

January 21, 2019

2018 REPORT TO SECURITYHOLDERS OF GBC FUNDS

Dear Investor in the GBC Funds,

Effective May 1, 2007, the Independent Review Committee (the “IRC”) of the GBC Funds was established pursuant to *National Instrument 81-107, Independent Review Committee for Investment Funds*. While the IRC was established in May, its formal functions did not commence until November 1, 2007.

We are pleased to publish this annual report to the investors of the GBC Funds pursuant to the requirements of National Instrument 81-107 for the year ended December 31, 2018. Securities regulators have given the IRC a specific role to review mutual fund conflict of interest matters identified and referred to us by the Manager, Pembroke Private Wealth Management Ltd. and to give its recommendations or, in certain circumstances, its approval.

At least once per year, the IRC will also review and assess the adequacy and effectiveness of the policies and procedures relating to conflict of interest matters in respect of the Funds and will also conduct a self-assessment of our independence, compensation and effectiveness.

The IRC is honoured to serve the interests of the investors of the GBC Funds and look forward to continuing to work with Pembroke Private Wealth Management Ltd. as Manager of the GBC Funds to ensure that the best interests of the GBC Funds are served when the Manager is faced with a conflict of interest matter.

(s) Marc A. Courtois

Marc A. Courtois

Chairman of the Independent Review Committee

Members of the IRC

¹ Name	Residence	Length of Service
Marc A. Courtois	Montreal, Quebec	May 1, 2007 to date
Peter M. Blaikie	Montreal, Quebec	May 1, 2007 to date
Glen D. Roane	Canmore, Alberta	October 28, 2015 to date

¹ Mr. Courtois and Mr. Roane are also independent directors of The GBC American Growth Fund Inc.

Mr. Alexander Hammond-Chambers retired on May 1, 2013 from the IRC and the Board of The GBC American Growth Fund Inc. as he had reached the mandatory age of retirement of the Board. Mr. Courtois replaced Mr. Hammond-Chambers as Chairman of the IRC.

Effective May 1, 2013, Mr. Guthrie J. Stewart, the Chairman of the Board of The GBC American Growth Fund Inc was appointed as a member of the IRC.

Mr. Guthrie J. Stewart resigned on October 19, 2015 from the IRC and the Board of The GBC American Growth Fund Inc. following his appointment as a Senior Vice President with the Public Services Pension Fund (PSP).

Effective October 28, 2015, Mr. Glen D. Roane was appointed as a member of the IRC.

There have been no other changes in the composition or membership of the IRC since its inception on May 1, 2007.

The members of the IRC do not serve on the independent review committee of any other fund group.

The IRC has determined that all members qualify as independent under NI 81-107 as they do not have a material relationship with the Manager, the GBC Funds or an entity related to the Manager.

Holdings of Securities

(a) Funds

As at December 31, 2018, the percentage of securities of each of the GBC Funds beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 10 per cent.

(b) Manager

As at December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, any securities of the Manager or its affiliates.

(c) Service providers

As at December 31, 2018, no members of the IRC had a material interest in any of the securities of any service provider to the GBC Funds.

Compensation and Indemnities

The aggregate compensation paid by the GBC Funds to the members of the IRC during the year ended December 31, 2018 amounted to \$20,000. Each member of the IRC received an annual retainer of \$5,000 and \$1,000 for each meeting of the IRC that the member attended. This amount was allocated equally among the GBC Funds.

No indemnities were paid to the members of the IRC by the Funds during the year.

The initial compensation of the IRC was set by the Manager. At least annually, the IRC reviews the compensation of its members giving consideration to the following:

1. the best interests of the GBC Funds;
2. that each Fund must pay its reasonable allocation of the compensation for the IRC from the assets of the Fund, unless the Manager decides to reimburse the Fund;
3. that compensation paid to the IRC by each Fund should fairly and reasonably reflect the general and specific benefits accruing to the Fund;

4. the number, nature and complexity of the Funds for which the IRC acts; and
5. the nature and extent of the workload of each member of the IRC.

The IRC has considered its compensation and concluded that it should remain the same as the initial compensation set by the Manager.

Conflict of Interest Matters

There were no conflict of interest matters presented by the Manager to the IRC.

The IRC is not aware of any instance in which the Manager:

- acted in a conflict of interest matter for which the IRC did not give a positive recommendation; or
- acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its recommendation or approval.

Approvals and Positive Recommendations

During the year, the Manager relied on positive recommendations and standing instructions granted by the IRC with respect to conflict of interest matters addressed by the following policies and procedures of the Manager:

1. Appointment and changes in sub-advisors
2. Policy on Allocation of Expenses Amongst the Funds
3. Policy on Trade Allocations
4. Policy on Valuation/Fair Value
5. Policy on Pricing Errors
6. Policy on Best Execution
7. Policy on Soft Dollars
8. Policy on Rebating of Management Fees
9. Policy on Personal Trading
10. Policy on Late and Short-term Trading
11. Policy on Capacity
12. Policy on Related Party Investments and Services

Standing Instructions Approved

The IRC has approved two standing instructions, which constitute a written approval or recommendation from the IRC that permits the Manager to proceed with the specific action(s) set out in the standing instructions on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the standing instruction. The Manager relied on the following standing instructions during the year. In each case, the standing instructions required the Manager to comply with its related policies and procedures and to report periodically to the IRC.

Standing Instruction No. 1 – Conflict of Interest Matters Policies and Procedures: Omnibus

Standing Instruction No. 2 – Valuation/Fair Value

Standing Instruction No. 1 was adopted on October 15, 2007 and Standing Instruction No. 2 was adopted on July 20, 2009.

As required by NI 81-107, the Manager provided a written report to the IRC on January 21, 2019 describing its reliance on the standing instructions during the year.

GBC Funds Served by the IRC

The GBC Money Market Fund
The GBC Canadian Bond Fund
The GBC Growth and Income Fund
The GBC Canadian Growth Fund
The GBC American Growth Fund Inc.
The GBC International Growth Fund