

The Wawanesa Life Insurance Company Segregated Funds

Interim Unaudited Financial Statements
June 30, 2017

The Wawanesa Life Insurance Company Segregated Funds

Canadian Equity Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Financial Position				Statements of Changes in Net Assets Attributable to Contractholders			
As at				For the six months ended June 30			
		June 30, 2017	December 31, 2016			2017	2016
		Unaudited	Audited			Unaudited	Unaudited
Assets				Net assets attributable to contractholders - Beginning of period		\$ 143,030	\$ 117,335
Investments in institutional pooled fund units		\$ 139,313	\$ 143,030	Increase (decrease) in net assets from operations attributable to contractholders		(5)	10,609
Liabilities				Unit transactions			
Due to (from) the investment manager		(62)	127	Proceeds from sale of redeemable units			
Due to (from) related party		65	(127)	Class A		872	690
		3	-	Class B		2,216	1,612
Net assets attributable to contractholders		\$ 139,310	\$ 143,030	Class C		8,252	5,647
Net assets attributable to contractholders per unit		\$ 24.69	\$ 24.80			11,340	7,949
				Payments on redemption of redeemable units			
				Class A		866	651
				Class B		8,286	3,084
				Class C		5,903	2,873
						15,055	6,608
				Net redeemable unit transactions		(3,715)	1,341
				Net assets attributable to contractholders - End of period		\$ 139,310	\$ 129,285
				Units outstanding - As at		June 30, 2017	December 31, 2016
				Class A		Unaudited	Audited
				Class B		569,859	569,790
				Class C		1,992,710	2,214,734
						3,080,248	2,982,755
				Net asset value per unit - As at At last valuation date		June 29, 2017	December 29, 2016
				Class A		Unaudited	Audited
				Class B		\$ 24.78	\$ 24.70
				Class C		26.85	26.71
						23.76	23.61

Schedules of Investment Portfolio							
As at							
		June 30, 2017			December 31, 2016		
		Unaudited			Audited		
Investment	Number of Units	Average Cost	Fair Value	Number of Units	Average Cost	Fair Value	
TD Emerald Canadian Equity Index Fund #1560 (2017 - 100.00%, 2016 - 100.00%)	3,378,077	\$ 105,167	\$ 139,313	3,493,842	\$ 107,759	\$ 143,030	
Other net liabilities (2017 - 0.00%, 2016 - 0.00%)			(3)				-
Net assets attributable to contractholders			\$ 139,310			\$ 143,030	

The Wawanesa Life Insurance Company Segregated Funds

Canadian Equity Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Cash Flows

For the six months ended June 30

	2017		2016	
	Unaudited		Unaudited	
Cash provided by (used in)				
Operating activities				
Receipts				
Sale of institutional pooled fund units	\$ 8,680	\$	1,380	
	8,680		1,380	
Payments				
Purchase of institutional pooled fund units	3,984		2,595	
Management fees paid	1,175		994	
Change in other financial assets and liabilities	(194)		(868)	
	4,965		2,721	
Net cash provided by (used in) operating activities	3,715		(1,341)	
Financing activities				
Proceeds from sale of redeemable units	11,340		7,949	
Payments on the redemption of redeemable units	(15,055)		(6,608)	
Net cash provided by (used in) financing activities	(3,715)		1,341	
Change in cash	-		-	
Cash - Beginning of year	-		-	
Cash - End of period	\$ -		\$ -	

Top 25 Holdings of Underlying Fund (Unaudited)

As at June 30, 2017

Underlying Fund: TD Emerald Canadian Equity Index Fund #1560

Security Description	% of		Security Description	% of Total
	Total	Total		
Royal Bank of Canada	6.65		Canadian Pacific Railway	1.48
Toronto-Dominion Bank	5.85		Sun Life Financial Inc	1.38
Bank of Nova Scotia	4.54		TELUS Corporation	1.29
Enbridge Inc	4.10		Alimentation Couche-Tard Inc	1.27
Canadian National Railway	3.86		Barrick Gold Corporation	1.17
Suncor Energy Inc	3.06		Waste Connections Inc	1.07
Bank of Montreal	3.01		Rogers Communications Inc	1.06
TransCanada Corporation	2.61		Magna International Inc	1.05
BCE Inc	2.54		Restaurant Brands International Inc	0.93
Manulife Financial Corporation	2.33		Fortis Inc	0.92
Canadian Imperial Bank of Commerce	2.22		National Bank of Canada	0.90
Brookfield Asset Management Inc	2.14		Potash Corporation of Saskatchewan Inc	0.86
Canadian Natural Resources	1.96			

Financial Highlights (Unaudited)

As at December 31

The following tables show selected key financial information about the Fund and are intended to assist in the understanding of the Fund's financial performance for the past 5 years.

