

P E M B R O K E

P R I V A T E W E A L T H M A N A G E M E N T

THE GBC CANADIAN BOND FUND

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2018

INCEPTION DATE
DECEMBER 11, 1984

THE PORTFOLIO MANAGEMENT TEAM
CANSO INVESTMENT COUNSEL LTD.

This interim Management Report of Fund Performance contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-800-668-7383, by writing to us at 150 King Street West, Suite 1210, Toronto, Ontario M5H 1J9 or by visiting our website at www.pml.ca or SEDAR at www.sedar.com. Unitholders may also contact us using one of these methods (except on the SEDAR website) to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

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Investment Objective and Strategies

The GBC Canadian Bond Fund (the "Fund") seeks to provide investors with a high level of income and some capital growth while preserving capital by investing primarily in bonds, debentures and other debt instruments of Canadian and foreign governments and corporations. To achieve the Fund's investment objective, we invest primarily in high quality Canadian and foreign corporate bonds as well as Federal bonds.

Risk

The overall risk of the Fund is as described in the Simplified Prospectus. There were no material changes to the Fund over the financial period that affected the overall level of risk associated with an investment in the Fund. The Fund is suitable for investors who have a low tolerance for risk and are seeking a high level of income and capital preservation as well as some capital growth. Canso Investment Counsel Ltd ("Canso") is the investment manager of the Fund.

Results of Operations

Effective January 31, 2018 the Class O Units of the Fund were converted into Class A Units of the Fund and thus Class O ceased to be distributed. The conversion entailed the redemption, at no cost, of the outstanding Class O Units and the issuance of Class A Units.

For the six-month period ended June 30, 2018, the Fund posted a return of 0.71%. In comparison, the Fund's benchmark index, FTSE TMX Canada Universe Bond Index posted an 0.61% return for the same period. For the twelve months ended December 31, 2017, the Fund posted a return of 1.52% for Class A and 2.32% for Class O respectively compared to the Fund's benchmark which posted a 2.51% return.

For the first half of the year, the Fund earned a positive return slightly outperforming its benchmark. A shorter than benchmark duration was unhelpful as long bonds outperformed, however floating rate notes continue to outperform short fixed rate notes on a year to date basis. As usual, security selection was the bigger driver of the result. Strong contributors included mid to long maturities Neder Waterschapsbank, Nova Gas, KFW and Enbridge Gas.

The upward trajectory in yields reversed course in June as Canada, the EU and Mexico retaliated against the US steel and aluminum tariffs imposed by the Trump administration. Markets feared a global trade war with US tariffs on Chinese goods (and vice versa) set to begin in July as the US ponders expanding its protectionist policies to include levies on imported vehicles and possibly other items. The Bank of Canada remained on hold while the Federal Reserve continued to push US administered rates higher. The Canadian central bank is expected to raise Canadian administered rates but at a slower pace than the US given Canadian economic uncertainty. In this environment, long Government bonds outperformed and Provincial bonds led the broad Canadian bond indexes in returns. Credit spreads widened slightly but the higher yield of corporates allowed them to match the return of the Canada index. Yields rose more on shorter terms, so the shorter duration Financials and AA/AAA indexes underperformed. The higher yielding BBB index matched the overall market return.

As at June 30, 2018 the total net asset value of the Fund was \$40.6 million as compared to \$43 million (Class A units were \$25.1 million and Class O units were \$17.9 million) at December 31, 2017. The cash position was 0.6% of net asset value. The number of units outstanding in the Fund as at June 30, 2018 was 3.2 million compared with 3.4 million (Class A units were 2.0 million and Class O units were 1.4 million) as at December 31, 2017.

Unrealized appreciation on investments at June 30, 2018 was \$0.8 million as compared to \$1.1 million at December 31, 2017 resulting in an decrease in unrealized appreciation on investments of \$0.3 million. The Fund had net realized losses on investments sold during the period of \$0.1 million.

