion, an increase of 0.2% compared to the period ended March 31, 2017.

#### INVESTMENT PERFORMANCE

In accordance with National Instrument 81-106, the following comparison to a broad-based index has been included to help you understand the Fund's performance relative to the general performance

of the markets. However, the portfolio management team cautions that the Fund's mandate may be different from the index shown. For a description of the index, see *Annual Compound Returns*. Also, it is important to note that investors cannot invest in an index. Indirect investments in an index are available; however, there are fees and transaction costs and other variables that will impact returns when investing in these products. Index returns included in the comparison below do not reflect these costs and variables.

For the returns of all series and for longer-term performance of the Fund, see the *Past Performance* section of this report. Performance will vary by series primarily because fees and expenses may differ between series, or because securities of a series were not issued and outstanding for the entire reporting period. See *Series Information* for the annual expense rates for each series.

For the year ended March 31, 2018, the Series B securities returned -0.5% (after deducting fees and expenses paid by the Fund). In comparison, the FTSE TMX Canada Universe Bond Index Total Return returned 1.4%.

Short-term and mid-term government bonds prices fell and yields increased over the period as the Bank of Canada raised its benchmark overnight interest rate three times, taking it to 1.25% from 0.5%. (Bond prices fall as yields rise.) Although the period started with strong economic data, growth slowed in the second half of 2017, causing the Bank of Canada to remain cautious about further rate moves. This caution kept long-term rates in check while short-term rates rose sharply. As a result, long-term government bonds advanced, outperforming short-term and mid-term bonds. Corporate bonds outperformed government bonds due to narrower credit spreads and higher interest income, resulting in positive total returns across all bond maturities.

The Fund maintained an average term to maturity of bond holdings that was shorter than the index. The Fund benefitted from an overweight position relative to the index in investment-grade corporate bonds. Corporate yield spreads over government bonds enhanced Fund returns. The narrowing of the difference between the rates for shorter-term and longer-term bonds during the period also positively affected performance. However, an overall rise in yields pushed prices down, particularly for government bonds.

### Recent Developments

(BASED ON INFORMATION AS AT APRIL 20, 2018)

Despite an increase in shorter-term bond yields as the period progressed, the portfolio management team expects that yields will remain historically low over the medium term, similar to the past decade. Canadian bond yields have taken into account expectations of gradual Bank of Canada interest-rate increases and somewhat higher inflation. The portfolio management team believes that a rapid rise in yields cannot be sustained, particularly at a time of high levels of domestic debt. In the current economic environment, which includes relatively healthy corporate credit fundamentals, the portfolio management team believes corporate bond yields represent a reasonable spread over government bond yields.

The Fund slightly reduced holdings of bonds from Canadian issuers. It increased portfolio diversity by adding exposure to U.S. and European issuers. These changes are expected to decrease sensitivity to changes in Canadian yields.

### Other Developments

#### UPCOMING ADMINISTRATION FEE REDUCTIONS

Effective on or about June 30, 2018, the annual administration fee rate for Series C will be decreased by 0.05%.

## Related Party Transactions

I.G. Investment Management, Ltd. is the Manager, Trustee and Portfolio Advisor of the Fund. The Fund is offered through the Consultants of Investors Group Financial Services Inc. and Investors Group Securities Inc., together referred to as the Distributors. The Manager, Portfolio Advisor, Distributors and Trustee are, indirectly, wholly owned subsidiaries of IGM Financial Inc.

Effective October 23, 2017, the following sub-advisor has been retained to provide investment services to the Fund:

- Mackenzie Financial Corporation

Mackenzie Financial Corporation is, indirectly, a wholly owned subsidiary of IGM Financial Inc.

The Fund paid a management fee to the Manager and Portfolio Advisor for management and portfolio advisory services (see *Management Fees*).

The Fund also paid the Manager an administration fee and in exchange the Manager paid the operating costs and expenses of the Fund, except for certain specified costs.

The Trustee is responsible for the overall direction of the affairs of the Fund. The Fund paid the Trustee a fee for its services.

See *Series Information* for the annual rates paid by each series (as a percent of average net assets) for these fees.

Securityholders in Series U also pay an advisory fee directly to Investors Group. This fee is not included in the Fund's expenses.

During the period, Investors Group reimbursed the Fund so that the Fund returns remained competitive. There is no assurance that fees or expenses will be waived in the future.

Certain other investment funds, distributed by Investors Group, and other qualified investors may invest in Series P or S of this Fund. As at March 31, 2018, these series comprised approximately 75.7% of the Fund's net assets. All such transactions in the Fund are executed in accordance with standing instructions approved by the Investors Group Funds Independent Review Committee and based on the net asset value per security determined in accordance with the stated policies of the Fund on each transaction day. No commissions or other transaction fees were paid by the Fund in relation to these transactions.