The Fund's Net Asset Value per Unit		2016	2015	2014	2013	2012
Net asset value per unit ⁽¹⁾	Class A	\$ 24.58	\$ 20.96	\$ 23.11	\$ 21.35	\$ 19.30
	Class B	\$ 26.59	\$ 22.58	\$ 24.80	\$ 22.83	\$ 20.56
	Class C	\$ 23.50	\$ 19.90	\$ 21.80	\$ 20.02	\$ 17.98

Ratios and Supplemental Data		2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾		\$ 143,030	\$ 117,335	\$ 133,780	\$ 126,605	\$ 113,127
Number of units outstanding ⁽¹⁾	Class A	569,790	572,238	581,824	662,117	663,961
	Class B	2,214,734	2,321,089	2,491,726	2,689,175	2,844,352
	Class C	2,982,755	2,717,097	2,684,575	2,551,756	2,327,481
Management expense ratio ⁽²⁾	Class A	2.11%	2.11%	2.11%	2.11%	2.13%
	Class B	1.73%	1.74%	1.73%	1.74%	1.75%
	Class C	1.46%	1.47%	1.46%	1.46%	1.47%
Portfolio turnover rate ⁽³⁾		3.32%	2.80%	3.54%	4.31%	3.90%

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

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during that year. The management expense ratios have been calculated using the aggregate of all fees, taxes, and other expenses incurred during the year. No fees or expenses otherwise payable by the Fund in any of the years reported were waived or otherwise absorbed by The Wawanesa Life Insurance Company.

(3) 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) Financial highlight information for 2013 - 2016 have been prepared under International Financial Reporting Standards. 2012 has been prepared under Canadian Generally Accepted Accounting Principles.

The Wawanesa Life Insurance Company Segregated Funds

U.S. Equity Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Financial Position

As at	June 30, December 31,	
	2017	2016
Assets	Unaudited	Audited
Investments in institutional pooled fund units	\$ 90,386	\$ 85,836
Liabilities		
Due to (from) the investment manager	32	(29)
Due to (from) related party	(35)	30
	(3)	1
Net assets attributable to contractholders	\$ 90,389	\$ 85,835
Net assets attributable to contractholders per unit	\$ 19.38	\$ 18.48

Statements of Comprehensive Income (Loss)

For the six months ended June 30	2017		2016	
	Unaudited	Unaudited	Unaudited	Unaudited
Investment Income				
Dividends				
Foreign	\$ -	\$ -		
	-	-		
Expenses				
Management fees (note 5)	753	656		
Withholding taxes	-	-		
	753	656		
Net investment loss	(753)	(656)		
Gains (Losses) on investments				
Realized gains	1,355	1,138		
Unrealized gains (losses)	3,472	(3,766)		
	4,827	(2,628)		
Increase (decrease) in net assets from operations attributable to contractholders	\$ 4,074	\$ (3,284)		
Increase (decrease) in net assets from operations attributable to contractholders per unit				
Class A	\$ 0.82	\$ (0.75)		
Class B	0.84	(0.73)		
Class C	0.91	(0.67)		
Total fund	0.88	(0.70)		

Statements of Changes in Net Assets Attributable to Contractholders

For the six months ended June 30	2017		2016	
	Unaudited	Unaudited	Unaudited	Unaudited
Net assets attributable to contractholders - Beginning of period	\$ 85,835	\$ 82,536		
Increase (decrease) in net assets from operations attributable to contractholders	4,074	(3,284)		
Unit transactions				
Proceeds from sale of redeemable units				
Class A	671	378		
Class B	1,897	1,073		
Class C	5,068	5,410		
	7,636	6,861		
Payments on redemption of redeemable units				
Class A	688	180		
Class B	1,630	2,997		
Class C	4,838	3,824		
	7,156	7,001		
Net redeemable unit transactions	480	(140)		
Net assets attributable to contractholders - End of period	\$ 90,389	\$ 79,112		
Units outstanding - As at			June 30, December 31,	
			2017	2016
			Unaudited	Audited
Class A	373,634	373,974		
Class B	1,514,330	1,502,367		
Class C	2,777,136	2,767,522		
Net asset value per unit - As at At last valuation date			June 29, December 29,	
			2017	2016
			Unaudited	Audited
Class A	\$ 20.81	\$ 19.98		
Class B	22.85	21.90		
Class C	17.72	16.96		