Fees and Expenses

During the six-month period, the Fund paid a total of \$61,728 in operating expenses. The management expense ratio ("MER") for Class A units was 0.31%. The MER for Class O units for the one month-period prior to its conversion to Class A units was 0.12%. There are no management fees charged to the Fund starting January 1, 2018. Refer to the Management fee section for further details on this change.

Unitholder Activity

Throughout the six-month period, \$3.0 million flowed into the Fund by way of subscriptions and \$5.1 million flowed out of the Fund as a result of redemptions.

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Related Party Transactions

Pembroke Private Wealth Management Ltd. (“PPW”) is the Fund’s Manager. The Fund Manager provides the day-to-day management of the business and operations of the Fund. The fees paid to the Fund Manager are shown in the “Management Fees” section of this report. The related party transactions take place in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Recent Developments

Outlook

At the end of June, the portfolio yield to maturity stood at 2.9%. With close to 27% of the Fund invested in floating rate notes at the end of June, the Fund continues to be well positioned should rates continue to rise in 2018. Canso continues to believe this stance is prudent, as investors are not adequately compensated for duration risk with long Canada bond yields at 2.2%.

Past Performance

The indicated rates of return are the historical annual compounded total return changes in unit values and reinvestment of all distributions and do not take into account sales, redemptions, distributions or other optional charges that would have reduced returns. Mutual funds are not guaranteed; their values may increase or decrease and past performance may not be repeated.

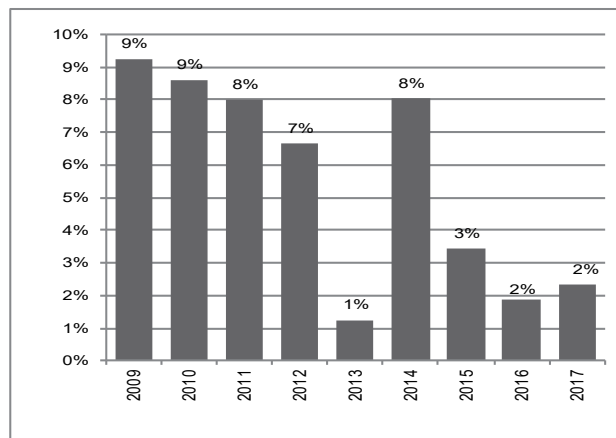
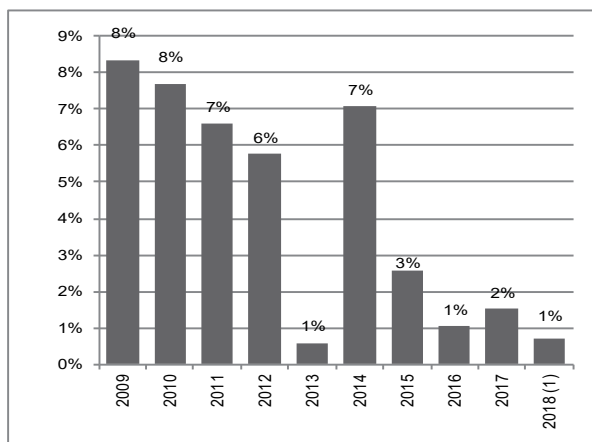
The Fund’s performance numbers have been prepared under the assumption that all distributions are reinvested in additional units of the Fund. If you hold this Fund outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes, whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gains or increase your capital losses when you later redeem from the Fund, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-year returns

The bar charts indicate the Fund’s performance for each of the years shown and illustrate how the Fund’s performance has changed from year to year. The bar charts show, in percentage terms, how much an investment made on the first day of each financial year would have grown or decreased by the end of the financial year. The percentage figures indicated have been rounded to the nearest whole number due to space constraints.

Class A

Class O



(1) Six-month return to June 30, 201
 (2) Effective January 31, 2018 there is no performance data for Class O units as the units ceased to be distributed.

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Summary of Investment Portfolio

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Updates are available quarterly.

