ASSET MANAGEMENT
A division of Pembroke Private Wealth Management

THE PEMBROKE CORPORATE BOND FUND

THE PEMBROKE CANADIAN GROWTH FUND

THE PEMBROKE U.S. GROWTH FUND

2010 FINANCIAL STATEMENTS

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Approval of the Financial Statements of:

The Pembroke Corporate Bond Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund

(collectively referred to as the “Funds”)

Approved by the Trustee, GBC Asset Management Inc.

Jeffrey S. D. Tory	Michael P. McLaughlin
Director	Director

Montreal, February 7, 2011

STATEMENTS OF NET ASSETS

As at December 31

	2010	2009
Assets		
Investments, at fair value (Note 2)	$34,708,779	$19,954,813
Cash	678,314	66,678
Accrued income	417,642	280,258
Foreign exchange forward contract	36,102	2,451
Other receivables	388	—
	35,841,225	20,304,200
Liabilities		
Distributions payable to securityholders	609,664	—
Payable for investment securities purchased	506,325	46,631
Foreign exchange forward liability	12,626	—
Accrued expenses	8,801	8,135
HST payable	1,450	—
	1,138,866	54,766
Net assets representing unitholders' equity (Notes 2 & 3)	**$34,702,359**	**$20,249,434**
Net assets per unit (Notes 2 & 3)	$11.95	$11.32
Investments, at average cost	$32,536,945	$18,638,057

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF OPERATIONS

For the years ended December 31

	2010	2009
Investment Income		
Interest	$1,664,297	$988,136
Expenses		
Unitholders' information fees	9,510	3,201
Filing fees	3,853	—
Custodial fees	4,249	10,919
Audit fees	5,250	—
Legal fees	3,481	—
HST expense	1,932	—
Fund valuation fees	32,547	27,300
	60,822	41,420
Net investment income before undernoted	1,603,475	946,716
Expenses absorbed by Manager	6,102	16,856
Net investment income for the year	1,609,577	963,572
Net realized gain on sale of investments	666,744	242,109
Net realized foreign exchange (loss) gain	(2)	4,812
Net realized gain on forward contracts	36,170	—
Change in unrealized appreciation in value of investments	855,078	1,316,755
Change in unrealized appreciation due to forward contracts	21,025	2,451
Net gain on investments	1,579,015	1,566,127
Increase in net assets from operations	**$3,188,592**	**$2,529,699**
Increase in net assets from operations per unit	$1.39	$2.29

The accompanying notes are an integral part of these financial statements

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31

	2010	2009
Net assets, beginning of year	**$20,249,434**	—
Increase in net assets from operations	3,188,592	2,529,699
Distributions to unitholders		
From net realized capital gains	(447,625)	(200,756)
From net investment income	(1,611,435)	(971,707)
Total distributions to unitholders	(2,059,060)	(1,172,463)
Capital transactions (Note 3)		
Proceeds on issue of units	17,373,114	19,530,715
Payments on redemption of units	(4,049,721)	(638,517)
Total capital transactions	13,323,393	18,892,198
Total increase in net assets	14,452,925	20,249,434
Net assets, end of year (Note 2)	**$34,702,359**	**$20,249,434**

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio

As at December 31, 2010

Investments	Face Value	Cost	Fair Value	% of Net Assets
Bonds - Federal				
Government of Canada				
2.00%, September 1, 2012	603,000	$606,558	$606,824	1.75%
Provincial Government Bonds				
ORNGE Issuer Trust				
5.727%, June 11, 2034	148,000	$148,000	$158,342	0.46%
Corporate Bonds				
Air Canada				
10.125%, August 1, 2015	376,000	$372,710	$394,800	
Altagas Income Trust				
6.94%, June 29, 2016	295,000	294,938	333,181	
4.60%, January 15, 2018	500,000	500,099	498,507	
Bell Aliant				
5.52%, February 26, 2019	94,000	94,053	97,355	
6.17%, February 26, 2037	242,000	190,594	231,465	
Bell Canada				
7.30%, February 23, 2032	447,000	470,192	511,402	
B.C. Tel				
9.65%, April 8, 2022	207,000	287,735	283,255	
Cascades				
7.75%, December 15, 2016	107,000	105,795	109,668	
Cogeco Cable				
5.15%, November 16, 2020	380,000	379,276	377,284	
Enbridge Pipelines				
8.20%, February 15, 2024	10,000	11,363	13,478	
Ford Credit Canada, Private Placement				
7.50%, August 18, 2015	1,540,000	1,540,000	1,632,985	
FSCC, Private Placement				
6.915%, July 31, 2042	276,000	275,954	303,055	
Fibrek				
7.00%, December 31, 2011	79,000	51,054	79,079	
GE Capital Canada				
5.73%, October 22, 2037	925,000	767,851	950,098	
Green Timbers LP, Private Placement				
6.838%, June 30, 2037	275,000	285,737	295,310	
Health Partners Markham, Private Placement				
3.43%, January 31, 2013	437,000	437,000	437,000	
Highway 407				
Jr Extendable 7.00%, July 26, 2010				
7.125% 2040	623,000	698,374	785,434	
Leisureworld Senior Care				
4.814%, November 24, 2015	165,000	156,907	169,864	

Statement of Investment Portfolio - (continued)

As at December 31, 2010

Investments	Face Value	Cost	Fair Value	% of Net Assets
Corporate Bonds - (continued)				
Loblaws				
6.50%, January 22, 2029	380,000	$311,365	$399,012	
6.54%, February 17, 2033	44,000	34,161	46,509	
6.05%, June 9, 2034	100,000	92,898	99,721	
5.90%, January 18, 2036	100,000	69,812	97,209	
6.45%, March 1, 2039	205,000	181,091	214,107	
Manitoba Telecom Services				
6.65%, May 11, 2016	187,000	190,640	207,769	
ManuLife Financial				
4.079%, August 20, 2015	2,023,000	2,023,000	2,035,921	
7.768%, April 8, 2019	332,000	399,325	396,832	
Merrill Lynch Canada				
5.00%, February 18, 2014	608,000	628,686	625,607	
Newport Partners				
7.00%, December 31, 2012	14,000	8,153	9,381	
NIF-T Class A-2, Private Placement				
4.934%, November 23, 2014	78,211	78,211	78,270	
Plenary Health Bridgepoint LP, Private Placement				
7.246%, August 31, 2042	126,000	128,316	144,417	
Plenary Health Niagra, Private Placement				
7.685%, May 31, 2042	54,000	$54,000	$68,143	
Power Corp.				
8.57%, April 22, 2039	83,000	82,940	110,627	
Rogers Communications				
6.11%, August 25, 2040	308,000	307,708	304,185	
Shaw Communications				
5.65%, October 1, 2019	311,000	310,138	321,286	
6.75%, November 9, 2039	684,000	665,958	674,425	
SNC-Lavalin Innisfree McGill Finance, Private Placement				
Private Placement				
6.632%, June 30, 2044	241,000	241,000	259,633	
TransCanada Pipelines Limited				
8.05%, February 17, 2039	412,000	534,958	579,898	
Videotron Sr notes, Private Placement				
7.125%, January 15, 2020	435,000	441,986	457,696	
Viterra				
8.50%, July 7, 2014	272,000	272,000	295,168	
8.50%, August 1, 2017	55,000	54,782	60,706	
		$14,030,760	$14,989,742	43.19%

The accompanying notes are an integral part of these financial statements

Statement of Investment Portfolio - (continued)

As at December 31, 2010

Investments	Face Value	Cost	Fair Value	% of Net Assets
Canadian Corporate Bonds - Denominated in United States Dollar				
CIBC				
FRN, August 31, 2085	200,000	$138,112	$130,168	
National Bank of Canada				
FRN, August 29, 2087	650,000	419,547	361,689	
Nortel Networks				
10.75%, July 15, 2016	33,000	15,827	27,708	
Royal Bank of Canada				
FRN, June 29, 2085	250,000	188,000	158,984	
		$761,486	$678,549	1.96%
Canadian Corporate Bonds - Denominated in Australian Dollar				
Ally Credit Canada				
7.125%, September 13, 2011	692,000	$698,495	$690,731	1.99%
Asset Backed				
Claregold Trust 2007-2A A1				
5.067%, June 15, 2016	248,000	$214,009	$220,185	
MLFA 2006-CA19 A3				
4.977%, June 12, 2016	479,000	489,907	491,778	
MLFA 2006-CA20 A2				
4.659%, July 12, 2016	722,000	741,841	736,432	
MLFA 2007-CA22 A2				
4.711%, October 12, 2016	456,000	459,361	464,005	
MLFA 2007-CA21 A2				
4.745%, January 12, 2017	151,000	139,811	152,918	
N-45 First CMBS 2003-2 A2				
5.667%, November 15, 2013	124,000	128,995	131,537	
REALT 2006-3 B				
4.70%, December 12, 2016	175,000	165,246	167,666	
Score Trust				
5.629%, February 20, 2014	115,000	112,386	111,195	
		$2,451,556	$2,475,716	7.13%
Total Bonds - Canadian		**$18,696,855**	**$19,599,904**	**56.48%**
Foreign Government Supranational - Denominated in Canadian Dollar				
Asian Development Bank				
0.50%, Mar 27, 2013	60,000	$55,710	$57,663	
		$55,710	$57,663	0.17%

The accompanying notes are an integral part of these financial statements

Statement of Investment Portfolio - (continued)

As at December 31, 2010

Investments	Face Value	Cost	Fair Value	% of Net Assets
Foreign Federal Bonds - Denominated in Canadian Dollar				
BNG				
5.15%, March 7, 2025	120,000	$116,311	$124,078	
		$116,311	$124,078	0.35%
Foreign Corporate Bonds - Denominated in Canadian Dollar				
Australia				
Commonwealth Bank of Australia				
5.15%, April 9, 2020	1,143,000	$1,146,779	$1,168,169	
Westpac (St. George Bank) FF				
4.65%, April 23, 2012	197,000	198,723	200,608	
Westpac Banking				
3.75%, December 1, 2014	119,000	119,142	120,082	
		$1,464,644	$1,488,859	4.29%
France				
Dexia Municipal Agency				
4.625%, May 30, 2017	64,000	$63,510	$64,591	
4.68%, March 9, 2029	224,000	198,738	202,293	
		$262,248	$266,884	0.77%
Iceland				
Kaupthing Bank				
4.70%, February 15, 2010	16,000	$14,995	$2,600	
		$14,995	$2,600	0.01%
Ireland				
DEPFA ACS Bank				
4.20%, November 30, 2012	460,000	$454,883	$453,870	
		$454,883	$453,870	1.31%
United Kingdom				
HBOS PLC FF				
5.109%, June 21, 2012	1,694,000	$1,489,653	$1,435,665	
Lloyds TSB Bank PLC				
4.57%, October 13, 2015	1,442,000	1,442,000	1,414,007	
Royal Bank of Scotland				
CDOR + 72, March 30, 2015	419,000	366,119	359,804	
5.37%, May 12, 2016	1,537,000	843,261	1,221,915	
6.666%, October 5, 2017	2,003,000	849,566	1,498,792	
		$4,990,599	$5,930,183	17.09%

The accompanying notes are an integral part of these financial statements

Statement of Investment Portfolio - (continued)

As at December 31, 2010

Investments	Face Value	Cost	Fair Value	% of Net Assets
United States				
Bear Stearns				
4.30%, January 12, 2011	85,000	$84,991	$85,025	
Goldman Sachs				
4.10%, November 3, 2015	334,000	333,971	329,435	
5.25%, June 1, 2016	1,465,000	1,422,738	1,512,215	
Kimco North Trust III				
5.18%, August 16, 2013	399,000	393,846	410,789	
5.99%, April 13, 2018	819,000	820,660	856,833	
Lehman Brothers Holdings				
4.85%, September 3, 2013	8,000	3,661	1,533	
Morgan Stanley				
4.50%, February 23, 2012	6,000	5,846	6,108	
4.90%, February 23, 2017	1,134,000	1,071,781	1,119,823	
Pricoa Global Funding I				
4.95%, May 29, 2014	555,000	524,837	576,163	
Sallie Mae				
4.625%, june 15, 2011	851,000	813,808	849,693	
		$5,476,139	$5,747,617	16.56%
Total Foreign Corporate Bonds		**$12,835,529**	**$14,071,754**	**40.55%**
Foreign Corporate Bonds - Denominated in United States Dollar				
United States				
CIT Group				
7.00%, May 1, 2013	23,040	$22,527	$23,352	
7.00%, May 1, 2014	34,561	33,298	34,685	
7.00%, May 1, 2015	34,561	32,347	34,427	
7.00%, May 1, 2016	57,602	52,252	57,451	
7.00%, May 1, 2017	890,643	864,137	887,206	
		$1,004,561	$1,037,121	2.99%
Total investments		**$32,536,945**	**$34,708,779**	**100.02%**
Other assets - net		(6,420)	(6,420)	(0.02%)
Total net assets		**$32,530,525**	**$34,702,359**	**100.00%**

The accompanying notes are an integral part of these financial statements

1. The Funds

(i) Establishment of the Funds

The Pembroke Corporate Bond Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2009.

The Pembroke Canadian Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2007.

The Pembroke U.S. Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 23, 1999, as amended by a Master Declaration of Trust dated January 1, 2007.

2. Significant accounting policies

These financial statements, denominated in Canadian dollars, are prepared in accordance with Canadian generally accepted accounting principles ("GAAP") and with National Instrument 81-106, *Continuous Disclosure Standards for Investment Funds*. The following is a summary of significant accounting policies followed by the Funds.

Future accounting standards

The Canadian Accounting Standards Board ("CASB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. IFRS will apply to fiscal years beginning on or after January 1, 2011. In June 2010, the CASB issued an exposure draft "Adoption of IFRS by Investment Companies" proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "Investment Companies" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the CASB approved the optional one year deferral from IFRS adoption for investment companies applying AcG 18. In January 2011, the CASB approved another one year extension to the optional one year deferral from IFRS adoption for investment companies applying AcG-18. Accordingly, IFRS will be applicable for the Funds for the fiscal year ending December 31, 2013.

The Manager has developed a changeover plan and has engaged a major accounting firm to assist with the diagnostic review to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to IFRS. The diagnostic review helped us identify and assess the overall effort required to produce financial information under IFRS. The key elements of the plan include disclosures of the qualitative impact in 2009 and 2010 financial statements, and disclosures of the qualitative and quantitative impact, if any, in the 2013 financial statements and the preparation of the 2013 financial statements in accordance with IFRS.

2. Significant accounting policies – (continued)

Future accounting standards – (continued)

Based on the Manager's diagnostic assessment of the accounting difference between Canadian GAAP and IFRS, the following areas of differences were identified:

(a) Under International Accounting Standards ("IAS) 27, Consolidated and Separate Financial Statements, to the extent the investment companies invest in other investment funds and are deemed to control such underlying investment funds, the investment companies are required to consolidate the financial statements of such underlying investment funds. The Manager is currently assessing the Funds' investments to determine if consolidation is required. However, a new standard is expected to replace IAS 27 and may be in effect prior to the Funds' transition date, such that IFRS may differ at the transition date from its current form. The Manager is currently monitoring the International Accounting Standards Board's project to replace IAS 27 and will amend its changeover plans accordingly.

(b) IAS 32, Financial Instruments: Disclosure and Presentation, requires unitholders' equity to be classified as a liability unless certain conditions are met. The Manager is currently assessing the Funds' unitholder structure to determine proper classification.

(c) The diagnostic assessment also revealed that a Statement of Cash Flows will be required for IFRS reporting purposes.

Based on the diagnostic review of the differences between Canadian GAAP and IFRS, the Manager does not expect that the Net Assets (as defined below) or Net Asset Value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Funds' financial statements will result in additional disclosures and potentially different presentation of securityholder interests and certain other items.

Fair value measurement

On January 1, 2009, the Funds adopted recent amendments to CICA Section 3862, *Financial Instruments – Disclosures,* which require the disclosure of the estimated fair value of financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under CICA Section 3862 are described below:

Level 1: Valuation based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2: Valuation based on inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

2. Significant accounting policies - (continued)

Fair Value Measurement – (continued)

Level 3: Valuation based on inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Refer to Note 8 for the new disclosure relating to the adoption of these new requirements.

(i) Valuation of investments

Securities listed upon a recognized public stock exchange are valued at their bid prices on the Valuation date. These securities are presented as Level 1 as shown in Note 8. Securities with no quoted market value are valued at fair value, as determined in good faith and pursuant to procedures established by the Manager based on a pricing model which considers factors such as the market value of the underlying investment, strike price and terms of the security. These securities are presented as Level 3 as shown in Note 8. Cost of securities is determined according to the average cost method. The difference between the fair value and the average cost of investments is reported as unrealized appreciation (depreciation) of investments and is included in unitholders' equity.

For bonds, money market instruments and debentures, the fair value means the bid prices provided by independent security pricing services. These securities are presented as Level 2 as shown in Note 8.

National Instrument 81-106, Section 14.2, issued by the Canadian Securities Administrators ("CSA") in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP ("Net Assets"). However, pursuant to amendments to National Instrument 81-106 issued by the CSA on September 8, 2008, net assets for purposes of securityholders subscriptions and redemptions continues to be calculated using Net Asset Value ("NAV") without regard to Section 3855. A reconciliation between the Net Asset Value and the Net Asset ("NA") is calculated in accordance with Section 3855 of an investment fund and is required to be disclosed in the financial statements. The reconciliation of the Funds' NAV and the NA is presented in the following table:

Years ended December 31, 2010 and 2009

2. Significant accounting policies - (continued)

(i) Valuation of investments - (continued)

Reconciliation of Net assets to Net asset value:

	As at Dec. 31 2010		**As at Dec. 31 2010**	**As at Dec 31 2009**		**As at Dec 31 2009**
	Net Assets	Difference Market Value	Net Asset Value	Net Assets	Difference Market Value	Net Asset Value
	$	$	$	$	$	$
The Pembroke Corporate Bond Fund	34,702,359	112,570	34,814,929	20,249,434	61,780	20,311,214

Net Asset Value Per Unit (NAVPU)

	As at December 31, 2010		**As at December 31, 2009**	
	NA per security	**NAV per security**	**NA per security**	**NAV per security**
The Pembroke Corporate Bond Fund	$11.95	$11.98	$11.32	$11.35

Years ended December 31, 2010 and 2009

2. Significant accounting policies - (continued)

(ii) Investment transactions

Investment transactions are accounted for on the trade date. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments, which excludes brokerage commissions and other trading expenses.

Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Funds are recognized in "Increase (decrease) in net assets from operations" in the Statements of Operations for the current year.

Purchases and sales of foreign investments are translated at the rates of exchange prevailing on the respective dates of such transactions. The fair values of foreign investments represent their quoted market values converted into Canadian dollars at rates of exchange prevailing at the end of the year.

Financial Instrument Disclosure and Presentation

The classification of assets and liabilities is as follows:

Investments and cash are classified as held for trading;

Subscriptions receivable, receivable for investment securities sold, accrued income, interest and dividends receivable and other assets receivable are classified as loans and receivables and are accounted for at amortized cost;

The management fees payable, payable for investment securities purchased, distributions payable and accrued liabilities which are classified as other financial liabilities at amortized cost.

(iii) Recognition of revenue and expenses

Revenue and expenses are recorded using the accrual method. Dividend income is recognized on the ex-dividend date and interest income is recognized as earned. Foreign investment income is converted into Canadian dollars at the rate of exchange prevailing on the dates for which income is accounted for.

(iv) Accounting estimates

The preparation of financial statements in accordance with Canadian GAAP requires the Manager to make estimates and assumptions that affect the amounts recorded in the financial statements. These estimates are based on the Manager's best knowledge of current events and actions that the Funds may undertake in the future. Actual results may differ from these estimates.

2. Significant accounting policies - (continued)

(v) Valuation of Fund units

The net asset value per unit is calculated weekly, except for the Pembroke Large Cap Growth Fund which is valued monthly on the last business day of the month, as at the close of business on each Tuesday, or if any such Tuesday is not a business day, then on the next business day immediately succeeding it, and on the last business day of the month. The net asset value per unit is determined by dividing the net assets of the Fund by the number of units outstanding on the Valuation date.

(vi) Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit is disclosed in the Statements of Operations and represents the increase (decrease) in the net assets from operations for the year divided by the average number of units outstanding during the year.

(vii) Soft dollars

Soft dollars amounted to $2,941 (2009 - $2,158) for the Funds in aggregate.

(viii) Distributions

The net investment income and net realized capital gains of each of the Funds, as applicable, are paid to the securityholders of each relevant Fund as follows:

For The Pembroke Corporate Bond Fund, the net investment income is distributed quarterly on the last Valuation day of the quarter and net realized capital gains are distributed once a year on the last Valuation day of December. For The Pembroke Canadian Growth Fund and The Pembroke U.S. Growth Fund, the net investment income and net realized capital gains are distributed once a year on the last Valuation day of December.

(ix) Forward contracts

Forward Contracts are agreements to purchase or sell financial instruments at a specified future date. As they are not traded on the exchange, the agreements between counter parties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the statement of operations as “unrealized gain (loss). Forward Contracts are used by The Pembroke Corporate Bond Fund.

3. Unitholders' equity

Unitholders' equity includes the amount representing unit capital, undistributed net earnings (loss) and unrealized appreciation (depreciation) of investments. Authorized capital consists of an unlimited number of units that rank equally in all respects and represent a pro-rata interest in the net assets of the Funds. Units are redeemable at the holder's option at net asset value. The following is a summary of the changes in issued and outstanding units during the last two financial years:

The Pembroke Corporate Bond Fund

	Dec. 31, 2010	Dec. 31, 2009
Outstanding, beginning of year	1,789,003.010	—
Issued during the year	1,455,217.688	1,846,665.275
	3,244,220.698	1,846,665.275
Redeemed during the year	339,247.860	57,662.265
Outstanding, end of year	2,904,972.838	1,789,003.010

Years ended December 31, 2010 and 2009

4. Management fees and expenses

For the management services provided to the Funds, the Manager will charge to the unitholders a management fee at the annual rates determined by the Manager from time to time. The management fee will be calculated on a monthly basis on the net asset value on each Valuation date and shall be paid by way of redemption of such number of units as would be necessary to pay such a management fee.

The Funds are responsible for payment of all other expenses relating to their operations in carrying on their business including, but not limited to, legal, accounting, brokerage, custodial and safekeeping fees, interest, taxes, registrar and transfer agent's fees, operating and administrative costs, unitholders' accounting and reporting costs, and the costs of continuous compliance with all applicable securities legislation.

5. Income taxes

The Pembroke U.S. Growth Fund, The Pembroke Canadian Growth and The Pembroke Corporate Bond Fund qualify as Mutual Fund Trusts under the ***Income Tax Act*** (Canada) and thus are not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

As at December 31, 2009, certain Funds have accumulated non-capital losses and future capital losses available to reduce income that can be carried forward to a maximum of seven years for years prior to 2004, ten year carry forward for years 2004 to 2005 and twenty year carry forward for years 2006 and subsequent years. Accumulated capital losses available to reduce realized capital gains in future years that can be carried forward indefinitely, as follows:

6. Redemption of units

A holder may redeem, at the close of business each Tuesday and on the last business day of each month (except for the Pembroke Large Cap Growth Fund, redemptions may be done on the last business day of the month only), all or, subject to the Funds' minimum investment requirements, any of the units held in the Funds at the Net Asset Value per unit. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the units to be redeemed will be established as at the Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units redeemed. Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units redeemed.

7. Prior year figures

Certain of the comparative figures for The Pembroke Corporate Bond Fund have been restated to conform to the current year's presentation

8. Financial instruments' risk management

The Funds' financial assets may principally comprise investments in equity instruments, short-term investments, trade and other receivables, and/or cash and cash equivalents. Financial liabilities may comprise accrued expenses, trade and other payables. The Funds' activities expose them to a variety of financial risks that are associated with their investment strategies, financial instruments and the markets in which they invest. The level of risk depends on the Funds' investment objectives and the types of securities they invest in. The value of investments within the Funds' portfolios can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within the Funds. CICA Handbook Sections 3862 and 3863 determine that the most important risks arising from the Funds' financial instruments include credit risk, liquidity risk and market risk (comprising interest rate risk, currency risk and other price risk). The risks and the related risk management practices employed by the Funds are discussed below.

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund.

The Funds deal with highly rated well established financial institutions for their cash and as a result the risk of default is considered minimal.

Where a Fund invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Fund.

