

2020

Semi-Annual Report

June 30, 2020

AIC Segregated Funds are issued by:

ivariTM

AIC SEGREGATED FUNDS

AIC Segregated Funds 2020 Semi-Annual Report

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AIC DIVERSIFIED CANADA SEGREGATED FUND

AIC DIVERSIFIED CANADA SEGREGATED FUND

STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

As at June 30, December 31,
2020 2019

(\$ in thousands except for per unit amounts)

Assets**Current assets**

Investments, at fair value	4,109	4,203
Cash	161	20
Receivable from investments sold	-	2
Receivable from Manager	60	174
	<u>4,330</u>	<u>4,399</u>

Liabilities**Current liabilities**

Payable on investments purchased	1	1
Accrued expenses and other liabilities	29	40
	<u>30</u>	<u>41</u>

Net assets attributable to contractholders 4,300 4,358

Net assets attributable to contractholders per class

100% Guarantee Option	3,146	3,208
75% Guarantee Option	1,154	1,150
	<u>4,300</u>	<u>4,358</u>

Net assets attributable to contractholders per unit

100% Guarantee Option	7.65	7.55
75% Guarantee Option	9.09	8.97

STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

For the periods ended June 30 2020 2019

(\$ in thousands except for per unit amounts)

Income

Distribution income from underlying funds	31	37
Other income (loss)	5	6
Realized gain (loss) on sales of investments	(11)	53
Change in unrealized appreciation (depreciation) in the value of investments	90	878
	<u>115</u>	<u>974</u>

Expenses

Management fees	44	54
Administration fees	52	78
Audit fees	4	4
Custodial fees	1	10
Other operating expenses	16	18
	<u>117</u>	<u>164</u>

Less operating expenses absorbed by Manager (55) (89)

Net operating expenses 62 75

Increase (decrease) in net assets attributable to contractholders 53 899

Increase (decrease) in net assets attributable to contractholders per class

100% Guarantee Option	38	659
75% Guarantee Option	15	240
	<u>53</u>	<u>899</u>

Increase (decrease) in net assets attributable to contractholders per unit

100% Guarantee Option	0.09	1.38
75% Guarantee Option	0.11	1.57

AIC DIVERSIFIED CANADA SEGREGATED FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (UNAUDITED)

For the period ended June 30, 2020
(\$ in thousands)

	Fund	100% Guarantee Option	75% Guarantee Option
Net assets attributable to contractholders - beginning of period	4,358	3,208	1,150
Increase (decrease) in net assets attributable to contractholders	53	38	15
Security transactions			
Redemption of units	(111)	(100)	(11)
Total security transactions	(111)	(100)	(11)
Net assets attributable to contractholders - end of period	<u>4,300</u>	<u>3,146</u>	<u>1,154</u>
Changes due to securities transactions ('000)			
Units outstanding beginning of period		425	128
Units redeemed		(13)	(1)
Units outstanding end of period		<u>412</u>	<u>127</u>

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (UNAUDITED)

For the period ended June 30, 2019
(\$ in thousands)

	Fund	100% Guarantee Option	75% Guarantee Option
Net assets attributable to contractholders - beginning of period	4,605	3,377	1,228
Increase (decrease) in net assets attributable to contractholders	899	659	240
Security transactions			
Redemption of units	(460)	(426)	(34)
Total security transactions	(460)	(426)	(34)
Net assets attributable to contractholders - end of period	<u>5,044</u>	<u>3,610</u>	<u>1,434</u>
Changes due to securities transactions ('000)			
Units outstanding beginning of period		501	153
Units redeemed		(53)	(3)
Units outstanding end of period		<u>448</u>	<u>150</u>

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

AIC DIVERSIFIED CANADA SEGREGATED FUND			AIC DIVERSIFIED CANADA SEGREGATED FUND			
STATEMENTS OF CASH FLOWS (UNAUDITED)			SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)			
For the periods ended June 30			As at June 30, 2020			
(\$ in thousands)	2020	2019	PAR VALUE (\$ ('000))/ NO. OF SHARES / NO. OF UNITS	NAME	AVERAGE COST (\$ ('000))	FAIR VALUE (\$ ('000))
Cash flows from operating activities			MUTUAL FUNDS 95.6%			
Increase (decrease) in net assets attributable to contractholders	53	899	473,977	Manulife Dividend Income Plus Fund, Advisor Series	3,987	4,109
Adjustments for:				Total Investments	3,987	4,109
Distributions from underlying funds	(31)	(37)		Other assets less liabilities 4.4%		191
Realized gain (loss) on sales of investments	11	(53)		Net assets attributable to contractholders 100.0%		4,300
Change in unrealized appreciation (depreciation) in the value of investments	(90)	(878)				
Purchases of investments	-	(174)				
Proceeds from disposition of investments	206	656				
Receivable from Manager	114	95				
Accrued expenses and other liabilities	(11)	(36)				
Net cash provided by (used in) operating activities	252	472				
Cash flows from financing activities						
Payments for units redeemed	(111)	(460)				
Net cash provided by (used in) financing activities	(111)	(460)				
Net increase (decrease) in cash	141	12				
Cash (bank overdraft) beginning of period	20	24				
Cash (bank overdraft) end of period	161	36				

