Financial Statements

JOINT HEALTH SCIENCE BENEFITS TRUST

For the year ended December 31, 2018

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Smythe CPA

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF TRUSTEES OF JOINT HEALTH SCIENCE BENEFITS TRUST

Opinion
We have audited the financial statements of Joint Health Science Benefits Trust (the "Trust"), which comprise the statement of financial position as at December 31, 2018, the statements of changes in net assets and changes in benefit obligations for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2018, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for pension plans ("ASPP").

Basis for Opinion
We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with ASPP, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Smythe LLP

Chartered Professional Accountants

Vancouver, British Columbia
June 17, 2019

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JOINT HEALTH SCIENCE BENEFITS TRUST

Statement of Financial Position

As at December 31

	Notes	2018	2017
Assets			
Cash		$ 6,039,800	$ 9,506,728
Investment	3	37,089,647	15,068,940
Accrued interest and other receivables		16,210	8,324
Contributions receivable		7,416,198	6,881,767
Equipment		24,868	3,137
		50,586,723	31,468,896
Liabilities			
Benefits and accounts payable		371,314	350,658
Due to Healthcare Benefit Trust	4	4,606,939	8,661,968
Net assets available for benefits		45,608,470	22,456,270
Plan benefit obligations	5	44,784,000	21,744,434
Surplus		$ 824,470	$ 711,836

Economic dependence (Note 6)

See accompanying notes to financial statements.

Approved on behalf of the Board of Trustees:

Jeanne Meyers
_______________ Trustee

_______________ Trustee
Chris Kinkaid

JOINT HEALTH SCIENCE BENEFITS TRUST

Statements of Changes in Net Assets

	Notes		Year ended December 31, 2018		From the Commencement of Operations from April 1, 2017 to December 31, 2017
Increase in Assets					
Contributions and income:					
Contributions	7	$	82,167,987	$	57,712,375
Investment income	8		1,443,036		231,069
Changes in fair value of investment			(1,710,541)		94,105
			81,900,482		58,037,549
Decrease in Assets					
Disbursements and expenses:					
Benefits paid	9		56,472,237		33,615,095
Operating expenses	10		2,276,045		1,966,184
			58,748,282		35,581,279
Contributions and income less disbursements and expenses			23,152,200		22,456,270
Net changes in plan benefit obligations			23,039,566		21,744,434
			112,634		711,836
Surplus, beginning of period			711,836		-
Surplus, end of period		$	824,470	$	711,836

See accompanying notes to financial statements.

JOINT HEALTH SCIENCE BENEFITS TRUST

Statements of Changes in Benefit Obligations

	Notes	Year ended December 31, 2018	From the Commencement of Operations from April 1, 2017 to December 31, 2017
Plan benefit obligations, beginning of period[1]		$ 21,744,000	$ -
Long-term disability service cost and incurred but not reported (IBNR)		24,527,000	17,605,775
Disabled claims payments		(6,000,000)	(333,434)
Long-term disability administration expenses		(162,000)	(4,415)
Changes in incurred but not reported		443,000	3,184,676
Interest cost		1,752,000	483,764
Experience loss		2,480,000	808,068
Plan benefit obligations, end of period	5	$ 44,784,000	$ 21,744,434

1. 2018 Plan benefit obligations prepared to the nearest thousand giving rise to variance of the 2017 closing balance.

See accompanying notes to financial statements.

1. Description of the Trust:

The Joint Health Science Benefits Trust (the Trust) was established under the 2014-2019 collective agreement between the Health Science Professionals Bargaining Association (HSPBA) and the Health Employers Association of British Columbia (HEABC). The HSPBA and Health Sector Employers are equal partners in delivering health and welfare benefits to their employees. The Trust provides Long-term Disability (LTD), Group Life, Dependent Life, Extended Health Care (EHC), Dental and Accidental Death & Dismemberment (AD&D) coverage. The Trust formally assumed responsibility for providing employee benefits programs on April 1, 2017.