Portfolio by Sector	% of Net Asset Value
Canadian Corporates	55.6%
Foreign Corporates	15.3%
Canadian Governmental Issuers or Canadian Government-Related Issuers	14.6%
Foreign Governmental Issuers or Foreign Government-Related Issuers	10.7%
Asset/Mortgage-Backed	3.2%
Canada Treasury Bills	3.1%
Cash	0.6%
Other Net Current Assets	-3.1%
Total	100.0%

Bonds breakdown by credit rating	% of Net Asset Value
AAA	35.6%
AA	19.9%
A	47.0%
Total	102.5%

Top 25 Holdings

Company	Yield	Maturity	% of Net Asset Value
1 Highway 407	7.13%	26-Jul-2040	9.5%
2 Apple	2.51%	19-Aug-2024	8.2%
3 Royal Bank of Canada	3M CDOR + 36	23-Mar-2020	7.8%
4 Bank of Montreal	3M CDOR + 19	1-Feb-2023	5.7%
5 GE Capital Canada Funding Company	Q CDOR +120	6-Feb-2023	4.9%
6 ORNGE Issuer Trust	5.73%	11-Jun-2034	4.7%
7 New Brunswick Highway	6.47%	30-Nov-2027	4.4%
8 Toronto-Dominion Bank	1.68%	8-Jun-2021	4.4%
9 Walt Disney	2.76%	7-Oct-2024	4.3%
10 Neder Waterschapsbank	4.55%	16-Mar-2029	4.0%
11 Toronto Hospital Secured	5.64%	8-Dec-2022	4.0%
12 NAV Canada	7.56%	1-Mar-2027	3.8%
13 Lloyds Bank	3M CDOR + 55	11-Jul-2023	3.5%
14 Canada Treasury Bill	1.10%	23-Aug-2018	3.1%
15 SP LP & SP1 LP	3.21%	15-Jun-2019	2.9%
16 KFW	5.05%	4-Feb-2025	2.7%
17 Eurofima	5.15%	13-Dec-2019	2.6%
18 Enbridge Gas Distribution	3.51%	29-Nov-2047	1.9%
19 PepsiCo	2.15%	6-May-2024	1.8%
20 TransCanada PipeLines	8.29%	5-Feb-2026	1.6%
21 Neder Waterschapsbank	5.20%	31-Mar-2025	1.5%
22 Bankers Hall	4.38%	20-Nov-2023	1.3%
23 TransCanada PipeLines	5.65%	20-Jun-2029	1.3%
24 Merrill Lynch NHA MBS	M CDOR+24	1-Jun-2022	1.2%
25 Toronto-Dominion Bank	3M CDOR + 31	28-Jun-2023	1.2%
Top 25 Holdings			92.3%

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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 financial periods indicated. This information is derived from the Fund's audited annual financial statements (excluding June 30, 2018 information). The information presented is based on prescribed regulations and, as a result, is not expected to add up due to the increase (decrease) in net assets attributable to holders of redeemable units being based on the average units outstanding during the period and all other numbers being based on the actual units outstanding at the relevant point in time. The June 30, 2018 interim financial statements are unaudited.

THE FUND'S NET ASSETS PER UNIT	CLASS A					
	June 30, 2018 ⁽⁵⁾	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net assets attributable to holders of redeemable units, beginning of period ⁽¹⁾	12.84	12.98	13.19	13.22	12.72	13.15
Increase (decrease) in net assets attributable to holders of redeemable units:						
Total revenue	0.24	0.47	0.49	0.49	0.53	0.54
Total expenses	(0.02)	(0.13)	(0.14)	(0.14)	(0.14)	(0.13)
Realized gains (losses) for the period	(0.05)	(0.04)	0.07	0.02	0.06	0.13
Unrealized gains (losses) for the period	(0.06)	(0.08)	(0.27)	(0.04)	0.45	(0.45)
Total Increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	0.11	0.22	0.15	0.33	0.90	0.09
Distributions to holders of redeemable units:						
From income (excluding dividends)	(0.23)	(0.33)	(0.35)	(0.36)	(0.39)	(0.42)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	(0.09)
Return on capital	-	-	-	-	-	-
Total distributions to holders of redeemable units ⁽³⁾	(0.23)	(0.33)	(0.35)	(0.36)	(0.39)	(0.51)
Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾	12.72	12.84	12.98	13.19	13.22	12.72

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets attributable to holder's of redeemable units is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash and/or reinvested in additional units of the Fund.