Schedules of Investment Portfolio

As at	June 30, 2017			December 31, 2016		
	Number of Units	Average Cost	Fair Value	Number of Units	Average Cost	Fair Value
Investment						
TD Emerald U.S. Market Index Fund #1571 (2017 - 100.00%, 2016 - 100.00%)	3,895,257	\$ 53,788	\$ 90,386	3,909,378	\$ 52,710	\$ 85,836
Other net liabilities (2017 - 0.00%, 2016 - (0.00%))			3			(1)
Net assets attributable to contractholders		\$ 90,389			\$ 85,835	

The Wawanesa Life Insurance Company Segregated Funds

U.S. Equity Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Cash Flows		
For the six months ended June 30		
	2017	2016
	Unaudited	Unaudited
Cash provided by (used in)		
Operating activities		
Receipts		
Sale of institutional pooled fund units	\$ 3,392	\$ 4,460
	3,392	4,460
Payments		
Purchase of institutional pooled fund units	3,053	2,691
Management fees paid	752	658
Change in other financial assets and liabilities	67	971
	3,872	4,320
Net cash provided by (used in) operating activities	(480)	140
Financing activities		
Proceeds from sale of redeemable units	7,636	6,861
Payments on the redemption of redeemable units	(7,156)	(7,001)
Net cash provided by (used in) financing activities	480	(140)
Change in cash	-	-
Cash - Beginning of year	-	-
Cash - End of period	\$ -	\$ -

Top 25 Holdings of Underlying Fund (Unaudited)

As at June 30, 2017

Underlying Fund: TD Emerald U.S. Equity Index Fund #1571

Security Description	% of		Security Description	% of Total
	Total	Total		
Apple Inc	3.61	Procter & Gamble Company	1.07	
Microsoft Corporation	2.56	Pfizer Inc	0.96	
Alphabet Inc	2.63	Chevron Corporation	0.95	
Amazon.com Inc	1.85	Comcast Corporation	0.89	
Facebook Inc	1.72	Citigroup Inc	0.88	
Johnson & Johnson	1.71	Home Depot Inc	0.88	
Exxon Mobil Corporation	1.64	Philip Morris International Inc	0.88	
JPMorgan Chase & Co	1.56	Verizon Communications Inc	0.88	
Berkshire Hathaway Inc	1.55	UnitedHealth Group Incorporated	0.86	
Wells Fargo & Company	1.20	Merck & Co., Inc	0.84	
Bank of America Corporation	1.16	Visa Inc	0.83	
General Electric Company	1.13	Coca-Cola Company	0.83	
AT&T Inc	1.11			

Financial Highlights (Unaudited)

As at December 31

The following tables show selected key financial information about the Fund and are intended to assist in the understanding of the Fund's financial performance for the past 5 years.

The Fund's Net Asset Value per Unit		2016	2015	2014	2013	2012
Net asset value per unit ⁽¹⁾	Class A	\$ 19.64	\$ 18.82	\$ 15.72	\$ 13.00	\$ 9.44
	Class B	\$ 21.52	\$ 20.55	\$ 17.10	\$ 14.09	\$ 10.19
	Class C	\$ 16.67	\$ 15.87	\$ 13.17	\$ 10.82	\$ 7.81

Ratios and Supplemental Data		2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾		\$ 85,835	\$ 82,536	\$ 63,083	\$ 47,905	\$ 28,894
Number of units outstanding ⁽¹⁾	Class A	373,974	374,892	320,465	314,247	299,075
	Class B	1,502,367	1,656,658	1,561,401	1,501,657	1,282,115
	Class C	2,767,522	2,659,305	2,379,987	2,092,865	1,665,475
Management expense ratio ⁽²⁾	Class A	2.17%	2.17%	2.19%	2.18%	2.21%
	Class B	1.81%	1.80%	1.81%	1.82%	1.85%
	Class C	1.53%	1.53%	1.54%	1.54%	1.58%
Portfolio turnover rate ⁽³⁾		4.42%	5.94%	2.73%	2.89%	3.36%

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

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during that year. The management expense ratios have been calculated using the aggregate of all fees, taxes, and other expenses incurred during the year. No fees or expenses otherwise payable by the Fund in any of the years reported were waived or otherwise absorbed by The Wawanesa Life Insurance Company.

(3) 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) Financial highlight information for 2013 - 2016 have been prepared under International Financial Reporting Standards. 2012 has been prepared under Canadian Generally Accepted Accounting Principles.