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

AIC MONEY MARKET SEGREGATED FUND			AIC MONEY MARKET SEGREGATED FUND		
STATEMENTS OF FINANCIAL POSITION (UNAUDITED)			STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)		
As at	June 30,	December 31,	For the periods ended June 30		
	2020	2019	2020	2019	
(\$ in thousands except for per unit amounts)			(\$ in thousands except for per unit amounts)		
Assets			Income		
Current assets			Distribution income from underlying funds		
Investments, at fair value	1,283	1,343	11	15	
Cash	80	82	Other income (loss)	-	1
Receivable from investments sold	1	1			
Receivable from Manager	35	30			
Distribution receivable from underlying funds	1	2			
	1,400	1,458			
Liabilities			Expenses		
Current liabilities			Management fees		
Payable on investments purchased	2	2	5	6	
Accrued expenses and other liabilities	37	32	Administration fees	22	30
	39	34	Audit fees	4	4
			Custodial fees	1	3
			Other operating expenses	8	8
				40	51
			Less operating expenses absorbed by Manager	(35)	(45)
			Net operating expenses	5	6
Net assets attributable to contractholders	1,361	1,424	Increase (decrease) in net assets attributable to contractholders	6	10
Net assets attributable to contractholders per class			Increase (decrease) in net assets attributable to contractholders per class		
100% Guarantee Option	1,238	1,286	100% Guarantee Option	5	8
75% Guarantee Option	123	138	75% Guarantee Option	1	2
	1,361	1,424		6	10
Net assets attributable to contractholders per unit			Increase (decrease) in net assets attributable to contractholders per unit		
100% Guarantee Option	6.27	6.24	100% Guarantee Option	0.03	0.04
75% Guarantee Option	7.24	7.20	75% Guarantee Option	0.04	0.05

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

AIC MONEY MARKET SEGREGATED FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (UNAUDITED)

For the period ended June 30, 2020
(\$ in thousands)

	Fund	100% Guarantee Option	75% Guarantee Option
Net assets attributable to contractholders - beginning of period	1,424	1,286	138
Increase (decrease) in net assets attributable to contractholders	6	5	1
Security transactions			
Proceeds from units issued	6	6	-
Redemption of units	(75)	(59)	(16)
Total security transactions	(69)	(53)	(16)
Net assets attributable to contractholders - end of period	1,361	1,238	123
Changes due to securities transactions ('000)			
Units outstanding beginning of period		206	19
Units issued		1	-
Units redeemed		(10)	(2)
Units outstanding end of period		197	17

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO CONTRACTHOLDERS (UNAUDITED)

For the period ended June 30, 2019
(\$ in thousands)

	Fund	100% Guarantee Option	75% Guarantee Option
Net assets attributable to contractholders - beginning of period	1,547	1,401	146
Increase (decrease) in net assets attributable to contractholders	10	8	2
Security transactions			
Redemption of units	(88)	(87)	(1)
Total security transactions	(88)	(87)	(1)
Net assets attributable to contractholders - end of period	1,469	1,322	147
Changes due to securities transactions ('000)			
Units outstanding beginning of period		228	21
Units redeemed		(14)	-
Units outstanding end of period		214	21

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

AIC MONEY MARKET SEGREGATED FUND			AIC MONEY MARKET SEGREGATED FUND			
STATEMENTS OF CASH FLOWS (UNAUDITED)			SCHEDULE OF INVESTMENT PORTFOLIO (UNAUDITED)			
For the periods ended June 30			As at June 30, 2020			
(\$ in thousands)	2020	2019	PAR VALUE (\$ ('000))/ NO. OF SHARES / NO. OF UNITS	NAME	AVERAGE COST (\$ ('000))	FAIR VALUE (\$ ('000))
Cash flows from operating activities			MUTUAL FUNDS 94.3%			
Increase (decrease) in net assets attributable to contractholders	6	10	128,275	Manulife Money Market Fund, Series HE	1,283	1,283
Adjustments for:				Total Investments	1,283	1,283
Distributions from underlying funds	(11)	(15)		Other assets less liabilities 5.7%		78
Purchases of investments	(1)	-		Net assets attributable to contractholders 100.0%		1,361
Proceeds from disposition of investments	73	97				
Receivable from Manager	(5)	-				
Accrued expenses and other liabilities	5	3				
Net cash provided by (used in) operating activities	67	95				
Cash flows from financing activities						
Proceeds from sale of units	6	-				
Payments for units redeemed	(75)	(88)				
Net cash provided by (used in) financing activities	(69)	(88)				
Net increase (decrease) in cash	(2)	7				
Cash (bank overdraft) beginning of period	82	78				
Cash (bank overdraft) end of period	80	85				