(4) This table is not intended to be a reconciliation of beginning to ending net assets per unit.

(5) Class O units of the Fund were converted to Class A units on January 31, 2018.

RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)

	June 30, 2018 ⁽⁶⁾	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total net asset value (\$) (000's) ⁽¹⁾	40,557	25,132	31,617	34,548	34,395	34,991
Number of redeemable units outstanding (000's) ⁽¹⁾	3,189	1,957	2,436	2,619	2,603	2,751
Management expense ratio (%) ⁽²⁾⁽⁵⁾	0.31	1.01	1.04	0.99	1.04	1.00
Management expense ratio before waivers or absorptions (%) ⁽²⁾⁽⁵⁾	0.31	1.04	1.06	1.02	1.09	1.03
Trading expense ratio (%) ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate (%) ⁽⁴⁾	12.92	25.34	16.14	38.47	37.39	30.17
Net asset value per unit (\$)	12.72	12.84	12.98	13.19	13.22	12.72

(1) This information is provided as at June 30 or December 31 of the period shown, as applicable.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated period (including Harmonized Sales Tax, Goods and Service Tax, income tax and interest) but excluding foreign withholding taxes, commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. PPW may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. The GBC Canadian Bond Fund expenses were waived or absorbed for some of the periods presented. The waiver or absorption of operating expenses can continue for an indefinite period of time and can be terminated by PPW at its discretion and without prior notice.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades 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 fund's portfolio turnover rate in a 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 fund.

(5) If the New Fee Payment Model change, effective January 1st, 2018, would have been in effect throughout fiscal year 2017 the adjusted MER of the Fund would be 0.21%(0.25% before waivers or absorptions).

(6) Class O units of the Fund were converted to Class A units on January 31, 2018.

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Financial Highlights (Cont'd)

THE FUND'S NET ASSETS PER UNIT	CLASS O					
	June 30, 2018 ⁽⁵⁾	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Net assets attributable to holders of redeemable units, beginning of period ⁽¹⁾	12.82	12.97	13.19	13.21	12.71	13.18
Increase (decrease) in net assets attributable to holders of redeemable units:						
Total revenue	0.04	0.47	0.49	0.49	0.53	0.55
Total expenses	-	(0.03)	(0.03)	(0.03)	(0.02)	(0.02)
Realized gains (losses) for the period	0.01	(0.04)	0.06	0.03	0.06	0.11
Unrealized gains (losses) for the period	(0.09)	(0.11)	(0.27)	(0.02)	0.42	(0.48)
Total Increase (decrease) in net assets attributable to holders of redeemable units ⁽²⁾	(0.04)	0.29	0.25	0.47	0.99	0.16
Distributions to holders of redeemable units:						
From income (excluding dividends)	-	(0.46)	(0.46)	(0.47)	(0.51)	(0.54)
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	(0.09)
Return on capital	-	-	-	-	-	-
Total distributions to holders of redeemable units ⁽³⁾	-	(0.46)	(0.46)	(0.47)	(0.51)	(0.63)
Net assets attributable to holders of redeemable units, end of period ⁽⁴⁾	-	12.82	12.97	13.19	13.21	12.71

(1) This information is derived from the Fund's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets attributable to holder's of redeemable units is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash and/or reinvested in additional units of the Fund.

(4) This table is not intended to be a reconciliation of beginning to ending net assets per unit.

(5) Class O units of the Fund were converted to Class A units on January 31, 2018. The Net Asset Value as at June 30, 2018 is zero.