The Wawanesa Life Insurance Company Segregated Funds

International Equity Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Cash Flows

For the six months ended June 30

	2017		2016	
	Unaudited		Unaudited	
Cash provided by (used in)				
Operating activities				
Receipts				
Sale of institutional pooled fund units	\$ 1,427	\$	869	
	1,427		869	
Payments				
Purchase of institutional pooled fund units	1,788		1,697	
Management fees paid	263		236	
Change in other financial assets and liabilities	36		(3)	
	2,087		1,930	
Net cash used in operating activities	(660)		(1,061)	
Financing activities				
Proceeds from sale of redeemable units	3,900		2,937	
Payments on the redemption of redeemable units	(3,240)		(1,876)	
Net cash provided by financing activities	660		1,061	
Change in cash	-		-	
Cash - Beginning of year	-		-	
Cash - End of period	\$ -	\$	-	

Top 25 Holdings of Underlying Fund (Unaudited)

As at June 30, 2017

Underlying Fund: TD Emerald International Equity Index Fund #1550

Security Description	% of		Security Description	Total
	Total	Total		
Nestle SA	1.96		Siemens AG	0.76
Royal Dutch Shell PLC	1.57		GlaxoSmithKline PLC	0.75
Novartis AG	1.34		SAP AG	0.74
HSBC Holdings PLC	1.33		Banco Santander SA	0.70
Roche Holding AG	1.29		Allianz SE	0.65
iShares MSCI EAFE ETF	1.23		Unilever NV	0.65
Toyota Motor Corporation	0.99		AIA Group Limited	0.64
British American Tobacco PLC	0.92		BASF SE	0.61
Total SA	0.83		AstraZeneca PLC	0.61
BP PLC	0.81		Anheuser-Busch InBev NV	0.61
Sanofi	0.80		Mitsubishi Corporation	0.58
Commonwealth Bank of Australia	0.79		BNP Paribas SA	0.58
Bayer AG	0.77			

Financial Highlights (Unaudited)

As at December 31

The following tables show selected key financial information about the Fund and are intended to assist in the understanding of the Fund's financial performance for the past 5 years.

The Fund's Net Asset Value per Unit		2016	2015	2014	2013	2012
Net asset value per unit ⁽¹⁾	Class A	\$ 13.44	\$ 14.17	\$ 12.08	\$ 11.89	\$ 9.27
	Class B	\$ 14.72	\$ 15.47	\$ 13.14	\$ 12.88	\$ 10.00
	Class C	\$ 14.80	\$ 15.50	\$ 13.13	\$ 12.84	\$ 9.94

Ratios and Supplemental Data		2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾		\$ 30,498	\$ 31,037	\$ 24,349	\$ 21,624	\$ 13,758
Number of units outstanding ⁽¹⁾	Class A	201,745	203,195	181,810	178,179	146,150
	Class B	367,451	391,486	370,874	332,220	261,988
	Class C	1,511,427	1,438,736	1,315,780	1,185,618	983,956
Management expense ratio ⁽²⁾	Class A	2.15%	2.15%	2.15%	2.15%	2.20%
	Class B	1.80%	1.79%	1.79%	1.79%	1.83%
	Class C	1.51%	1.51%	1.51%	1.51%	1.56%
Portfolio turnover rate ⁽³⁾		6.96%	3.35%	4.44%	2.13%	4.28%

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

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during that year. The management expense ratios have been calculated using the aggregate of all fees, taxes, and other expenses incurred during the year. No fees or expenses otherwise payable by the Fund in any of the years reported were waived or otherwise absorbed by The Wawanesa Life Insurance Company.

(3) 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) Financial highlight information for 2013 - 2016 have been prepared under International Financial Reporting Standards. 2012 has been prepared under Canadian Generally Accepted Accounting Principles.

The Wawanesa Life Insurance Company Segregated Funds

Canadian Bond Index Fund

All amounts in thousands except per unit amounts and units outstanding

Statements of Cash Flows	For the six months ended June 30	
	2017	2016
	Unaudited	Unaudited
Cash provided by (used in)		
Operating activities		
Receipts		
Sale of institutional pooled fund units	\$ 1,629	\$ 961
	1,629	961
Payments		
Purchase of institutional pooled fund units	795	1,895
Management fees paid	244	246
Change in other financial assets and liabilities	98	(23)
	1,137	2,118
Net cash used in operating activities	492	(1,157)
Financing activities		
Proceeds from sale of redeemable units	2,693	3,280
Payments on the redemption of redeemable units	(3,185)	(2,123)
Net cash provided by (used in) financing activities	(492)	1,157
Change in cash	-	-
Cash - Beginning of year	-	-
Cash - End of period	\$ -	\$ -

Top 25 Holdings of Underlying Fund (Unaudited)