As at March 31, 2018, the Fund invests in other funds also managed by the Manager or affiliates of the Manager. These investments are in accordance with the standing instructions on conflict of interest matters approved by the Investors Group Funds Independent Review Committee. There is no duplication of management or other fees, and no commissions or redemption fees were paid by the Fund in relation to these transactions.

IGM Financial Inc. maintains a defined benefit employee pension plan and is the pension plan sponsor. The pension plan is a separate trust and its assets are invested in various mutual funds managed by the Manager. As at March 31, 2018, the pension plan held securities valued at \$42,727,930 in Series C of the Fund.

Investors Group has an investment in the Fund which, at March 31, 2018, was \$13,254 for Series U.

## Management Fees

The Fund pays Investors Group a management fee. The management fee paid by each series is calculated as a percentage of the net asset value of the series, as of the close of business on each business day (see *Series Information* for rates payable by each series). Generally, management fees are used to pay costs incurred in providing investment advisory and management services and in part for distribution-related services provided by the Distributors.

Securityholders in Series U pay an advisory fee directly to the Distributors for distribution-related services and therefore the management fee in that series is for investment advisory and management services only.

For all other retail series (i.e. which excludes Series F, P and S, if issued), approximately 59% of management fees paid during the period represents investment advisory and management services, and approximately 41% represents distribution-related services. Expenses waived by the Manager were less than 1% of the management fees paid by the Fund. This may vary by series.

Approximately 69% of the total fees paid by the Fund for the period relates to services provided by the Manager, Trustee and Portfolio Advisor, and approximately 31% relates to services provided by the Distributors.

## Summary of Investment Portfolio

AT MARCH 31, 2018

The largest positions of the Fund (up to 25) at the end of the period, and the major asset classes in which the Fund was invested, are indicated below. This summary of investment portfolio may change due to ongoing portfolio transactions. The Fund's summary of investment portfolio will be updated as at the end of the next quarter. Please see the front page for information about how it can be obtained.

### Summary of Top 25 Long Positions

|  | % of net assets |
|--|-----------------|
| Government of Canada 2.00% 06-01-2028                    | 7.8             |
| Investors Mortgage and Short Term Income Fund Series P   | 7.2             |
| United States Treasury 2.25% 11-15-2027                  | 4.7             |
| Province of Ontario 2.80% 06-02-2048                     | 4.1             |
| Province of Ontario 2.60% 06-02-2027                     | 3.9             |
| Province of Quebec 2.75% 09-01-2027                      | 3.4             |
| Province of Ontario 2.60% 09-08-2023                     | 3.4             |
| Province of Quebec 3.50% 12-01-2022                      | 1.7             |
| Royal Bank of Canada 2.33% 12-05-2023 DPNT               | 1.6             |
| The Toronto-Dominion Bank 1.91% 07-18-2023 DPNT          | 1.5             |
| Province of British Columbia 0% 09-05-2020               | 1.4             |
| The Toronto-Dominion Bank 2.62% 12-22-2021               | 1.4             |
| The Bank of Nova Scotia 2.13% 06-15-2020 DPNT            | 1.4             |
| Cash and cash equivalents                                | 1.2             |
| Royal Bank of Canada 2.36% 12-05-2022                    | 1.2             |
| Bank of Montreal 2.70% 09-11-2024 DPNT                   | 1.2             |
| Government of Canada 1.25% 12-01-2047 Real Return        | 1.1             |
| Bank of Montreal 1.88% 03-31-2021 DPNT                   | 1.0             |
| Hydro One Inc. 2.78% 10-09-2018 MTN                      | 1.0             |
| PSP Capital Inc. 3.29% 04-04-2024                        | 0.9             |
| Master Credit Card Trust II 2.72% 11-21-2018 Series 13-4 | 0.9             |
| Canada Housing Trust No. 1 2.65% 03-15-2028              | 0.9             |
| Province of Quebec 5.75% 12-01-2036                      | 0.9             |
| Canadian Imperial Bank of Commerce 2.47% 12-05-2022      | 0.9             |
| TELUS Corp. 3.35% 04-01-2024 Callable MTN                | 0.8             |
|  | <b>55.5</b>     |

