



March 29, 2019

Dear Investor:

Re: Report to Securityholders of the Davis-Rea Mutual Funds set out in Schedule A (each a Fund) for 2018

As Chair of the Independent Review Committee (the IRC) for the Funds managed by Davis-Rea Ltd. (the Manager), I am pleased to provide you with the IRC's annual report to the securityholders of the Funds for the period from January 1, 2018 to December 31, 2018. The IRC operates pursuant to National Instrument 81-107 *Independent Review Committee for Investment Funds* (NI 81-107) and is comprised of three members, all of whom are independent of the Manager and its affiliated companies.

Pursuant to NI 81-107, the IRC is required to review all conflict of interest matters that are identified and referred to it by the Manager, and to give its approval or recommendation to the Manager, depending on the conflict of interest matter under consideration. In each instance where a conflict of interest matter is identified and referred to the IRC, the IRC's focus is to determine if the Manager's proposed action achieves a fair and reasonable result for the securityholders' of the applicable Fund.

The IRC will also review and assess, among other things, the adequacy and effectiveness of the Manager's policies and procedures relating to conflict of interest matters in respect of the Funds, and will also conduct a self-assessment of the IRC's independence, compensation and effectiveness.

The IRC looks forward to working with the Manager to ensure that the best interests of the investors continue to be served.


Mark Benadiba
Chair of the Independent Review Committee

IRC Report – December 31, 2018

The Independent Review Committee (the IRC) for the funds set out in Schedule A (the Funds) that are managed by Davis-Rea Ltd. (the Manager) became operational on March 20, 2013 when the Funds initially began offering units by means of a simplified prospectus. The information disclosed in this report covers the period from January 1, 2018 to December 31, 2018, the financial year-end for the Funds (the Period).

Members of the IRC:

| Name | Residence | First appointed |
|-----------------------|------------------|-----------------|
| Mark Benadiba (Chair) | Toronto, Ontario | March 18, 2013 |
| Richard Knowles | Toronto, Ontario | March 18, 2013 |
| Paul Little | Calgary, Alberta | March 18, 2013 |

During the Period, there were no changes in the composition or membership of the IRC and there were no relationships that may cause a reasonable person to question a member's independence. The IRC met with the Manager twice during the Period.

Holdings of Securities

(a) Funds

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

(b) Manager

As at December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, any class or series of voting or equity securities of the Manager.

(c) Service providers

As at December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, more than 0.1% of any class or series of voting or equity securities of any person or company that provides services to the Funds or the Manager.

IRC Compensation and Indemnities

The aggregate compensation paid by the Funds to the members of the IRC for the Period was \$22,500, which did not change from the previous year. This amount was allocated among the Funds in an equitable manner. In 2018, each member of the IRC received annual compensation from the Funds in the amount of \$7,500 payable in semi-annual instalments.

At least annually, the IRC will review its compensation, giving consideration to the following factors:

- (a) the best interests of the Funds;
- (b) the nature, number and complexity of the Funds;
- (c) the nature and extent of the workload of each member of the IRC, including the commitment of time and energy of each member;
- (d) industry best practices, including industry averages and surveys on compensation paid to independent review committees of Canadian investment funds;
- (e) the results of its annual assessment of compensation and effectiveness; and
- (f) the recommendations of the Manager for compensation payable to the IRC.

Conflict of Interest Matters

National Instrument 81-107 *Independent Review Committee for Investment Funds* requires the IRC to review all conflict of interest matters that are identified and referred to it by the Manager, and to give its approval or recommendation to the Manager, depending on the conflict of interest matter under consideration.

The IRC is not aware of any instance during the Period where the Manager acted in a conflict of interest matter, but did not obtain the approval of the IRC to the conflict of interest matter under consideration or did not meet a condition imposed by the IRC in its recommendation.

The Manager has the following policies and procedures in the form of Standing Instructions that have been approved by the IRC:

1. Purchase or Sale of Specified Securities
2. Trading on Prescribed Stock Exchanges

SCHEDULE A

Davis-Rea Equity Fund

Davis-Rea Fixed Income Fund