All transactions executed by a Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment, and payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

(ii) Liquidity risk

Liquidity risk is defined as the risk that a Fund may encounter difficulties in meeting the obligations associated with its financial liabilities on time or at a reasonable price.

Each Fund is exposed to weekly and end-of-month cash redemptions of redeemable units. The units of each Fund are issued and redeemed on demand at the then current Net Asset Value per unit at the option of the holder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed of. In accordance with securities regulations, each Fund must maintain at least 90% of assets in liquid investments (i.e., investments that are traded in an active market and can be readily disposed of). In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

7. Financial instruments' risk management - (continued)

(ii) Liquidity risk – (continued)

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. A lack of buyer interest in a particular security may increase the level of difficulty in selling this security and, therefore, result in a loss or reduced return. Accordingly, portfolio diversification and concentration rules that apply to the above Funds to reduce this risk.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(iv) Currency risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument, denominated in a currency other than the Canadian dollar, which is the Funds' functional currency, will fluctuate because of changes in foreign exchange rates.

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollar terms, of all foreign securities held in the Fund. These fluctuations may reduce, or even eliminate, any return the Funds have earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments and can also affect the relative competitive position of companies shares held by the Funds. It is not the Funds' policy to hedge the currency risk between the Canadian dollar and foreign currencies except for The Pembroke Corporate Bond Fund. Thus, the Manager does not manage currency risk except for The Pembroke Corporate Bond Fund.

(v) Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Funds are subject to normal market fluctuations and the risks inherent with investing in financial markets. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Manager moderates this risk through a careful selection of securities within the parameters of the Funds' investment strategies and through diversification of the investment portfolios. The Investment Manager monitors the Funds' overall market positions on a daily basis and positions are maintained within established ranges in an attempt to mitigate this risk.

Refer to Discussion of Financial Risk Management for Fund-specific risk disclosure.

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund

Risk management

The investment objective of The Pembroke Corporate Bond Fund (the "Fund") is to achieve average income returns through a diversified portfolio composed primarily of debt and money market securities. As a result of its value strategies, the portfolio may occasionally be invested in other securities such as convertible bonds, equities and income trusts.

Risk is mitigated by employing a Maximum Loss methodology which limits each position according to its potential impact on a portfolio's long term value-added. The higher the trading price of a security compared to its downside potential, the smaller the position allowed. The risk assessment allows the security's specific features that modify its downside risk to be considered. This includes the priority of the security and quality of the issuer.

Credit risk

As at December 31, 2010 and 2009, the Fund invested in debt instruments with the following credit ratings, representing the maximum credit risk exposure:

	December 31, 2010		December 31, 2009	
Debt Instruments by Credit Rating	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
AAA	$3,252,305	9.4	$767,744	3.8
AA	3,794,999	10.9	3,439,502	17.0
A	10,727,717	30.9	6,371,501	31.5
Below A	16,933,758	48.8	9,318,672	46.0
Total	$34,708,779	100.0	$19,897,419	98.3

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used.

Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2010 and 2009. It includes the Fund's financial assets at their fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	December 31, 2010		December 31, 2009	
	Interest bearing instruments	**Non Interest bearing instruments**	**Interest bearing instruments**	**Non Interest bearing instruments**
Investments	$34,708,779	—	$19,897,419	57,394
Cash	—	678,314	—	66,678
Other assets	—	454,132	—	282,709
Liabilities	—	1,138,866	—	54,766

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Interest rate risk – (continued)

As at December 31, 2010 and 2009, had prevailing interest rates increased or decreased by 100 basis points, with all other variables remaining constant, the decrease or increase respectively in net assets would amount to approximately $1,922,000 (2009 - $1,396,667). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Foreign currencies to which the Fund had direct exposure as at December 31, 2010 and 2009, were as follows:

	December 31, 2010		December 31, 2009	
Total Currency Exposure	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
Investments denominated in U.S. and Australian $				
Canadian Corporate Bonds	$678,549	2.0	$505,038	2.5
Foreign Corporate Bonds	1,727,852	5.0	215,082	1.1
Foreign Equities	—	0.0	57,394	0.3
Total	$2,406,401	7.0	$777,514	3.9

As at December 31, 2010 and 2009, the Fund held $2,406,401 (2009 - $777,514) financial instruments denominated in U.S. and Australian dollars. These holdings account for 7.0% (2009 – 3.9%) of all securities as at December 31, 2010 and 100% of these positions are currently hedged back to Canadian Dollars.

Other price risk

The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of these financial instruments. As at December 31, 2010 and 2009, the overall market exposure was as follows:

	December 31, 2010		December 31, 2009	
Total Market Exposure	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
Investments	$ 34,708,779	100.02	$ 19,954,813	98.55

Management's best estimate of the effect on net assets as at December 31, 2010 and 2009, due to a reasonably possible change of 1% in the benchmark, based on historical correlation between the Fund's return as compared to the return of the Fund's benchmark, with all other factors remaining constant, is estimated as follows. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2010 and 2009

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Other price risk – (continued)

	December 31, 2010		December 31, 2009	
Benchmark	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Dex Universe Bond Total Return Index	$ 342,000	($ 342,000)	$ 267,000	($ 267,000)

Fair value disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Funds' assets measured at fair value on a recurring basis as of December 31, 2010 and 2009.

	Fair value at Dec. 31, 2010			
Description	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs	Level 3 significant unobservable inputs	Total
Securities				
Bonds	—	33,829,220	879,559	$34,708,779
Total Securities	—	$33,829,220	$879,559	$34,708,779

	Fair value at Dec. 31, 2009			
Description	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs	Level 3 significant unobservable inputs	Total
Securities				
Common shares	$57,394	—	—	$57,394
Bonds	—	19,521,952	375,467	$19,897,419
Total Securities	$57,394	$19,521,952	$375,467	$19,954,813

Years ended December 31, 2010 and 2009

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure – (continued)

The following is a reconciliation of Level 3 fair value measurements:

Bonds	**2010**	**2009**
Balance as at beginning of the year	$375,467	—
Realized gain (loss)	—	—
Change in unrealized depreciation	(11,119)	(951)
Net purchases (sales)	378,211	—
Transfers in and/or out of Level 3	137,000	376,418
Balance as at end of the year	$879,559	$375,467

GBC

The Pembroke Corporate Bond Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund

Manager and Distributor
GBC Asset Management Inc.,
Montreal, Quebec

Trustee, Registrar and Transfer Agent
GBC Asset Management Inc.,
Montreal, Quebec

Investment Managers
The Large Cap Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
Pembroke Management Ltd.,
Montreal, Quebec

The Pembroke Corporate Bond Fund
Canso Investment Counsel Ltd.,
Richmond Hill, Ontario

Auditors
Deloitte & Touche, LLP,
Chartered Accountants,
Montreal, Quebec

Custodian
RBC Dexia Investor Services Trust,
Toronto, Ontario

Legal Counsel
Torys, LLP
Toronto, Ontario,

Trustee of Registered Plans
The Royal Trust Company,
Toronto, Ontario

GBC

ASSET MANAGEMENT

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GBC Asset Management is a mutual fund dealer
and manager of the GBC Funds
Pembroke Management is an investment advisor

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE PEMBROKE CORPORATE BOND FUND

THE PEMBROKE DIVIDEND GROWTH FUND

THE PEMBROKE CANADIAN GROWTH FUND

THE PEMBROKE U.S. GROWTH FUND

THE PEMBROKE LONG-SHORT FUND

2012 FINANCIAL STATEMENTS

GBC

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Approval of the Financial Statements of:

The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund

(collectively referred to as the “Funds”)

Approved by the Trustee, Private Wealth Management Ltd.)

Jeffrey S. D. Tory Director	Michael P. McLaughlin Director

Montreal, February 6, 2013

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF NET ASSETS

As at December 31

	2012	2011
Assets		
Investments, at fair value (Note 2)	$72,520,206	$48,908,399
Cash	167,685	73,725
Accrued income	746,736	558,573
Foreign exchange forward contract	—	22,876
Other receivables	997	523
	73,435,624	49,564,096
Liabilities		
Distributions payable to securityholders	1,745,345	1,707,013
Foreign exchange forward contract	53,545	—
Accrued expenses	5,293	6,507
HST payable	501	629
	1,804,684	1,714,149
Net assets representing unitholders' equity (Notes 2 & 3)	**$71,630,940**	**$47,849,947**
Net assets per security (Notes 2 & 3)	**$12.49**	**$11.44**
Investments, at average cost	$67,671,772	$49,125,679

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF OPERATIONS

For the years ended December 31

	2012	2011
Investment Income		
Interest	$3,982,641	$2,599,090
Expenses		
Unitholders' information fees	11,803	9,532
Filing fees	3,753	3,577
Custodial fees	4,400	5,308
Audit fees	7,397	7,560
Legal fees	2,822	3,027
Fund valuation fees	30,829	27,755
	61,004	56,759
Net investment income for the year before income tax	3,921,637	2,542,331
Income tax recovery (expense) (Note 5)	1,065	—
Net investment income for the year	3,922,702	2,542,331
Net realized gain on sale of investments	479,258	1,120,500
Net realized foreign exchange gain (loss)	14,111	(16,218)
Net realized gain (loss) on forward contracts	117,559	(73,200)
Change in unrealized appreciation (depreciation) in value of investments	5,065,714	(2,386,251)
Change in unrealized depreciation due to forward contracts	(76,421)	(600)
Net gain (loss) on investments	5,600,221	(1,355,769)
Increase in net assets from operations	**$9,522,923**	**$1,186,562**
Increase in net assets from operations per unit	**$1.89**	**$0.31**

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CHANGES IN NET ASSETS

For the years ended December 31

	2012	2011
Net assets, beginning of year	**$47,849,947**	**$34,702,359**
Increase in net assets from operations	9,522,923	1,186,562
Distributions to unitholders		
From net realized capital gains	(706,742)	(1,031,082)
From net investment income	(3,911,073)	(2,548,697)
Total distributions to unitholders	(4,617,815)	(3,579,779)
Capital transactions (Note 3)		
Proceeds on issue of units	26,108,988	25,073,808
Payments on redemption of units	(7,233,103)	(9,533,003)
Total capital transactions	18,875,885	15,540,805
Total increase in net assets	23,780,993	13,147,588
Net assets, end of year (Note 2)	**$71,630,940**	**$47,849,947**

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Corporate Bonds				
AON Finance N.S. 1, ULC				
4.76%, March 8, 2018	181,000	$181,123	$193,990	
BAC Canada Finance				
Q CDOR + 143, February 21, 2014	2,256,000	2,249,971	2,259,478	
B.C. Tel				
9.65%, April 8, 2022	407,000	566,765	596,068	
Black Press Group, Private Placement				
10.00%, February 4, 2014	1,531,000	1,527,004	1,527,173	
Central 1 Credit Union				
CDOR + 55, November 19, 2014	305,000	305,352	305,094	
Cogeco Cable				
4.925%, February 14, 2022	950,000	962,676	979,291	
Ford Credit Canada				
7.50%, August 18, 2015	1,130,000	1,132,052	1,264,584	
GE Capital Canada				
Q CDOR + 82, February 10, 2014	1,226,000	1,227,775	1,228,071	
Q CDOR + 130, January 26, 2015	884,000	890,767	895,336	
Health Partners Markham, Private Placement				
3.43%, January 31, 2013	437,000	437,000	437,599	
Hydro One				
Q CDOR + 37, December 3, 2016	1,156,000	1,156,000	1,172,334	
ING Bank of Canada				
Q CDOR + 68, December 5, 2016	200,000	199,518	199,164	
Loblaws				
6.50%, January 22, 2029	731,000	728,304	842,095	
6.85%, March 1, 2032	404,000	481,867	483,757	
6.54%, February 17, 2033	560,000	634,009	650,457	
6.05%, June 9, 2034	100,000	93,505	110,211	
5.90%, January 18, 2036	100,000	72,224	108,767	
6.45%, March 1, 2039	205,000	182,790	238,539	
Manufactureurs Life Insurance				
4.210%, November 18, 2016	964,000	966,278	1,008,937	
4.165%, June 1, 2017	1,795,000	1,809,467	1,879,430	
Merrill Lynch Canada				
5.00%, February 18, 2014	844,000	859,282	869,089	

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio - (continued)

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Corporate Bonds - (continued)				
ONTREA, Private Placement				
4.619%, April 9, 2018	241,205	$241,205	$262,865	
Postmedia Network Inc.				
8.25%, August 16, 2017	1,196,000	1,198,556	1,201,980	
Rogers Communications				
6.68%, November 4, 2039	498,000	508,169	626,987	
6.11%, August 25, 2040	308,000	307,728	361,508	
6.56%, March 22, 2041	1,003,000	1,027,620	1,247,580	
Shaw Communications				
6.75%, November 9, 2039	3,536,000	3,494,525	3,926,381	
SNC Lavalin				
6.19%, July 3, 2019	108,000	122,009	123,887	
Strait Crossing				
6.17%, September 15, 2031	196,215	197,355	196,016	
St. Claire Holdings Inc., Private Placement				
4.881%, August 31, 2031	648,000	648,000	652,575	
Standard Life, Private Placement				
3.938%, September 21, 2017	850,000	854,662	880,910	
Sun Life Financial				
4.95%, June 1, 2016	227,000	239,846	240,027	
Tuckamore Capital Management				
3.624%, March 23, 2014	160,882	73,725	37,807	
8.000%, March 23, 2016	579,000	432,332	361,875	
Videotron Sr notes				
7.125%, January 15, 2020	435,000	440,439	475,342	
6.875%, July 15, 2021	1,867,000	1,869,513	2,054,260	
Xplornet Communications Inc., Private Placement				
13.00%, May 15, 2017	1,274,030	1,223,534	1,404,618	
Xplornet Communications Inc., Series B Private Placement				
13.00%, May 15, 2017	1,047,608	1,030,000	1,144,512	
YPG Financing				
9.25%, November 30, 2018	2,409,455	2,428,850	2,397,914	
8.00%, November 30, 2022	428,669	343,744	327,932	
		$33,345,541	$35,174,440	49.11%

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio - (continued)

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Canadian Corporate Bonds - Denominated in United States Dollar				
CIBC				
U.S. LIBOR + 0.125%, August 31, 2085	200,000	$140,387	$139,398	
National Bank of Canada				
U.S. LIBOR + 0.125%, August 29, 2087	650,000	426,999	446,571	
Nortel Networks				
10.75%, July 15, 2016	33,000	22,672	37,705	
Royal Bank of Canada				
LIMEAN + 0.25%, June 29, 2085	750,000	500,355	537,677	
		$1,090,413	$1,161,351	1.62%
Asset-Backed				
MLML 1999-1ST TT A2				
7.445%, September 5, 2015	187,000	$102,909	$100,522	
MLFA 2006-CA19 B				
5.06%, June 12, 2016	502,000	491,745	513,872	
MLFA 2007-CA21 A2				
4.745%, January 12, 2017	151,000	139,811	162,645	
REALT 2006-3 B				
4.70%, December 12, 2016	175,000	165,246	182,728	
Score Trust				
5.629%, February 20, 2014	265,000	265,007	272,874	
		$1,164,718	$1,232,641	1.72%
Total Bonds - Canadian		**$35,600,672**	**$37,568,432**	**52.45%**

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio - (continued)

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Foreign Corporate Bonds - Denominated in Canadian Dollar				
France				
Dexia Municipal Agency				
4.625%, May 30, 2017	534,000	$537,509	$529,997	
4.68%, March 9, 2029	224,000	201,518	196,358	
		$739,027	$726,355	1.01%
Germany				
Commerzbank AG Sub-Debt FRN				
Q CDOR + 88, December 15, 2016	3,026,000	$2,411,829	$2,349,719	
		$2,411,829	$2,349,719	3.28%
Iceland				
Kaupthing Bank				
4.70%, February 15, 2010	16,000	$15,517	$4,000	
		$15,517	$4,000	0.01%
Ireland				
DEPFA ACS Bank				
5.25%, March 31, 2025	331,000	283,825	275,315	
		$283,825	$275,315	0.38%
Luxembourg				
Eurohypo SA Luxembourg				
4.38%, December 15, 2015	1,192,000	$1,200,371	$1,222,765	
		$1,200,371	$1,222,765	1.71%
United Kingdom				
Heathrow Funding Limited				
4.00%, July 3, 2019	990,000	$989,228	$1,023,013	
Lloyds TSB Bank PLC				
4.57%, October 13, 2015	1,237,000	1,237,000	1,289,757	
5.28%, April 19, 2016	1,175,000	1,179,904	1,249,230	
10.125%, December 16, 2021	3,623,000	3,685,932	4,139,278	
Royal Bank of Scotland				
5.37%, May 12, 2016	3,162,000	2,196,025	2,597,108	
10.50%, March 16, 2017	1,943,000	1,943,000	2,263,595	
Royal Bank of Scotland TIER I				
6.666%, October 5, 2017	2,303,000	1,137,430	2,038,155	
		$12,368,519	$14,600,136	20.38%

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio - (continued)

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Foreign Corporate Bonds - Denominated in Canadian Dollar - (continued)				
United States				
Goldman Sachs				
4.10%, November 3, 2015	184,000	$183,991	$189,901	
5.25%, June 1, 2016	1,465,000	1,438,357	1,560,486	
5.00%, May 3, 2018	1,807,000	1,803,643	1,924,897	
Kimco North Trust III				
5.99%, April 13, 2018	819,000	820,204	910,815	
Lehman Brothers Holdings				
4.85%, September 3, 2013	8,000	124	1,690	
Met Life				
Q CDOR + 90, June 17, 2014	1,550,000	1,550,491	1,552,728	
Q CDOR + 102, September 25, 2017	500,000	500,000	498,965	
Morgan Stanley				
4.85%, February 3, 2016	1,616,000	1,604,496	1,687,493	
4.90%, February 23, 2017	2,190,000	2,149,478	2,296,077	
Pricoa Global Funding 1				
4.95%, May 29, 2014	750,000	775,539	776,282	
		$10,826,323	$11,399,334	15.91%
Foreign Corporate Bonds - Denominated in Australian Dollar				
France				
Dexia Municipal Agency				
5.75%, April 2, 2014	575,000	$582,393	$583,246	
5.75%, August 24, 2015	218,000	233,007	229,930	
		$815,400	$813,176	1.14%
Foreign Corporate Bonds - Denominated in United States Dollar				
United States				
CIT Group				
5.50%, February 15, 2019 Series C	595,000	$593,754	$645,760	
Sallie Mae				
6.00%, January 25, 2017	1,528,000	1,566,571	1,646,945	
4.625%, September 25, 2017	475,000	467,827	484,190	
7.25%, January 25, 2022	400,000	428,240	439,103	
		$3,056,392	$3,215,998	4.49%
Total Foreign Corporate Bonds		**$31,717,203**	**$34,606,798**	**48.31%**

The accompanying notes are an integral part of these financial statements

THE PEMBROKE CORPORATE BOND FUND

Statement of Investment Portfolio - (continued)

As at December 31, 2012

Investments	Face Value	Cost	Fair Value	% of Net Assets
Equities - Canadian				
Xplornet Communications Inc. Warrants	1,201	—	—	
Xplornet Communications Inc., Series B Warrants	1,030	—	—	
Yellow Media	52,508	353,897	344,976	
		$353,897	$344,976	0.48%
Total investments		**$67,671,772**	**$72,520,206**	**101.24%**
Other assets - net		(889,266)	(889,266)	(1.24)%
Total net assets		**$66,782,506**	**$71,630,940**	**100.00%**

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

1. The Funds

(i) Establishment of the Funds

The Pembroke Corporate Bond Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2009.

The Pembroke Dividend Growth Fund:

Is an open-end unit trust established under the laws of the Province of Ontario and established pursuant to a Master Declaration of Trust dated January 1, 2012.

The Pembroke Canadian Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2007.

The Pembroke U.S. Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 23, 1999, as amended by a Master Declaration of Trust dated January 1, 2007.

The Pembroke Long-Short Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2010.

The Trust is not a reporting issuer in any jurisdiction in Canada, and pursuant to Section 2.11 of National Instrument 81-106 (Investment Fund Continuous Disclosure), does not file its financial statements with the securities regulatory authorities.

2. Significant accounting policies

These financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), with National Instrument 81-106, *Continuous Disclosure Standards for Investment Funds and in compliance with National Instrument 52-107, Acceptable Accounting Principles and Auditing Standards*. These financial statements are presented in Canadian dollars, which is the functional currency. The following is a summary of significant accounting policies followed by the Funds.

2. Significant accounting policies - (continued)

(i) Valuation of investments

Securities listed upon a recognized public stock exchange are valued at their bid prices on the Valuation date. These securities are presented as Level 1 as shown in Note 8. Securities with no quoted market value are valued at fair value, as determined in good faith and pursuant to procedures established by the Manager based on a pricing model, which considers factors such as the market value of the underlying investment, strike price, and terms of the security. These securities are presented as Level 3 as shown in Note 7. Cost of securities is determined according to the average cost method. The difference between the fair value and the average cost of investments is reported as unrealized appreciation (depreciation) of investments and is included in unitholders' equity.

For bonds, money market instruments and debentures, the fair value means the bid prices provided by independent security pricing services. These securities are presented as Level 2 as shown in Note 8.

National Instrument 81-106, Section 14.2, issued by the Canadian Securities Administrators ("CSA") in 2005, requires the net asset value of an investment fund to be calculated in accordance with Canadian GAAP ("Net Assets"). However, pursuant to amendments to National Instrument 81-106 issued by the CSA on September 8, 2008, net assets for purposes of securityholders subscriptions and redemptions continues to be calculated using Net Asset Value ("NAV") without regard to Section 3855. A reconciliation between the Net Asset Value and the Net Asset ("NA") is calculated in accordance with Section 3855 of an investment fund and is required to be disclosed in the financial statements. The reconciliation of the Funds' NAV and the NA is presented in the following table:

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

2. Significant accounting policies - (continued)

(i) Valuation of investments - (continued)

	As at Dec. 31 2012		As at Dec. 31 2012	As at Dec. 31 2011		As at Dec. 31 2011
	Net Assets	Difference Market Value	Net Asset Value	Net Assets	Difference Market Value	Net Asset Value
	$	$	$	$	$	$
The Pembroke Corporate Bond Fund	71,630,940	174,779	71,805,719	47,849,947	137,704	47,987,651

2. Significant accounting policies - (continued)

(ii) Investment transactions

Investment transactions are accounted for on the trade date. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments, which excludes transaction costs, such as brokerage commissions and other trading expenses.

Transaction costs incurred in the purchase and sale of securities by the Funds are recognized in "Increase (decrease) in net assets from operations" in the Statements of Operations for the current year.

Purchases and sales of foreign investments are translated at the exchange rates prevailing on the respective dates of such transactions. The fair values of foreign investments represent their quoted market values converted into Canadian dollars at exchange rates prevailing at the end of the year.

Financial Instrument Disclosure and Presentation

The classification of assets and liabilities is as follows:

Investments, cash, foreign exchange forward contracts and securities sold short are classified according to AcG 18 at their fair value;

Receivable for investment securities sold, accrued income, and other receivables are classified as loans and receivables and are accounted for at amortized cost;

Management and performance fees payable, payables for investment securities purchased, distributions payable, dividends payable on securities sold short and accrued expenses are classified as other financial liabilities and are accounted for at amortized cost.

(iii) Recognition of revenue and expenses

Revenue and expenses are recorded using the accrual method. Dividend income is recognized on the ex-dividend date and interest income is recognized as earned. Foreign investment income is converted into Canadian dollars at the exchange rates prevailing on the dates for which income is accounted for.

(iv) Accounting estimates and judgements

The preparation of financial statements in conformity with Canadian GAAP requires the Manager to make estimates, judgements and assumptions that affect the application of accounting policies and amounts recorded in the financial statements. These estimates are based on the Manager's best knowledge of current events and actions that the Funds may undertake in the future. Actual results may differ from these estimates.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

2. Significant accounting policies - (continued)

(v) Valuation of Fund units

The NAVPS is calculated weekly, (except for the Pembroke Long-Short Fund which is valued monthly on the last business day of the month), as at the close of business on each Tuesday, or if any such Tuesday is not a business day, then on the next business day immediately succeeding it, and on the last business day of the month. The NAVPS is determined by dividing the net assets of the Fund by the number of units outstanding on the valuation date.

(vi) Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets from operations per unit is disclosed in the Statements of Operations and represents the increase (decrease) in the net assets from operations for the year divided by the average number of units outstanding during the year.

(vii) Soft dollars

Soft dollars amounted to $10,407 (2011 - $3,019) for the Funds in aggregate.