As at June 30, 2017

Underlying Fund: TD Emerald Canadian Bond Index Fund #1510

Security Description	% of		Security Description	% of	
	Total			Total	
2033/06/01 Government of Canada 5.750%	1.26		2043/06/02 Province of Ontario 3.500%	0.86	
2048/12/01 Government of Canada 2.750%	1.23		2045/06/02 Province of Ontario 3.450%	0.85	
2037/06/01 Government of Canada 5.000%	1.21		2023/06/02 Province of Ontario 2.850%	0.85	
2020/03/01 Government of Canada 1.500%	1.17		2019/09/01 Government of Canada 1.750%	0.85	
2018/08/01 Government of Canada 0.500%	1.09		2019/12/15 Canada Housing Trust No. 1 2.000%	0.83	
2018/09/01 Government of Canada 1.250%	1.05		2021/09/01 Government of Canada 0.750%	0.82	
2029/06/01 Government of Canada 5.750%	1.01		2025/06/02 Province of Ontario 2.600%	0.81	
2020/09/01 Government of Canada 0.750%	0.96		2020/06/02 Province of Ontario 3.500%	0.79	
2019/02/01 Government of Canada 0.500%	0.95		2022/06/02 Province of Ontario 3.150%	0.78	
2019/06/15 Canada Housing Trust No. 1 1.950%	0.94		2021/06/01 Government of Canada 3.250%	0.77	
2046/12/02 Province of Ontario 2.900%	0.93		2023/06/01 Government of Canada 1.500%	0.76	
2019/06/01 Government of Canada 3.750%	0.91		2019/03/01 Government of Canada 1.750%	0.75	
2027/06/01 Government of Canada	0.87				

Financial Highlights (Unaudited)

As at December 31

The following tables show selected key financial information about the Fund and are intended to assist in the understanding of the Fund's financial performance for the past 5 years.

The Fund's Net Asset Value per Unit	2016	2015	2014	2013	2012
Net asset value per unit ⁽¹⁾					
Class A	\$ 15.78	\$ 15.87	\$ 15.67	\$ 14.72	\$ 15.24
Class B	\$ 16.56	\$ 16.60	\$ 16.33	\$ 15.28	\$ 15.76
Class C	\$ 17.37	\$ 17.35	\$ 17.02	\$ 15.88	\$ 16.34

Ratios and Supplemental Data	2016	2015	2014	2013	2012
Net assets (000's) ⁽¹⁾	\$ 29,987	\$ 28,931	\$ 26,116	\$ 24,962	\$ 26,833
Number of units outstanding ⁽¹⁾					
Class A	380,039	368,326	340,312	349,621	368,766
Class B	319,616	345,418	321,897	349,502	381,525
Class C	1,076,052	998,580	912,216	911,390	930,544
Management expense ratio ⁽²⁾					
Class A	2.11%	2.11%	2.10%	2.11%	2.12%
Class B	1.74%	1.73%	1.74%	1.74%	1.77%
Class C	1.46%	1.46%	1.46%	1.47%	1.51%
Portfolio turnover rate ⁽³⁾	8.73%	4.69%	6.22%	8.87%	7.40%

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

(2) The management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of daily average net assets during that year. The management expense ratios have been calculated using the aggregate of all fees, taxes, and other expenses incurred during the year. No fees or expenses otherwise payable by the Fund in any of the years reported were waived or otherwise absorbed by The Wawanesa Life Insurance Company.

(3) 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 year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

(4) Financial highlight information for 2013 - 2016 have been prepared under International Financial Reporting Standards. 2012 has been prepared under Canadian Generally Accepted Accounting Principles.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

1 General information

The Funds consist of four segregated funds maintained and managed by The Wawanesa Life Insurance Company (Wawanesa Life) in respect of individual variable deferred annuity contracts. The address of the Funds' executive office is 400 - 200 Main Street, Winnipeg, Manitoba, Canada. Annuity contractholders can select a segregated fund investment option, in which the benefit amount is directly linked to the fair value of the units held in the particular segregated fund. The underlying assets are registered in the name of Wawanesa Life and the annuity contractholders have no direct access to the specific assets. The assets of each Fund are legally segregated from the general fund assets of Wawanesa Life. The Funds are not separate legal entities. The contractual arrangements are such that the annuity contractholders bear the risks and rewards of the Funds' investment performance, subject to any applicable minimum maturity value and death benefit guarantees.

Each of the Funds will invest in securities consistent with the investment objectives described in The Wawanesa Life Insurance Company Individual Savings and Investment Plans Information Folder. Investments are primarily in units of institutional pooled funds offered by the Funds' investment manager, TD Asset Management Inc. (TDAM). Unitholder contributions, withdrawals and transfers between funds are used to acquire or redeem units in the Funds. The Funds are open ended with the value of the assets held in each Fund described for reporting purposes by reference to units of the Fund. Such units represent a simple means of measuring the liability of Wawanesa Life to the unitholder in respect of the Funds. Transactions with unitholders occur at the net asset value per unit (NAVPU) for each class within the Funds.