The HEABC appoints a portion of the trustees to the Trust, while the remaining trustees are appointed by the HSPBA. The HEABC and HSPBA have equal representation on the Board of Trustees.

The Trust is funded by participating employers and employees with contributions held in trust to pay for benefits for employees and eligible dependents. Employer contributions are set as a percentage of straight time payroll.

The Healthcare Benefit Trust (HBT) has been engaged as the third-party administrator of the Trust.

2. Significant accounting policies:

(a) Basis of presentation:

These financial statements have been prepared in accordance with the Canadian Accounting Standards for Pension Plans (ASPP). For accounting policies that are not related to the Trust's investment or benefit obligations, the Trust has complied with International Financial Reporting Standards (IFRS). The financial statements were authorized for issue by the Board of Trustees on June 17, 2019.

2. Significant accounting policies (continued):

(b) Financial instruments:

(*i*) Recognition and measurement:

Financial assets are classified and measured in one of the following categories based on the business model used to manage the asset: fair value through profit and loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost. Financial liabilities are classified and measured as either FVTPL or amortized cost. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

The Fund has not classified any of its financial instruments as FVOCI.

(*ii*) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of changes in net assets in the period in which they occur. The Trust's investment is categorized as FVTPL and are comprised of units of the Healthcare Investment Unit Trust (HIUT). The HIUT units are valued based on closing net asset values at the date of the statement of financial position.

(*iii*) Amortized cost:

Financial assets and liabilities categorized at amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost, less any impairment losses. Interest income and expense are recognized by applying the effective interest rate. Cash, accrued interest and other receivables, contributions receivable and benefits and accounts payable are categorized as amortized cost.

(c) Equipment:

Equipment is recorded at historical cost and amortized using the straight-line method over their estimated useful lives, commencing when they are put into use, as follows:

Asset	Estimated useful lives
Computer hardware	4 years

2. Significant accounting policies (continued):

(d) Plan benefit obligations:

Liabilities are recorded for future benefit payments on claims reported prior to the fiscal year end and on claims that have been incurred prior to the fiscal year end but not reported by that time. These liabilities are actuarially determined based on historical claims experience, current and expected future rates of investment return, and the time value of money. The liabilities include a provision for the future cost of investigation and settlement of those claims incurred prior to the fiscal year-end.

Changes to these liabilities based on changes to the underlying actuarial assumptions are recorded in the period during which the change is made.

The provision for plan benefits and claims are estimates subject to variability because all events affecting the ultimate settlement of claims have not taken place and may not take place for some time. Estimates may vary because of receipt of additional claim information and significant changes from historical trends in severity and/or frequency of claims.

(e) Revenue recognition:

Contributions from the employers and employees are recorded in the statement of changes in net assets available for benefits on an accrual basis.

Investment income is recognized on an accrual basis.

(f) Benefits:

Benefit payments to members are recorded on an accrual basis in the statement of changes in net assets available for benefits when the member becomes entitled to payment.

(g) Use of estimates:

The preparation of financial statements in accordance with ASPP requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of income and contributions and disbursements and expenses during the reporting period. Areas of significant estimation include plan benefit obligations, which are further described in note 5. Actual results could differ from these estimates as additional information becomes available in the future.

(h) Taxation:

The Trust is an Employee Life and Health Trust, which is subject to income tax pursuant to subsections 104(2) and 122(1) of the *Income Tax Act (Canada)*. The Trust is only taxed on net investment income and net taxable capital gains to the extent that its deductible expenses do not exceed such income.

3. Investment:

The investment of the Trust comprise of units of the HIUT, a pooled investment vehicle. The HIUT was created to allow for the pooling of investment for the Trust and three other trusts. The HIUT has appointed the British Columbia Investment Management Corporation (BCI) to manage its investment.

The Trust invests all contributions in excess of approximately 1.5 times the monthly operating cost in the HIUT. The HIUT is related to the Trust by virtue of common trustees.