(viii) Distributions

The net investment income and net realized capital gains of each of the Funds, as applicable, are paid to the securityholders of each relevant Fund as follows:

For The Pembroke Corporate Bond Fund, the net investment income is distributed quarterly on the last valuation day of the quarter and net realized capital gains are distributed once a year on the last valuation day of December. For The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Long-Short Fund, the net investment income and net realized capital gains are distributed once a year on the last valuation day of December.

(ix) Forward contracts

Forward Contracts are agreements to purchase or sell financial instruments at a specified future date. As they are not traded on the exchange, the agreements between counterparties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the Statement of Operations as “unrealized gain (loss)”. Forward Contracts are used by The Pembroke Corporate Bond Fund.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

2. Significant accounting policies - (continued)

(x) Fair value measurement

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Section 3862 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under CICA Section 3862 are described below:

Level 1: Valuation based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2: Valuation based on inputs other than quoted prices that is observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Valuation based on inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Refer to Note 7 for the disclosure relating to these requirements.

(xi) Future accounting standards

The Canadian Accounting Standards Board ("CASB") previously confirmed that effective January 1, 2011, International Financial Reporting Standards ("IFRS") will replace Canadian GAAP for publicly accountable enterprises, which includes investment funds. In June 2010, the CASB issued an exposure draft "Adoption of IFRS by Investment Companies" proposing that investment companies currently applying Accounting Guideline 18 ("AcG 18") "Investment Companies" issued by the Canadian Institute of Chartered Accountants ("CICA"), defer the adoption of IFRS by one year to fiscal years beginning on or after January 1, 2012. In September 2010, the CASB approved the optional one-year deferral from IFRS adoption for investment companies applying AcG 18. In January 2011, the CASB approved a one year extension to the optional one year deferral from IFRS adoption for investment companies applying AcG-18, and in December 2011 another one year deferral was approved. Accordingly, IFRS will be applicable for the Funds for the fiscal year ending December 31, 2014.

2. Significant accounting policies – (continued)

(xi) Future accounting standards – (continued)

The Manager has developed a changeover plan and has engaged a major accounting firm to assist with the diagnostic review to meet the timetable published by the CICA for changeover to IFRS. The diagnostic review helped us identify and assess the overall effort required to produce financial information under IFRS. The key elements of the plan include disclosures of the qualitative and quantitative impact, if any, in the 2014 financial statements and the preparation of the 2014 financial statements in accordance with IFRS.

Based on the Manager's diagnostic assessment of the accounting difference between Canadian GAAP and IFRS, the following areas of differences were identified:

(a) Under IAS 27, *Consolidated and Separate Financial Statements*, reporting entities were required to consolidate all investees that they control. Preparers and users of financial statements have suggested that consolidating the subsidiaries of investment entities does not result in useful information for investors. Rather, reporting all investments, including investments in subsidiaries, at fair value, provides the most useful and relevant information. In response to this, under the new IFRS 10, Consolidated Financial Statements, the Investment Entities amendments provide an exception to the consolidation requirements and require investment entities to measure particular subsidiaries at fair value through profit or loss, rather than consolidate them. The amendments also set out disclosure requirements for investment entities. The Manager will assess the criteria for Investment Entities under this amendment, but does not expect significant impacts for the Funds.

(b) IFRS 13, *Fair Value Measurement*, is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Existing guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The Manager will assess the effect of this new standard on the valuation of the Funds' investments, but does not expect significant impacts

(c) IAS 32, *Financial Instruments*: *Disclosure and Presentation*, requires unitholders' equity to be classified as a liability unless certain conditions are met. The Manager is currently assessing the Funds' unitholder structure to determine proper classification.

(d) The diagnostic assessment also revealed that a Statement of Cash Flows will be required for IFRS reporting purposes.

Based on the diagnostic review of the differences between Canadian GAAP and IFRS, the Manager does not expect that the Net Assets (as defined below) or Net Asset Value per share will be impacted by the changeover to IFRS. Currently, the Manager expects that the impact of IFRS on the Funds' financial statements will result in additional disclosures and potentially different presentation.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

3. Unitholders' equity

Unitholders' equity includes the amount representing unit capital, undistributed net earnings (loss) and unrealized appreciation (depreciation) of investments. Authorized capital consists of an unlimited number of units that rank equally in all respects and represent a pro-rata interest in the net assets of the Funds. Units are redeemable at the holder's option at NAV. The following is a summary of the changes in issued and outstanding units during the last two financial years:

The Pembroke Corporate Bond Fund

	Dec. 31, 2012	Dec. 31, 2011
Outstanding, beginning of year	4,182,860.989	2,904,972.838
Issued during the year	2,141,195.408	2,074,358.143
	6,324,056.397	4,979,330.981
Redeemed during the year	588,796.491	796,469.992
Outstanding, end of year	5,735,259.906	4,182,860.989

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

4. Management and performance fees and expenses

For the management services provided to the Funds, the Manager (Pembroke Private Wealth Management Ltd.) will charge to the unitholders a management fee at the annual rates determined by the Manager from time to time. The management fee will be calculated on a monthly basis on the NAV on each Valuation date and shall be paid by way of redemption of such number of units as would be necessary to pay such a management fee.

The Pembroke Long-Short Fund pays a performance fee is an amount equal to the relevant percentage for Class B or Class C of the positive Excess Return (as defined below) in a calendar year; provided that the Series Net Asset Value per Unit of the relevant series of Class B or Class C exceeds its previous Highwater Mark (as defined below). The Excess Return is the amount determined by multiplying (i) the positive difference between the percentage change of the Series Net Asset Value per Security of the relevant series of Class B or Class C and the Highwater Mark for the relevant series of Class B or C and the percentage change of the Hurdle Rate (as defined below) over the same time period, by (ii) the Series Net Asset Value per Unit of the relevant series of Class B or Class C. Performance fees will be accrued and adjusted during the calendar year.

4. Management and performance fees and expenses – (continued)

The Highwater Mark is the greater of (i) the issue price per unit of the series of the class at the time of issue, and (ii) the highest Series Net Asset Value per Unit of the series of the class (or the series of the class into which the units have been reclassified as described above) as of December 31 of a year preceding the year for which the performance fee is being determined. The Hurdle Rate is the return of the DEX 91 T-Bill Index which is designed to track the performance of Canadian Government-issued 91 day treasury bills.

If units are redeemed prior to December 31 of a calendar year, the performance fee, if applicable, will be based on the Excess Return of the Series Net Asset Value per Unit of the relevant series of the relevant class determined on the Valuation Date upon which the redemption is effected from January 1 in such calendar year (or if the unit was issued after January 1 in that year, from the date of issue of such unit). Any performance fees payable in respect of a unit being redeemed, will reduce the redemption proceeds payable on the unit.

The Funds are responsible for payment of all other expenses relating to their operations in carrying on their business including, but not limited to, legal, accounting, brokerage, custodial and safekeeping fees, interest, taxes, registrar and transfer agent's fees, operating and administrative costs, unitholders' accounting and reporting costs, and the costs of continuous compliance with all applicable securities legislation.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

5. Income taxes

The Pembroke U.S. Growth Fund, The Pembroke Canadian Growth Fund and The Pembroke Corporate Bond Fund qualify as Mutual Fund Trusts under the ***Income Tax Act*** (Canada) and thus are not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

The Pembroke Long-Short Fund and The Pembroke Dividend Growth Fund qualify as a Unit Trusts under the ***Income Tax Act*** (Canada) and thus are not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

As at December 31, 2012, certain Funds have accumulated non-capital losses and future capital losses available to reduce income that can be carried forward to a maximum of ten year carry forward for years 2004 to 2005 and twenty year carry forward for years 2006 and subsequent years. Accumulated capital losses available to reduce realized capital gains in future years that can be carried forward indefinitely are as follows:

6. Redemption of units

A holder may redeem, at the close of business each Tuesday and on the last business day of each month (except for the Pembroke Long-Short Fund), all or, subject to the Funds' minimum investment requirements, any of the units held in the Funds at the Net Asset Value per unit. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the units to be redeemed will be established as at the Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units redeemed. Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units redeemed.

For The Pembroke Long-Short Fund units may be redeemed in whole or in part on any Valuation Day, by giving 15 business days' prior written notice or such shorter notice period as may be determined by the Manager, for a redemption price per unit equal to the NAV per unit of the relevant series calculated as at the close of business on the last business day of the month less any applicable performance fees. In order to reduce turnover of the Fund, unitholders requesting to redeem units within three months of initial purchase will be subject to a fee equal to 2% of the NAV per unit held at the time of redemption. This fee will be paid to the Fund. If the Manager has received requests to redeem 25% or more of the outstanding units of the Fund at the end of any single month, or if the Manager determines that conditions exist that impair the ability of the Fund to meet redemption requests by the liquidation of securities held within the Fund and the settlement of any short sales, the Manager may defer any, or all, of the redemption requests, to the last business day of the following month.

7. Financial instruments' risk management

The Funds' financial assets may principally comprise investments in equity instruments, short-term investments, trade and other receivables, and/or cash and cash equivalents. Financial liabilities may comprise accrued expenses, trade and other payables. The Funds' activities expose them to a variety of financial risks that are associated with their investment strategies, financial instruments and the markets in which they invest. The level of risk depends on the Funds' investment objectives and the types of securities they invest in. The value of investments within the Funds' portfolios can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market and company news related to specific securities within the Funds. CICA Handbook Sections 3862 and 3863 determine that the most important risks arising from the Funds' financial instruments include credit risk, liquidity risk and market risk (comprising interest rate risk, currency risk and other price risk). The risks and the related risk management practices employed by the Funds are discussed below.

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund.

The Funds deal with highly rated, well-established financial institutions for their cash and as a result the risk of default is considered minimal.

Where a Fund invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Fund.

All transactions executed by a Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment, and payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

(ii) Liquidity risk

Liquidity risk is defined as the risk that a Fund may encounter difficulties in meeting the obligations associated with its financial liabilities on time or at a reasonable price.

Each Fund is exposed to weekly and end-of-month cash redemptions of redeemable units. The units of each Fund are issued and redeemed on demand at the current NAVPS at the option of the holder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed of. In accordance with securities regulations, each Fund must maintain at least 90% of assets in liquid investments (i.e., investments that are traded in an active market and can be readily disposed of). In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

Financial instruments' risk management - (continued)

(ii) Liquidity risk – (continued)

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. A lack of buyer interest in a particular security may increase the level of difficulty in selling this security and, therefore, result in a loss or reduced return. Accordingly, portfolio diversification and concentration rules that apply to the above Funds reduce this risk.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(iv) Currency risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument, denominated in a currency other than the Canadian dollar, which is the Funds' functional currency, will fluctuate because of changes in foreign exchange rates.

Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollar terms, of all foreign securities held in the Funds. These fluctuations may reduce, or even eliminate, any return the Funds have earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments and can also affect the relative competitive position of companies shares held by the Funds. It is not the Funds' policy to hedge the currency risk between the Canadian dollar and foreign currencies except for The Pembroke Corporate Bond Fund. Thus, the Manager does not manage currency risk except for The Pembroke Corporate Bond Fund.

(v) Other price risk

Other price risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Funds are subject to normal market fluctuations and the risks inherent with investing in financial markets. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. The Manager moderates this risk through a careful selection of securities within the parameters of the Funds' investment strategies and through diversification of the investment portfolios. The Investment Manager monitors the Funds' overall market positions on a daily basis and positions are maintained within established ranges in an attempt to mitigate this risk.

Refer to Discussion of Financial Risk Management for Fund-specific risk disclosure.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund

Risk management

The investment objective of The Pembroke Corporate Bond Fund (the "Fund") is to achieve average income returns through a diversified portfolio composed primarily of debt and money market securities. As a result of its value strategies, the portfolio may occasionally be invested in other securities, such as convertible bonds, equities and income trusts.

Risk is mitigated by employing a maximum loss methodology, which limits each position according to its potential impact on a portfolio's long-term value-added. The higher the trading price of a security compared to its downside potential, the smaller the position allowed. The risk assessment allows the security's specific features that modify its downside risk to be considered. This includes the priority of the security and quality of the issuer.

Credit risk

As at December 31, 2012 and 2011, the Fund invested in debt instruments with the following credit ratings, representing the maximum credit risk exposure:

	December 31, 2012		December 31, 2011	
Debt Instruments by Credit Rating	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
AAA	$162,645	0.2	$2,035,996	4.3
AA	7,187,513	10.0	3,717,423	7.8
A	21,109,177	29.5	13,594,403	28.4
Below A	36,779,077	51.3	29,560,577	61.7
Not rated	6,936,818	9.7	—	—
Total	$72,175,230	100.7	$48,908,399	102.2

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used.

Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2012 and 2011. It includes the Fund's financial assets and liabilities at their fair values, categorized by the earlier of contractual repricing or maturity dates.

	December 31, 2012		December 31, 2011	
	Interest-bearing instruments	**Non-interest-bearing instruments**	**Interest-bearing instruments**	**Non-interest bearing instruments**
Investments	$72,175,230	$344,976	$48,908,399	—
Cash	—	167,685	—	73,725
Other assets	—	747,733	—	581,972
Liabilities	—	1,804,684	—	1,714,149

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Interest rate risk – (continued)

As at December 31, 2012 and 2011, had prevailing interest rates increased or decreased by 100 basis points, with all other variables remaining constant, the decrease or increase respectively in net assets would amount to approximately $3,061,155 (2011 - $2,308,636). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Currency risk

Foreign currencies to which the Fund had direct exposure as at December 31, 2012 and 2011, were as follows:

	December 31, 2012		December 31, 2011	
Total Currency Exposure	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
Investments denominated in Foreign dollars				
Canadian Corporate Bonds	$1,161,351	1.6	$896,363	1.9
Foreign Corporate Bonds	4,029,174	5.6	1,000,775	2.1
Total	$5,190,525	7.2	$1,897,138	4.0

As at December 31, 2012 and 2011, the Fund held $4,377,349 (2011 - $1,897,138) financial instruments denominated in U.S. dollars. These holdings account for 6.1% (2011 – 4.0%) of all securities as at December 31, 2012 and 2011, and 100% of these positions are currently hedged back to Canadian Dollars.

Other price risk

The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of these financial instruments. As at December 31, 2012 and 2011, the overall market exposure was as follows:

	December 31, 2012		December 31, 2011	
Total Market Exposure	**Fair Value**	**% of Net Assets**	**Fair Value**	**% of Net Assets**
Investments	$72,520,206	101.2	$48,908,399	102.0

Management’s best estimate of the effect on net assets as at December 31, 2012 and 2011, due to a reasonably possible change of 1% in the benchmark, based on historical correlation between the Fund’s return as compared to the return of the Fund’s benchmark, with all other factors remaining constant, is estimated as follows. In practice, the actual trading results may differ from the sensitivity analysis below and the difference could be material.

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Other price risk – (continued)

	December 31, 2012		December 31, 2011	
Benchmark - DEX Universe Corporate Bond Index	**1% increase**	**1% decrease**	**1% increase**	**1% decrease**
Investments	$512,756	($512,756)	$391,300	($391,300)

Fair value disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the amendment to CICA 3862. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Funds' assets measured at fair value on a recurring basis as of December 31, 2012 and 2011.

	Fair value as at December 31, 2012			
Description	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs	Level 3 significant unobservable inputs	Total
Cash	$167,685	—	—	$167,685
Common shares	$344,976	—	—	$344,976
Bonds	—	$59,085,032	$13,090,198	$72,175,230
Total	$512,661	$59,085,032	$13,090,198	$72,687,891

	Fair value as at December 31, 2011			
Description	Level 1 quoted prices in active markets for identical assets	Level 2 other significant observable inputs	Level 3 significant unobservable inputs	Total
Cash	$73,725	—	—	$73,725
Bonds	—	$46,311,524	$2,596,875	$48,908,399
Total	$73,725	$46,311,524	$2,596,875	$48,982,124

NOTES TO FINANCIAL STATEMENTS

Years ended December 31, 2012 and 2011

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure – (continued)

The following is a reconciliation of Level 3 fair value measurements:

Bonds	2012	2011
Balance as at beginning of the year	$2,596,875	$879,559
Realized gain (loss)	—	—
Change in unrealized (depreciation) appreciation	479,674	82,588
Net purchases	2,952,679	1,473,845
Transfers in and/or out of Level 3	7,060,970	160,883
Balance as at end of the year	$13,090,198	$2,596,875

The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund

Manager and Distributor
Private Wealth Management Ltd.
Montreal, Quebec

Trustee, Registrar and Transfer Agent
Pembroke Private Wealth Management Ltd.
Montreal, Quebec

Investment Managers
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund
Pembroke Management Ltd.,
Montreal, Quebec

The Pembroke Corporate Bond Fund
Canso Investment Counsel Ltd.
Richmond Hill, Ontario

Auditors
Deloitte LLP
Chartered Accountants
Montreal, Quebec

Custodian
RBC Investor Services Trust
Toronto, Ontario

Legal Counsel
Torys, LLP
Toronto, Ontario

Trustee of Registered Plans
The Royal Trust Company
Toronto, Ontario

PEMBROKE

PRIVATE WEALTH MANAGEMENT

150 King Street West, Suite 1210,
Toronto, Ontario M5H 1J9, Canada
Tel: 416-366-2550 800-668-7383 Fax 416-366-6833

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Pembroke Private Wealth Management is a mutual fund dealer
and manager of the GBC Funds
Pembroke Management is an investment advisor.

GBC

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE PEMBROKE CORPORATE BOND FUND

THE PEMBROKE DIVIDEND GROWTH FUND

THE PEMBROKE CANADIAN GROWTH FUND

THE PEMBROKE U.S. GROWTH FUND

THE PEMBROKE LONG-SHORT FUND

FINANCIAL STATEMENTS

DECEMBER 31, 2014

GBC

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Approval of the Financial Statements as at December 31, 2014 of:

The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund

(collectively referred to as the “Funds”)

Approved by the Trustee, Pembroke Private Wealth Management Ltd.

Jeffrey S. D. Tory
Director

Michael P. McLaughlin
Director

Montreal, February 16, 2015

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF FINANCIAL POSITION

(IN CANADIAN DOLLARS)	Dec. 31, 2014 $	Dec. 31, 2013 $	Jan. 1, 2013 $
Assets			
Cash	210,688	1,174,112	167,685
Investments at fair value through profit or loss	113,272,531	93,697,259	72,694,985
Subscriptions receivable	2,000,000	—	—
Foreign exchange forward contract	—	29,401	—
Accrued income	891,860	828,987	746,736
Other receivables	—	—	997
HST/QST receivable	46	500	—
Total assets	116,375,125	95,730,259	73,610,403
Liabilities			
Accrued expenses	5,703	5,253	5,293
Distributions payable to unitholders	1,463,529	1,918,731	1,745,345
Foreign exchange forward contract	246,271	—	53,545
HST payable	—	—	501
Liabilities (excluding net assets attributable to to holders of redeemable units)	1,715,503	1,923,984	1,804,684
Net assets attributable to holders of redeemable units	**114,659,622**	**93,806,275**	**71,805,719**
Net assets attributable to holders of redeemable units per unit			
Net assets CAD	**13.25**	**12.81**	**12.52**
Investments, at cost	104,122,777	87,487,212	67,671,772

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (IN CANADIAN DOLLARS)	2014 $	2013 $
Income		
Interest income for distribution purposes	5,444,804	4,503,397
Net realized gains on investments at fair value through profit or loss	1,961,302	1,952,088
Net realized loss on forward contracts	(1,146,695)	(642,470)
Net change in unrealized gains on investments at fair value through profit or loss	2,939,707	1,186,834
Net change in unrealized (losses)/gains on investments on forward contracts	(275,672)	82,946
Net realized foreign exchange losses	(2,420)	(10,219)
Total operating income	8,921,026	7,072,576
Expenses		
Securityholders' information fees	16,820	15,179
Filing fees	6,479	4,042
Custodial fees	7,913	5,859
Audit fees	7,070	8,521
Legal fees	3,854	2,483
Fund valuation fees	36,832	31,263
Transaction costs	4,000	—
Total operating expenses	82,968	67,347
Profit before tax	8,838,058	7,005,229
Withholding taxes	(8,753)	—
Compensatory tax	22,244	9,405
Profit after tax	8,851,549	7,014,634
Increase in net assets attributable to holders of redeemable units	**8,851,549**	**7,014,634**
Increase in net assets attributable to holders of redeemable units per unit	**1.09**	**1.08**

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31 (IN CANADIAN DOLLARS)	2014 $	2013 $
Net assets attributable to holders of redeemable units at beginning of year	**93,806,275**	**71,805,719**
Increase in net assets attributable to holders of redeemable units	8,851,549	7,014,634
Distributions to holders of redeemable units		
From net realized capital gains	—	(812,669)
From net investment income	(5,376,522)	(4,435,010)
Total distributions to holders of redeemable units	(5,376,522)	(5,247,679)
Redeemable units transactions		
Proceeds from redeemable units issued	40,586,439	39,365,759
Redemption of redeemable units	(23,208,119)	(19,132,158)
Net increase from unit transactions	17,378,320	20,233,601
Net assets attributable to holders of redeemable units at end of year	**114,659,622**	**93,806,275**

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (IN CANADIAN DOLLARS)	2014 $	2013 $
Cash flows provided from operating activities		
Increase in amount attributable to holders of redeemable shares	8,851,549	7,014,634
Adjustments for:		
Interest income for distribution purposes	(5,444,804)	(4,503,397)
Taxes recognized in profit or loss	(13,491)	(9,405)
	3,393,254	2,501,832
Net decrease in investments at fair value through profit or loss		
Purchase of investments	(57,977,281)	(58,219,855)
Proceeds from sale and maturity of investments	43,299,018	40,356,503
Net realized (gains) on investments at fair value through profit or loss	(1,961,302)	(1,952,088)
Net change in unrealized (gains) on investments at fair value through profit or loss	(2,664,035)	(1,269,780)
Transaction costs	4,000	—
Net increase in accrued income and other receivables	(2,062,419)	(81,754)
Net increase/(decrease) in accrued expenses and other payables	450	(541)
	(17,968,315)	(18,665,683)
Interest received	5,444,804	4,503,397
Taxes paid	13,491	9,405
Net cash flows provided from operating activities	(12,510,020)	(14,152,881)
Cash flows provided from financing activities		
Distributions to holders of redeemable units	(514,697)	(169,726)
Proceeds from redeemable units issued	35,269,412	34,461,192
Redemption of redeemable units	(23,208,119)	(19,132,158)
Net cash flows provided from financing activities	11,546,596	15,159,308
Net (decrease)/increase in cash	(963,424)	1,006,427
Cash at the beginning of the year	1,174,112	167,685
Cash at the end of the year	210,688	1,174,112
Non-Cash Transactions		
Distributions from net investment income and capital gains	4,861,825	5,077,953

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Corporate Bonds				
Bank of Nova Scotia Deposit Notes				
2.40%, October 28, 2019	1,299,000	1,298,712	1,309,129	
Blackberry Ltd.				
6.00%, November 13, 2020	3,597,000	3,771,814	5,484,845	
Black Press Group TL B1				
BA + 500, June 28, 2018	2,587,588	2,569,535	2,519,664	
Cogeco Cable				
4.925%, February 14, 2022	777,000	793,522	861,655	
4.175%, May 26, 2023	1,453,000	1,439,250	1,524,480	
Enbridge				
Q CDOR + 45, March 13, 2017	1,090,000	1,090,499	1,088,611	
GE Capital Canada				
Q CDOR + 120, February 6, 2023	3,824,000	3,824,000	3,975,220	
Loblaws				
6.50%, January 22, 2029	731,000	728,640	895,777	
ONTREA, Private Placement				
4.619%, April 9, 2018	232,492	232,492	250,507	
Postmedia Network Inc.				
8.25%, August 16, 2017	1,876,050	1,905,571	1,949,919	
Postmedia-Sun Media Subscription Receipts				
8.25%, August 16, 2017	906,000	910,255	910,530	
Shaw Communications				
6.75%, November 9, 2039	1,618,000	1,621,280	2,008,530	
SNC Lavalin				
6.19%, July 3, 2019	35,000	38,272	40,267	
Stantec Inc.				
4.757%, May 10, 2018	416,000	439,256	438,751	