2 Significant accounting policies

Basis of presentation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as set out in Part 1 – IFRS of the CPA Canada Handbook. The significant accounting policies used in the preparation of these financial statements are summarized in this note. These accounting policies conform, in all material respects, to IFRS.

These financial statements present the financial position, financial performance and cash flows of the Funds as separate reporting entities.

Financial statement values, including the notes to the financial statements, are presented in Canadian dollars (\$) which is the Funds' functional and presentation currency rounded to the nearest thousand (\$'000), unless otherwise indicated.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

2 Significant accounting policies (continued)

The Funds present their statements of financial position on a liquidity basis (current to non-current balances). All assets and liabilities of the Funds are current.

Financial assets and financial liabilities are offset and the net amount reported on the statements of financial position only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and liabilities simultaneously. Investment income and expenses are not offset in the statements of comprehensive income (loss) unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Funds. Wawanesa Life has evaluated the impact of the requirements for offsetting and has determined that there is no material impact on the financial statements.

Financial instruments

The financial instruments of the Funds include investments and other financial assets and financial liabilities.

Investments

- a) Investments consist of units in institutional pooled funds, which include investments in stock of major Canadian, U.S. and International companies and in Canadian corporate and government bonds.
- b) The Funds recognize investments at fair value upon initial recognition. The Funds' investments are designated and measured at fair value through profit or loss (FVTPL).
- c) The accrual basis of accounting is used to record expenses incurred by the Funds.
- d) Dividends, interest and gains (losses) from institutional pooled funds are recognized on the income distribution dates. The earnings of each Fund are reinvested in the institutional pooled funds.
- e) The Funds use trade date accounting for purchases and sales of investments. Each Fund is responsible for all brokerage commissions incurred in buying and selling investments on its behalf. Realized gains (losses) are calculated on disposal as the net proceeds less the average cost of the investment. Unrealized gains (losses) are calculated by the change in fair value compared to the change in average cost. Gains (losses) on investments are recorded in the increase (decrease) in net assets from operations attributable to contractholders in the period in which they occur.
- f) The fair values of foreign investments and other assets and liabilities in the underlying institutional pooled funds are translated into Canadian dollars at exchange rates prevailing at the close of business on the date of each valuation.
- g) Purchases and sales of foreign investments and the related income in the underlying institutional pooled funds are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

2 Significant accounting policies (continued)

Fair value of financial instruments

Fair value is based on 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. The fair values of the institutional pooled funds are determined with reference to their respective transactional NAVPUs provided by the investment manager.

Financial assets and financial liabilities recorded at fair value on the statements of financial position are classified in a hierarchy consisting of three levels for disclosure purposes. The three levels are based on the priority of the inputs to the respective valuation technique. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). An asset or liability's classification within the fair value hierarchy is based on the lowest level of significant input to its valuation. The input levels are defined as follows:

- *Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.*

The Funds define active markets based on the frequency of valuation and any restrictions or illiquidity on disposition for units in institutional pooled funds. Assets measured at fair value and classified as Level 1 are the Funds' investments in institutional pooled fund units. The Funds do not adjust the quoted price for such instruments.

- *Level 2: Quoted prices in markets that are not active or inputs that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).*

Level 2 inputs include observable market information, including quoted prices for assets in markets that are considered less active. There are no investments that meet the Level 2 fair value measurement criteria.

- *Level 3: Unobservable inputs that are supported by little or no market activity and are significant to the estimated fair value of the assets or liabilities.*

Level 3 assets and liabilities would include financial instruments whose values are determined using internal pricing models, discounted cash flow methodologies, or similar techniques that are not based on observable market data, as well as instruments for which the determination of estimated fair value requires significant management judgment or estimation. There are no investments that meet the Level 3 fair value measurement criteria.

No investments were transferred between levels in 2017 or 2016.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

2 Significant accounting policies (continued)

Classification and presentation of redeemable units issued by the Funds

IAS 32 - "Financial Instruments: Recognition and Measurement" (IAS 32) requires that units or shares of an entity be classified as equity or financial liabilities, depending on certain criteria. As the Funds' units include a contractual obligation to repurchase or redeem the units for cash, they have been classified as financial liabilities.

The Funds' obligations for net assets attributable to contractholders are presented at the redemption amount.

Other financial assets and financial liabilities

Other financial assets and financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted when appropriate at the contract's effective interest rate.

Impairment of financial assets

All financial assets other than FVTPL instruments are assessed for impairment at each reporting date. Impairment is recognized in the increase (decrease) in net assets from operations attributable to contractholders when there is objective evidence that a loss event has occurred which has impaired future cash flows of an asset.