4. Due to Healthcare Benefit Trust:

HBT has been engaged as administrator of the Trust. HBT is considered a related party by virtue of its capacity as administrator. In exchange for these administration services, a fee (Note 10) is incurred based on members enrolled for benefits coverage and additional services.

As part of HBT's administrative duties, certain expenses during the year are paid for on behalf of the Trust. All contributions are initially received by HBT and subsequently remitted to the Trust. The due to related party balance of $4,606,939 (2017 - $8,661,968) is payable to HBT and relates to expenses paid and administration fees payable. The amount is unsecured, non-interest bearing and was fully repaid to HBT in January 2019.

5. Plan benefit obligations:

	2018	2017
Long-term disability:		
Admitted claims	$ 23,759,000	$ 5,662,391
Incurred but not reported claims	10,782,000	9,927,851
Group life, accidental death and dismemberment, dental and extended healthcare:		
Disabled extended healthcare	4,940,000	2,111,649
Disabled dental	694,000	306,343
Disabled group life/accidental death and dismemberment	982,000	551,524
Incurred but not reported claims	3,627,000	3,184,676
	$ 44,784,000	$ 21,744,434

Plan benefit obligations represent the present value of future benefit payments payable by the Trust. An actuarial valuation is performed annually by George & Bell Consulting Inc., with the effective date being consistent with the period-end of the Trust. The actuarial liabilities are determined using accepted actuarial practices in accordance with the standard of practice established by the Canadian Institute of Actuaries (CIA). Liabilities primarily cover benefits payable to claimants on LTD, including both reported and unreported claims at December 31, 2018.

5. Plan benefit obligations (continued):

In addition to LTD benefits, actuarial liabilities also provide for the following:

- Incurred but not reported claims of active employees for EHC, dental, group life and AD&D.
- Future costs for EHC, dental, group life and AD&D for existing disabled claimants (collectively, disabled non-income benefits).

These liabilities are only recognized in respect of certain types of participating employees.

In determining the obligations of the Trust, the cost of claims, future changes in claims costs, the time value of money (to discount future claims to present value) and expenses to administer the benefits, are included in the determination. These liabilities are dependent on economic and demographic experience. To determine the obligations, assumptions about future economic and demographic experience are necessary.

Demographic assumptions are largely derived based on past experience. Economic assumptions, on the other hand, are based more on current market conditions than experience. Demographic and economic assumptions will change over time. It is possible that such changes could cause a material change in the actuarial present value of future benefit payments. The following long-term assumptions were used in the actuarial valuation:

	2018	2017
Discount rate	5.8%	5.8%
Expense assumption	4.0%	4.0%
IBNR assumption:		
Group life and AD&D	$ 100,000	$ 100,000
LTD[1]	5.1-100.0%	1.3%
Dental[2]	0.1-12.5%	132/365
EHC[2]	1.0-28.0%	31/365
Disabled non-income benefits[3]	45%	175%
Assumed indexing rates	1.5% and 2.0%	1.5% and 2.0%

1. Percentage of payroll in the prior four quarters. (2017 - Percentage of base LTD contributions billed in last 12 months) IBNR methodology change due to change from product based LTD rates to contributions as percentage of payroll. Base LTD contributions are no longer available for the majority of the Trust.
2. Percentage of claims paid to date with an incurral date from the prior four quarters plus expenses. (2017 - Fraction of payments and expenses in previous 12 months) The methodology changed to calculate the IBNR by quarter of incurral as incurred claims in a quarter are a more appropriates basis than claims paid in a quarter.
3. Ratio of LTD IBNR liability to reported LTD liability applied to the corresponding liability for reported active claims.

The rate of terminations of active claims and the Canadian Pension Plan (CPP) approval rate are also critical assumptions used in the actuarial valuation.

Long-term economic and actuarial assumptions and methods are reviewed periodically. Management believes that the valuation methods and assumptions are, in aggregate, appropriate for the valuation.