### Summary of Top 25 Short Positions

|     | % of net assets |
|-----|-----------------|
| n/a | -               |

## Summary of Composition of the Portfolio

|                                | % of net assets |
|--------------------------------|-----------------|
| <b>PORTFOLIO ALLOCATION</b>    |                 |
| Bonds                          | 91.2            |
| Mutual Funds                   | 7.2             |
| Cash and cash equivalents      | 1.2             |
| Other net assets (liabilities) | 0.4             |
| <b>Total</b>                   | <b>100.0</b>    |
| <b>BONDS</b>                   |                 |
| <b>SECTOR ALLOCATION</b>       |                 |
| Corporate                      | 47.7            |
| Provincial Governments         | 22.8            |
| Federal Government             | 13.7            |
| Foreign Governments            | 4.7             |
| Municipal Governments          | 1.7             |
| Mortgage Backed                | 0.6             |
|                                | <b>91.2</b>     |

## Series Information

AT MARCH 31, 2018

| Series      | Inception date | Management fee (%) | Service fee (%) | Administration fee (%) | Trustee fee (%) |
|-------------|----------------|--------------------|-----------------|------------------------|-----------------|
| Series A    | 07/13/2012     | 1.50               | -               | 0.05                   | 0.05            |
| Series B    | 07/13/2012     | 1.50               | -               | 0.05                   | 0.05            |
| Series C    | n/a            | 1.50               | -               | 0.10                   | 0.05            |
| Series Josc | 07/13/2012     | 1.25               | -               | 0.05                   | 0.05            |
| Series Jw   | 07/13/2012     | 1.25               | -               | 0.05                   | 0.05            |
| Series P    | 07/02/2013     | -                  | -               | -                      | -               |
| Series S    | 11/16/2009     | 1.25               | -               | 0.10                   | 0.05            |
| Series U    | 07/12/2013     | 0.15               | -               | 0.05                   | 0.05            |

The fee rates in the table above are rounded to two decimals.

Inception dates of the series are shown if within 10 years.

Until December 31, 2016, the annual management fee rate for Series S was 1.50%.

Until December 31, 2016, the annual administration fee rate for Series B, Jw and U was 0.10%.

## Past Performance

It is important to remember that past performance doesn't necessarily indicate future performance. The returns presented below:

- assume that all distributions, except for fee rebates, are reinvested into the Fund;
- do not include sales charges, income taxes, optional expenses or advisory fees payable directly by securityholders in certain series, that reduce returns;
- show performance based on Canadian dollar returns; and
- show performance for each of the past 10 financial years, or since the series started.

Financial years are as follows:

- 2009 – six months ended March 31
- 2010 to 2018 – 12 months ended March 31

Inception dates of the series within these periods are shown in *Series Information*.

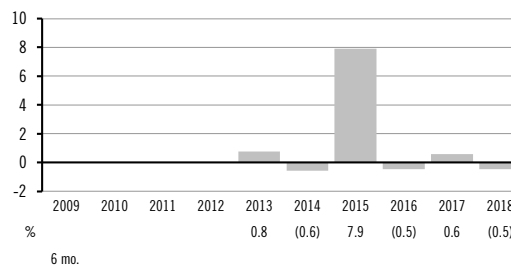
Performance during these periods may have been impacted by the following events:

- During some performance measurement periods, certain fees or expenses may have been waived or absorbed by the Manager. There is no assurance that fees will be waived in the future.
- Effective July 1, 2010, the administrative fees for the Series C decreased by 0.03% to 0.10%.
- Effective May 6, 2011, the annual management fee for Series C and S decreased by 0.15% to 1.50%.
- Effective January 1, 2017, the annual administration fee rate for Series B, JNL and U decreased by 0.05% to 0.05%.
- Effective January 1, 2017, the annual management fee rate for Series S decreased by 0.25% to 1.25%.

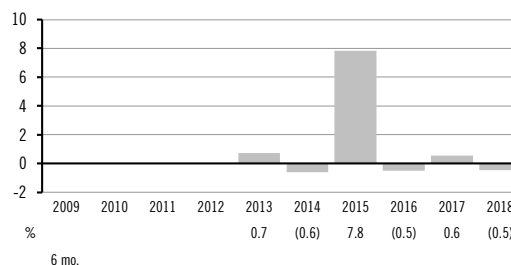
### Year-by-Year Returns

These bar charts show how much an investment in securities made on the first day of each financial year would have increased or decreased by the end of the respective period. For the first year of a series, the percentage shown will be the actual return of the series from its inception date. The charts illustrate how the Fund's performance has changed over time.