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

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

(\$ in thousands)

1. THE FUNDS

ivari is the sole issuer of the variable annuity contract, which is invested in mutual funds ("underlying funds"). The assets of the AIC Segregated Funds (each the "Fund" or collectively, the "Funds") are owned by ivari, but are segregated from other assets of ivari under the *Insurance Companies Act*. The Funds are not separate legal entities.

Manulife Mutual Funds, a division of Manulife Investment Management Limited (the "Manager"), is the manager of the underlying funds. The Manager provides certain administrative services to the underlying funds.

The address of the Funds' registered office is 5000 Yonge Street, Toronto, Ontario, M2N 7J8, Canada.

The financial statements of each of the Funds were approved by ivari on September 25, 2020.

The inception date of each Fund is as follows:

<u>Fund</u>	<u>Date of inception</u>	<u>Fund</u>	<u>Date of inception</u>
AIC Diversified Canada Segregated Fund	January 18, 1999	AIC Money Market Segregated Fund	January 18, 1999

The Statements of Financial Position are as at June 30, 2020 and December 31, 2019. The Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Contractholders and Statements of Cash Flows are for the periods ended June 30, 2020 and 2019. The Schedule of Investment Portfolio is as at June 30, 2020.

Investors have two purchase options for the Funds. They can be purchased with a 100% guarantee or a 75% guarantee. Each purchase option comes with a different expense ratio.

Abbreviations legend

The following is a list of abbreviations used in these financial statements:

Currency abbreviations

CAD - Canadian Dollar

Other abbreviations

FVTPL - Fair Value Through Profit or Loss

MLI - The Manufacturers Life Insurance Company

IAS - International Accounting Standard(s)

NAV - Net Asset Value

IASB - International Accounting Standards Board

NAVPU - Net Asset Value Per Unit

IFRS - International Financial Reporting Standard(s)

TSX - Toronto Stock Exchange

2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board.

The significant accounting policies set out below have been consistently applied within these financial statements.

a) Critical accounting estimates and judgments

The preparation of the Funds' financial statements requires the Manager to make judgments, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods. The following is a discussion of the most significant accounting judgments and estimates made in preparing the financial statements:

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Manager based the assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Manager. Such changes are reflected in the assumptions when they occur.

The Manager believes that the estimates used in preparing the financial statements are reasonable and prudent. Actual results could differ from these estimates and the difference could be material.

b) Financial instruments**Recognition and derecognition**

All financial instruments are recognized at fair value upon initial recognition when the Fund becomes a party to the contractual requirements of the financial instruments.

A financial asset is derecognized when the right to receive cash flows from the asset has expired or the Funds have substantially transferred all risks and rewards of ownership. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

(\$ in thousands)

Classification

In classifying and measuring financial instruments held by the Funds, the Manager is required to assess each Funds' business model, the manner in which all financial assets and financial liabilities are managed and performance evaluated as a group on a fair value basis and the contractual cash flow characteristics of these financial instruments. The Funds' portfolio of financial assets is managed and evaluated on a fair value basis. Consequently, the Funds classify and measure all investments and derivatives at FVTPL.

All other financial assets and financial liabilities (other than those classified as FVTPL) such as cash; interest, dividends and other receivables, receivable from investments sold; receivable from Manager; payable on investments purchased and accrued expense and other liabilities are measured at cost or amortized cost in accordance with IFRS 9, *Financial Instruments*.

The Funds' obligations for net assets attributable to contractholders are classified as financial liabilities in accordance with the requirements of IAS 32, *Financial Instruments: Presentation* and are presented at the redemption amount.

Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Investments in underlying funds are valued at their NAVPU calculated by their managers in accordance with the constating documents of each underlying fund. If the NAVPU of the underlying fund is unavailable, they are valued using their last published NAVPU or at the fair value as determined by the Manager using observable market inputs, whichever is deemed to be the best representation of fair value of the underlying funds.

c) Investments in subsidiaries, associates and unconsolidated structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

Subsidiaries are all entities, including investments in other investment entities, over which the Fund has control. The Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Manager has determined that the Funds are each an investment entity as defined by IFRS 10, *Consolidated Financial Statements* and as such, the Funds account for subsidiaries at fair value. Disclosures with respect to the Funds' investments in unconsolidated structured entities are included in Note 7, as applicable.

d) Impairment of financial assets at amortized cost

At each reporting date, the Manager assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Funds recognize an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment loss on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

e) Cash

Cash represents cash at the bank and is carried at amortized cost, which approximates its fair value. Cash is held with the Funds' custodian, a Canadian financial institution.

f) Investment transactions

Investment transactions are recorded on a trade date basis. Realized gain or loss on sales of investments and change in unrealized appreciation (depreciation) in the value of investments are determined on an average cost basis.

g) Income recognition

Income from investments is recognized on an accrual basis.

Distributions from the underlying funds can include dividends, interest for distribution purposes and capital gains, the proceeds of which are used to purchase additional units in the underlying funds. Distributions are recognized at the date of the distribution by the underlying funds and shown separately as distribution income from underlying funds in the Statements of Comprehensive Income.

h) Allocation of income and expenses, and realized and unrealized gains and losses

Management and administration fees directly attributable to a class are charged to that class. Income, realized and unrealized gains and losses and fund-level expenses are allocated to each class proportionately based on the relative NAV of each class.

i) Foreign exchange translations

The Funds' functional and presentation currency is CAD.

j) NAV per unit

The Fund's NAVPU of each class is computed by dividing the NAV of the class by the number of units outstanding of that class. The NAVPU is determined at the close of business each day the TSX is open for business.

The Fund's NAV of each class is computed by calculating the value of that class' proportionate share of the Fund's common assets less liabilities and less that class' specific liabilities.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)
(\$ in thousands)

k) Increase (decrease) in net assets attributable to contractholders per unit

Increase (decrease) in net assets attributable to contractholders per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to contractholders of each class for the period, divided by the weighted average number of units outstanding of that class during the period.

l) New IFRS standards issued but not yet effective

There are no standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have significant impact on the Funds.

3. FINANCIAL INSTRUMENT RISKS

Coronavirus 19 (COVID-19) impact

Since the outbreak of COVID-19, emergency measures taken in response to the spread of COVID-19 have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced significant volatility and weakness. The governments have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving and the duration and impact of the COVID-19 pandemic is highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the Funds. In the face of the current environment of heightened uncertainty and market volatility, the Manager continues to closely monitor its impact on the Funds' risk exposures from the portfolio holdings.

Management of financial instrument risks

The Funds may be exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, currency risk, concentration risk and other market risk). The Funds' overall risk management program seeks to maximize the returns derived for the level of risk to which they are exposed, and seeks to minimize potential adverse effects on their financial performance. The value of investments within the Funds' holdings can fluctuate on a daily basis as a result of changes in interest rates, economic and market conditions and company news related to specific securities within the Funds. The Funds' risk management practice includes the monitoring of compliance to investment policy and guidelines. The Manager manages the potential effects of these financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Funds' positions, market events and diversify investment portfolios within the constraints of the investment guidelines.

The Manager maintains a risk management practice that includes monthly and quarterly monitoring of the returns-based risk profile of the Funds. The Manager also monitors compliance with investment restrictions to ensure that each Fund is being managed in accordance with its stated investment objectives, strategies and securities regulations.

Financial instrument risk

a) Credit risk

Credit risk is the risk that the issuer of a debt security or counterparty to a financial instrument will fail to pay the interest or to repay the principal or discharge an obligation or commitment that it has entered into with the Fund. The carrying value of investments as presented in the Schedule of Investment Portfolio represents the maximum credit risk exposure of the Funds as at June 30, 2020. This also applies to other assets, as they have short terms to settlement. The midpoint credit rating from Standard & Poor's has been used in the risk disclosures.

Exposure to credit risk is not presented for Funds that primarily invest in securities with maturities less than one year or bank deposits since the risk is considered minimal.

Credit risk is presented on debt securities (excluding short-term investments) and derivative assets. The Funds may be exposed to indirect credit risk in the event that the underlying fund holds debt securities and/or derivative assets.

As at June 30, 2020 and December 31, 2019, the Funds are not directly exposed to significant credit risk.

b) Interest rate risk

Interest rate risk is presented on debt securities (excluding short-term investments). All short-term investments have a maturity of less than one year. The Funds are exposed to the risk that the fair value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Other assets and liabilities are either short-term in nature or non-interest-bearing.