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Corporate Bonds - (continued)				
Strait Crossing				
6.17%, September 15, 2031	737,894	718,057	765,149	
St. Claire Holdings Inc., Private Placement				
4.881%, August 31, 2031	591,023	591,023	606,640	
TD deposit note				
3.226%, July 24, 2024	2,610,000	2,622,164	2,683,160	
Tuckamore Capital Management				
8.000%, March 23, 2016	1,262,000	1,046,584	1,070,176	
Videotron Sr notes				
7.125%, January 15, 2020	760,000	784,251	793,567	
6.875%, July 15, 2021	1,867,000	1,868,924	2,005,057	
WTH Car Rental ULC (Avis)				
2.542%, August 20, 2019	1,669,000	1,669,000	1,686,924	
Xplornet Communications Inc., Private Placement				
(Senior secured bonds with 1,201				
detachable warrants at nominal value)				
13.00%, May 15, 2017	1,379,050	1,302,355	1,520,403	
Xplornet Communications Inc., Private Placement				
(Senior unsecured bonds with 1,606				
detachable warrants at nominal value)				
13.00%, October 25, 2020	1,821,565	1,821,565	1,821,565	
Xplornet Communications Inc., Series B				
Private Placement				
(Senior secured bonds with 1,112				
detachable warrants at nominal value)				
13.00%, May 15, 2017	1,223,437	1,188,760	1,336,605	
Xplornet Subscription Receipts				
13.00%, October 25, 2020	970,000	970,000	970,000	
YPG Financing				
9.25%, November 30, 2018	3,186,189	3,265,046	3,345,498	
8.00%, November 30, 2022	560,669	474,814	622,343	
		38,985,641	42,484,972	37.05%

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Canadian Corporate Bonds - Denominated in United States Dollars				
Bank of Nova Scotia				
U.S. LIBOR + 0.125%, August 31, 2085	1,230,000	1,021,277	1,011,501	
CIBC				
U.S. LIBOR + 0.125%, August 31, 2085	460,000	351,406	372,957	
National Bank of Canada				
U.S. LIBOR + 0.125%, August 29, 2087	650,000	437,772	519,476	
Royal Bank of Canada				
Q LIMEAN + 0.25%, June 29, 2085	750,000	509,366	625,456	
Telesat TLB				
Libor + 0.275%, March 28, 2019	622,262	699,730	712,631	
		3,019,551	3,242,021	2.83%
Asset/Mortgage-Backed				
First National NHA				
2.29%, October 1, 2018	900,000	854,877	855,045	
Merrill Lynch NHA				
1.85%, December 1, 2017	447,000	375,199	375,792	
2.05%, June 1, 2018	4,250,000	3,719,780	3,730,139	
1.90%, April 1, 2019	2,108,000	2,036,765	2,052,013	
1.75%, Aug 1, 2019	2,286,000	2,233,460	2,248,622	
MLML 1999-1ST TT A2				
7.445%, September 5, 2015	187,000	30,180	28,707	
MLFA 2002-BC2P A				
6.673%, May 7, 2021	535,000	286,548	279,622	
MLFA 2006-CA19 B				
5.06%, June 12, 2016	502,000	491,745	520,033	
REALT 2006-3 B				
4.70%, December 12, 2016	175,000	165,246	181,836	
TD Bank				
2.00%, July 1, 2022	538,082	456,735	466,600	
		10,650,535	10,738,409	9.37%
Total Bonds - Canadian		**$52,655,727**	**$56,465,402**	**49.25%**

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Foreign Governmental Issuers or Foreign Government-Related Issuers - Denominated in Canadian Dollars				
Eurofirma				
5.15%, December 13, 2019	257,000	284,029	289,939	
		284,029	289,939	0.25%
Foreign Corporate Bonds - Denominated in Canadian Dollars				
France				
Caisse Francaise de Financement Local				
4.625%, May 30, 2017	534,000	535,918	569,191	
4.68%, March 9, 2029	224,000	204,295	253,866	
		740,213	823,057	0.72%
Germany				
Commerzbank AG Sub-Debt FRN				
Q CDOR + 88, December 15, 2016	2,516,000	2,274,703	2,459,390	
Commerzbank				
8.125%, September 19, 2023	2,322,000	2,814,792	3,102,562	
		5,089,495	5,561,952	4.85%
Iceland				
Kaupthing Bank				
4.70%, February 15, 2010	16,000	6,713	4,000	
		6,713	4,000	0.00%
Ireland				
DEPFA Bank PLC				
EURIBOR + 70, December 15, 2015	2,547,000	3,617,176	3,404,805	
DEPFA ACS Bank				
5.25%, March 31, 2025	1,269,000	1,258,964	1,474,914	
		4,876,140	4,879,719	4.26%
Italy				
Unicredit				
Q CDOR + 217, May 29, 2018	4,816,000	4,816,000	4,816,000	
		4,816,000	4,816,000	4.20%
Luxembourg				
Hypothekenbank				
4.38%, December 15, 2015	1,192,000	1,194,702	1,209,732	
		1,194,702	1,209,732	1.06%

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Foreign Corporate Bonds - Denominated in Canadian Dollars - (continued)				
United Kingdom				
Heathrow Funding Limited				
4.00%, July 3, 2019	1,529,000	1,541,892	1,640,093	
Lloyds TSB Bank PLC				
10.125%, December 16, 2016	5,142,000	5,432,765	5,871,376	
National Grid Electricity				
Q CDOR + 86, January 25, 2018	1,727,000	1,727,000	1,734,599	
Royal Bank of Scotland				
5.37%, May 12, 2016	3,395,000	2,477,208	3,299,456	
10.50%, March 16, 2017	2,477,000	2,560,204	2,844,364	
Royal Bank of Scotland TIER I				
6.666%, October 5, 2017	3,131,000	2,129,455	3,459,755	
		15,868,524	18,849,643	16.44%
United States				
Kimco North Trust III				
5.99%, April 13, 2018	1,952,000	2,115,673	2,174,109	
3.855%, August 4, 2020	299,000	306,831	314,641	
Lehman Brothers Holdings				
4.85%, September 3, 2013	8,000	—	—	
Met Life				
Q CDOR + 102, September 25, 2017	1,794,000	1,806,158	1,817,448	
Met Life Global Funding I				
2.682, April 16, 2019	6,674,000	6,681,626	6,805,047	
		10,910,288	11,111,245	9.69%

The accompanying notes are an integral part of theses financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2014 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Foreign Corporate Bonds - Denominated in United States Dollars				
United States				
Navient Corp.				
8.45%, June 15, 2018	115,000	128,135	148,850	
8.00%, March 25, 2020	2,171,000	2,356,325	2,791,167	
7.25%, January 25, 2022	1,763,000	1,915,757	2,220,673	
5.50%, January 25, 2023	1,733,000	1,791,787	1,926,961	
5.625%, January 25, 2025	788,000	750,412	796,721	
		6,942,416	7,884,372	6.88%
United Kingdom				
Royal Bank of Scotland				
9.50%, March 16, 2017	231,000	297,582	305,134	0.27%
Total Foreign Corporate Bonds		**$51,026,102**	**$55,734,793**	**48.61%**
Equities - Canadian				
Tuckamore Capital Management	1,262,000	87,073	44,310	
Yellow Media	52,504	353,875	1,028,026	
		$440,948	**$1,072,336**	0.94%
Total investments		**$104,122,777**	**$113,272,531**	**98.79%**
Other assets - net		1,387,091	1,387,091	1.21%
Total net assets		**$105,509,868**	**$114,659,622**	**100.00%**

The accompanying notes are an integral part of theses financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

1. The Funds

(i) Establishment of the Funds

The Pembroke Corporate Bond Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2009.

The Pembroke Dividend Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario and established pursuant to a Master Declaration of Trust dated January 1, 2012.

The Pembroke Canadian Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2007.

The Pembroke U.S. Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 23, 1999, as amended by a Master Declaration of Trust dated January 1, 2007.

The Pembroke Long-Short Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2010.

The Trusts are not reporting issuers in any jurisdiction in Canada, and pursuant to Section 2.11 of National Instrument 81-106 (Investment Fund Continuous Disclosure), do not file their financial statements with the securities regulatory authorities.

(ii) The Manager and Investment Manager

Pembroke Private Wealth Management Ltd. (“PPW” or the “Manager”) is the Funds’ Manager. The Manager provides the day-to-day management of the business and operations of the Funds. PPW is also the trustee for all the Funds. The registered address of the Funds is: 1002 Sherbrooke Street West, Suite 1700, Montreal, Quebec, Canada.

Pembroke Management Limited (“PML”) is the investment manager of The Pembroke Dividend Growth Fund., The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund Fund and The Pembroke Long-Short Fund. PML is the parent company of the Fund Manager, PPW. Canso Investment Counsel Ltd is the investment manager of The Pembroke Corporate Bond Fund.

Under the terms of the management agreement with PPW, the Funds pay a management fee calculated as disclosed in Note 6.

2. Basis of presentation and significant accounting policies

The financial statements of the Funds as at December 31, 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB). These are the Funds' first IFRS financial statements issued after the date of transition, and accordingly IFRS 1, *First-Time Adoption of International Financial Reporting Standards*, has been applied.

The financial statements are prepared using IFRS accounting policies, which were adopted by the Funds for fiscal periods beginning on January 1, 2014, with an effective transition date of January 1, 2013. These accounting policies are based on IFRS and the interpretations of the IFRS Interpretations Committee that have been applied consistently to all periods presented throughout these financial statements.

The Funds' financial statements were previously prepared in accordance with previous Canadian generally accepted accounting principles — Part V of the Chartered Professional Accountants Handbook ("previous Canadian GAAP"), which differs in some areas from IFRS. See Note 3 for an explanation of how the adoption of IFRS has affected the reported financial position, financial performance and accounting policies of the Funds. This note includes descriptions of the effect of the transition from previous Canadian GAAP to IFRS.

(i) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Funds' functional and presentation currency.

(ii) Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in the fair value. Foreign exchange gains and losses on monetary items and non-monetary assets and liabilities other than those classified as fair value through profit or loss are included in the line item Net foreign currency gains/losses in the Statement of Comprehensive Income.

(iii) Recognition of revenue and expenses

Interest income for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the fund accounted for on an accrual basis. The funds do not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and is subject to tax. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

2. Basis of presentation and significant accounting policies - (continued)

(iii) Recognition of revenue and expenses - (continued)

Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

Dividend and interest income for distribution purposes is recognized gross of withholding tax, if any.

All expenses are recognized in the statement of comprehensive income on the accrual basis.

(iv) Due from and due to brokers

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(v) Financial assets and financial liabilities at fair value through profit or loss

Classification

Each of the Funds classifies its investments in debt and equity securities as financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Funds' investment strategy.

The Funds' policies require the Investment Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

2. Basis of presentation and significant accounting policies - (continued)

(v) Financial assets and financial liabilities at fair value through profit or loss – (continued)

The Funds classify their financial assets and liabilities as follows:

Financial assets at fair value through profit or loss:

Held for trading: derivative financial instruments

Designated at beginning at fair value through profit or loss: all other investments including equity and fixed-income securities.

Financial assets at amortized cost:

Loans and receivables: cash and other receivables

Financial liabilities at fair value through profit or loss:

Held for trading: derivative financial instruments

Financial liabilities at amortized cost:

All other liabilities

The Funds do not invest in derivatives financial instruments, thus no financial instruments are classified as Held for trading. Refer to note 9 for each respective Fund's financial instruments by category classification.

Each of the Funds' policies requires the Investment Manager and the Directors to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statement of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the period in which they arise.

Dividend income from financial assets at fair value through profit or loss is recognised in the Statement of Comprehensive Income within dividend income when the Fund's right to receive payments is established.

Purchases and sales of foreign investments are translated at the exchange rates prevailing on the respective dates of such transactions. The fair values of foreign investments represent their quoted market values translated into Canadian dollars at exchange rates prevailing at the end of the year.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

2. Basis of presentation and significant accounting policies - (continued)

(v) Financial assets and financial liabilities at fair value through profit or loss – (continued)

Fair value estimation

The fair value of financial assets and liabilities in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The cost of investments is determined on a weighted average cost basis.

If a significant event causing a material movement in fair value occurs subsequent to the close of trading up to midnight on the year end date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Funds use a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(vi) Increase (decrease) in net assets from operations per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is disclosed in the Statements of Comprehensive Income and represents the increase (decrease) in the net assets from operations for the year divided by the average number of units outstanding during the year.

2. Basis of presentation and significant accounting policies - (continued)

(vii) Distributions payable to holders of redeemable units

The net investment income and net realized capital gains of each of the Funds, as applicable, are paid to the unitholders of each relevant Fund as follows:

For The Pembroke Corporate Bond Fund, the net investment income is distributed quarterly on the last valuation day of the quarter and net realized capital gains are distributed once a year on the last valuation day of December. For all other Funds, the net investment income and net realized capital gains are distributed once a year on the last valuation day of December

The distributions on the redeemable units are recognised in the statement of changes in net assets attributable to holders of redeemable units.

(viii) Taxation

The Funds are domiciled in Canada and under the current Income Tax Act (Canada). The Funds are not subject to tax on income, profits or capital gains or other taxes payable.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the Statement of Comprehensive Income. Withholding taxes are shown as a separate item in the Statement of Comprehensive Income.

Refer to Note 7 for the disclosure relating to taxation.

2. Basis of presentation and significant accounting policies - (continued)

(ix) Fair value measurement

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

IFRS 13 *Fair value measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under are described below

Level 1: Valuation based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2: Valuation based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Valuation based on inputs that are unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs are considered as observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

Refer to Note 8 for the disclosure.

2. Basis of presentation and significant accounting policies- (continued)

(x) Forward contracts

Forward Contracts are agreements to purchase or sell financial instruments at a specified future date. As they are not traded on the exchange, the agreements between counterparties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statement of net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the Statement of Comprehensive Income as "unrealized gain (loss)". Forward Contracts are used by The Pembroke Corporate Bond Fund.

(xi) Future changes to International Financial reporting Standards ("IFRS")

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2014 and have not been applied in preparing these financial statements. The following standards are not yet effective for the Funds. The Manager is currently evaluating the impact of the following amendment on the financial statements

IFRS 9 - Financial Instruments ("IFRS 9") was issued in November 2009 and amended in October 2010, and contains new classification and measurement requirements for financial assets. This standard addresses the classification and measurement of financial assets and replaces the multiple category and measurement models in IAS 39 - *Financial Instruments - Recognition and Measurement* ("IAS 39") for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely.

Requirements for financial liabilities were added in October 2010 and largely carried forward the existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income (loss). The Manager is assessing the potential impact that the adoption of IFRS 9 will have on the Funds' financial statements.

The effective date for IFRS 9 as a whole is fiscal years beginning on or after January 1, 2015, at which point all elements of IFRS 9 must be adopted. The adoption of the standard may require additional disclosures in future financial statements is not expected to affect the financial position of the Funds.

3. Transition to IFRS

The effect of the Funds' transition to IFRS is summarized in this note as follows:

Transition elections

The Funds did not apply any transition exceptions or exemptions to full retrospective application of IFRS.

Statement of cash flows

Under Canadian GAAP, the Funds were exempt from providing a statement of cash flows. IAS 1, *Presentation of Financial Statements* requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Classification of redeemable units issued by the Fund

Under previous Canadian GAAP, the Funds accounted for redeemable units or shares as equity. IFRS IAS 32, *Financial Instruments*: Presentation requires that units or shares of an entity be classified as equity if certain criteria are met. The Funds' units/shares do not meet the criteria in IAS 32 for classification as equity and, therefore, have been classified as financial liabilities on transition to IFRS.

Revaluation of investments at Fair Value Through Profit or Loss ("FVTPL")

Under previous Canadian GAAP, the Funds measured the fair values of its investments in accordance with Section 3855, *Financial Instruments- Recognition and Measurement*, which required the use of bid prices for long positions and ask prices for short positions, to the extent such prices were available. Under IFRS, the Funds measure the fair values of their investments using the guidance in IFRS 13, Fair Value Measurement, which requires that if an asset or a liability has a bid price and an ask price, then its fair value is to be based on a price within the bid-ask spread that is most representative of fair value. It also allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. As such, the Fund's accounting policies for measuring the fair value of investments in the financial statements are now consistent with those used in measuring the net asset value for transactions with unitholders. As a result, upon adoption of IFRS an adjustment was recognized to increase the carrying amounts of the Funds' investments by amounts presented in the tables below.

3. Transition to IFRS – (continued)

Reconciliation of equity and comprehensive income as previously reported under Canadian GAAP to IFRS:

The Pembroke Corporate Bond Fund

Equity	**Dec. 31, 2013**	**Jan. 1, 2013**
Equity as reported under Canadian GAAP	93,576,905	71,630,940
Revaluation of investments at FVTPL	229,370	174,779
Net assets attributable to holders of redeemable units	93,806,275	71,805,719

4. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates, judgements and assumptions that affect the application of accounting policies and amounts recorded in the financial statements. Estimates are based on the Manager's best knowledge of current events and actions that the Funds may undertake in the future and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of securities not quoted in an active market

The Funds may hold financial instruments that are not quoted in active markets. The fair value of such securities may be determined by the Funds using reputable pricing sources or indicative prices from bond/debt market makers. The Funds exercise judgement on the pricing sources used. Fair value is determined based on models that make maximum use of observable inputs and rely as little as possible on unobservable inputs. The Funds consider observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

When no quoted prices are available, the fair value is estimated using present value or other valuation methods which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, and risks related to interest rates, exchange rates and price and rate volatility.

The calculation of the fair values may differ given the role that judgment plays in applying the acceptable estimation and valuation techniques. Estimated fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values.

Critical judgements

Functional currency

The Manager considers the Canadian dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Funds. The Canadian dollar is the currency in which each of the Funds measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Funds are compared to other Canadian investment products.

4. Accounting estimates and judgements – (continued)

Classification and measurement of investments

In classifying and measuring financial instrument held by the Fund, the Manager is required to make significant judgements about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that investments are held-for-trading.

Classification of puttable instruments

Each of the Funds' redeemable units are classified as financial liabilities to which all of its gains and loss are attributed. Each of the Fund's units do not meet all the criteria under IAS 32, *Financial Instruments: Presentation* to be classified as equity by exception.

Segmented information

Each of the Funds are organized in one main operating segment, namely the management of the Fund's investments in order to achieve the Funds' investment objectives.

5. Redeemable units

(i) Authorized and issued capital

The authorized capital of the Funds consists of an unlimited number of units which rank equally in all respects and represent a pro rata interest in the net assets of the Funds. A unit does not confer any interest in any particular asset or investment of the Fund.

The Funds' redeemable units, which are redeemable at the holder's option, are classified as financial liabilities on the statement of financial position. Redeemable units can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit. The redeemable units are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the unit back to the Fund. Quantitative information about each Funds' capital is provided in the statement of changes in financial position attributable to holders of redeemable securities.

The Investment Manager manages the capital of the Fund in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the in the Simplified Prospectus. The Fund's overall strategies for managing capital remains unchanged from the prior year.

The Funds do not have any specific capital requirements on the subscriptions and redemptions of units, other than certain minimum subscription requirements.

The following is a summary of the changes in issued and outstanding units:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

5. Redeemable units - (continued)

The Pembroke Corporate Bond Fund

	Dec. 31, 2014	**Dec. 31, 2013**
Outstanding, beginning of year	7,322,790.099	5,735,259.906
Issued during the year	3,075,026.280	3,078,723.266
	10,397,816.379	8,813,983.172
Redeemed during the year	1,747,192.448	1,491,193.073
Outstanding, end of year	8,650,623.931	7,322,790.099

5. Redeemable units - (continued)

(ii) Valuation of Fund units

The net asset value per unit ("NAVPU") is calculated weekly as at the close of business on each Tuesday, or if any such Tuesday is not a business day, then on the next business day immediately succeeding it, and on the last business day of the month. For Funds that have only one class of unit, the NAVPU is determined by dividing the net assets of the Fund by the number of redeemable units outstanding on the valuation date. For Funds that have more than one class of units, the net asset of a particular class of unit is computed by calculating the value of that class' proportionate share of the assets and liabilities common to all classes less the liabilities attributable only to that class. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the securities to be redeemed will be established as at the Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the units redeemed.

5. Redeemable units - (continued)

(iii) Redemptions

A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the securities to be redeemed will be established as at the Valuation date following the receipt of such notice. Within three business days following the Valuation date, the Manager will pay the holder by cheque the value of the securities redeemed.

For The Pembroke Long-Short Fund units may be redeemed in whole or in part on any Valuation Day, by giving 15 business days' prior written notice or such shorter notice period as may be determined by the Manager, for a redemption price per unit equal to the NAV per unit of the relevant series calculated as at the close of business on the last business day of the month less any applicable performance fees. In order to reduce turnover of the Fund, unitholders requesting to redeem units within three months of initial purchase will be subject to a fee equal to 2% of the NAV per unit held at the time of redemption. This fee will be paid to the Fund. If the Manager has received requests to redeem 25% or more of the outstanding units of the Fund at the end of any single month, or if the Manager determines that conditions exist that impair the ability of the Fund to meet redemption requests by the liquidation of securities held within the Fund and the settlement of any short sales, the Manager may defer any, or all, of the redemption requests, to the last business day of the following month.

6. Management fees and expenses

For the management services provided to the Funds, the Manager will charge to the unitholders a management fee at the annual rates determined by the Manager from time to time. The management fee will be calculated on a monthly basis on the NAV on each Valuation date and shall be paid by way of redemption of such number of units as would be necessary to pay such a management fee.

The Pembroke Long-Short Fund pays a performance fee is an amount equal to the relevant percentage for Class B or Class C of the positive Excess Return (as defined below) in a calendar year; provided that the Series Net Asset Value per Unit of the relevant series of Class B or Class C exceeds its previous Highwater Mark (as defined below). The Excess Return is the amount determined by multiplying (i) the positive difference between the percentage change of the Series Net Asset Value per Unit of the relevant series of Class B or Class C and the Highwater Mark for the relevant series of Class B or C and the percentage change of the Hurdle Rate (as defined below) over the same time period, by (ii) the Series Net Asset Value per Unit of the relevant series of Class B or Class C. Performance fees will be accrued and adjusted during the calendar year.

The Highwater Mark is the greater of (i) the issue price per unit of the series of the class at the time of issue, and (ii) the highest Series Net Asset Value per Unit of the series of the class (or the series of the class into which the units have been reclassified as described above) as of December 31 of a year preceding the year for which the performance fee is being determined. The Hurdle Rate is the return of the DEX 91 T-Bill Index which is designed to track the performance of Canadian Government-issued 91 day treasury bills.

If units are redeemed prior to December 31 of a calendar year, the performance fee, if applicable, will be based on the Excess Return of the Series Net Asset Value per Unit of the relevant series of the relevant class determined on the Valuation Date upon which the redemption is effected from January 1 in such calendar year (or if the unit was issued after January 1 in that year, from the date of issue of such unit). Any performance fees payable in respect of a unit being redeemed, will reduce the redemption proceeds payable on the unit.

The Funds are responsible for payment of all other expenses relating to their operations in carrying on their business including, but not limited to, legal, accounting, brokerage, custodial and safekeeping fees, interest, taxes, registrar and transfer agent's fees, operating and administrative costs, unitholders' accounting and reporting costs, and the costs of continuous compliance with all applicable securities legislation.

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7. Income taxes

The Pembroke U.S. Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke Dividend Growth Fund and The Pembroke Corporate Bond Fund qualify as Mutual Fund Trusts under the *Income Tax Act* (Canada) and thus are not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

The Pembroke Long-Short Fund qualifies as a Unit Trust under the *Income Tax Act* (Canada) and thus is not subject to income taxes on its net taxable capital gains or its net earnings for the year if it allocates such gains (less capital losses carried forward) and earnings to the unitholders. It is the intention of the Manager to allocate the taxable income of the Fund annually to unitholders so as to eliminate any income taxes otherwise payable by the Fund.

As at December 31, 2014, certain Funds have accumulated non-capital losses and future capital losses available to reduce income that can be carried forward to a maximum of ten year carry forward for years 2004 to 2005 and can be carried forward for twenty years for years 2006 and subsequent years. There are no accumulated capital losses available to reduce realized capital gains in future years that can be carried forward indefinitely for and of the Funds:

8. Financial instruments' risk management

The Funds' financial assets may principally comprise investments in equity and debt instruments, short-term investments, trade and other receivables, and/or cash and cash equivalents. Financial liabilities may comprise accrued expenses, trade and other payables. The Funds' activities expose them to a variety of financial risks that are associated with their investment strategies, financial instruments and the markets in which they invest. The level of risk depends on the Funds' investment objectives and the types of securities they invest in. The value of investments within the Funds' portfolios can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Funds. The most important risks arising from the Funds' financial instruments include credit risk, liquidity risk and market risk (comprising interest rate risk, currency risk and other price risk). The risks and the related risk management practices employed by the Funds are summarized in the Simplified Prospectus and are discussed below.