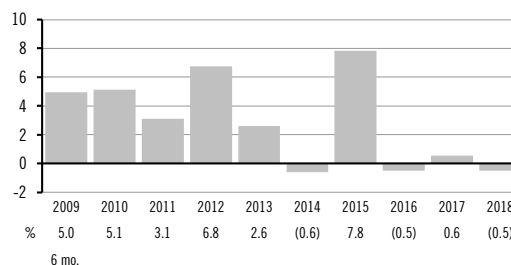
SERIES A



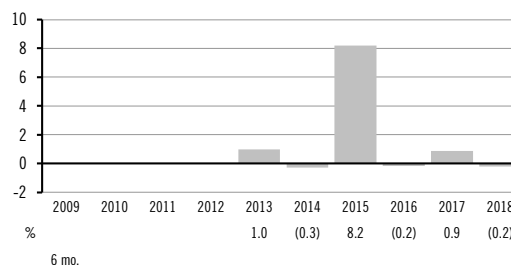
SERIES B



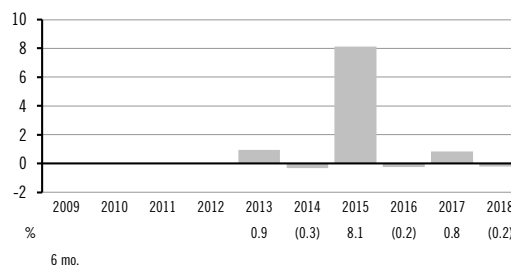
SERIES C



SERIES J<sub>b</sub>sc

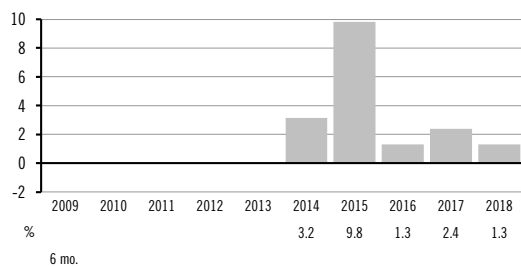


SERIES J<sub>N</sub>L

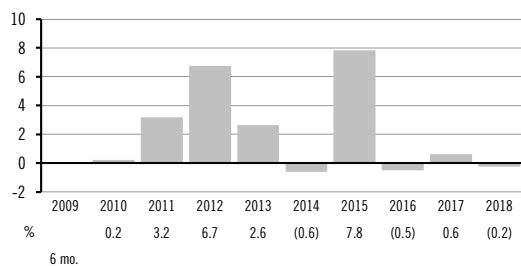


YEAR-BY-YEAR RETURNS (continued)

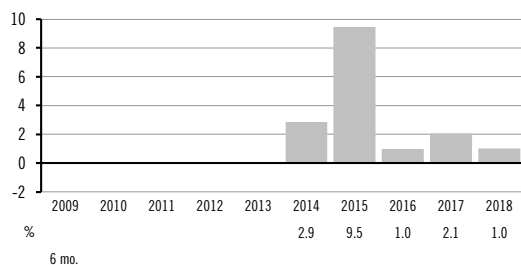
SERIES P



SERIES S



SERIES U



Annual Compound Returns

The following table compares the historical annual compound returns for each series with the index (or indices) shown below, for the periods shown ending March 31, 2018.

For a discussion of the Fund's recent performance relative to the index (or indices), see *Results of Operations*.

| (%)                                 | 1 yr  | 3 yrs | 5 yrs | 10 yrs | Since inception  |
|-------------------------------------|-------|-------|-------|--------|------------------|
| Series A                            | (0.5) | (0.1) | 1.4   | n/a    | 1.3              |
| Series B                            | (0.5) | (0.1) | 1.3   | n/a    | 1.3              |
| Series C                            | (0.5) | (0.1) | 1.3   | 2.8    | n/a              |
| Series Josc                         | (0.2) | 0.2   | 1.6   | n/a    | 1.6              |
| Series Jnl                          | (0.2) | 0.1   | 1.6   | n/a    | 1.6              |
| Series P                            | 1.3   | 1.7   | n/a   | n/a    | 3.7              |
| Series S                            | (0.2) | (0.0) | 1.4   | n/a    | 2.3              |
| Series U                            | 1.0   | 1.4   | n/a   | n/a    | 3.4              |
| FTSE TMX Canada Universe Bond Index |       |       |       |        |                  |
| Total Return                        | 1.4   | 1.2   | 2.9   | 4.4    | 2.8 <sup>1</sup> |

<sup>1</sup> The annual compound return for the index presented in the table corresponds to the inception dates for Series A, B, Josc and Jnl. The comparative annual compound return for the index since the inception of each of the remaining series is as follows: Series P: 3.5%; Series S: 4.1%; Series U: 3.5%.

The FTSE TMX Canada Universe Bond Index Total Return is designed to be a broad measure of the Canadian investment-grade fixed-income market weighted by market cap.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five financial years.

Footnotes are presented after *Ratios and Supplemental Data*.