RATIOS AND SUPPLEMENTAL DATA (based on Trading NAV)

	June 30, 2018 ⁽⁵⁾	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
Total net asset value (\$) (000's) ⁽¹⁾	-	17,903	15,515	17,282	19,143	17,408
Number of redeemable units outstanding (000's) ⁽¹⁾	-	1,396	1,197	1,311	1,449	1,369
Management expense ratio (%) ⁽²⁾⁽⁵⁾	0.12	0.22	0.19	0.16	0.18	0.17
Management expense ratio before waivers or absorptions (%) ⁽²⁾⁽⁵⁾	0.12	0.23	0.20	0.17	0.19	0.20
Trading expense ratio (%) ⁽³⁾	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate (%) ⁽⁴⁾	12.92	25.34	16.14	38.47	37.39	30.17
Net asset value per unit (\$)	-	12.82	12.97	13.19	13.21	12.71

(1) This information is provided as at June 30 or December 31 of the period shown, as applicable.

(2) The management expense ratio ("MER") is calculated in accordance with National Instrument 81-106, based on expenses for the stated period (including Harmonized Sales Tax, Goods and Service Tax, income tax and interest) but excluding foreign withholding taxes, commissions and other portfolio transaction costs, and is expressed as an annualized percentage of the daily average net asset value during the period. PPW may, at its discretion and without notice to unitholders, waive or absorb certain operating expenses. The GBC Canadian Bond Fund expenses were waived or absorbed for some of the periods presented. The waiver or absorption of operating expenses can continue for an indefinite period of time and can be terminated by PPW at its discretion and without prior notice.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio advisor trades 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 Fund's portfolio turnover rate in a 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 Fund.

(5) Class O units of the Fund were converted to Class A units on January 31, 2018. The Net Asset Value as at June 30, 2018 is zero.

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Financial Highlights (Cont'd)**Management Fees**

Further to the special meetings of holders of the GBC Mutual Funds held on January 8, 2018 (the "Meetings"), PPW announced that unitholders of the Fund approved a New Fee Payment Model. Under this new fee payment structure effective January 1, 2018, management fees are no longer charged to the Fund. Instead, the management fees are charged directly to unitholders. Subject to the maximum fees set forth below, unitholders will be charged management fees based on their assets under management. Such management fees will be payable directly to PPW by the redemption (without charge) of a sufficient number of units of the Fund held. This new approach results in enhanced fee transparency, aligns the mutual fund fee structure with the pooled fund fee structure and in certain cases results in reduced fees.

Following this approval, the amount of management fees unitholders pay will be determined based on the amount of assets under management, subject to the following maximum annual management fees:

Name of the Fund	Assets under management		
	Under \$1 million	Between \$1 million and \$5 million	Above \$5 million
The GBC Money Market Fund	0.10%	0.10%	0.10%
The GBC Canadian Bond Fund	0.65%	0.50%	0.40%
The GBC Growth and Income Fund	1.30%	1.20%	0.85%
The GBC Canadian Growth Fund	1.70%	1.50%	1.00%
The GBC American Growth Fund Inc.	1.50%	1.50%	1.00%
The GBC International Growth Fund	1.50%	1.50%	1.00%

Management fees were used by the Manager to pay costs for managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, and providing other services. For the period ended June 30, 2018, none of the management fees received by the Manager were used to fund commission payments and other dealer compensation (collectively "distribution-related costs") paid to registered dealers and brokers for units of the Fund bought and held by investors.

Caution Regarding Forward-looking Statements

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements. Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including, but not limited to, market and general economic conditions, interest rates, regulatory and statutory developments and the effects of competition in the geographic and business areas in which the Fund may invest. We caution that the foregoing list of factors is not exhaustive and that when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Further, it should be noted 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.

P E M B R O K E

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Pembroke Private Wealth Management Ltd.
is a mutual fund dealer and manager of the GBC Funds.
Pembroke Management Ltd. is an investment adviser.
Canso Investment Counsel is an investment adviser.

Custodial service provided by RBC Investor Services Trust.
Unitholder Recordkeeping provided by L&T Infotech Financial Services Technologies Inc.
Annual audit performed by Deloitte LLP.