Generally, the fair value of fixed income securities will vary inversely in relation to a change in interest rates. As interest rates rise, the fair value of fixed income securities falls and vice versa. The magnitude of the fall and rise will generally be greater for long-term fixed income securities than for short-term fixed income securities.

Exposure to interest rate risk is not presented for Funds that primarily invest in securities with maturities less than one year or bank deposits since the risk is considered minimal.

The Funds may be exposed to indirect interest rate risk in the event that the underlying fund holds debt securities.

As at June 30, 2020 and December 31, 2019, the Funds are not directly exposed to significant interest rate risk.

c) Currency risk

Currency risk arises from financial instruments that are denominated in a currency other than the functional currency of each Fund. The Funds are exposed to the risk that the fair value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Schedule of Investment Portfolio identifies all fixed income securities denominated in foreign currencies. Fixed income securities are presumed to be denominated in each Funds' presentation currency unless otherwise noted. Equities trading in foreign markets are also exposed to currency risk as the price in local terms on the foreign stock exchange is converted to the functional currency to determine fair value.

The foreign currency exposure amounts are based on the fair value of the Funds' holdings and the underlying notional amounts of any derivative contracts. The investments include both monetary and non-monetary instruments.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)

(\$ in thousands)

The Funds may be exposed to indirect currency risk in the event the underlying funds invest in foreign currency denominated instruments.

As at June 30, 2020 and December 31, 2019, the Funds are not directly exposed to significant currency risk.

d) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

The Funds are exposed to indirect concentration risk in the event that they invest in underlying funds.

e) Other market risk

The NAVPU of the Funds are directly related to the fair value of the securities in which they invest, which increases or decreases depending on the financial performance of the security's issuer and general economic, political, tax and market conditions.

All securities present a risk of loss of capital. The Manager manages this risk through a careful selection of securities and other financial instruments within the parameters of each Fund's investment strategy. Except for options written and futures contracts held short (if any), the maximum risk resulting from financial instruments is equivalent to their fair values. Possible losses from options written and futures contracts held short can be unlimited. The Funds' equity, debt and derivative instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

Exposure to other market risk is not presented for Funds that primarily invest in securities with maturities less than one year or bank deposits since the risk is considered minimal.

The impact on net assets attributable to contractholders of the Funds due to a 5% change in NAV of the Funds, with all other variables held constant, is summarized in the table below. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

As at June 30, 2020 and December 31, 2019 (\$)	2020	2019
AIC Diversified Canada Segregated Fund	215	218

f) Liquidity risk

Liquidity risk is the risk that the Funds may not be able to settle or meet their obligations associated with financial liabilities on time. Each Fund is exposed to daily cash redemptions of units. The Funds are primarily invested in securities that are traded in active markets and can be readily disposed of. All other liabilities of the Funds, other than derivatives, mature in six months or less. In addition, the Funds try to maintain sufficient cash positions to meet liquidity requirements. The Funds also have the ability to borrow up to 5% of their net assets attributable to contractholders for the purpose of funding redemptions.

g) Fair value measurement

The Funds classify each financial instrument into one of three fair value levels within the fair value hierarchy. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1 – for unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3 – for inputs that are based on unobservable market data.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

All fair value measurements are recurring. For financial instruments whose fair values approximate their carrying values, given their short term nature, the carrying values of financial instruments measured at amortized cost approximate their fair values. Fair values 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.

The models used to determine fair value measurements included in the financial statements of the Funds including Level 3 measurements, if any, are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The Manager considers and reviews the appropriateness of the valuation models, the valuation results, as well as any adjustments to the prices or estimates used by these models. At each financial reporting date, the Manager reviews and approves all Level 3 fair value measurements.

Underlying funds

The Funds' investments in underlying funds are classified as Level 1 when they are redeemable on a daily basis and their NAVPU are observable. They are classified as Level 2 when they are either not redeemable on a daily basis, or their NAVPU are not observable.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)
(\$ in thousands)

Fair value hierarchy

The following table summarizes the inputs used in valuing the Funds' financial instruments carried at fair value.

As at June 30, 2020 and December 31, 2019 (\$)	2020				2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
AIC Diversified Canada Segregated Fund								
Mutual Funds	4,109	-	-	4,109	4,203	-	-	4,203
AIC Money Market Segregated Fund								
Mutual Funds	1,283	-	-	1,283	1,343	-	-	1,343

Transfers between levels

There were no significant transfers between levels during the periods ended June 30, 2020 and 2019.