### Net Assets per Security<sup>1</sup>

| <b>SERIES A</b><br>(in \$)                                    | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Net assets, beginning of period</b>                        | 9.86        | 9.98        | 10.26       | 9.68        | 9.90        |
| <b>Increase (decrease) from operations:</b>                   |             |             |             |             |             |
| Total revenue   | 0.29        | 0.30        | 0.31        | 0.33        | 0.32        |
| <sup>2</sup> Total expenses                                   | (0.17)      | (0.18)      | (0.18)      | (0.18)      | (0.17)      |
| Realized gains (losses) for the period                        | (0.05)      | 0.07        | 0.09        | 0.20        | (0.02)      |
| Unrealized gains (losses) for the period                      | (0.11)      | (0.12)      | (0.26)      | 0.40        | (0.19)      |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.04)      | 0.07        | (0.04)      | 0.75        | (0.06)      |
| <b>Distributions:</b>   |             |             |             |             |             |
| From net investment income (excluding dividends)              | (0.12)      | (0.12)      | (0.17)      | (0.18)      | (0.16)      |
| From dividends  | -           | -           | -           | -           | -           |
| From capital gains  | -           | (0.06)      | (0.07)      | -           | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.12)      | (0.18)      | (0.24)      | (0.18)      | (0.16)      |
| <b>Net assets at period end</b>                               | 9.69        | 9.86        | 9.98        | 10.26       | 9.68        |

| <b>SERIES B</b><br>(in \$)                                    | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Net assets, beginning of period</b>                        | 9.85        | 9.97        | 10.26       | 9.68        | 9.90        |
| <b>Increase (decrease) from operations:</b>                   |             |             |             |             |             |
| Total revenue   | 0.29        | 0.30        | 0.31        | 0.33        | 0.32        |
| <sup>2</sup> Total expenses                                   | (0.17)      | (0.18)      | (0.18)      | (0.18)      | (0.18)      |
| Realized gains (losses) for the period                        | (0.05)      | 0.07        | 0.09        | 0.20        | (0.02)      |
| Unrealized gains (losses) for the period                      | (0.11)      | (0.12)      | (0.26)      | 0.40        | (0.19)      |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.04)      | 0.07        | (0.04)      | 0.75        | (0.07)      |
| <b>Distributions:</b>   |             |             |             |             |             |
| From net investment income (excluding dividends)              | (0.12)      | (0.11)      | (0.16)      | (0.17)      | (0.16)      |
| From dividends  | -           | -           | -           | -           | -           |
| From capital gains  | -           | (0.06)      | (0.07)      | -           | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.12)      | (0.17)      | (0.23)      | (0.17)      | (0.16)      |
| <b>Net assets at period end</b>                               | 9.69        | 9.85        | 9.97        | 10.26       | 9.68        |

| <b>SERIES C</b><br>(in \$)                                    | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Net assets, beginning of period</b>                        | 11.48       | 11.61       | 11.96       | 11.28       | 11.54       |
| <b>Increase (decrease) from operations:</b>                   |             |             |             |             |             |
| Total revenue   | 0.34        | 0.34        | 0.36        | 0.38        | 0.37        |
| <sup>2</sup> Total expenses                                   | (0.17)      | (0.19)      | (0.20)      | (0.21)      | (0.20)      |
| Realized gains (losses) for the period                        | (0.06)      | 0.08        | 0.10        | 0.24        | (0.02)      |
| Unrealized gains (losses) for the period                      | (0.13)      | (0.14)      | (0.30)      | 0.47        | (0.23)      |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.02)      | 0.09        | (0.04)      | 0.88        | (0.08)      |
| <b>Distributions:</b>   |             |             |             |             |             |
| From net investment income (excluding dividends)              | (0.14)      | (0.14)      | (0.20)      | (0.20)      | (0.19)      |
| From dividends  | -           | -           | -           | -           | -           |
| From capital gains  | -           | (0.06)      | (0.08)      | -           | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.14)      | (0.20)      | (0.28)      | (0.20)      | (0.19)      |
| <b>Net assets at period end</b>                               | 11.29       | 11.48       | 11.61       | 11.96       | 11.28       |

| <b>SERIES J<sub>BSC</sub></b><br>(in \$)                      | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|---|-------------|-------------|-------------|-------------|-------------|
| <b>Net assets, beginning of period</b>                        | 9.90        | 10.02       | 10.30       | 9.72        | 9.93        |
| <b>Increase (decrease) from operations:</b>                   |             |             |             |             |             |
| Total revenue   | 0.29        | 0.30        | 0.31        | 0.33        | 0.32        |
| <sup>2</sup> Total expenses                                   | (0.14)      | (0.15)      | (0.15)      | (0.15)      | (0.14)      |
| Realized gains (losses) for the period                        | (0.05)      | 0.07        | 0.09        | 0.20        | (0.02)      |
| Unrealized gains (losses) for the period                      | (0.11)      | (0.12)      | (0.26)      | 0.40        | (0.19)      |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.01)      | 0.10        | (0.01)      | 0.78        | (0.03)      |
| <b>Distributions:</b>   |             |             |             |             |             |
| From net investment income (excluding dividends)              | (0.15)      | (0.15)      | (0.19)      | (0.20)      | (0.18)      |
| From dividends  | -           | -           | -           | -           | -           |
| From capital gains  | -           | (0.06)      | (0.08)      | -           | -           |
| Return of capital   | -           | -           | -           | -           | -           |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.15)      | (0.21)      | (0.27)      | (0.20)      | (0.18)      |
| <b>Net assets at period end</b>                               | 9.73        | 9.90        | 10.02       | 10.30       | 9.72        |