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund.

The Funds use highly rated well established financial institutions for cash transactions and as a result the risk of default is considered minimal. The Funds are also exposed to credit risk with the custodian. Should the custodian become insolvent, it could cause a delay for the Funds in obtaining access to its assets

Where a Fund invests in debt instruments, this represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the credit worthiness of the issuer and represents the maximum credit risk exposure of the Fund.

All transactions executed by a Fund in listed securities are settled/paid for upon delivery using approved brokers meeting minimum risk rating levels. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment, and payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

(ii) Liquidity risk

Liquidity risk is defined as the risk that a Fund may encounter difficulties in meeting the obligations associated with its financial liabilities on time or at a reasonable price.

Each Fund is exposed to weekly and end-of-month cash redemptions of redeemable securities. The securities of each Fund are issued and redeemed on demand at the current NAVPU at the option of the holder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed of. In accordance with securities regulations, each Fund must maintain at least 90% of assets in liquid investments (i.e., investments that are traded in an active market and can be readily disposed of). In addition, each Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity, and has the ability to borrow up to 5% of its net assets for the purpose of funding redemptions.

8. Financial instruments' risk management - (continued)

(ii) Liquidity risk – (continued)

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. A lack of buyer interest in a particular security may increase the level of difficulty in selling this security and, therefore, result in a loss or reduced return. Portfolio diversification and concentration limits reduce this risk.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(iv) Currency risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument denominated in a currency other than the Canadian dollar will fluctuate because of changes in foreign exchange rates.

Changes in the value of the Canadian dollar relative to foreign currencies will affect the value, in Canadian dollar terms, of foreign securities held in the Funds. These fluctuations may reduce, or even eliminate, any return the Funds have earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments and can also affect the relative competitive position of entities whose securities are held by the Funds. It is not the Funds' policy to hedge the currency risk between the Canadian dollar and foreign currencies. Thus, the Manager does not manage currency risk.

(v) Price risk

Other price risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Funds are subject to normal market fluctuations and the risks inherent with investing in financial markets. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. Investment managers mitigate this risk through a careful selection of securities within the parameters of the Funds' investment strategies and through diversification of the investment portfolios. The investment managers monitor the Funds' overall market positions on a daily basis and positions are maintained within established ranges in an attempt to mitigate this risk.

Refer to Discussion of Financial Risk Management for Fund-specific risk disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund

Risk management

The investment objective of The Pembroke Corporate Bond Fund (the “Fund”) is to achieve average income returns through a diversified portfolio composed primarily of debt and money market securities. As a result of its value strategies, the portfolio may occasionally be invested in other securities, such as convertible bonds, equities and income trusts.

Risk is mitigated by employing a maximum loss methodology, which limits each position according to its potential impact on a portfolio’s long-term value-added. The higher the trading price of a security compared to its downside potential, the smaller the position allowed. The risk assessment allows the security’s specific features that modify its downside risk to be considered. This includes the priority of the security and quality of the issuer.

Credit risk

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund invested in debt instruments with the following credit ratings, representing the maximum credit risk exposure:

	December 31, 2014		December 31, 2013		January 1, 2013	
Debt Instruments by Credit Rating	**$ Fair Value**	**% of Net Assets**	**$ Fair Value**	**% of Net Assets**	**$ Fair Value**	**% of Net Assets**
AAA	2,388,792	2.1	2,049,166	2.2	861,088	1.2
AA	17,953,506	15.7	7,658,250	8.2	6,760,329	9.4
A	5,966,923	5.2	13,361,905	14.2	20,932,904	29.2
Below A	56,580,154	49.3	59,070,478	63.0	37,604,148	52.4
Not rated	29,310,820	25.5	10,477,978	11.2	6,191,539	8.6
Total	112,200,195	97.8	92,617,777	98.8	72,350,008	100.8

Credit ratings are obtained from Standard & Poor’s, Moody’s and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used.

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Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Liquidity risk

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

December 31, 2014

Financial liabilities	< 7 days $	7 days - 3 months $	3 months - 1 year $	Total $
Distributions payable	1,463,529	—	—	1,463,529
Accrued expenses	5,703	—	—	5,703
Redeemable units	114,659,622	—	—	114,659,622
Foreign exchange forward contract	—	246,271	—	246,271
Total	116,128,854	246,271	—	116,375,125

December 31, 2013

Financial liabilities	< 7 days $	7 days - 3 months $	3 months - 1 year $	Total $
Distributions payable	1,918,731	—	—	1,918,731
Accrued expenses	5,253	—	—	5,253
Redeemable units	93,806,275	—	—	93,806,275
Total	95,730,259	—	—	95,730,259

January 1, 2013

Financial liabilities	< 7 days $	7 days - 3 months $	3 months - 1 year $	Total $
Distributions payable	1,745,345	—	—	1,745,345
Accrued expenses	5,293	—	—	5,293
HST payable	—	—	501	501
Foreign exchange forward contract	—	53,545	—	53,545
Redeemable units	71,805,719	—	—	71,805,719
Total	73,556,357	53,545	501	73,610,403

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Liquidity risk – (continued)

Redeemable units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the table above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a very short time period (less than 30 days). All assets can be liquidated within a 1 year period of time as at December 31, 2014, December 31, 2013 and January 1, 2013.

Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2014, December 31, 2013 and January 1, 2013. It includes the Fund's financial assets at their fair values, categorized by the earlier of contractual re-pricing or maturity dates.

	December 31, 2014		December 31, 2013		January 1, 2013	
	$	$	$	$	$	$
	Interest bearing instruments	Non Interest bearing instruments	Interest bearing instruments	Non Interest bearing instruments	Interest bearing instruments	Non-interest bearing instruments
Investments	112,200,195	1,072,336	92,618,304	1,078,955	72,350,009	344,976
Cash	—	210,688	—	1,174,112	—	167,685
Other assets	—	2,891,906	—	858,888	—	747,733
Liabilities	—	1,715,503	—	1,923,984	—	1,804,684

As at December 31, 2014 and December 31, 2013 and January 1, 2013, had prevailing interest rates increased or decreased by 100 basis points, with all other variables remaining constant, the decrease or increase in net assets would amount to approximately $3,664,778 (2013 - $3,180,104 and 3,061,155 on January 1, 2013). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Interest rate risk – (continued)

The following table details the Fund's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

December 31, 2014

Contractual maturities	< 1 month $	1 - 3 months $	3 months - 1 year $	> 1 year $	Total $
Interest bearing instruments	—	—	4,643,244	107,556,951	112,200,195
Non-interest bearing instruments	4,818,097	—	—	—	4,818,097
Total	4,818,097	—	4,643,244	107,556,951	117,018,292

December 31, 2013

Contractual maturities	< 1 month $	1 - 3 months $	3 months - 1 year $	> 1 year $	Total $
Interest bearing instruments	—	314,248	1,264,378	91,039,678	92,618,304
Non-interest bearing instruments	3,956,984	—	—	—	3,956,984
Total	3,956,984	314,248	1,264,378	91,039,678	96,575,288

Janauary 1, 2013

Contractual maturities	< 1 month $	1 - 3 months $	3 months - 1 year $	> 1 year $	Total $
Interest bearing instruments	437,599	—	1,690	71,910,720	72,350,009
Non-interest bearing instruments	2,720,102	—	—	—	2,720,102
Total	3,157,701	—	1,690	71,910,720	75,070,111

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Currency risk

The tables below indicate the foreign currency to which the Fund had significant exposure at December 31, 2014, December 31, 2013 and January 1, 2013, in Canadian dollar terms. The table also illustrates the potential impact on the net assets attributable to the holders of redeemable securities if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant.

December 31, 2014

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
Investments denominated in Foreign dollars				
Corporate Bonds - American dollar	11,431,527	10.0	1,143,153	1.0
Corporate Bonds - Australian dollar	—	—	—	—
Total	11,431,527	10.0	1,143,153	1.0

December 31, 2013

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
Investments denominated in Foreign dollars				
Corporate Bonds - American dollar	15,157,163	16.2	1,515,716	1.6
Corporate Bonds - Australian dollar	790,438	0.8	79,044	0.1
Total	15,947,601	17.0	1,594,760	1.7

January 1, 2013

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
Investments denominated in Foreign dollars				
Corporate Bonds - American dollar	4,390,587	6.1	439,059	0.6
Corporate Bonds - Australian dollar	779,992	1.1	77,999	0.1
Total	5,170,579	7.2	517,058	0.7

Other price risk

All of the Fund's financial instruments are interest bearing. As a result, the Fund did not have any significant exposure to other price risk as at December 31, 2014, December 31, 2013 and January 1, 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Concentration risk

The following table is a summary of the Fund's concentration risk of its investments by market segment.

Industry Sector	December 31, 2014 %	December 31, 2013 %	January 1, 2013 %
Corporate Bonds	37.1	43.3	49.1
Corporate Bonds - Denominated in United States Dollar	2.8	4.7	1.6
Asset-Backed	9.4	1.5	1.7
Foreign Corporate Bonds - denominated in Canadian Dollar	41.7	36.9	42.7
Foreign Corporate Bonds - denominated in Australian Dollar	—	0.8	1.1
Foreign Corporate Bonds - denominated in U. S. Dollar	6.9	11.5	4.5
Equities - Canadian	0.9	1.2	0.5
Total	98.8	99.9	101.2

The percentages shown are a percentage of net assets attributable to the holders of redeemable units.

As summarized in the above table, the Fund has a diversified investment portfolio and invests in accordance with its investment objective. As a result, the Fund is not subject to a significant amount of concentration risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure

The Fund’s assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the IFRS 13. See Note 2 for a discussion of the Fund’s policies regarding this hierarchy. The following fair value hierarchy table presents information about the Funds’ assets measured at fair value on a recurring basis as at December 31, 2014 14, December 31, 2013 and January 1, 2013.

	Fair value at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Description	$	$	$	
Equity investments	1,072,336	—	—	1,072,336
Bonds	—	106,998,547	5,201,648	112,200,195
Total	1,072,336	106,998,547	5,201,648	113,272,531

	Fair value at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Description	$	$	$	
Equity investments	1,079,482	—	—	1,079,482
Bonds	—	83,128,813	9,488,964	92,617,777
Total	1,079,482	83,128,813	9,488,964	93,697,259

	Fair value at January 1, 2013			
	Level 1	Level 2	Level 3	Total
Description	$	$	$	
Equity investments	344,977	—	—	344,977
Bonds	—	67,287,190	5,062,818	72,350,008
Total	344,977	67,287,190	5,062,818	72,694,985

There were no significant transfers between Levels 1 and 2 during the years ended December 31, 2014 and December 31, 2013.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure – (continued)

The following is a reconciliation of Level 3 fair value measurements:

	2014	**2013**
Bonds	$	$
Balance as at beginning of the year	9,488,964	5,062,818
Realized loss	(314,530)	(768)
Change in unrealized appreciation	342,129	141,502
Purchases	1,688,057	6,249,416
Sales	(6,002,972)	(1,964,004)
Transfers in and/or out of Level 3	—	—
Balance as at end of the year	5,201,648	9,488,964

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2014, December 31, 2013 and as at January 1, 2013

9. Financial instruments by category

The following tables present the carrying amounts of each respective Fund's financial instruments by category as at December 31, 2014, December 31, 2013 and January 1, 2013.

The Pembroke Corporate Bond Fund

December 31, 2014	Loans and receivables $	Financial assets at FVTPL $	Total $
Assets as per statment of financial position			
Investments at fair value through profit or loss	—	113,272,531	113,272,531
Cash	210,688	—	210,688
Accrued income	891,860	—	891,860
Subscriptions receivable	2,000,000	—	2,000,000
QST receivable	46	—	46
Total	3,102,594	113,272,531	116,375,125

December 31, 2013	Loans and receivables $	Financial assets at FVTPL $	Total $
Assets as per statment of financial position			
Investments at fair value through profit or loss	—	93,697,259	93,697,259
Cash	1,174,112	—	1,174,112
Accrued income	828,987	—	828,987
Foreign exchange forward contract	29,401	—	29,401
HST/QST receivable	500	—	500
Total	2,033,000	93,697,259	95,730,259

January 1, 2013	Loans and receivables $	Financial assets at FVTPL $	Total $
Assets as per statment of financial position			
Investments at fair value through profit or loss	—	72,694,985	72,694,985
Cash	167,685	—	167,685
Accrued income	746,736	—	746,736
Other receivables	997	—	997
Total	915,418	72,694,985	73,610,403

10. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

All transactions between related parties are conducted at arm's length and can be summarized as follows:

Fund and Portfolio Manager

Pembroke Private Wealth Management Inc. ("PPW") is the Funds' Manager. The Manager provides the day-to-day management of the business and operations of the Fund. PPW is also the trustee of the Funds As trustee, PPW has a fiduciary duty to act in the best interest of the holders of securities of the Fund.

Pembroke Management Limited ("PML") is the portfolio manager of The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Long-Short Fund. PML is the parent company of the Fund Manager, PPW. No fees are paid to PML as described in note 6.

Under the terms of the management agreement with PPW, the Funds pay a management fee calculated as disclosed in Note 6.

11. Events after statement of financial position date

The Pembroke Long-Short Fund was terminated on January 31, 2015. Prior to termination, all units of the Fund were redeemed for cash or reinvested pro-rata in other Funds offered by the Manager, by unitholders at the Fund's NAVPU. There were no other significant events after the Statement of Financial Position date which in the opinion of the Trustee and Board of Directors requires disclosure in the financial statements.

12. Capital Management

The Funds' capital are their net assets, representing unitholders' and shareholders' equity. The Funds' objectives when managing capital is to safeguard the Funds' ability to continue as a going concern in order to provide returns for uniholders', maximize unitholder value and maintain financial strength.

The Funds are not subject to any externally imposed capital requirements.

13. Approval of the audited Financial Statements

The financial statements of The Pembroke Corporate Bond fund Fund, The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Long-Short Fund were authorized for issuance by the Trustee, PPW on February 16, 2015.

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The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund

Manager and Distributor
Private Wealth Management Ltd.
Montreal, Quebec

Trustee, Registrar and Transfer Agent
Pembroke Private Wealth Management Ltd.
Montreal, Quebec

Shareholder/Unitholder Recordkeeping
L&T Infotech Financial Services Technologies Inc.
Mississauga, Ontario

Investment Managers
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Long-Short Fund
Pembroke Management Ltd.,
Montreal, Quebec

The Pembroke Corporate Bond Fund
Canso Investment Counsel Ltd.
Richmond Hill, Ontario

Auditors
Deloitte LLP
Chartered Professional Accountants, Chartered Accountants
Montreal, Quebec

Custodian
RBC Investor Services Trust
Toronto, Ontario

Legal Counsel
Torys, LLP
Toronto, Ontario

Trustee of Registered Plans
The Royal Trust Company
Toronto, Ontario

PEMBROKE

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Pembroke Private Wealth Management is a mutual fund dealer
and manager of the GBC Funds
Pembroke Management is an investment advisor.

GBC

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE PEMBROKE CORPORATE BOND FUND

THE PEMBROKE DIVIDEND GROWTH FUND

THE PEMBROKE CANADIAN GROWTH FUND

THE PEMBROKE U.S. GROWTH FUND

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2016

GBC

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Approval of the Annual Financial Statements:

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The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund

(collectively referred to as the “Funds” or individually as “Fund”)

Approved by the Trustee, Pembroke Private Wealth Management Ltd.

Jeffrey S. D. Tory Director	Michael P. McLaughlin Director

Montreal, February 15, 2017

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF FINANCIAL POSITION

As at December 31

(IN CANADIAN DOLLARS)	2016 $	2015 $
Assets		
Cash	466,481	2,840,028
Investments at fair value through profit or loss	124,222,502	109,957,429
Due from brokers for investment securities sold	6,014	2,194
Accrued income	987,079	866,607
HST/QST receivable	1,138	486
Total assets	125,683,214	113,666,744
Liabilities		
Accrued expenses	5,206	5,293
Distributions payable to unitholders	1,407,459	1,264,444
Due to brokers for investment securities purchased	138,415	1,001,296
Foreign exchange forward contract	51,882	332,020
Total liabilities (excluding net assets attributable to holders of redeemable units)	1,602,962	2,603,053
Net assets attributable to holders of redeemable units	**124,080,252**	**111,063,691**
Net assets attributable to holders of redeemable units per unit		
Net assets	**13.07**	**12.76**
Investments, at cost	117,654,628	102,790,547

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (IN CANADIAN DOLLARS)	2016 $	2015 $
Income		
Interest income for distribution purposes	6,091,613	6,126,958
Net realized gains (losses) on investments at fair value through profit or loss	2,155,027	2,433,782
Net realized gain (loss) on forward contracts	1,106,996	(5,093,797)
Net change in unrealized (losses)/gains on investments at fair value through profit or loss	(620,409)	(1,961,471)
Net change in unrealized gains (losses) on investments on forward contracts	(2,135)	(85,749)
Net realized foreign exchange gains (losses)	280,138	635
Total operating income (loss)	9,011,230	1,420,358
Expenses		
Securityholders' information fees	15,513	15,362
Filing fees	3,863	5,008
Custodial fees	9,150	9,286
Audit fees	8,477	7,471
Legal fees	2,150	4,661
Fund valuation fees	35,198	35,061
Total operating expenses	74,351	76,849
Profit (loss) before taxes	8,936,879	1,343,509
Withholding taxes	(28,579)	-
Compensatory tax	-	18,217
Profit (loss) after taxes	8,908,300	1,361,726
Increase (decrease) in net assets attributable to holders of redeemable units	**8,908,300**	**1,361,726**
Weighted average number of redeemable units outstanding during the year	**9,126,648**	**8,969,381**
Increase (decrease) in net assets attributable to holders of redeemable units per unit	**0.98**	**0.15**

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31 (IN CANADIAN DOLLARS)	2016 $	2015 $
Net assets attributable to holders of redeemable units at beginning of year	**111,063,691**	**114,659,622**
Increase (decrease) in net assets attributable to holders of redeemable units	8,908,300	1,361,726
Distributions to holders of redeemable units		
From net realized capital gains	(444,154)	-
From net investment income	(5,706,071)	(5,818,526)
Total distributions to holders of redeemable units	(6,150,225)	(5,818,526)
Redeemable units transactions		
Proceeds from redeemable units issued	30,030,026	32,361,965
Redemption of redeemable units	(19,771,540)	(31,501,096)
Net increase (decrease) from unit transactions	10,258,486	860,869
Net assets attributable to holders of redeemable units at end of year	**124,080,252**	**111,063,691**

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (IN CANADIAN DOLLARS)	2016 $	2015 $
Cash flows provided from operating activities		
Increase (decrease) in amount attributable to holders of redeemable shares	8,908,300	1,361,726
Adjustments for:		
Interest income for distribution purposes	(6,091,613)	(6,126,958)
Taxes recognized in profit or loss	28,579	(18,217)
	2,845,266	(4,783,449)
Net increase (decrease) in investments at fair value through profit or loss		
Purchase of investments	(48,943,352)	(63,536,423)
Proceeds from sale and maturity of investments	36,212,897	67,323,836
Net realized losses (gains) on investments at fair value through profit or loss	(2,155,027)	(2,433,782)
Net change in unrealized losses (gains) on investments at fair value through profit or loss	340,271	2,047,220
Net decrease (increase) in due from/to brokers	(866,701)	999,102
Net decrease (increase) in other receivables	(652)	(440)
Net increase (decrease) in accrued expenses and other payables	(87)	(410)
	(12,567,385)	(384,346)
Interest received	5,971,141	6,152,211
Taxes paid	(28,579)	18,217
Net cash flows provided from operating activities	(6,624,823)	5,786,082
Cash flows provided from financing activities		
Distributions to holders of redeemable units	(347,088)	(505,297)
Proceeds from redeemable units issued	24,369,904	28,849,651
Redemption of redeemable units	(19,771,540)	(31,501,096)
Net cash flows provided from financing activities	4,251,276	(3,156,742)
Net increase (decrease) in cash	(2,373,547)	2,629,340
Cash at the beginning of the year	2,840,028	210,688
Cash at the end of the year	466,481	2,840,028
Non-Cash Transactions		
Reinvested distributions from net investment income	5,660,122	5,512,314

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio

As at December 31, 2016

(IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

Investments	Face Value	Cost $	Fair Value $	% of Net Assets
Corporate Bonds				
Bank of Montreal				
3M CDOR+60, March 29, 2018	5,282,000	5,302,528	5,307,354	
Bank of Nova Scotia				
Q CDOR +60, Apr 20, 2018	2,825,000	2,832,425	2,838,066	
1.33%, May 1, 2018	890,000	890,487	891,064	
Black Press Group TL B1				
BA + 500, June 28, 2018	1,213,384	1,209,770	1,152,715	
CIBC				
Q CDOR +66, February 8, 2018	658,000	660,161	661,213	
Q CDOR +40, February 9, 2018	6,840,000	6,844,290	6,856,450	
Q CDOR +48, June 1, 2018	2,766,000	2,772,965	2,775,516	
1.7%, October 9, 2018	400,000	402,866	402,331	
ClearStream Energy Services				
Q CDOR +66, March 23, 2026	493,961	493,961	345,773	
Q CDOR +40, March 23, 2026	2,517,000	2,517,000	2,517,000	
Cogeco Cable				
4.925%, February 14, 2022	777,000	788,885	846,731	
4.175%, May 26, 2023	1,453,000	1,442,522	1,517,138	
Enbridge				
Q CDOR + 45, March 13, 2017	2,018,000	2,017,372	2,018,089	
GE Capital Canada				
Q CDOR + 120, February 6, 2023	3,824,000	3,824,000	3,956,980	
Honda Canada Finance				
Q CDOR +65, December 3, 2018	619,000	617,012	622,106	
Q CDOR +110, February 19, 2019	339,000	343,355	343,521	
Q CDOR +58, June 7, 2019	1,354,000	1,354,000	1,356,651	
Kraft Canada				
Q CDOR + 105, July 6, 2020	6,080,000	6,080,000	6,085,198	
Manufacturers Life Insurance				
2.389%, January 5, 2021	1,716,000	1,711,591	1,719,888	
3.181%, November 22, 2022	326,000	337,467	335,422	
National Bank Financial				
Q CDOR + 50, June 14, 2018	913,000	913,326	916,104	
ONTREA, Private Placement				
4.619%, April 9, 2018	222,944	222,944	228,363	
Postmedia Network				
8.25%, July 15, 2021	1,886,870	1,913,961	1,639,218	

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2016 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Corporate Bonds - (continued)				
Royal Bank of Canada				
3M CDOR + 36, March 23, 2020	8,354,000	8,354,000	8,360,186	
Shaw Communications				
6.75%, November 9, 2039	1,259,000	1,261,347	1,509,076	
SNC Lavalin				
6.19%, July 3, 2019	35,000	36,819	37,880	
Sobeys				
4.7%, August 8, 2023	433,000	425,347	431,547	
Telesat TLB				
Libor + 375, November 10, 2023	1,784,528	2,373,085	2,432,797	
TD Bank				
3M CDOR + 60, March 28, 2018	2,264,000	2,272,695	2,274,613	
Q CDOR + 54, February 18, 2020	1,749,000	1,741,016	1,754,509	
1.693%, April 2, 2020	2,165,000	2,168,445	2,165,214	
Videotron Sr notes				
6.875%, July 15, 2021	2,783,000	2,832,556	2,886,493	
VW Credit Canada				
3M CDOR + 35, April 3, 2017	804,000	799,712	803,611	
1.6%, April 4, 2018	304,000	297,570	304,054	
WTH Car Rental ULC (Avis)				
2.542%, August 20, 2019	1,669,000	1,669,000	1,678,390	
Xplornet Communications, Series A Private Placement				
(Senior secured bonds with 741 detachable warrants at nominal value)				
13.00%, May 15, 2017	741	-	-	
Xplornet Communications, Series C Private Placement				
(Senior unsecured bonds with 1,606 detachable warrants at nominal value)				
13.00%, October 25, 2020	1,232,087	1,232,087	1,232,087	
Xplornet Communications, Series B Private Placement				
(Senior secured bonds with 444 detachable warrants at nominal value)				
13.00%, May 15, 2017	444	3	-	
Xplornet Communications, Series D Private Placement				
(Senior secured bonds with 970 detachable warrants at nominal value)				
13.00%, October 25, 2020	2,343,527	2,343,527	2,343,527	
Yellow Pages Digital & Media Solutions				
9.25%, November 30, 2018	2,043,142	2,106,170	2,114,652	
8.00%, November 30, 2022	560,669	453,242	630,052	
		75,859,509	76,291,579	61.49%