4. UNITS OF THE FUNDS

Units issued and outstanding represent the capital of each Fund. Each Fund is authorized to issue an unlimited number of units with no par value in each class, which are redeemable at the option of the contractholder at their current NAVPU.

Each Fund has a contractual obligation to repurchase or redeem its units for cash or other financial assets and as such, the outstanding units are classified as a financial liability. The Funds have no restrictions or specific capital requirements other than minimum subscription requirements. Changes in each Fund's units during the periods are disclosed in the Statements of Changes in Net Assets Attributable to Contractholders. The Funds endeavour to invest the proceeds received from subscriptions in appropriate investments in conjunction with their investment objectives while remaining in compliance with regulatory requirements. The Funds maintain sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

5. TAXATION

The Funds are deemed to be trusts under the provisions of the *Income Tax Act* (Canada) (the "Act"). The Funds' income and net capital gains and losses are deemed to be allocated to the contractholders so that the Funds will not be liable for tax under Part I of the Act. Accordingly, the Funds do not record income tax provisions. Any tax benefit of non-capital loss carry-forwards, where applicable, has not been reflected as a deferred income tax asset in the Statements of Financial Position.

Non-capital losses may be used to reduce future taxable amounts, and can be carried forward for up to twenty years.

The following table summarizes non-capital loss carry-forwards, if any.

As at June 30, 2020 and December 31, 2019	2020		2019*	
	Non-capital losses (\$)	Expiry year	Non-capital losses (\$)	Expiry year
AIC Diversified Canada Segregated Fund	48	2039	48	2039

* The comparative non-capital loss carry-forwards have been restated from the amount previously presented.

6. RELATED PARTY TRANSACTIONS

The Funds' investments in underlying funds managed by the Manager, which is a subsidiary of MLI, are related party investments. All investment transactions relating to those underlying funds are at the NAVPU of those underlying funds. The Funds receive distribution income from these underlying funds. Details of such investments are included in the Schedule of Investment Portfolio.

Management fee

ivari charges the Funds an annual management fee. The Manager charges an annual management fee to the underlying funds for the provision of its services pursuant to the management agreement.

The daily management fee applicable to the Funds and payable to ivari is calculated on each valuation date and is equal to the product of the NAV of the Funds on such date and the number of days elapsed since the last valuation date, multiplied by ivari's daily management fee applicable to the Funds.

In addition to the management fee payable, the Funds and underlying funds are responsible for all costs relating to their operations, including, but not limited to, legal, audit, accounting, custodial, safekeeping fees, taxes (if any), interest, operating and administrative costs, costs of financial and other reports and information folders required to comply with laws and regulatory guidelines regulating the issuance or sale of variable annuity contracts.

The Manager, at its discretion, may waive or absorb a portion of the operating expenses otherwise payable by a Fund. These waivers may be terminated at any time by the Manager.

NOTES TO FINANCIAL STATEMENTS FOR THE PERIODS ENDED JUNE 30, 2020 AND 2019 (UNAUDITED)
(\$ in thousands)

7. INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The Funds consider all of their investments in underlying funds to be investments in unconsolidated structured entities.

The purpose of investing in underlying funds is to receive returns from capital appreciation, investment income, or both.

The underlying funds finance their operations by issuing securities which are puttable at the holder's option and entitle the holder to a proportional stake in the respective underlying fund's net assets. The Funds hold securities in each of their underlying funds. The carrying amount of the Funds' interests in the underlying fund is recognized in investments, at fair value in the Statements of Financial Position. The carrying amount of the Funds' interests in the underlying fund is equal to the maximum exposure to loss. The change in fair value of each underlying fund is included in change in unrealized appreciation (depreciation) in the value of investments in the Statements of Comprehensive Income.

The Funds' investments in underlying funds are subject to the terms and conditions of the respective underlying funds' offering documents and are susceptible to market price risk arising from uncertainties about future values of those underlying funds.

The Funds have the right to request redemption of their investments in underlying funds on a daily basis. Once the Funds have disposed of securities of an underlying fund, the Funds cease to be exposed to any risk from that underlying fund.