# Investors Canadian Bond Fund

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

MARCH 31, 2018

## Net Assets per Security<sup>1</sup> (continued)

| SERIES JNL<br>(in \$)   | 2018   | 2017   | 2016   | 2015   | 2014   |
|---|--------|--------|--------|--------|--------|
| <b>Net assets, beginning of period</b>                        | 9.89   | 10.01  | 10.30  | 9.71   | 9.92   |
| <b>Increase (decrease) from operations:</b>                   |        |        |        |        |        |
| Total revenue   | 0.29   | 0.30   | 0.31   | 0.33   | 0.32   |
| <sup>2</sup> Total expenses                                   | (0.14) | (0.15) | (0.15) | (0.15) | (0.15) |
| Realized gains (losses) for the period                        | (0.05) | 0.07   | 0.09   | 0.20   | (0.02) |
| Unrealized gains (losses) for the period                      | (0.11) | (0.12) | (0.26) | 0.40   | (0.19) |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.01) | 0.10   | (0.01) | 0.78   | (0.04) |
| <b>Distributions:</b>   |        |        |        |        |        |
| From net investment income (excluding dividends)              | (0.15) | (0.14) | (0.19) | (0.19) | (0.18) |
| From dividends  | -      | -      | -      | -      | -      |
| From capital gains  | -      | (0.06) | (0.07) | -      | -      |
| Return of capital   | -      | -      | -      | -      | -      |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.15) | (0.20) | (0.26) | (0.19) | (0.18) |
| <b>Net assets at period end</b>                               | 9.73   | 9.89   | 10.01  | 10.30  | 9.71   |

| SERIES P<br>(in \$)   | 2018   | 2017   | 2016   | 2015   | 2014   |
|---|--------|--------|--------|--------|--------|
| <b>Net assets, beginning of period</b>                        | 10.31  | 10.43  | 10.71  | 10.07  | 10.00  |
| <b>Increase (decrease) from operations:</b>                   |        |        |        |        |        |
| Total revenue   | 0.31   | 0.31   | 0.33   | 0.34   | 0.24   |
| <sup>2</sup> Total expenses                                   | -      | -      | -      | -      | -      |
| Realized gains (losses) for the period                        | (0.06) | 0.07   | 0.09   | 0.21   | (0.02) |
| Unrealized gains (losses) for the period                      | (0.11) | (0.13) | (0.27) | 0.42   | 0.07   |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | 0.14   | 0.25   | 0.15   | 0.97   | 0.29   |
| <b>Distributions:</b>   |        |        |        |        |        |
| From net investment income (excluding dividends)              | (0.31) | (0.30) | (0.32) | (0.34) | (0.24) |
| From dividends  | -      | -      | -      | -      | -      |
| From capital gains  | -      | (0.07) | (0.09) | -      | -      |
| Return of capital   | -      | -      | -      | -      | -      |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.31) | (0.37) | (0.41) | (0.34) | (0.24) |
| <b>Net assets at period end</b>                               | 10.13  | 10.31  | 10.43  | 10.71  | 10.07  |

| SERIES S<br>(in \$)   | 2018   | 2017   | 2016   | 2015   | 2014   |
|---|--------|--------|--------|--------|--------|
| <b>Net assets, beginning of period</b>                        | 10.37  | 10.49  | 10.79  | 10.18  | 10.42  |
| <b>Increase (decrease) from operations:</b>                   |        |        |        |        |        |
| Total revenue   | 0.31   | 0.31   | 0.33   | 0.34   | 0.34   |
| <sup>2</sup> Total expenses                                   | (0.16) | (0.18) | (0.19) | (0.19) | (0.19) |
| Realized gains (losses) for the period                        | (0.06) | 0.07   | 0.09   | 0.21   | (0.02) |
| Unrealized gains (losses) for the period                      | (0.11) | (0.13) | (0.28) | 0.42   | (0.21) |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | (0.02) | 0.07   | (0.05) | 0.78   | (0.08) |
| <b>Distributions:</b>   |        |        |        |        |        |
| From net investment income (excluding dividends)              | (0.15) | (0.13) | (0.17) | (0.18) | (0.17) |
| From dividends  | -      | -      | -      | -      | -      |
| From capital gains  | -      | (0.06) | (0.08) | -      | -      |
| Return of capital   | -      | -      | -      | -      | -      |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.15) | (0.19) | (0.25) | (0.18) | (0.17) |
| <b>Net assets at period end</b>                               | 10.20  | 10.37  | 10.49  | 10.79  | 10.18  |