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

The increase (decrease) in net assets from operations attributable to contractholders per unit is calculated by dividing the increase (decrease) in net assets from operations attributable to contractholders by the average number of units outstanding during the year.

The average number of units outstanding during the year for the Funds were as follows:

	June 30, 2017			
	Canadian Equity Index Fund	U.S. Equity Index Fund	International Equity Index Fund	Canadian Bond Index Fund
Class A	572,203	377,986	205,308	356,328
Class B	2,114,247	1,509,546	364,889	309,267
Class C	3,028,612	2,760,130	1,524,189	1,086,408

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

2 Significant accounting policies (continued)

	June 30, 2016			
	Canadian Equity Index Fund	U.S. Equity Index Fund	International Equity Index Fund	Canadian Bond Index Fund
Class A	571,172	381,128	203,969	379,973
Class B	2,298,791	1,601,093	384,903	358,802
Class C	2,803,338	2,724,365	1,497,281	1,017,715

Taxation of the Funds

Each Fund is deemed to be a separate inter-vivos trust under the Income Tax Act (Canada) and its income and realized capital gains (losses), as applicable, are allocated to unitholders and their beneficiaries. Accordingly, subject to any withholding taxes which may be payable, under current tax legislation there are no income taxes payable by the Funds. As a result, no provision for income taxes is required in the financial statements of the Funds.

Each Fund is responsible for all applicable taxes on management fees, including goods and services tax and harmonized sales tax.

Adoption of new and amended accounting standards

Effective January 1, 2017, the Funds adopted the following amended standard:

IAS 7 – “Statement of Cash Flows”

In January 2016, IAS 7 was amended to require disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The Funds have determined that there were no significant impacts to the financial statements.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

2 Significant accounting policies (continued)

Future accounting changes

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for annual reporting periods beginning on or after January 1, 2017. The standards impacted that may be applicable to the Funds are:

IFRS 7 – “Financial Instruments: Disclosures”

In December 2011, IFRS 7 was amended to require additional financial instrument disclosures upon transition from IAS 39 - “Financial Instruments – Recognition and Measurement” (IAS 39) to IFRS 9 – “Financial Instruments” (IFRS 9), which is effective for annual periods beginning on or after January 1, 2018. The Funds do not expect these amendments to significantly impact the financial statements.

IFRS 9 – “Financial Instruments”

In July 2014, the IASB issued the final version of IFRS 9 which will replace IAS 39 for annual periods beginning on or after January 1, 2018. This standard provides guidance on the classification and measurement of financial instruments, impairment of financial assets, and hedge accounting.

This standard addresses classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39. This standard requires financial assets to be recorded at amortized cost or fair value depending on the Funds’ business model for managing the financial assets and their associated cash flow characteristics. All financial assets are to be measured at fair value on the statements of financial position if they are not measured at amortized cost. At initial recognition, the Funds may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

This standard introduces an expected credit loss model, which applies to all financial assets unless designated as FVTPL. The new model will result in more timely recognition of expected credit losses. This standard also replaces the rule-based hedge accounting requirements in IAS 39 to more clearly align the accounting with risk management activities.

This standard introduces an expected credit loss model, which applies to all financial assets unless designated as FVTPL. This impairment model requires a 12 month expected credit loss provision at initial recognition. Subsequently, a significant increase to credit risks of a financial asset will result in an increase of the impairment provision to the financial asset’s lifetime expected credit loss. In the event that significant credit risks are reduced, the impairment model allows for the provision to return to the financial asset’s 12 month expected credit loss. Changes in the impairment provision will flow through comprehensive income (loss). This standard also replaces the rule-based hedge accounting requirements in IAS 39 to more clearly align the accounting with risk management activities.

The Funds do not expect these amendments to significantly impact the financial statements.

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

3 Significant accounting judgements, estimates and assumptions

The preparation of the financial statements in accordance with IFRS requires Wawanesa Life to make judgements, estimates and assumptions that affect the amounts reported in the financial statements. Actual results may differ from such estimates. Changes in estimates are recorded in the accounting period in which they are determined. The fair value of investments is a financial statement component subject to Wawanesa Life's judgement and estimates. Wawanesa Life did not adjust the quoted price for the Funds' investments (note 2).

4 Description of units

Each Fund is subdivided into three classes of units (Class A, Class B and Class C) which are attributed to individual variable deferred annuity contracts for the purpose of determining the value of the benefits under those contracts. Annuity contractholders acquire no direct claim on the units or assets of a Fund by purchasing a contract but only the benefits which are provided under the contract. Units are issued or redeemed when required by the terms of the contract.