All investments in underlying funds that are unconsolidated structured entities are disclosed in the following table:

As at June 30, 2020 and December 31, 2019 (\$)	2020		2019	
	Net assets of underlying fund	Fair value of investment in underlying fund	Net assets of underlying fund	Fair value of investment in underlying fund
AIC Diversified Canada Segregated Fund				
Manulife Dividend Income Plus Fund	1,553,386	4,109	1,619,410	4,203
AIC Money Market Segregated Fund				
Manulife Money Market Fund	830,291	1,283	1,080,657	1,343

MANULIFE DIVIDEND INCOME PLUS FUND

MANULIFE MONEY MARKET FUND

TOP 25 UNDERLYING HOLDINGS (UNAUDITED)

TOP 25 UNDERLYING HOLDINGS (UNAUDITED)

PAR VALUE (\$) ('000)/ NO. OF SHARES / NO. OF UNITS	Name	AVERAGE COST (\$ ('000))	FAIR VALUE (\$ ('000))
53,742	Shopify, Inc.	32,277	69,315
40,586	Constellation Software, Inc.	35,124	62,214
175,434	Microsoft Corp.	32,240	48,627
140,114	Canadian Pacific Railway Ltd.	44,381	48,384
230,073	Boyd Group Services, Inc.	45,337	46,491
354,038	Waste Connections, Inc.	41,928	45,030
982,379	Alimentation Couche-Tard, Inc., Class B	36,957	41,820
422,722	Thomson Reuters Corp.	37,601	38,992
815,565	Brookfield Asset Management, Inc.	36,956	36,440
533,569	Open Text Corp.	28,552	30,760
659,834	Dollarama, Inc.	26,637	29,798
337,221	CGI, Inc.	33,359	28,842
110,656	PayPal Holdings, Inc.	17,962	26,259
317,251	Evolution Gaming Group AB	11,250	25,739
280,300	Tencent Holdings Ltd.	15,614	24,523
76,565	Facebook, Inc.	20,518	23,679
320,971	Enghouse Systems Ltd.	13,558	23,270
416,097	Brookfield Infrastructure Partners LP	23,528	23,247
57,402	Mastercard, Inc.	21,060	23,118
71,655	Veeva Systems, Inc.	14,293	22,878
11,390	Adyen NV	11,863	22,594
11,704	Alphabet, Inc., Class C	14,378	22,534
301,124	Restaurant Brands International, Inc.	25,010	22,250
605,895	Jamieson Wellness, Inc.	15,736	21,558
71,030	Alibaba Group Holding Ltd., ADR	20,744	20,867

PAR VALUE (\$) ('000)/ NO. OF SHARES / NO. OF UNITS	Name	AVERAGE COST (\$ ('000))	FAIR VALUE (\$ ('000))
50,000	Canadian Treasury Bill, 1.54%, Sep 03, 2020	49,619	49,619
42,900	The Bank of Nova Scotia, 2.01%, Jan 13, 2021, FRN	42,907	42,907
42,550	Canadian Treasury Bill, 0.82%, Mar 04, 2021	42,204	42,204
35,600	Royal Bank of Canada, 0.69%, Feb 08, 2021, FRN	35,600	35,600
33,823	The Toronto-Dominion Bank, 2.05%, Mar 08, 2021	34,088	34,088
31,980	The Bank of Nova Scotia, 2.09%, Sep 09, 2020	32,063	32,063
31,147	Bank of Montreal, 3.40%, Apr 23, 2021	31,757	31,757
30,450	Canadian Treasury Bill, 0.50%, Mar 25, 2021	30,305	30,305
29,050	Canadian Imperial Bank of Commerce, 2.26%, Dec 08, 2020, FRN	29,076	29,076
26,530	Ontario Teachers' Finance Trust, 0.53%, Aug 24, 2020	26,480	26,480
26,300	Province of British Columbia, 0.60%, Oct 06, 2020	26,222	26,222
26,100	Royal Bank of Canada, 2.12%, Jul 28, 2020, FRN	26,100	26,100
26,000	Banner Trust, 0.33%, Jul 16, 2020	25,993	25,993
25,200	The Toronto-Dominion Bank, 2.11%, Oct 06, 2020, FRN	25,200	25,200
25,000	Plaza Trust, 0.42%, Jul 07, 2020	24,987	24,987
24,050	Canadian Treasury Bill, 1.59%, Jul 23, 2020	23,895	23,895
22,850	Bank of Montreal, 0.56%, Oct 14, 2020, FRN	22,863	22,863
21,000	Canadian Imperial Bank of Commerce, 0.90%, Oct 07, 2020	20,906	20,906
19,921	Storm King Funding, 0.36%, Aug 04, 2020	19,912	19,912
19,500	Zeus Receivables Trust, 0.32%, Jul 22, 2020	19,495	19,495
18,695	Province of British Columbia, 0.45%, Oct 02, 2020	18,657	18,657
17,062	Canadian Imperial Bank of Commerce, 1.90%, Apr 26, 2021	17,171	17,171
15,300	Bank of Montreal, 0.31%, Sep 03, 2020	15,288	15,288
15,000	Plaza Trust, 0.31%, Jul 15, 2020	14,998	14,998
15,000	The Toronto-Dominion Bank, 1.88%, Aug 31, 2020	14,725	14,725