| SERIES U<br>(in \$)   | 2018   | 2017   | 2016   | 2015   | 2014   |
|---|--------|--------|--------|--------|--------|
| <b>Net assets, beginning of period</b>                        | 10.30  | 10.41  | 10.70  | 10.07  | 10.00  |
| <b>Increase (decrease) from operations:</b>                   |        |        |        |        |        |
| Total revenue   | 0.30   | 0.31   | 0.33   | 0.34   | 0.24   |
| <sup>2</sup> Total expenses                                   | (0.03) | (0.03) | (0.03) | (0.03) | (0.02) |
| Realized gains (losses) for the period                        | (0.06) | 0.07   | 0.09   | 0.21   | (0.02) |
| Unrealized gains (losses) for the period                      | (0.11) | (0.13) | (0.27) | 0.42   | 0.04   |
| <sup>3</sup> <b>Total increase (decrease) from operations</b> | 0.10   | 0.22   | 0.12   | 0.94   | 0.24   |
| <b>Distributions:</b>   |        |        |        |        |        |
| From net investment income (excluding dividends)              | (0.28) | (0.27) | (0.29) | (0.31) | (0.22) |
| From dividends  | -      | -      | -      | -      | -      |
| From capital gains  | -      | (0.06) | (0.09) | -      | -      |
| Return of capital   | -      | -      | -      | -      | -      |
| <sup>4</sup> <b>Total annual distributions</b>                | (0.28) | (0.33) | (0.38) | (0.31) | (0.22) |
| <b>Net assets at period end</b>                               | 10.12  | 10.30  | 10.41  | 10.70  | 10.07  |



Ratios and Supplemental Data

| <b>SERIES A</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 196,067     | 255,215     | 298,810     | 333,226     | 394,153     |
| Number of securities outstanding (000's)                   | 20,225      | 25,887      | 29,953      | 32,466      | 40,705      |
| <sup>5</sup> Management expense ratio (%)                  | 1.78        | 1.78        | 1.78        | 1.78        | 1.78        |
| Management expense ratio before waivers or absorptions (%) | 1.78        | 1.78        | 1.78        | 1.78        | 1.78        |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

| <b>SERIES B</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 51,542      | 51,610      | 46,109      | 43,264      | 53,070      |
| Number of securities outstanding (000's)                   | 5,319       | 5,238       | 4,625       | 4,218       | 5,483       |
| <sup>5</sup> Management expense ratio (%)                  | 1.78        | 1.82        | 1.83        | 1.82        | 1.82        |
| Management expense ratio before waivers or absorptions (%) | 1.78        | 1.82        | 1.83        | 1.82        | 1.82        |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

| <b>SERIES C</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 223,018     | 265,275     | 293,959     | 346,874     | 424,239     |
| Number of securities outstanding (000's)                   | 19,754      | 23,107      | 25,317      | 29,015      | 37,612      |
| <sup>5</sup> Management expense ratio (%)                  | 1.79        | 1.81        | 1.82        | 1.82        | 1.82        |
| Management expense ratio before waivers or absorptions (%) | 1.81        | 1.81        | 1.82        | 1.82        | 1.82        |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

| <b>SERIES Jdsc</b>   | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 158,477     | 216,430     | 248,059     | 169,206     | 100,809     |
| Number of securities outstanding (000's)                   | 16,283      | 21,866      | 24,766      | 16,423      | 10,376      |
| <sup>5</sup> Management expense ratio (%)                  | 1.49        | 1.49        | 1.49        | 1.50        | 1.50        |
| Management expense ratio before waivers or absorptions (%) | 1.49        | 1.49        | 1.49        | 1.50        | 1.50        |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

| <b>SERIES JNL</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 25,168      | 31,607      | 28,086      | 18,394      | 8,685       |
| Number of securities outstanding (000's)                   | 2,587       | 3,194       | 2,806       | 1,787       | 895         |
| <sup>5</sup> Management expense ratio (%)                  | 1.50        | 1.54        | 1.55        | 1.55        | 1.55        |
| Management expense ratio before waivers or absorptions (%) | 1.50        | 1.54        | 1.55        | 1.55        | 1.55        |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