5. Plan benefit obligations (continued):

The actuarial valuation involves making assumptions about the future. Actuarial assumptions are approved by the Board of Trustees. The rationales for key assumptions are:

– Discount rate: this has been set equal to the Trust's best estimate of investment return of 5.8%. Should the discount rate increase or decrease by 1% this would impact the actuarial liability by ($1,400,000) or $1,700,000 (2017 - ($800,000) or $1,000,000), respectively.

– Rate of terminations of active claims: the actuary used the CIA 2004-2008 non-Quebec, female termination table with adjustments based on actual experience of the Trust for the 60-month period ending December 31, 2017 (2017 – actual experience to June 30, 2017). A risk could arise that the Trust's future termination experience is worse than the assumed termination rates.

– CPP approval rate: a study was performed by the actuary on actual approvals of CPP disability claims by active claimants. The resulting assumption is the best estimate without margins and incorporates actual experience to December 31, 2017 (2017 - actual experience to June 30, 2017). The CPP approval rate assumption is based on age and duration since disability. A risk could arise that the Trust's future CPP approval experience is worse than the assumed CPP approval rates.

6. Economic dependence:

The Trust received approximately 97% (2017 - 97%) of its participant contributions from the Health Authorities and is dependent upon the ability of the Health Authorities to meet future contribution rate payments.

7. Contributions:

	2018	2017
Straight time payroll	$ 82,167,987	$ 56,912,375
Lump sum payment	-	800,000
	$ 82,167,987	$ 57,712,375

As part of the funding formula for the Trust, a one-time lump sum payment of $800,000 was made on April 1, 2017 by HEABC.

8. Investment income:

		2018		2017
Interest from cash	$	117,150	$	63,422
Investment expenses		(99,214)		(38,659)
Investment income from HIUT		1,433,424		206,633
Withholding taxes		(8,324)		(327)
	$	1,443,036	$	231,069

9. Benefits paid:

		2018		2017
AD&D/Group life	$	358,547	$	364,378
Dental		18,890,150		12,883,333
EHC		31,928,493		20,118,881
LTD		5,295,047		248,503
	$	56,472,237	$	33,615,095

10. Operating expenses:

	Notes		2018		2017
Actuarial		$	58,089	$	53,045
Administration fees	4		427,463		314,444
Audit and tax			16,275		-
Claims adjudication, administration, and office			1,494,446		874,150
Consulting			129,875		29,684
Depreciation			6,709		-
JHSBT set up			-		591,332
Legal			68,853		63,620
Insurance			18,500		18,500
Trustee operations	4		55,835		21,409
		$	2,276,045	$	1,966,184

11. Fair value of financial instruments:

(a) Fair value hierarchy:

The Trust's financial instruments consist of cash, investment, accrued interest and other receivables, contributions receivable, and benefits and accounts payable.

The fair value of a financial instrument is the estimated amount that the Trust would receive or pay to settle a financial asset or financial liability as at the reporting date. The investment is carried at fair value in the financial statements. The carrying value of cash, accrued interest and other receivables, contributions receivable, and benefits and accounts payable approximates fair value due to their short-term to maturity.

The Trust has categorized the inputs used to value its financial instruments held at fair value into a three-tier fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The hierarchy of inputs is summarized below:

- Quoted prices (unadjusted) in active markets (Level 1).
- Inputs other than quoted prices included in Level 1 that are observable either directly (i.e., prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs that are not based on observable market data (unobservable inputs) (Level 3).

	Valuation technique			
2018	Level 1	Level 2	Level 3	Total
Investment:				
HIUT	$ -	$ 37,089,647	$ -	$ 37,089,647

	Valuation technique			
2017	Level 1	Level 2	Level 3	Total
Investment:				
HIUT	$ -	$ 15,068,940	$ -	$ 15,068,940

12. Financial risk management:

The Trust has exposure to financial risks associated with its financial instruments and benefit obligations. Analysis of sensitivity to specified risks is provided where there may be an effect on the financial position. These financial risks include credit risk, liquidity risk and market risks (currency, interest rate and other price risk). Sensitivity analysis is performed by relating the reasonably possible changes in the risk variables at December 31, 2018 to financial instruments outstanding on that date.