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2016

(IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

Investments	Face Value	Cost $	Fair Value $	% of Net Assets
Canadian Corporate Bonds - Denominated in United States Dollars				
Bank of Nova Scotia				
SA LIBOR +12.5, Aug 31, 2085	1,230,000	1,033,205	1,067,557	
CIBC				
SA Libor + 12.5, August 31, 2085	460,000	357,985	431,821	
Bombardier				
6.00%, October 15, 2022	572,000	670,556	724,895	
6.125%, January 15, 2023	780,000	932,843	1,002,510	
7.50%, March 15, 2025	3,271,000	3,976,985	4,355,982	
Enbridge				
Q LIBOR +45, June 2, 2017	61,000	80,031	81,817	
4.0%, October 1, 2023	324,000	417,629	441,737	
3.5%, June 10, 2024	122,000	151,265	159,600	
National Bank of Canada				
SA Libor + 12.5, August 29, 2087	650,000	451,539	601,464	
Royal Bank of Canada				
Q LIMEAN + 25, June 29, 2085	750,000	521,064	724,171	
Teck Resources				
6.125%, October 1, 2035	574,000	474,165	752,447	
6%, August 15, 2040	105,000	79,420	133,207	
6.25%, July 15, 2041	927,000	767,329	1,204,225	
5.2%, March 1, 2042	52,000	36,129	61,715	
5.4%, February 1, 2043	254,000	187,749	303,160	
Trans-Canada Pipelines				
6.35%, May 15, 2017	1,528,000	1,838,947	1,716,152	
		11,976,841	13,762,460	11.09%
Asset/Mortgage-Backed				
IG Investment				
M CDOR + 10, February 1, 2020	760,000	553,214	550,907	
MCAP Service NHA MBS				
M CDOR+45.21, September 1, 2021	1,237,000	1,200,035	1,201,888	
Merrill Lynch NHA				
M CDOR + 5, December 1, 2019	498,000	366,495	366,346	
M CDOR + 30, August 1, 2020	593,000	503,270	506,878	
M CDOR + 39, October 1, 2020	1,843,000	1,548,775	1,554,504	
M CDOR +35, June 1, 2021	1,051,000	965,063	967,143	
MLFA 2002-BC2P A				
6.673%, May 7, 2021	535,000	210,095	206,229	
		5,346,947	5,353,895	4.31%
Total Bonds - Canadian		**93,183,297**	**95,407,934**	**76.89%**

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2016 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Foreign Corporate Bonds - Denominated in Canadian Dollars				
Germany				
Commerzbank				
8.125%, September 19, 2023	1,847,000	2,175,589	2,791,876	
		2,175,589	2,791,876	2.25%
Italy				
Unicredit				
Q CDOR + 217, May 29, 2018	4,816,000	4,816,000	4,858,886	
		4,816,000	4,858,886	3.92%
United Kingdom				
National Grid Electricity				
Q CDOR + 86, January 25, 2018	1,727,000	1,727,000	1,734,599	
Royal Bank of Scotland				
10.50%, March 16, 2017	1,627,000	1,666,488	1,653,829	
Royal Bank of Scotland TIER I				
6.666%, October 5, 2017	3,131,000	2,187,773	3,332,129	
		5,581,261	6,720,557	5.42%
United States				
Lehman Brothers Holdings				
4.85%, September 3, 2013	8,000	-	-	
Met Life				
Q CDOR + 102, September 25, 2017	1,794,000	1,797,265	1,801,230	
Purch				
3.00%, May 22, 2022	1,589,000	1,955,582	2,130,941	
		3,752,847	3,932,171	3.17%

The accompanying notes are an integral part of theses annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2016 (IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS) **Investments**	**Face Value**	**Cost** **$**	**Fair Value** **$**	**% of Net Assets**
Foreign Corporate Bonds - Denominated in United States Dollars				
United States				
Navient Corporation				
8.00%, March 25, 2020	991,000	1,040,983	1,477,702	
5.875%, March 25, 2021	1,521,000	1,882,935	2,123,889	
7.25%, January 25, 2022	1,713,000	1,824,659	2,440,809	
5.50%, January 25, 2023	2,027,000	2,182,297	2,646,969	
5.625%, January 25, 2025	788,000	773,810	880,957	
		7,704,684	9,570,326	7.71%
Total Foreign Corporate Bonds		**24,030,381**	**27,873,816**	**22.46%**
Equities - Canadian				
Clearstream Energy Services	70,333	87,073	11,957	
Yellow Pages	52,504	353,877	928,795	
		440,950	**940,752**	0.76%
Total investments		**117,654,628**	**124,222,502**	**100.11%**
Other assets - net			(142,250)	-0.11%
Total net assets			**124,080,252**	**100.00%**

Note: When classifying the bonds in its portfolio, the Manager and the portfolio manager rely on the classifications from PC Bond Analytics, a business unit of the FTSE TMX Group.

The accompanying notes are an integral part of theses annual financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

1. The Funds

(i) Establishment of the Funds

The Pembroke Corporate Bond Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2009.

The Pembroke Dividend Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario and established pursuant to a Master Declaration of Trust dated January 1, 2012.

The Pembroke Canadian Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2007.

The Pembroke U.S. Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 23, 1999, as amended by a Master Declaration of Trust dated January 1, 2007.

The Funds are not reporting issuers in any jurisdiction in Canada, and pursuant to Section 2.11 of National Instrument 81-106 (Investment Fund Continuous Disclosure), do not file their financial statements with the securities regulatory authorities.

(ii) The Manager and Investment Manager

Pembroke Private Wealth Management Ltd. (“PPW” or the “Manager”) is the Funds’ Manager. The Manager provides the day-to-day management of the business and operations of the Funds. PPW is also the trustee for all the Funds. The registered address of the Funds is: 1002 Sherbrooke Street West, Suite 1700, Montreal, Quebec, Canada.

Pembroke Management Limited (“PML”) is the investment manager of The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund and The Pembroke U.S. Growth Fund. PML is the parent company of PPW. Canso Investment Counsel Ltd is the investment manager of The Pembroke Corporate Bond Fund.

Under the terms of the management agreement with PPW, the Funds pay a management fee as disclosed in Note 5.

2. Basis of presentation and significant accounting policies

The financial statements of the Funds for the years ended December 31, 2016 and December 31, 2015 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements are prepared using IFRS accounting policies. These accounting policies are based on IFRS and the interpretations of the *IFRS Interpretations Committee,* which were in effect as at December 31, 2016 and have been applied consistently to all years presented.

(i) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Funds' functional and presentation currency.

(ii) Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in the fair value. Foreign exchange gains and losses on monetary items and non-monetary assets and liabilities other than those classified as fair value through profit or loss are included in the line item net realized foreign exchange gains (losses) in the statements of comprehensive income.

(iii) Recognition of revenue and expenses

Interest income for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities. The interest income for distribution purposes is the tax basis of calculating the interest received and is subject to tax. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

Dividend and interest income for distribution purposes is recognized gross of withholding tax, if any.

All expenses are recognized in the statements of comprehensive income on an accrual basis.

2. Basis of presentation and significant accounting policies - (continued)

(iv) Due from and due to brokers

Amounts due from and to brokers represent receivables for investment securities sold and payables for investment securities purchased that have been contracted for but not yet settled or delivered on the year-end dates, respectively.

These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(v) Financial assets and financial liabilities at fair value through profit or loss

Classification

Each of the Funds classifies its investments in debt and equity securities as financial assets or financial liabilities at fair value through profit or loss. This category has two sub-categories: financial assets or financial liabilities held for trading; and those designated at fair value through profit or loss at inception.

A financial asset or financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Funds’ investment strategy.

2. Basis of presentation and significant accounting policies - (continued)

(v) Financial assets and financial liabilities at fair value through profit or loss – (continued)

The Funds classify their financial assets and liabilities as follows:

Financial assets at fair value through profit or loss:

Held for trading: derivative financial instruments

Designated at inception at fair value through profit or loss: all other investments including equity and fixed-income securities.

Financial assets at amortized cost:

Loans and receivables: cash and other receivables

Financial liabilities at fair value through profit or loss:

Held for trading: derivative financial instruments

Financial liabilities at amortized cost:

All other liabilities

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognised on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed as incurred in the statements of comprehensive income.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statements of comprehensive income.

Dividend income from financial assets at fair value through profit or loss is recognised in the statements of comprehensive income within dividend income when the Fund's right to receive payment is established.

2. Basis of presentation and significant accounting policies - (continued)

(v) Financial assets and financial liabilities at fair value through profit or loss – (continued)

Purchases and sales of foreign investments are translated at the exchange rates prevailing on the respective dates of such transactions. The fair values of foreign investments represent their quoted market values translated into Canadian dollars at exchange rates prevailing at year-end.

Fair value estimation

The fair value of financial assets and liabilities in active markets is based on quoted market prices at the close of trading on each valuation date. The Funds use the last traded market price for both financial assets and liabilities where the last traded price falls within the day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The cost of investments is determined on a weighted average cost basis.

If a significant event causing a material movement in fair value occurs subsequent to the close of trading up to midnight on the valuation date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund's valuation time that materially affects the integrity of the closing prices for any security, instrument, currency or securities affected by that event so that they cannot be considered 'readily available' market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each valuation date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(vi) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is disclosed in the statements of comprehensive income and represents the increase (decrease) in the net assets attributable to holders of redeemable units for the year divided by the average number of units outstanding during the year.

2. Basis of presentation and significant accounting policies - (continued)

(vii) Distributions payable to holders of redeemable units

The net investment income and net realized capital gains of each of the Funds, as applicable, are paid to the unitholders of each relevant Fund as follows:

For The Pembroke Corporate Bond Fund and The Pembroke Dividend Growth Fund, the net investment income is distributed quarterly on the last valuation day of the quarter and net realized capital gains are distributed once a year on the last valuation day of December. For The Pembroke Canadian Growth Fund and The Pembroke U.S. Growth Fund, the net investment income and net realized capital gains are distributed once a year on the last valuation day of December.

The distributions to holders of redeemable units are recognised in the statements of changes in net assets attributable to holders of redeemable units.

(viii) Taxation

The Funds are domiciled in Canada and under the current Income Tax Act (Canada) are not subject to tax on income, profits or capital gains or other taxes payable for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive Income.

Refer to Note 6 for the disclosure relating to taxation.

2. Basis of presentation and significant accounting policies - (continued)

(ix) Fair value measurement

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

IFRS 13 *Fair value measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Valuation based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Investment Manager has the ability to access at the measurement date.

Level 2: Valuation based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Valuation based on inputs that are partially unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The inputs are considered as observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

Refer to Note 7 for fair value hierarchy and related disclosures.

(x) Forward contracts

Forward contracts are agreements to purchase or sell financial instruments at a specified future date. As they are not traded on an exchange, the agreements between counterparties are not standardized. Changes in value of forward contracts are settled only on termination of the contract. Open forward contracts are revalued to fair value in the statements of net assets, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the statements of comprehensive income as "unrealized gain (loss)". Forward contracts are used by The Pembroke Corporate Bond Fund.

2. Basis of presentation and significant accounting policies- (continued)

(xi) Future changes to International Financial Reporting Standards ("IFRS")

A number of new standards and amendments to standards and interpretations are not yet effective for the year ended December 31, 2016 and have not been applied in preparing these financial statements. The following standards are not yet effective for the Funds. The Manager is currently evaluating the impact of the following amendments on the financial statements:

IFRS 9 - Financial Instruments ("IFRS 9") addresses the classification and measurement of financial assets, impairment and hedge accounting and replaces the multiple category and measurement models in IAS 39 - *Financial Instruments - Recognition and Measurement* ("IAS 39") for debt instruments, with a new mixed measurement model having only two categories: amortized cost and fair value through profit or loss.

IFRS 9 also replaces the models for measuring equity instruments, and such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income (loss). Where such equity instruments are measured at fair value through other comprehensive income (loss), dividends are recognized in profit or loss to the extent not clearly representing a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income (loss) indefinitely.

The standard is effective for annual periods beginning on or after January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Manager has chosen not to early adopt IFRS 9. Based on the Manager's current understanding and analysis of IFRS 9, the transition to IFRS 9 will change the manner in which investments are disclosed with no impact to value.

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3. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates, judgements and assumptions that affect the application of accounting policies and amounts recorded in the financial statements. Estimates are based on the Manager's best knowledge of current events and actions that the Funds may undertake in the future and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of securities not quoted in an active market

The Funds may hold financial instruments that are not quoted in active markets. The fair value of such securities may be determined by the Manager using reputable pricing sources or indicative prices from bond/debt market makers. The Manager exercises judgement on the pricing sources used. Fair value is determined based on models that make maximum use of observable inputs and rely as little as possible on unobservable inputs. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, and risks related to interest rates, exchange rates and price and rate volatility.

The calculation of the fair values may differ given the role that judgment plays in applying the acceptable estimation and valuation techniques. Estimated fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values.

Critical judgements

Functional currency

The Manager considers the Canadian dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Funds. The Canadian dollar is the currency in which each of the Funds measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Funds are compared to other Canadian investment products.

3. Accounting estimates and judgements – (continued)

Classification and measurement of investments

In classifying and measuring financial instruments held by each of the Funds, the Manager is required to make significant judgements about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement. The most significant judgments made include the determination that certain investments are held-for-trading.

Classification of puttable instruments

Each of the Funds' redeemable units are classified as financial liabilities to which all of its gains and loss are attributed. Each of the Funds' units do not meet all the criteria under IAS 32, *Financial Instruments: Presentation* to be classified as equity by exception.

Segmented information

Each of the Funds is organized in one main operating segment, namely the management of the Fund's investments in order to achieve the Funds' investment objectives.

4. Redeemable units

(i) Authorized and issued capital

The authorized capital of the Funds consists of an unlimited number of units which rank equally in all respects and represent a pro rata interest in the net assets of the Funds. A unit does not confer any interest in any particular asset or investment of the Fund.

The Funds' redeemable units, which are redeemable at the holder's option are classified as financial liabilities on the statements of financial position. Redeemable units can be put back into the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit. The redeemable units are carried at the redemption amount that is payable at the statements of financial position date if the holder exercises the right to put the unit back into the Fund. Quantitative information about each Funds' capital is provided in the statements of changes in financial position attributable to holders of redeemable units.

The Investment Manager manages the capital of the Funds in accordance with the Funds' investment objectives, policies and restrictions. The Funds' overall strategies for managing capital remain unchanged from the prior year.

The Funds do not have any specific capital requirements on the subscriptions and redemptions of units, other than certain minimum subscription requirements.

The following is a summary of the changes in issued and outstanding units:

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

4. Redeemable units - (continued)

The Pembroke Corporate Bond Fund

	Dec. 31, 2016	Dec. 31, 2015
Outstanding, beginning of year	8,702,386.092	8,650,623.931
Issued during the year	2,314,795.477	2,453,223.761
	11,017,181.569	11,103,847.692
Redeemed during the year	1,523,891.752	2,401,461.600
Outstanding, end of year	9,493,289.817	8,702,386.092

4. Redeemable units - (continued)

(ii) Valuation of Fund units

The net asset value per unit ("NAVPU") is calculated weekly as at the close of business on each Tuesday, or if any such Tuesday is not a business day, then on the next business day immediately succeeding it, and on the last business day of the month. For Funds that have only one class of units, the NAVPU is determined by dividing the net assets of the Fund by the number of redeemable units outstanding on the valuation date. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the units to be redeemed will be established as at the valuation date following the receipt of such notice. Within three business days following the valuation date, the Manager will pay the holder by cheque the value of the units redeemed.

5. Management fees and expenses

For the management services provided to the Funds, the Manager will charge to the unitholders a management fee at the annual rates determined by the Manager from time to time. The management fee will be calculated on a monthly basis on the NAV on each valuation date and shall be paid by way of redemption of such number of units as would be necessary to pay such a management fee.

The Funds are responsible for payment of all other expenses relating to their operations in carrying on their business including, but not limited to, legal, accounting, brokerage, custodial and safekeeping fees, interest, taxes, registrar and transfer agent's fees, operating and administrative costs, unitholders' accounting and reporting costs, and the costs of continuous compliance with all applicable securities legislation.

6. Income taxes

The Funds qualify as Mutual Fund Trusts under the *Income Tax Act* (Canada) and thus are not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

As at December 31, 2016, certain Funds have accumulated non-capital losses and capital losses available to reduce future taxable income that can be carried forward to a maximum of 10 years for years 2004 and 2005 and 20 years for 2006 and subsequent years. Accumulated capital losses available to reduce realized capital gains in future years that can be carried forward indefinitely are as follows:

7. Financial instruments' risk management

The Funds' financial assets may principally comprise investments in equity and debt instruments, short-term investments, trade and other receivables, and/or cash and cash equivalents. Financial liabilities may comprise accrued expenses, trade and other payables. The Funds' activities expose them to a variety of financial risks that are associated with their investment strategies, financial instruments and the markets in which they invest. The level of risk depends on the Funds' investment objectives and the types of securities they invest in. The value of investments within the Funds' portfolios can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Funds. The most important risks arising from the Funds' financial instruments include credit risk, liquidity risk and market risk (comprising interest rate risk, currency risk and other price risk). The risks and the related risk management practices employed by the Funds are summarized in the Simplified Prospectus and are discussed below.

(i) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with a Fund.

The Funds use highly rated well established financial institutions for cash transactions and as a result the risk of default is considered minimal. The Funds are also exposed to credit risk with the custodian. Should the custodian become insolvent, it could cause a delay for the Funds in obtaining access to their assets

Where a Fund invests in debt instruments, this represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the credit worthiness of the issuer and represents the maximum credit risk exposure of the Fund.

All transactions executed by a Fund in listed securities are settled/paid for upon delivery using approved brokers meeting minimum risk rating levels. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment, and payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

(ii) Liquidity risk

Liquidity risk is defined as the risk that a Fund may encounter difficulties in meeting the obligations associated with its financial liabilities on time or at a reasonable price.

Each Fund is exposed to weekly and end-of-month cash redemptions of redeemable units. The units of each Fund are issued and redeemed on demand at the current NAV per unit at the option of the holder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed of.

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. A lack of buyer interest in a particular security may increase the level of difficulty in selling this security and, therefore, result in a loss or reduced return. Portfolio diversification and concentration limits reduce this risk.

7. Financial instruments' risk management - (continued)

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(iv) Currency risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument denominated in a currency other than the Canadian dollar will fluctuate because of changes in foreign exchange rates.

Changes in the value of the Canadian dollar relative to foreign currencies will affect the value, in Canadian dollar terms, of foreign securities held in the Funds. These fluctuations may reduce, or even eliminate, any return the Funds have earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments and can also affect the relative competitive position of entities whose securities are held by the Funds. It is not the Funds' policy to hedge the currency risk between the Canadian dollar and foreign currencies. Thus, the Manager does not manage currency risk.

(v) Other price risk

Other price risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Funds are subject to normal market fluctuations and the risks inherent with investing in financial markets. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. Investment managers mitigate this risk through a careful selection of securities within the parameters of the Funds' investment strategies and through diversification of the investment portfolios. The investment managers monitor the Funds' overall market positions on a daily basis and positions are maintained within established ranges in an attempt to mitigate this risk.

Refer to Discussion of Financial Risk Management for Fund-specific risk disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund

Risk management

The investment objective of The Pembroke Corporate Bond Fund (the "Fund") is to achieve average income returns through a diversified portfolio composed primarily of debt and money market securities. As a result of its value strategies, the portfolio may occasionally be invested in other securities, such as convertible bonds, equities and income trusts.

Risk is mitigated by employing a maximum loss methodology, which limits each position according to its potential impact on a portfolio's long-term value-added. The higher the trading price of a security compared to its downside potential, the smaller the position allowed. The risk assessment allows the security's specific features that modify its downside risk to be considered. This includes the priority of the security and quality of the issuer.

Credit risk

As at December 31, 2016 and December 31, 2015, the Fund invested in debt instruments with the following credit ratings, representing the maximum credit risk exposure:

	December 31, 2016		December 31, 2015	
Debt Instruments by Credit Rating	**$ Fair Value**	**% of Net Assets**	**$ Fair Value**	**% of Net Assets**
AAA	15,186,242	12.2	14,363,078	12.9
AA	32,829,007	26.5	5,059,937	4.6
A	8,335,736	6.7	10,965,826	9.9
BBB	23,979,538	19.3	24,692,791	22.2
BB	22,421,773	18.1	26,407,929	23.8
B	11,330,074	9.1	12,146,686	10.9
Below B	630,052	0.5	588,702	0.5
Not rated	8,569,328	6.9	14,919,315	13.4
Total	123,281,750	99.3	109,144,264	98.3

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Liquidity risk

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

December 31, 2016

Financial liabilities	< 7 days	7 days - 3 months	3 months - 1 year	Total
	$	$	$	$
Due to brokers for investment securities purchased	138,415	-	-	138,415
Distributions payable	1,407,459	-	-	1,407,459
Accrued expenses	5,206	-	-	5,206
Redeemable units	124,080,252	-	-	124,080,252
Foreign exchange forward contract	-	51,882	-	51,882
Total	125,631,332	51,882	-	125,683,214

December 31, 2015

Financial liabilities	< 7 days	7 days - 3 months	3 months - 1 year	Total
	$	$	$	$
Due to brokers for investment securities purchased	1,001,296	-	-	1,001,296
Distributions payable	1,264,444	-	-	1,264,444
Accrued expenses	5,293	-	-	5,293
Redeemable units	111,063,691	-	-	111,063,691
Foreign exchange forward contract	-	332,020	-	332,020
Total	113,334,724	332,020	-	113,666,744

Redeemable units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the tables above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The Fund manages its liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a short time period (less than 30 days). All assets can be liquidated within a one-year period of time as at December 31, 2016 and December 31, 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2016 and December 31, 2015.

	December 31, 2016		December 31, 2015	
	$	$	$	$
	Interest bearing instruments	Non Interest bearing instruments	Interest bearing instruments	Non Interest bearing instruments
Investments	123,281,750	940,752	109,144,264	813,165
Cash	-	466,481	-	2,840,028
Other assets	-	994,231	-	869,287
Liabilities	-	1,602,962	-	2,603,053

As at December 31, 2016 and December 31, 2015, had prevailing interest rates increased or decreased by 100 basis points, with all other variables remaining constant, the decrease or increase in net assets would amount to approximately $4,102,000 (2015 - $2,889,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

The following tables detail the Fund's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

December 31, 2016

Contractual maturities	< 1 month $	1 - 3 months $	3 months - 1 year $	> 1 year $	Total $
Interest bearing instruments	-	3,671,918	7,734,939	111,874,893	123,281,750
Non-interest bearing instruments	940,752	-	-	-	940,752
Total	940,752	3,671,918	7,734,939	111,874,893	124,222,502

December 31, 2015

Contractual maturities	< 1 month $	1 - 3 months $	3 months - 1 year $	> 1 year $	Total $
Interest bearing instruments	-	1791374	13,717,869	93,635,021	109,144,264
Non-interest bearing instruments	1,919,427	-	-	-	1,919,427
Total	1,919,427	1791374	13,717,869	93,635,021	111,063,691

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Currency risk

The tables below indicate the foreign currency to which the Fund had significant exposure at December 31, 2016 and December 31, 2015, in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to the holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant.

December 31, 2016

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
U.S. Dollar	55,436	-	5,544	-
U.S. Corporate Bonds	30,688,400	24.7	3,068,840	2.5
Total	30,743,836	24.7	3,074,384	2.5

December 31, 2015

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
U.S. Corporate Bonds	20,782,775	18.7	2,078,278	1.9
Total	20,782,775	18.7	2,078,278	1.9

Other price risk

The majority of the Fund's financial instruments are interest bearing. As a result, the Fund did not have any direct significant exposure to other price risk as at December 31, 2016 and December 31, 2015.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Concentration risk

The following table is a summary of the Fund's concentration risk of its investments by market segment.

Industry Sector	December 31, 2016 %	December 31, 2015 %
Canadian Government Issuers	-	-
Corporate Bonds	61.5	48.0
Corporate Bonds - Denominated in United States Dollar	11.1	11.4
Asset-Backed	4.3	4.0
Foreign Corporate Bonds - denominated in Canadian Dollar	14.7	27.6
Foreign Corporate Bonds - denominated in U. S. Dollar	7.7	7.3
Equities - Canadian	0.8	0.7
Total	100.1	99.0

The percentages shown are a percentage of net assets attributable to the holders of redeemable units.