| <b>SERIES P</b>  | <b>2018</b> | <b>2017</b> | <b>2016</b> | <b>2015</b> | <b>2014</b> |
|--|-------------|-------------|-------------|-------------|-------------|
| Total net asset value (\$000's)                            | 2,181,479   | 2,225,512   | 2,026,491   | 2,072,113   | 2,044,753   |
| Number of securities outstanding (000's)                   | 215,270     | 215,945     | 194,379     | 193,520     | 202,998     |
| <sup>5</sup> Management expense ratio (%)                  | -           | -           | -           | -           | -           |
| Management expense ratio before waivers or absorptions (%) | -           | -           | -           | -           | -           |
| <sup>6</sup> Trading expense ratio (%)                     | -           | -           | -           | -           | -           |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81       | 43.21       | 59.26       | 47.56       | 41.61       |

Ratios and Supplemental Data (continued)

| SERIES S   | 2018    | 2017    | 2016    | 2015    | 2014    |
|--|---------|---------|---------|---------|---------|
| Total net asset value (\$000's)                            | 152,156 | 160,417 | 150,197 | 153,602 | 145,278 |
| Number of securities outstanding (000's)                   | 14,918  | 15,468  | 14,314  | 14,229  | 14,265  |
| <sup>5</sup> Management expense ratio (%)                  | 1.54    | 1.75    | 1.82    | 1.82    | 1.82    |
| Management expense ratio before waivers or absorptions (%) | 1.54    | 1.75    | 1.82    | 1.82    | 1.82    |
| <sup>6</sup> Trading expense ratio (%)                     | -       | -       | -       | -       | -       |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81   | 43.21   | 59.26   | 47.56   | 41.61   |

| SERIES U   | 2018   | 2017   | 2016   | 2015   | 2014  |
|--|--------|--------|--------|--------|-------|
| Total net asset value (\$000's)                            | 93,784 | 46,082 | 21,688 | 13,953 | 4,729 |
| Number of securities outstanding (000's)                   | 9,263  | 4,476  | 2,083  | 1,304  | 470   |
| <sup>5</sup> Management expense ratio (%)                  | 0.27   | 0.31   | 0.33   | 0.33   | 0.33  |
| Management expense ratio before waivers or absorptions (%) | 0.27   | 0.31   | 0.33   | 0.33   | 0.33  |
| <sup>6</sup> Trading expense ratio (%)                     | -      | -      | -      | -      | -     |
| <sup>7</sup> Portfolio turnover rate (%)                   | 76.81  | 43.21  | 59.26  | 47.56  | 41.61 |

<sup>1</sup> These calculations are prescribed by securities regulations and are not intended to be a reconciliation between opening and closing net assets per security. This information is derived from the Fund's audited annual financial statements presented in accordance with IFRS. Net asset values presented are consistent with the net asset values calculated in accordance with securities regulations for the purchase and redemption of the Fund's securities (pricing net asset values) and as such, pricing net asset values are not separately disclosed.

<sup>2</sup> Commissions and other portfolio transaction costs are included in total expenses.

<sup>3</sup> Net asset value and distributions are based on the actual number of securities outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of securities outstanding over the financial period. In the period a series is established, the financial information is provided from the date of inception to the end of the period.

<sup>4</sup> Distributions were paid in cash, reinvested in additional securities of the Fund, or both.

<sup>5</sup> Management expense ratio (MER) is based on total expenses, excluding commissions and other portfolio transaction costs, income taxes, and withholding taxes, for the stated period and is expressed as an annualized percentage of daily average net assets during the period, except as noted. In the period a series is established, the MER is annualized from the date of inception to the end of the period. Where a Fund directly or indirectly via derivative contract invests in securities of an Underlying Fund, the MERs presented for the Fund include the portion of MERs of the Underlying Fund(s) attributable to this investment. Correspondingly, the MERs presented for the Fund exclude any management or other fees that are waived as a result of its investment in the Underlying Fund(s). Certain expenses that are non-recurring and/or otherwise uncertain as to their future timing and amount have not been annualized.

<sup>6</sup> The trading expense ratio (TER) represents total commissions and other portfolio transaction costs incurred as an annualized percentage of daily average net assets during the period. Where a Fund invests in securities of an Underlying Fund, the TERs presented for the Fund include the portion of TERs of the Underlying Fund(s) attributable to this investment.

<sup>7</sup> The Fund's portfolio turnover rate indicates how actively the Fund's Portfolio Advisor manages its portfolio investments. 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 period. Generally, the higher a Fund's portfolio turnover rate in a period, the greater the trading costs payable by it in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund. Transactions incurred to realign the Fund's portfolio after a fund merger, if any, are excluded from the portfolio turnover rate. There were no such transactions related to the May 2015 merger.