(a) Credit risk:

The Trust is exposed to credit risk resulting from:

- The possibility that parties may default on their financial obligations;
- If there is a concentration of transactions carried out with the same party; and
- If there is a concentration of financial obligations which have similar economic characteristics such that they could be similarly affected by changes in economic conditions. The Trust does not directly hold any collateral as security for financial obligations.

The maximum exposure of the Trust to credit risk at December 31 is as follows:

	2018	2017
Cash	$ 6,039,800	$ 9,506,728
Accrued interest and other receivables	16,210	8,324
Contributions receivable	7,416,198	6,881,767
	$ 13,472,208	$ 16,396,819

Cash and investment:

Credit risk associated with cash is minimized substantially by ensuring that these assets are invested in financial obligations of: governments; major financial institutions that have been accorded investment grade ratings by a primary rating agency; and/or other creditworthy parties. The Trust's investment in the HIUT is similar to equity instruments. While the Trust has no direct credit risk arising from its investment in the HIUT, the Trust is exposed to the credit risks of the HIUT's underlying investments. BCI ensures that these underlying investments meet the Trust's investment policy.

12. Financial risk management (continued):

(a) Credit risk (continued):

Contributions and other receivables:

The Trustees believe credit risk with respect to receivables is limited due to the credit quality of the parties extended credit. Credit risk associated with amounts receivable from the Health Authorities, which represent the Trust's largest receivables, is minimal as the Health Authorities form part of the government reporting entity of the Province of British Columbia.

(b) Liquidity risk:

Liquidity risk is the risk that the Trust will not be able to meet its obligations as they come due.

The Trust meets its liquidity requirements by holding assets that can be readily converted into cash, which are monitored and updated as required.

(c) Market risks:

The Trust is exposed to market risks through the fluctuation of financial instrument fair values or cash flows due to changes in market factors. The significant market risks to which the Trust is exposed are interest rate risk, currency risk, and other price risk.

(*i*) Interest rate risk:

Interest rate risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate due to changes in market interest rates.

The interest rate exposure of the Trust arises from its interest-bearing assets and its fixed income investments including bonds and mortgages, which are held indirectly through the HIUT.

The Trust's cash includes amounts on deposit with financial institutions that earn interest at market rates. The Trust manages its exposure to the interest rate risk of its cash by maximizing the interest income earned on excess funds while maintaining sufficient liquidity necessary to conduct operations on a day-to-day basis. Fluctuations in market rates of interest on cash do not have a significant impact on the Trust's results of operations.

12. Financial risk management (continued):

(c) Market risks (continued):

(*i*) Interest rate risk (continued):

Maturity position - December 31, 2018:

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash	$ 6,039,800	$ -	$ -	$ -	$ 6,039,800
Underlying fixed income investments held through pooled investment vehicles	163,024	2,727,467	12,261,962	9,433,541	24,585,994
	$ 6,202,824	$ 2,727,467	$ 12,261,962	$ 9,433,541	$ 30,625,794

Maturity position – December 31, 2017

	Demand	Less than twelve months	One to five years	Over five years	Total
Cash	$ 9,506,728	$ -	$ -	$ -	$ 9,506,728
Underlying fixed income investments held through pooled investment vehicles	35,621	1,352,750	3,941,763	3,341,890	8,672,024
	$ 9,542,349	$ 1,352,750	$ 3,941,763	$ 3,341,890	$ 18,178,752

The weighted average yield of these financial instruments is 2.56% (2017 - 2.27%) at December 31, 2018. The weighted average term to maturity of interest bearing investments is 94 months (2017 – 101 months). Should prevailing market interest rates increase or decrease by 2%, with all other variables held constant, this would decrease or increase, respectively, the December 31 carrying value of the Trust's investments by ($3,418,216) or $4,058,930 (2017 - ($1,301,681) or $1,565,552).