FINANCIAL HIGHLIGHTS (UNAUDITED)

AIC Diversified Canada Segregated Fund

Ratios and Supplemental Data

100% Guarantee Option

	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value (000's) ⁽¹⁾ (\$)	3,146	3,208	3,377	4,479	6,482	4,916
Number of units outstanding (000's) ⁽¹⁾	412	425	501	605	1,078	878
Management expense ratio ⁽²⁾ (%)	5.00	5.00	5.00	5.00	5.00	5.00
Management expense ratio before waivers or absorptions (%)	8.17	8.77	8.40	8.98	6.80	8.10
Portfolio turnover rate ⁽³⁾ (%)	0.78	7.24	13.97	186.22	26.83	11.12
Net Asset Value per unit ⁽¹⁾ (\$)	7.65	7.55	6.74	7.40	6.01	5.60

⁽¹⁾ This information is provided as at December 31 of the year shown, unless otherwise indicated.

⁽²⁾ The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It is calculated by dividing total expenses, fees and charges excluding commissions, transaction costs and income taxes by the average net asset value of the segregated fund for the financial period, then multiplying the result by 100.

⁽³⁾ The Fund's portfolio turnover rate indicates how actively the 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. The higher a portfolio turnover rate in the period, the greater the trading costs payable by the Fund 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 portfolio.

75% Guarantee Option

	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value (000's) ⁽¹⁾ (\$)	1,154	1,150	1,228	1,506	1,335	928
Number of units outstanding (000's) ⁽¹⁾	127	128	153	171	187	139
Management expense ratio ⁽²⁾ (%)	5.00	5.00	5.00	5.00	5.00	5.00
Management expense ratio before waivers or absorptions (%)	6.53	7.25	6.98	8.09	5.37	6.60
Portfolio turnover rate ⁽³⁾ (%)	0.78	7.24	13.97	186.22	26.83	11.12
Net Asset Value per unit ⁽¹⁾ (\$)	9.09	8.97	8.02	8.80	7.15	6.67

⁽¹⁾ This information is provided as at December 31 of the year shown, unless otherwise indicated.

⁽²⁾ The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It is calculated by dividing total expenses, fees and charges excluding commissions, transaction costs and income taxes by the average net asset value of the segregated fund for the financial period, then multiplying the result by 100.

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FINANCIAL HIGHLIGHTS (UNAUDITED)

AIC Money Market Segregated Fund

Ratios and Supplemental Data

100% Guarantee Option

	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value (000's) ⁽¹⁾ (\$)	1,238	1,286	1,401	1,663	1,719	2,005
Number of units outstanding (000's) ⁽¹⁾	197	206	228	273	283	329
Management expense ratio ⁽²⁾ (%)	0.75	0.50	0.76	0.93	1.28	1.32
Management expense ratio before waivers or absorptions (%)	5.83	6.33	5.91	6.30	1.28	8.62
Net Asset Value per unit ⁽¹⁾ (\$)	6.27	6.24	6.15	6.08	6.07	6.10

⁽¹⁾ This information is provided as at December 31 of the year shown, unless otherwise indicated.

⁽²⁾ The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It is calculated by dividing total expenses, fees and charges excluding commissions, transaction costs and income taxes by the average net asset value of the segregated fund for the financial period, then multiplying the result by 100.

75% Guarantee Option

	June 30, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
Total net asset value (000's) ⁽¹⁾ (\$)	123	138	146	147	136	144
Number of units outstanding (000's) ⁽¹⁾	17	19	21	21	20	21
Management expense ratio ⁽²⁾ (%)	0.60	0.35	0.60	0.58	0.74	0.77
Management expense ratio before waivers or absorptions (%)	5.38	6.28	5.92	6.17	0.74	8.20
Net Asset Value per unit ⁽¹⁾ (\$)	7.24	7.20	7.09	7.00	6.96	6.95

⁽¹⁾ This information is provided as at December 31 of the year shown, unless otherwise indicated.

⁽²⁾ The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net assets during the period. It is calculated by dividing total expenses, fees and charges excluding commissions, transaction costs and income taxes by the average net asset value of the segregated fund for the financial period, then multiplying the result by 100.



ivari is the sole issuer of the individual variable annuity policy providing for investment in AIC Segregated Funds. A complete description of the key features of the individual variable annuity policy is contained in the AIC Segregated Funds information folder. Any amount that is allocated to a segregated fund is invested at the risk of the contractholder(s) and may increase or decrease in value.

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