As at December 31, 2016, the Fund does not hold an individual investment position greater than 6.7% (2015 – 7.8%) of the total net assets attributable to the holders of redeemable units.

As summarized in the schedule of investment portfolio and by the above table, the Fund has a diversified investment portfolio and invests in accordance with its investment objective. As a result, the Fund is not subject to a significant amount of concentration risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the IFRS 13. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy table presents information about the Funds' assets measured at fair value on a recurring basis as at December 31, 2016 and December 31, 2015.

	Fair value at December 31, 2016			
	Level 1	Level 2	Level 3	Total
Description	$	$	$	
Equity investments	940,752	-	-	940,752
Bonds	-	114,756,677	8,525,073	123,281,750
Total	940,752	114,756,677	8,525,073	124,222,502

	Fair value at December 31, 2015			
	Level 1	Level 2	Level 3	Total
Description	$	$	$	
Equity investments	813,165	-	-	813,165
Bonds	-	98,395,869	10,748,395	109,144,264
Total	813,165	98,395,869	10,748,395	109,957,429

There were no significant transfers between Levels 1 and 2 during the years ended December 31, 2016 and December 31, 2015. Securities classified as Level 2 consist of active Bonds which are priced daily and are valued based on inputs other than quoted prices. Included as Level 2 are Bonds with the following:

- Modeled prices where market inputs are used;
- Fixed income prices where spreads, yields and other recognized valuation techniques are used; and
- Vendor generated fair value factors.

The following is a reconciliation of Level 3 fair value measurements:

	2016	2015
Bonds	$	$
Balance as at beginning of the year	10,748,395	5,201,648
Realized gain/(loss)	113,184	(45,618)
Change in unrealized appreciation (depreciation)	(364,352)	(95,377)
Purchases	423,336	7,405,979
Sales	(2,395,490)	(1,718,237)
Balance as at end of the year	8,525,073	10,748,395

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

8. Financial instruments by category

All of the Funds' investments as at December 31, 2016 and December 31, 2015 are classified as financial assets at fair value through profit or loss. All other assets as per the statements of financial position are classified as loans and receivables.

All of the Funds' liabilities as at December 31, 2016 and December 31, 2015 are classified as financial liabilities carried at amortized cost.

9. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

All transactions between related parties are conducted at arm's length and can be summarized as follows:

Fund and Portfolio Manager

Pembroke Private Wealth Management Inc. ("PPW") is the Funds' Manager. The Manager provides the day-to-day management of the business and operations of the Funds. PPW is also the trustee of the Funds. As trustee, PPW has a fiduciary duty to act in the best interest of the holders of units of the Funds.

Pembroke Management Limited ("PML") is the portfolio manager of The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund and The Pembroke U.S. Growth Fund. PML is the parent company of the Fund Manager, PPW. No fees are paid to PML as described in note 5.

Under the terms of the management agreement with PPW, the Funds pay a management fee calculated as disclosed in Note 5.

10. Events after statement of financial position date

There have been no significant events after the statement of financial position date which in the opinion of the Trustee and Board of Directors requires disclosure in the financial statements.

11. Capital Management

The Funds' capital are their net assets, representing unitholders' equity. The Funds' objectives when managing capital is to safeguard the Funds' ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Funds are not subject to any externally imposed capital requirements.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2016 and 2015

12. Approval of the annual Financial Statements

The financial statements of The Pembroke Corporate Bond Fund, The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund and The Pembroke U.S. Growth Fund were authorized for issuance by the Trustee, PPW on February 15, 2017.

The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund

Manager and Distributor
Private Wealth Management Ltd.
Montreal, Quebec

Trustee, Registrar and Transfer Agent
Pembroke Private Wealth Management Ltd.
Montreal, Quebec

Shareholder/Unitholder Recordkeeping
L&T Infotech Financial Services Technologies Inc.
Mississauga, Ontario

Investment Managers
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
Pembroke Management Ltd.,
Montreal, Quebec

The Pembroke Corporate Bond Fund
Canso Investment Counsel Ltd.
Richmond Hill, Ontario

Auditors
Deloitte LLP
Chartered Professional Accountants
Toronto, Ontario

Custodian
RBC Investor Services Trust
Toronto, Ontario

Legal Counsel
Torys, LLP
Toronto, Ontario

Trustee of Registered Plans
The Royal Trust Company
Toronto, Ontario

PEMBROKE

PRIVATE WEALTH MANAGEMENT

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Pembroke Private Wealth Management is a mutual fund dealer
and manager of the GBC Funds
Pembroke Management is an investment advisor.

GBC

PEMBROKE

PRIVATE WEALTH MANAGEMENT

THE PEMBROKE CORPORATE BOND FUND

THE PEMBROKE DIVIDEND GROWTH FUND

THE PEMBROKE CANADIAN GROWTH FUND

THE PEMBROKE U.S. GROWTH FUND

THE PEMBROKE CONCENTRATED FUND

ANNUAL FINANCIAL STATEMENTS

DECEMBER 31, 2018

GBC

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The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
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The Pembroke U.S. Growth Fund
The Pembroke Concentrated Fund

(collectively referred to as the “Funds” or individually as “Fund”)

Approved by the Trustee, Pembroke Private Wealth Management Ltd.

Jeffrey S. D. Tory
Director

Michael P. McLaughlin
Director

Montreal, February 15, 2019

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF FINANCIAL POSITION

As at December 31

(IN CANADIAN DOLLARS)	2018 $	2017 $
Assets		
Cash	1,311,418	6,617
Investments at fair value through profit or loss	114,336,516	123,340,640
Foreign exchange forward contract	-	383,168
Accrued income	649,995	660,738
HST/QST receivable	2,932	1,500
Total assets	116,300,861	124,392,663
Liabilities		
Accrued expenses	6,580	5,119
Distributions payable to unitholders	958,540	5,220,547
Foreign exchange forward contract	520,112	-
Total liabilities (excluding net assets attributable to holders of redeemable units)	1,485,232	5,225,666
Net assets attributable to holders of redeemable units	**114,815,629**	**119,166,997**
Net assets attributable to holders of redeemable units per unit		
Net assets	**12.50**	**12.68**
Investments, at cost	113,213,783	121,380,524

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31 (IN CANADIAN DOLLARS)	2018 $	2017 $
Income		
Interest income for distribution purposes	3,458,088	4,720,576
Net realized gains (losses) on investments at fair value through profit or loss	897,821	3,807,480
Net realized gain (loss) on forward contracts	(796,093)	684,339
Net change in unrealized gains (losses) on investments at fair value through profit or loss	(837,383)	(4,607,758)
Net change in unrealized gains (losses) on investments on forward contracts	(903,280)	435,050
Net realized foreign exchange gains (losses)	(2,100)	(1,477)
Total operating income (loss)	1,817,053	5,038,210
Expenses		
Securityholders' information fees	18,124	16,722
Filing fees	3,976	3,595
Custodial fees	8,534	8,814
Audit fees	14,245	13,560
Legal fees	3,837	3,915
Fund valuation fees	50,446	44,369
Total operating expenses	99,162	90,975
Profit (loss) before taxes	1,717,891	4,947,235
Withholding taxes	(8,009)	-
Taxes recovered (paid)	-	24,823
Profit (loss) after taxes	1,709,882	4,972,058
Increase (decrease) in net assets attributable to holders of redeemable units	**1,709,882**	**4,972,058**
Weighted average number of redeemable units outstanding during the year	**9,426,269**	**9,394,342**
Increase (decrease) in net assets attributable to holders of redeemable units per unit	**0.18**	**0.53**

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CHANGES IN FINANCIAL POSITION ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

For the years ended December 31 (IN CANADIAN DOLLARS)	2018 $	2017 $
Net assets attributable to holders of redeemable units at beginning of year	**119,166,997**	**124,080,252**
Increase (decrease) in net assets attributable to holders of redeemable units	1,709,882	4,972,058
Distributions to holders of redeemable units		
From net realized capital gains	-	(3,958,143)
From net investment income	(3,349,046)	(4,612,757)
Total distributions to holders of redeemable units	(3,349,046)	(8,570,900)
Redeemable unit transactions		
Proceeds from redeemable units issued	24,265,721	34,038,132
Redemption of redeemable units	(26,240,272)	(34,503,339)
Redemption of redeemable units, management fees (Note 5)	(737,653)	(849,206)
Net increase (decrease) from unit transactions	(2,712,204)	(1,314,413)
Net assets attributable to holders of redeemable units at end of year	**114,815,629**	**119,166,997**

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

STATEMENTS OF CASH FLOWS

For the years ended December 31 (IN CANADIAN DOLLARS)	2018 $	2017 $
Cash flows provided from operating activities		
Increase (decrease) in amount attributable to holders of redeemable units	1,709,882	4,972,058
Adjustments for:		
Interest income for distribution purposes	(3,458,088)	(4,720,576)
Taxes recognized in profit or loss	8,009	(24,823)
	(1,740,197)	226,659
Net increase (decrease) in investments at fair value through profit or loss		
Purchase of investments	(71,578,965)	(66,265,791)
Proceeds from sale and maturity of investments	80,643,527	66,347,375
Net realized losses (gains) on investments at fair value through profit or loss	(897,821)	(3,807,480)
Net change in unrealized losses (gains) on investments at fair value through profit or loss	837,383	4,607,758
Net change in unrealized losses (gains) on investments on forward contracts	903,280	(435,050)
Net decrease (increase) in due from/to brokers	-	(132,401)
Net decrease (increase) in other receivables	(1,432)	(362)
Net increase (decrease) in accrued expenses and other payables	1,461	(87)
	8,167,236	540,621
Interest received	3,468,831	5,046,917
Taxes paid	(8,009)	24,823
Net cash flows provided from operating activities	11,628,058	5,612,361
Cash flows provided from financing activities		
Distributions to holders of redeemable units	(561,742)	(291,099)
Proceeds from redeemable units issued	17,216,410	29,571,419
Redemption of redeemable units	(26,977,925)	(35,352,545)
Net cash flows provided from financing activities	(10,323,257)	(6,072,225)
Net increase (decrease) in cash	1,304,801	(459,864)
Cash at the beginning of the year	6,617	466,481
Cash at the end of the year	1,311,418	6,617
Non-Cash Transactions		
Reinvested distributions from net investment income	7,049,311	4,466,713

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio

As at December 31, 2018

(IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

Investments	Face Value	Coupon Rate	Maturity Date	Cost $	Fair Value $	% of Net Assets
Canadian Corporate Bonds						
Bank of Montreal	11,617,000	3M CDOR + 19	1-Feb-2023	11,600,583	11,599,714	
Bank of Nova Scotia	1,679,000	Q CDOR +18	2-Apr-2020	1,679,000	1,678,453	
Bell Canada	2,015,000	3.000%	3-Oct-2022	2,029,100	1,997,899	
Black Press Group	288,732	5.000%	30-Mar-2019	285,845	272,852	
ClearStream Energy Services Inc.	1,413,000	8.000%	23-Mar-2026	1,413,000	1,413,000	
Cogeco Communications Inc.	777,000	4.925%	14-Feb-2022	784,242	810,942	
Cogeco Communications Inc.	1,453,000	4.175%	26-May-2023	1,445,800	1,483,061	
Element Fleet Management Corp.	707,000	4.250%	30-Jun-2020	686,258	681,018	
Enbridge Inc.	3,387,000	Q CDOR +59	24-May-2019	3,389,998	3,390,287	
GE Capital Canada Funding Co.	1,970,000	4.600%	26-Jan-2022	1,945,094	1,983,568	
GE Capital Canada Funding Co.	3,824,000	Q CDOR +120	6-Feb-2023	3,824,000	3,695,284	
Honda Canada Finance Inc.	430,000	Q CDOR +38	28-Aug-2020	431,487	430,418	
Honda Canada Finance Inc.	2,590,000	Q CDOR+28	18-Dec-2020	2,593,450	2,584,775	
Kraft Canada Inc.	6,080,000	Q CDOR +105	6-Jul-2020	6,080,000	6,131,741	
Magna International Inc.	258,000	3.100%	15-Dec-2022	262,937	257,335	
Postmedia Network Inc.	1,053,870	8.250%	15-Jul-2021	1,069,001	1,027,523	
Royal Bank of Canada	7,054,000	3M CDOR + 36	23-Mar-2020	7,054,000	7,078,243	
SNC-Lavalin Group Inc.	35,000	6.190%	3-Jul-2019	35,364	35,609	
SNC-Lavalin Group Inc.	348,000	Q CDOR + 54	2-Mar-2021	348,289	346,175	
SNC-Lavalin Group Inc.	562,000	2.689%	24-Nov-2020	562,242	557,562	
SNC-Lavalin Group Inc.	1,039,000	Q CDOR + 35	4-Mar-2019	1,039,008	1,038,669	
Sobeys Inc.	440,000	6.640%	7-Jun-2040	451,542	506,241	
Sobeys Inc.	611,000	5.790%	6-Oct-2036	605,985	637,268	
Sobeys Inc.	623,000	6.060%	29-Oct-2035	628,464	668,534	
Sobeys Inc.	1,009,000	4.700%	8-Aug-2023	1,017,767	1,033,520	
The Manufacturers Life Insurance Co.	326,000	3.181%	22-Nov-2022	335,360	327,075	
The Manufacturers Life Insurance Co.	766,000	2.640%	15-Jan-2020	767,044	765,619	
The Manufacturers Life Insurance Co.	1,222,000	2.100%	1-Jun-2020	1,209,957	1,209,745	
The Manufacturers Life Insurance Co.	1,888,000	2.389%	5-Jan-2021	1,882,950	1,868,457	
Toronto-Dominion Bank	2,677,000	3M CDOR + 31	28-Jun-2023	2,677,000	2,690,389	
Toronto-Dominion Bank	6,136,000	1.680%	8-Jun-2021	6,085,361	6,011,038	
Videotron Ltd.	309,000	5.750%	15-Jan-2026	325,201	313,860	
Videotron Ltd.	889,000	5.625%	15-Jun-2025	933,933	903,446	
VW Credit Canada Inc.	607,000	Q CDOR+50	30-Mar-2020	607,301	606,190	
WTH Car Rental ULC	1,669,000	2.542%	20-Aug-2019	1,669,000	1,669,783	
Xplornet Communications Inc., Series A Private Placement (Senior secured bonds with 741 detachable warrants at nominal value)	741			-	-	
Xplornet Communications Inc., Series C Private Placement (Senior unsecured bonds with 1,606 detachable warrants at nominal value)	1,606			-	-	
Xplornet Communications Inc., Series B Private Placement (Senior secured bonds with 444 detachable warrants at nominal value)	444			3	-	
Xplornet Communications Inc., Series D Private Placement (Senior secured bonds with 970 detachable warrants at nominal value)	970			-	-	
Yellow Pages Digital & Media Solutions	560,669	8.000%	30-Nov-2022	453,242	566,164	
Yellow Pages Digital & Media Solutions	702,000	10.000%	1-Nov-2022	698,724	713,788	
				68,907,532	68,985,245	60.08%

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2018

(IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

Investments - (continued)	Face Value	Coupon Rate	Maturity Date	Cost $	Fair Value $	% of Net Assets
Canadian Corporate Bonds - Denominated in US Dollars						
Bank of Nova Scotia	1,230,000	SA LIBOR +12.5	31-Aug-2085	1,045,373	1,360,750	
Bombardier Inc.	257,000	7.500%	1-Dec-2024	325,515	331,706	
Bombardier Inc.	1,120,000	7.500%	15-Mar-2025	1,419,150	1,447,478	
Enbridge Inc.	122,000	3.500%	10-Jun-2024	157,152	162,440	
National Bank of Canada	650,000	S/A LIBOR +12.5	29-Aug-2087	413,950	550,241	
TransCanada PipeLines Ltd.	1,924,000	3M LIBOR+221	15-May-2067	2,312,577	2,128,854	
Videotron Ltd.	104,000	5.125%	15-Apr-2027	135,636	134,586	
Canadian Imperial Bank of Commerce	460,000	S/A LIBOR+12.5	31-Aug-2085	363,749	517,810	
Royal Bank of Canada	750,000	Q LIMEAN+25	29-Jun-2085	531,209	822,709	
				6,704,311	7,456,574	6.49%
Asset/Mortgage-Backed						
IG Investment	760,000	M CDOR+10	1-Feb-2020	294,827	295,368	
MCAP Service NHA MBS	1,237,000	M CDOR+45.21	1-Sep-2021	735,525	741,754	
Merrill Lynch NHA	535,000	6.673%	7-May-2021	122,638	113,678	
Merrill Lynch NHA	498,000	M CDOR + 5	1-Dec-2019	249,744	251,208	
Merrill Lynch NHA	1,051,000	M CDOR +35	1-Jun-2021	623,835	627,016	
Merrill Lynch NHA	2,006,000	M CDOR +20	1-May-2022	1,486,425	1,496,330	
Merrill Lynch NHA	1,556,000	M CDOR+24	1-Jun-2022	1,187,142	1,193,250	
Merrill Lynch NHA	1,550,000	M CDOR +10	1-Jun-2020	836,624	839,586	
Merrill Lynch NHA	593,000	MCDOR +30	1-Aug-2020	351,761	355,705	
Merrill Lynch NHA	1,843,000	M CDOR+39	1-Oct-2020	1,044,823	1,055,255	
				6,933,344	6,969,150	6.07%
Total Bonds - Canadian				**82,545,187**	**83,410,969**	**72.64%**
Foreign Corporate Bonds - Denominated in Canadian Dollars						
Germany						
KFW	759,000	1.375%	28-Jan-2020	756,695	753,286	
United Kingdom						
Heathrow Funding Limited	91,000	3.000%	17-Jun-2021	92,796	91,077	
Heathrow Funding Limited	563,000	4.000%	3-Jul-2019	568,489	567,301	
Lloyds Bank	5,301,000	3M CDOR + 55	11-Jul-2023	5,301,000	5,304,552	
United States						
Metropolitan Life Global Funding I	3,825,000	2.682%	16-Apr-2019	3,833,647	3,828,853	
Metropolitan Life Global Funding I	321,000	3M CDOR +35	27-Sep-2019	321,448	321,525	
Metropolitan Life Global Funding I	421,000	1.875%	16-Apr-2020	419,028	417,183	
Metropolitan Life Global Funding I	215,000	3.107%	16-Apr-2021	219,196	216,454	
				11,512,299	11,500,231	10.02%

The accompanying notes are an integral part of these annual financial statements

THE PEMBROKE CORPORATE BOND FUND

Schedule of Investment Portfolio - (continued)

As at December 31, 2018

(IN CANADIAN DOLLARS, EXCEPT SHARE AMOUNTS)

Investments - (continued)	Face Value	Coupon Rate	Maturity Date	Cost $	Fair Value $	% of Net Assets
Foreign Corporate Bonds - Denominated in US Dollars						
United States						
AT&T	6,455,000	Q LIBOR + 118	12-Jun-2024	8,418,114	8,557,925	
BZ Holdings	718,000	3.000%	22-May-2022	883,643	980,647	
General Electric	75,000	Q LIBOR +80	15-Apr-2020	97,349	100,549	
General Electric	96,000	Q LIBOR +100	15-Apr-2023	114,945	118,855	
General Electric	102,000	Q LIBOR +100	15-Mar-2023	123,820	125,739	
General Electric	203,000	Q LIBOR +38	5-May-2026	222,633	223,424	
Lloyds Bank	298,000	Q LIBOR+49	7-May-2021	387,222	403,042	
Navient	788,000	5.625%	25-Jan-2025	796,689	968,864	
Navient	657,000	5.625%	1-Aug-2033	747,245	596,726	
Italy						
UniCredit	1,444,000	3.750%	12-Apr-2022	1,799,730	1,900,228	
Israel						
Teva Pharmaceutical Finance Netherlands III BV	1,180,000	3.150%	1-Oct-2026	1,259,438	1,232,049	
Teva Pharmaceutical Finance Netherlands III BV	1,772,000	6.750%	1-Mar-2028	2,299,519	2,348,966	
				17,150,347	17,557,014	15.29%
Total Foreign Corporate Bonds				**28,662,646**	**29,057,245**	**25.31%**

	Number of shares	Coupon Rate	Maturity Date	Cost $	Fair Value $	% of Net Assets
Equities - Canadian						
Clearstream Energy Services	70,333			87,073	879	
Clearstream Energy Services, Preferred Shares	1,565			1,565,000	1,565,000	
Yellow Pages	52,504			353,877	302,423	
				2,005,950	1,868,302	1.63%
Total investments				**113,213,783**	**114,336,516**	**99.58%**
Other assets - net					479,113	0.42%
Total net assets				**113,213,783**	**114,815,629**	**100.00%**

Note: When classifying the bonds in its portfolio, the Manager and the portfolio manager rely on the classifications from PC Bond Analytics, a business unit of the FTSE TMX Group. Although some bonds are classified as being issued by governmental issuers under such classification, it does not mean that they are actually issued by a government but rather by an issuer related to a government (provincial or federal).

The accompanying notes are an integral part of these annual financial statements

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

1. The Funds

(i) Establishment of the Funds

The Pembroke Corporate Bond Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2009.

The Pembroke Dividend Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario and established pursuant to a Master Declaration of Trust dated January 1, 2012.

The Pembroke Canadian Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 1, 2007.

The Pembroke U.S. Growth Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated December 23, 1999, as amended by a Master Declaration of Trust dated January 1, 2007.

The Pembroke Concentrated Fund:

Is an open-end mutual fund established under the laws of the Province of Ontario pursuant to a Master Declaration of Trust dated January 31, 2018.

The Funds are not reporting issuers in any jurisdiction in Canada, and pursuant to Section 2.11 of National Instrument 81-106 (Investment Fund Continuous Disclosure), do not file their financial statements with the securities regulatory authorities.

(ii) The Manager and Investment Manager

Pembroke Private Wealth Management Ltd. ("PPW" or the "Manager") is the Funds' Manager. The Manager provides the day-to-day management of the business and operations of the Funds. PPW is also the trustee for all the Funds. The registered address of the Funds is: 1002 Sherbrooke Street West, Suite 1700, Montreal, Quebec, Canada.

Pembroke Management Ltd. ("Pembroke") is the investment manager of The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Concentrated Fund. Pembroke is the parent company of PPW. Canso Investment Counsel Ltd. is the investment manager of The Pembroke Corporate Bond Fund.

Under the terms of the management agreement with PPW, the Funds pay a management fee calculated as disclosed in Note 5.

2. Basis of presentation and significant accounting policies

The financial statements of the Funds for the years ended December 31, 2018 and December 31, 2017 have been prepared in accordance with the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

The significant accounting policies used in the preparation of these financial statements are summarized below. These policies have been applied consistently to all years presented.

(i) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Funds' functional and presentation currency.

(ii) Foreign currency translation

Transactions in currencies other than the Canadian dollar are recorded at the rates of exchange prevailing on the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary items and non-monetary assets and liabilities that are denominated in foreign currencies are recognized in profit or loss in the period in which they arise. Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit or loss are recognized together with other changes in the fair value. Foreign exchange gains and losses on monetary items and non-monetary assets and liabilities other than those classified as fair value through profit or loss are included in the line item net realized foreign exchange gains (losses) in the statements of comprehensive income.

(iii) Recognition of revenue and expenses

Interest income for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Funds do not amortize premiums paid or discounts received on the purchase of fixed income securities. The interest income for distribution purposes is the tax basis of calculating the interest received and is subject to tax. It includes interest income from cash and cash equivalents and on debt securities at fair value though profit or loss.

Dividend income is recognized on the ex-dividend date when the right to receive payment is established.

Dividend and interest income for distribution purposes are recognized gross of withholding tax, if any.

Distributions received from underlying funds are recorded at the date of distribution. Distributions are included in distributions from underlying funds and are presented as a separate line item in the statements of comprehensive income.

All expenses are recognized in the statements of comprehensive income on an accrual basis.

2. Basis of presentation and significant accounting policies - (continued)

(iv) Due from and due to brokers for investment securities sold or purchased

Amounts due from and to brokers represent receivables for investment securities sold and payables for investment securities purchased that have been contracted for but not yet settled or delivered on the year-end dates, respectively. These amounts are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment for amounts due from brokers.