12. Financial risk management (continued):

(c) Market risks (continued):

(*ii*) Currency risk:

Currency risk refers to the risk that the fair value of financial instruments or future cash flows associated with the instruments will fluctuate relative to the Canadian dollar due to changes in foreign exchange rates. The functional currency of the Trust is the Canadian dollar.

At December 31, 2018, the Trust had $14,500,502 (2017 - $5,305,984) of investments denominated in foreign currencies held indirectly through the HIUT. If the Canadian dollar had appreciated or depreciated by 2% against the underlying foreign currencies of these investments at that date, with all other variables held constant, the fair value of the investments would have decreased or increased, respectively, by $290,010 (2017 - $106,119).

The investment manager of the HIUT monitors the Trust's foreign currency exposure and manages this risk through diversification and consideration of global asset mix.

The underlying foreign currencies in which investments are denominated are:

	2018	2017
China	$ 471,602	$ 76,114
European Union	1,373,288	607,668
Hong Kong	646,634	154,025
Japan	924,057	432,930
Singapore	109,560	33,336
Switzerland	327,111	144,513
United Kingdom	623,423	310,063
United States	7,888,590	2,993,303
Other	2,136,237	554,032
	$ 14,500,502	$ 5,305,984

12. Financial risk management (continued):

(c) Market risks (continued):

(*iii*) Other price risk:

Other price risk refers to the risk that the fair value of financial instruments or cash flows associated with the instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Trust is indirectly exposed to other price risk through the underlying equity investments of the HIUT.

The long-term investment policy has a target asset allocation of 20% fixed income investments, 40% equities, and 40% private market investments, which includes infrastructure and real estate. To the extent that the Trustees are unable to allocate the entirety of the target allocation in respect to private market investments, the unallocated amount will be allocated to fixed income investments in the form of nominal bonds. Risk and volatility of investment returns are mitigated through diversification of investments in different countries, business sectors, and corporation sizes.

At December 31, 2018, the Trust's total investments exposed to other price risk is $12,503,653 (2017 - $6,396,916) and excludes fixed income funds, which are otherwise subject to interest rate risk. The Trustee's best estimate of the effect on net assets as at December 31, 2018, of a reasonably possible increase or decrease of 10% in the equity and private markets, with all other variables held constant, would amount to an increase or decrease of approximately $1,250,365 (2017 - $639,692) respectively. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(d) Sensitivity analyses:

The sensitivity analyses included herein should be used with caution as the changes are hypothetical and are not predictive of future performance. The above sensitivities are calculated with reference to year-end balances and will change due to fluctuations in the balances in the future. In addition, for the purpose of the sensitivity analyses, the effect of a variation in a particular assumption on the fair value of the financial instruments was calculated independently of any change in another assumption. Actual changes in one factor may contribute to changes in another factor, which may either magnify or counteract the effect on the fair value of the financial instrument.

13. Capital management

The Trust's capital is comprised of its net assets. The Trust's objective for managing capital, including member contributions, is to ensure that the assets are invested soundly and effectively to meet the future obligations of the Trust. These assets are invested jointly with three other trusts in a common investment vehicle, the HIUT, for investment with BCI.

14. Involvement with structured entities:

The table below describes the types of structured entities that the Trust does not consolidate, but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Trust
Healthcare Investment Unit Trust	To invest in assets on behalf of third party investors and generate long-term capital appreciation	Investment in units issued by the HIUT

The table below sets out interests held by the Trust in unconsolidated structured entities. The maximum exposure to loss is the carrying amount of the investment in the underlying pooled investment vehicle.

December 31, 2018	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	$1,028,768,473	$37,089,647	3.61%

December 31, 2017	Total net assets of pooled fund	Carrying amount included in investments	Percentage interest held
Healthcare Investment Unit Trust	$983,607,515	$15,068,940	1.53%