Class A, Class B and Class C units differ with respect to management fees charged to each. Class B is closed to new contracts. A separate net asset value per unit is determined for each class of each Fund. Changes in units for the year-to-date periods are summarized as follows:

	2017			2016		
	Units, end of period	Units issued	Units redeemed	Units, end of year	Units issued	Units redeemed
Canadian Equity Index Fund						
Class A	569,859	34,816	34,747	569,790	51,448	53,896
Class B	1,992,710	82,153	304,177	2,214,734	125,587	231,942
Class C	3,080,248	344,483	246,990	2,982,755	553,188	287,530
U.S. Equity Index Fund						
Class A	373,634	32,676	33,016	373,974	60,085	61,003
Class B	1,514,330	83,434	71,471	1,502,367	81,757	236,048
Class C	2,777,136	290,263	280,649	2,767,522	566,648	458,431
International Equity Index Fund						
Class A	206,865	20,263	15,143	201,745	24,607	26,057
Class B	373,392	27,953	22,012	367,451	37,493	61,528
Class C	1,542,166	201,701	170,962	1,511,427	280,074	207,383
Canadian Bond Index Fund						
Class A	344,896	27,414	62,557	380,039	94,211	82,498
Class B	310,507	14,567	23,676	319,616	35,467	61,269
Class C	1,088,499	114,971	102,524	1,076,052	245,782	168,310

The Wawanesa Life Insurance Company

Segregated Funds

Notes to Financial Statements

June 30, 2017

5 Related party transactions

Wawanesa Life provides investment management and administrative services to the Funds. In respect of these services, the Funds are charged a management fee calculated on a weekly basis. The management fee is calculated at a set rate applied against the net asset value of the Funds' units attributable to each class. All management fees incurred in the statements of comprehensive income (loss) are charged by Wawanesa Life. Management fees incurred by the Funds and paid to Wawanesa Life for the year were \$2,252 (2016 - \$4,103) plus applicable taxes.

The amounts shown as "Due to (from) related party" represent outstanding management fees, outstanding deposits/withdrawals and investment activity from the last valuation date.

6 Financial risk management

There are several types of financial risks a segregated fund may be subject to. A segregated fund which invests in the units of an underlying fund will be subject to the same investment risks as the underlying fund. To understand those risks and how they are managed, unitholders should consult the financial statements of the underlying funds identified in the unaudited Top 25 Holdings of Underlying Funds. Significant risks that are relevant to the Funds are discussed below.

Credit risk

Credit risk is the possibility of financial loss, despite realization of collateral security or property, resulting from the failure of a debtor to honour its obligation to the Funds. Of the Funds offered by Wawanesa Life, the Canadian Bond Index Fund is the only Fund with exposure to credit risk. While the Fund has no direct exposure to credit risk, it may be exposed indirectly to credit risk through investments in the underlying fund. This risk is mitigated by investing primarily in an institutional pooled investment fund which is managed to track the performance of the index it is designed to represent.

The Funds are exposed to counterparty credit risk through their investment in institutional pooled funds managed by TDAM that use derivative instruments. This risk is considered in determining the fair value of the Funds, however for the periods ended June 30, 2017 and December 31, 2016, it had no impact on the fair value presented in the financial statements.

Liquidity risk

Liquidity risk is defined as the risk that the Funds will not be able to settle or meet their obligations as they come due. All Funds are exposed to potential weekly cash redemptions of redeemable units. Units are redeemed on demand at the unitholder's option based on the Funds' NAVPU on the date of redemption.

The Funds maintain sufficient liquidity by investing the majority of their assets in readily disposable underlying funds.

The Wawanesa Life Insurance Company

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Notes to Financial Statements

June 30, 2017

6 Financial risk management (continued)

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes interest rate risk, currency risk and other price risk.

Interest rate risk is the potential for financial loss arising from interest rate changes. The Canadian Bond Index Fund is the only Fund exposed to this risk, as the value of interest-bearing financial instruments in the underlying fund fluctuate due to changes in the prevailing levels of market interest rates.

Currency risk represents the risk that the Funds incur losses due to exposure to foreign currency fluctuations. The investments in the U.S. Equity Index Fund and the International Equity Index Fund are denominated in Canadian dollars, however the underlying funds are exposed to currency risk as their investments are denominated or traded in a foreign currency. Limited currency risk also exists in the Canadian Equity Index Fund as a maximum of 10% of its investments can be denominated or traded in a foreign currency.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or other factors affecting all instruments traded in a market or market segment. All Funds present a risk of loss of capital.

The Funds are exposed indirectly to these risks through their investment in underlying funds. However, the underlying funds are managed to track the performance of the indices they are designed to represent.