(v) IFRS 9 - *Financial Instruments* ("IFRS 9")

The adoption of IFRS 9 has been applied retrospectively, with the Manager utilizing the provisions allowed in the standard to not restate prior period comparative information of the Funds. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit or loss or other comprehensive income, based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Upon adoption of IFRS 9, the Funds' financial assets and liabilities previously classified as at fair value through profit or loss ("FVTPL") and amortized cost under International Accounting Standard 39 - Financial Instruments: Recognition and Measurement ("IAS 39"), continued to be classified at FVTPL and amortized cost.

(vi) Financial assets and financial liabilities at fair value through profit or loss

Classification

Financial Assets

The Manager classifies the Funds' investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. These financial assets are managed, and their performance is evaluated on a fair value basis. The Manager also manages these financial assets with the objective of realizing cash flows through sales. The Manager has not taken the option to irrevocably designate any of the Funds' equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Manager manages together and has a recent actual pattern of short-term profit-taking.

2. Basis of presentation and significant accounting policies - (continued)

(vi) Financial assets and financial liabilities at fair value through profit or loss – (continued)

Financial assets and financial liabilities at amortized cost

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model (“ECL”), as the new impairment model for financial assets measured at amortized cost. At each reporting date, the Manager measures the Funds’ loss allowance on amounts due from brokers for investment securities sold, accrued income and other short-term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Manager measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Manager has determined that the expected credit loss allowances of the Funds are not material.

Hedge accounting

The Manager does not apply general hedge accounting.

Recognition, derecognition and measurement

Regular purchases and sales of investments are recognized on the trade date – the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value. Transaction costs are expensed as incurred in the statements of comprehensive income.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statements of comprehensive income.

Dividend income from financial assets at fair value through profit or loss is recognized in the statements of comprehensive income within dividend income when the Fund’s right to receive payment is established.

Purchases and sales of foreign investments are translated at the exchange rates prevailing on the respective dates of such transactions. The fair values of foreign investments represent their quoted market values translated into Canadian dollars at exchange rates prevailing at year-end.

Fair value estimation

The fair value of financial assets and liabilities in active markets is based on quoted market prices at the close of trading on each valuation date. The Funds use the last traded market price for both financial assets and liabilities where the last traded price falls within the day’s bid-ask spread.

2. Basis of presentation and significant accounting policies - (continued)

(vi) Financial assets and financial liabilities at fair value through profit or loss – (continued)

Fair value estimation – (continued)

In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The cost of investments is determined on a weighted average cost basis.

If a significant event causing a material movement in fair value occurs subsequent to the close of trading up to midnight on the valuation date, valuation techniques will be applied to determine the fair value. A significant event is any event that occurs after the last market price for a security, close of market or close of the foreign exchange, but before the Fund’s valuation time that materially affects the integrity of the closing prices for any security, instrument or currency affected by that event so that they cannot be considered ‘readily available’ market quotations.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Manager uses a variety of methods and makes assumptions that are based on market conditions existing at each valuation date. Valuation techniques used include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

(vii) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit is disclosed in the statements of comprehensive income and represents the increase (decrease) in the net assets attributable to holders of redeemable units for the year divided by the weighted average number of units outstanding during the year.

(viii) Distributions payable to holders of redeemable units

The net investment income and net realized capital gains of each of the Funds, as applicable, are paid to the unitholders of each relevant Fund as follows:

For The Pembroke Corporate Bond Fund and The Pembroke Dividend Growth Fund, the net investment income is distributed quarterly on the last valuation day of the quarter and net realized capital gains are distributed once a year on the last valuation day of December. For The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Concentrated Fund, the net investment income and net realized capital gains are distributed once a year on the last valuation day of December.

The distributions to holders of redeemable units are recognised in the statements of changes in net assets attributable to holders of redeemable units.

2. Basis of presentation and significant accounting policies - (continued)

(ix) Taxation

The Funds are domiciled in Canada and under the current *Income Tax Act* (Canada) are not subject to tax on income, profits or capital gains or other taxes payable for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders.

The Funds currently incur withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statements of comprehensive income.

Refer to Note 6 for the disclosure relating to taxation.

(x) Fair value measurement

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

IFRS 13 *Fair value measurement* establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1: Valuation based on inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date.

Level 2: Valuation based on inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Valuation based on inputs that are partially unobservable. There is little, if any, market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The inputs are considered as observable if they are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumption that market participants would use when pricing the asset or liability.

Refer to Note 7 for fair value hierarchy and related disclosures.

(xi) Forward contracts

Forward contracts are agreements to purchase or sell financial instruments at a specified future date. As they are not traded on an exchange, the agreements between counterparties are not standardized. Changes in value of forward contracts are settled only on termination of the contract.

2. Basis of presentation and significant accounting policies - (continued)

(xi) Forward contracts – (continued)

Open forward contracts are revalued to fair value in the statements of financial position, based on the difference between the contract rate and the applicable forward rate to close out the contract. Change in unrealized gains and losses associated with the revaluation of open forward contracts are recorded in the statements of comprehensive income as "unrealized gain (loss)". Forward contracts are used by The Pembroke Corporate Bond Fund.

3. Accounting estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Manager to make estimates, judgements and assumptions that affect the application of accounting policies and amounts recorded in the financial statements. Estimates are based on the Manager's best knowledge of current events and actions that the Funds may undertake in the future and are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are outlined below.

Fair value of securities not quoted in an active market

The Funds may hold financial instruments that are not quoted in active markets. The fair value of such securities may be determined by the Manager using reputable pricing sources or indicative prices from bond/debt market makers. The Manager exercises judgement on the pricing sources used. Fair value is determined based on models that make maximum use of observable inputs and rely as little as possible on unobservable inputs. The Manager considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, and risks related to interest rates, exchange rates and price and rate volatility.

The calculation of the fair values may differ given the role that judgment plays in applying the acceptable estimation and valuation techniques. Estimated fair value reflects market conditions on a given date and for this reason cannot be representative of future fair values.

3. Accounting estimates and judgements – (continued)

Critical judgements

Functional currency

The Manager considers the Canadian dollar the currency that most faithfully represents the economic effect of the underlying transactions, events and conditions of the Funds. The Canadian dollar is the currency in which each of the Funds measures its performance and reports its results, as well as the currency in which it receives subscriptions from its investors. This determination also considers the competitive environment in which the Funds are compared to other Canadian investment products.

Classification of puttable instruments

Each of the Funds' redeemable units are classified as financial liabilities to which all of its gains and losses are attributed. Each of the Funds' units do not meet all the criteria under IAS 32, *Financial Instruments: Presentation* ("IAS 32") to be classified as equity by exception.

Segmented information

Each of the Funds is organized in one main operating segment, namely the management of the Fund's investments in order to achieve the Fund's investment objective.

IAS 7 Statement of Financial Position disclosures

IAS 7 - *Statement of Cash Flows* ("IAS 7") requires disclosures related to changes in liabilities arising from financing activities for annual periods beginning on or after January 1, 2017. Units issued by the Funds are classified as liabilities in accordance with IAS 32. The units are considered liabilities for the purposes of the IAS 7 disclosures, regardless of their classification for financial reporting purposes under IAS 32.

4. Redeemable units

(i) Authorized and issued capital

The authorized capital of the Funds consists of an unlimited number of units which rank equally in all respects and represent a pro rata interest in the net assets of the Funds. A unit does not confer any interest in any particular asset or investment of the Fund.

The Funds' redeemable units, which are redeemable at the holder's option are classified as financial liabilities on the statements of financial position. Redeemable units can be put back into the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the unit.

The redeemable units are carried at the redemption amount that is payable at the statements of financial position date if the holder exercises the right to put the unit back into the Fund. Quantitative information about each Funds' capital is provided in the statements of changes in financial position attributable to holders of redeemable units.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

4. Redeemable units

(i) Authorized and issued capital

The Manager manages the capital of the Funds in accordance with the Funds' investment objectives, policies and restrictions. The Funds' overall strategies for managing capital remain unchanged from the prior year.

The Funds do not have any specific capital requirements on the subscriptions and redemptions of units, other than certain minimum subscription requirements.

The following is a summary of the changes in issued and outstanding units:

The Pembroke Corporate Bond Fund

	Dec. 31, 2018	Dec. 31, 2017
Outstanding, beginning of year	9,396,518.923	9,493,289.817
Issued during the year	1,911,120.635	2,585,651.621
	11,307,639.558	12,078,941.438
Redeemed during the year	2,121,519.420	2,682,422.515
Outstanding, end of year	9,186,120.138	9,396,518.923

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

4. Redeemable units - (continued)

(ii) Valuation of Fund units

The net asset value per unit ("NAVPU") is calculated weekly as at the close of business on each Tuesday, or if any such Tuesday is not a business day, then on the next business day immediately succeeding it, and on the last business day of the month. For Funds that have only one class of units, the NAVPU is determined by dividing the net assets of the Fund by the number of redeemable units outstanding on the valuation date. For Funds that have more than one class of units, the net assets of a particular class of units is computed by calculating the value of that class' proportionate share of the assets and liabilities common to all classes less the liabilities attributable only to that class. A notice of redemption must be given in writing to the Manager at any of its offices in Canada. The value of the units to be redeemed will be established as at the valuation date following the receipt of such notice. Within three business days following the valuation date, the Manager will pay the holder the value of the units redeemed.

5. Management fees and expenses

For the management services provided to the Funds, the Manager will charge to the unitholders a management fee at the annual rates determined by the Manager. The management fee will be calculated on a monthly basis on the NAV on each valuation date and shall be paid by way of redemption of such number of units as would be necessary to pay such a management fee.

The Funds are responsible for payment of all other expenses relating to their operations in carrying on their business including, but not limited to, legal, accounting, brokerage, custodial and safekeeping fees, interest, taxes, registrar and transfer agent's fees, operating and administrative costs, unitholders' accounting and reporting costs, and the costs of continuous compliance with all applicable securities legislation.

6. Income taxes

The Funds, other than The Pembroke Concentrated Fund, qualify as Mutual Fund Trusts under the *Income Tax Act* (Canada). The Pembroke Concentrated Fund qualifies as a Unit Trust under the *Income Tax Act* (Canada). The Funds are therefore not subject to income taxes on their net taxable capital gains or their net earnings for the year if they allocate such gains (less capital losses carried forward) and earnings to unitholders. It is the intention of the Manager to allocate the taxable income of the Funds annually to unitholders so as to eliminate any income taxes otherwise payable by the individual Funds.

6. Income taxes – (continued)

As at December 31, 2018, certain Funds have accumulated non-capital losses and capital losses available to reduce future taxable income that can be carried forward to a maximum of 10 years for years 2004 and 2005 and 20 years for 2006 and subsequent years. Accumulated capital losses available to reduce realized capital gains in future years that can be carried forward indefinitely are as follows:

7. Financial instruments' risk management

The Funds' financial assets may principally comprise investments in equity and debt instruments, short-term investments, trade and other receivables, and/or cash and cash equivalents. Financial liabilities may comprise accrued expenses, trade and other payables. The Funds' activities expose them to a variety of financial risks that are associated with their investment strategies, financial instruments and the markets in which they invest. The level of risk depends on the Funds' investment objectives and the types of securities they invest in. The value of investments within the Funds' portfolios can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Funds. The most important risks arising from the Funds' financial instruments include credit risk, liquidity risk and market risk (comprising interest rate risk, currency risk and other price risk).

(i) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a loss by failing to discharge its obligations. The Funds are exposed to credit risk on their debt instruments, cash and cash equivalents and other short-term trade receivables.

The Manager measures the Funds' credit risk and lifetime ECLs related to the short-term receivables using historical analysis and forward-looking information in determining the ECL.

The Funds use highly rated well established financial institutions for cash transactions and as a result the risk of default is considered minimal. The Funds are also exposed to credit risk with the custodian. Should the custodian become insolvent, it could cause a delay for the Funds in obtaining access to their assets.

Where a Fund invests in debt instruments, this represents the main concentration of credit risk. The fair value of debt instruments includes consideration of the credit worthiness of the issuer and represents the maximum credit risk exposure of the Fund. All transactions executed by a Fund in listed securities are settled/paid for upon delivery using approved brokers meeting minimum risk rating levels. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment, and payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation.

7. Financial instruments' risk management - (continued)

(ii) Liquidity risk

Liquidity risk is defined as the risk that a Fund may encounter difficulties in meeting the obligations associated with its financial liabilities on time or at a reasonable price.

Each Fund is exposed to weekly and end-of-month cash redemptions of redeemable units. The units of each Fund are issued and redeemed on demand at the current NAV per unit at the option of the holder. Liquidity risk is managed by investing the majority of the Funds' assets in investments that are traded in an active market and can be readily disposed of.

Each Fund may, from time to time, invest in securities that are not traded in an active market and may be illiquid. A lack of buyer interest in a particular security may increase the level of difficulty in selling this security and, therefore, result in a loss or reduced return. Portfolio diversification and concentration limits reduce this risk.

(iii) Interest rate risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or the fair values of financial instruments.

Interest rate risk arises when a Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

(iv) Currency risk

Currency risk corresponds to the risk that the fair value or future cash flows of a financial instrument denominated in a currency other than the Canadian dollar will fluctuate because of changes in foreign exchange rates.

Changes in the value of the Canadian dollar relative to foreign currencies will affect the value, in Canadian dollar terms, of foreign securities held in the Funds. These fluctuations may reduce, or even eliminate, any return the Funds have earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments and can also affect the relative competitive position of entities whose securities are held by the Funds. It is not the Funds' policy to hedge the currency risk between the Canadian dollar and foreign currencies. Thus, the Manager does not manage currency risk.

(v) Other price risk

Other price risk corresponds to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

7. Financial instruments' risk management - (continued)

(v) Other price risk – (continued)

The investments of the Funds are subject to normal market fluctuations and the risks inherent with investing in financial markets. Financial instruments held by each Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments. The investment manager mitigates this risk through a careful selection of securities within the parameters of the Funds' investment strategies and through diversification of the investment portfolios. The investment manager monitors the Funds' overall market positions on a daily basis and positions are maintained within established ranges in an attempt to mitigate this risk.

Refer to Discussion of Financial Risk Management for Fund-specific risk disclosure.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund

Risk management

The investment objective of The Pembroke Corporate Bond Fund (the "Fund") is to achieve average income returns through a diversified portfolio composed primarily of debt and money market securities. As a result of its value strategies, the portfolio may occasionally be invested in other securities, such as convertible bonds, equities and income trusts.

Risk is mitigated by employing a maximum loss methodology, which limits each position according to its potential impact on a portfolio's long-term value-added. The higher the trading price of a security compared to its downside potential, the smaller the position allowed. The risk assessment allows the security's specific features that modify its downside risk to be considered. This includes the priority of the security and quality of the issuer.

Credit risk

As at December 31, 2018 and December 31, 2017, the Fund invested in debt instruments with the following credit ratings, representing the maximum credit risk exposure:

	December 31, 2018		December 31, 2017	
Debt Instruments by Credit Rating	**$ Fair Value**	**% of Net Assets**	**$ Fair Value**	**% of Net Assets**
AAA	36,657,925	31.9	35,538,687	29.8
AA	6,462,468	5.6	26,215,568	22.0
A	14,877,447	13.0	20,229,194	17.0
BBB	37,692,138	32.8	22,318,887	18.7
BB	9,344,060	8.1	7,897,697	6.6
B	3,793,347	3.3	5,425,085	4.6
Below B	566,164	0.5	507,433	0.4
Not rated	3,074,665	2.7	4,759,849	4.0
Total	112,468,214	97.9	122,892,400	103.1

Credit ratings are obtained from Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used.

Liquidity risk

The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

December 31, 2018

Financial liabilities	**< 7 days $**	**7 days - 3 months $**	**3 months - 1 year $**	**Total $**
Distributions payable	958,540	-	-	958,540
Accrued expenses	6,580	-	-	6,580
Foreign exchange forward contract	-	520,112		520,112
Redeemable units	114,815,629	-	-	114,815,629
Total	115,780,749	520,112	-	116,300,861

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Liquidity risk – (continued)

December 31, 2017

Financial liabilities	< 7 days $	7 days - 3 months $	3 months - 1 year $	Total $
Distributions payable	5,220,547	-	-	5,220,547
Accrued expenses	5,119	-	-	5,119
Redeemable units	119,166,997	-	-	119,166,997
Total	124,392,663	-	-	124,392,663

Redeemable units are redeemed on demand at the holder's option. However, the Manager does not envisage that the contractual maturity disclosed in the tables above will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

The Manager manages the Fund's liquidity risk by investing predominantly in securities that it expects to be able to liquidate within a short time period (less than 30 days). All assets can be liquidated within a one-year period of time as at December 31, 2018 and December 31, 2017.

Interest rate risk

The table below summarizes the Fund's exposure to interest rate risk as at December 31, 2018 and December 31, 2017.

	December 31, 2018		December 31, 2017	
	$	$	$	$
	Interest bearing instruments	Non Interest bearing instruments	Interest bearing instruments	Non Interest bearing instruments
Investments	112,468,214	1,868,302	122,892,400	448,240
Cash	-	1,311,418	-	6,617
Other assets	-	652,927	-	1,045,406
Liabilities	-	1,485,232	-	5,225,666

As at December 31, 2018 and December 31, 2017, had prevailing interest rates increased or decreased by 100 basis points, with all other variables remaining constant, the decrease or increase in net assets would amount to approximately $1,486,000 (2017 - $2,000,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Interest rate risk – (continued)

The following tables detail the Fund's exposure to interest rate risk by the earlier of contractual maturities or re-pricing:

December 31, 2018

Contractual maturities	< 1 month	1 - 3 months	3 months - 1 year	> 1 year	Total
	$	$	$	$	$
Interest bearing instruments	-	1,311,521	10,064,566	101,092,127	112,468,214
Non-interest bearing instruments	2,347,415	-	-	-	2,347,415
Total	2,347,415	1,311,521	10,064,566	101,092,127	114,815,629

December 31, 2017

Contractual maturities	< 1 month	1 - 3 months	3 months - 1 year	> 1 year	Total
	$	$	$	$	$
Interest bearing instruments	1,705,167	22,053,167	7,682,521	91,451,545	122,892,400
Non-interest bearing instruments	(3,725,403)	-	-	-	(3,725,403)
Total	(2,020,236)	22,053,167	7,682,521	91,451,545	119,166,997

Currency risk

The tables below indicate the foreign currency to which the Fund had significant exposure at December 31, 2018 and December 31, 2017, in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to the holders of redeemable units if the Canadian dollar had strengthened or weakened by 10% in relation to each of the other currencies, with all other variables held constant.

December 31, 2018

	Fair Value	% of	Impact on net assets	
Currency Exposure	**$**	**Net Assets**	**$**	**%**
Currency				
US Dollar	6,806	-	681	-
Investments denominated in Foreign dollars				
Corporate Bonds - US Dollar	25,013,588	21.8	2,501,359	2.2
Total	25,020,394	21.8	2,502,040	2.2

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Currency risk – (continued)

December 31, 2017

Currency Exposure	Fair Value $	% of Net Assets	Impact on net assets $	%
Currency				
US Dollar	6,628	-	663	-
Investments denominated in Foreign dollars				
Corporate Bonds - US Dollar	14,780,804	12.4	1,478,080	1.2
Corporate Bonds - Euro	-	-	-	-
Total	14,787,432	12.4	1,478,743	1.2

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Other price risk

The majority of the Fund's financial instruments are interest bearing. As a result, the Fund did not have any direct significant exposure to other price risk as at December 31, 2018 and December 31, 2017.

Concentration risk

The following table is a summary of the Fund's concentration risk of its investments by market segment.

Industry Sector	December 31, 2018 %	December 31, 2017 %
Canadian Government Issuers	-	6.68
Corporate Bonds	60.08	71.77
Corporate Bonds - Denominated in US Dollar	6.49	6.73
Asset/Mortgage-Backed	6.07	7.23
Foreign Corporate Bonds - denominated in Canadian Dollar	10.02	5.05
Foreign Corporate Bonds - denominated in US Dollar	15.29	5.67
Equities - Canadian	1.63	0.37
Total	99.58	103.50

The percentages shown are a percentage of net assets attributable to the holders of redeemable units.

As at December 31, 2018, the Fund does not hold an individual investment position greater than 10.1% (2017 – 7.1%) of the total net assets attributable to the holders of redeemable units.

As summarized in the schedule of investment portfolio and by the above table, the Fund has a diversified investment portfolio and invests in accordance with its investment objective. As a result, the Fund is not subject to a significant amount of concentration risk.

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

Discussion of Financial Risk Management - The Pembroke Corporate Bond Fund – (continued)

Fair value disclosure

The Fund's assets recorded at fair value have been categorized based upon a fair value hierarchy in accordance with the IFRS 13. See Note 2 for a discussion of the Fund's policies regarding this hierarchy. The following fair value hierarchy tables present information about the Fund's assets measured at fair value on a recurring basis as at December 31, 2018 and December 31, 2017.

	Fair value at December 31, 2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Description	**$**	**$**	**$**	
Equity investments	303,302	-	1,565,000	1,868,302
Bonds	1,637,398	107,516,825	3,313,991	112,468,214
Total	1,940,700	107,516,825	4,878,991	114,336,516

	Fair value at December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Description	**$**	**$**	**$**	
Equity investments	448,240	-	-	448,240
Bonds	-	118,861,623	4,030,777	122,892,400
Total	448,240	118,861,623	4,030,777	123,340,640

There were no significant transfers between Levels 1 and 2 during the years ended December 31, 2018 and December 31, 2017. Securities classified as Level 2 consist of active Bonds which are priced daily and are valued based on inputs other than quoted prices. Included as Level 2 are Bonds with the following:

- Modeled prices where market inputs are used;
- Fixed income prices where spreads, yields and other recognized valuation techniques are used; and
- Vendor generated fair value factors.

The following is a reconciliation of Level 3 fair value measurements:

	2018	**2017**
Bonds	$	$
Balance as at beginning of the year	4,030,777	8,318,844
Realized gain/(loss)	116,028	126,636
Change in unrealized appreciation (depreciation)	55,712	(133,612)
Purchases	1,565,000	231,542
Sales	(1,667,121)	(4,512,633)
Transfers in and/or out of Level 3	778,595	-
Balance as at end of the year	4,878,991	4,030,777

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Years ended December 31, 2018 and 2017

8. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

All transactions between related parties are conducted at arm's length and can be summarized as follows:

Fund and Portfolio Manager

Pembroke Private Wealth Management Ltd. is the Funds' Manager. The Manager provides the day-to-day management of the business and operations of the Funds. PPW is also the trustee of the Funds. As trustee, PPW has a fiduciary duty to act in the best interest of the holders of units of the Funds.

Pembroke Management Ltd. is the portfolio manager of The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Concentrated Fund. Pembroke is the parent company of the Fund Manager, PPW. Pembroke's fees are paid by the Manager, which is for services including investment, management, administration, advisory and accounting.

Under the terms of the management agreement with PPW, the unitholders pay a management fee calculated as disclosed in Note 5.

9. Events after statement of financial position date

There have been no significant events after the statement of financial position date which in the opinion of the Trustee and Board of Directors require disclosure in the financial statements.

10. Capital Management

The Funds' capital are their net assets, representing unitholders' equity. The Funds' objectives when managing capital is to safeguard the Funds' ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Funds are not subject to any externally imposed capital requirements.

11. Approval of the audited Financial Statements

The financial statements of The Pembroke Corporate Bond Fund, The Pembroke Dividend Growth Fund, The Pembroke Canadian Growth Fund, The Pembroke U.S. Growth Fund and The Pembroke Concentrated Fund were authorized for issuance by the Trustee, PPW on February 15, 2019.

The Pembroke Corporate Bond Fund
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Concentrated Fund

Manager and Distributor
Pembroke Private Wealth Management Ltd.
Montreal, Quebec

Trustee, Registrar and Transfer Agent
Pembroke Private Wealth Management Ltd.
Montreal, Quebec

Unitholder Recordkeeping
L&T Infotech Financial Services Technologies Inc.
Mississauga, Ontario

Investment Managers
The Pembroke Dividend Growth Fund
The Pembroke Canadian Growth Fund
The Pembroke U.S. Growth Fund
The Pembroke Concentrated Fund
Pembroke Management Ltd.,
Montreal, Quebec

The Pembroke Corporate Bond Fund
Canso Investment Counsel Ltd.
Richmond Hill, Ontario

Auditor
Deloitte LLP
Chartered Professional Accountants
Toronto, Ontario

Custodian
RBC Investor & Treasury Services
Toronto, Ontario

Legal Counsel
Torys, LLP
Toronto, Ontario

Trustee of Registered Plans
The Royal Trust Company
Toronto, Ontario

PEMBROKE

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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 advisor.

GBC