VPI CORPORATE BOND POOL

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM JUNE 29, 2020 TO DECEMBER 31, 2020

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGERS

CANSO INVESTMENT COUNSEL LTD.

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by the management of Value Partners Investments Inc. (Value Partners), the Manager of the Value Partners Pools (the Pools), and approved by the Board of Directors of Value Partners.

Management is responsible for the information and representations contained in these financial statements. The Board of Directors of Value Partners is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee comprised of two independent Directors is appointed by the Board of Directors to review the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements.

Value Partners maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Pools, are described in note 3 of the financial statements.

KPMG LLP are the external auditors of the Pools. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Value Partners Investments Inc.
Manager of the Pools

Paul Lawton
Chief Operating Officer and Secretary

Dean Bjarnarson
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Unitholders of VPI Corporate Bond Pool

Opinion

We have audited the financial statements of VPI Corporate Bond Pool (the Entity), which comprise the:

- statements of financial position as at December 31, 2021 and December 31, 2020;
- statements of comprehensive income for the year ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020;
- statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020;
- statements of cash flows for the year ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020, and
- notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and December 31, 2020, and its financial performance and its cash flows for the year ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the ***Auditors' Responsibilities for the Audit of the Financial Statements*** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report of Financial Performance to be filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

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

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

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

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

March 21, 2022

VPI CORPORATE BOND POOL

Statements of Financial Position
(In thousands of dollars and units, except for per unit amounts)

As at	December 31, 2021	December 31, 2020
Assets		
Financial assets at fair value through profit or loss	$ 416,233	$ 299,889
Cash and cash equivalents	6,446	4,735
Unrealized gain on foreign currency forward contract	316	1,199
Accrued dividends receivable	3	3
Accrued interest receivable for distribution purposes	3,532	3,154
Due from manager (note 5)	2	18
Subscriptions receivable	16,571	6,967
Due from broker	–	109
	$ 443,103	$ 316,074
Liabilities		
Accounts payable and accrued liabilities	$ 61	$ 50
Redemptions payable	33	–
Management fees payable (notes 4 and 5)	184	68
Distributions payable	16,428	6,657
Due to broker	170	–
	16,876	6,775
Net assets attributable to holders of redeemable units	$ 426,227	$ 309,299
Net assets attributable to holders of redeemable units per series:		
Series A	$ 122,753	$ 52,057
Series F	31,758	8,446
Series O	271,716	248,796
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 10.88	$ 10.78
Series F	10.84	10.78
Series O	10.87	10.82
Number of redeemable units outstanding:		
Series A	11,280	4,829
Series F	2,931	784
Series O	24,998	22,984

The accompanying notes form an integral part of these financial statements.

VPI CORPORATE BOND POOL

Statements of Comprehensive Income
(In thousands of dollars, except for per unit amounts)

Year ended December 31, 2021, and for the period from June 29, 2020 to December 31, 2020

	2021	2020
Income:		
Interest income for distribution purposes	$ 17,003	$ 6,964
Dividend income	34	11
Foreign exchange gain on cash	22	41
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on sale of investments	13,965	(1,049)
Net realized gain on currency forward contracts	1,885	8,635
Change in unrealized appreciation (depreciation) in value of investments	(1,120)	17,338
Change in unrealized appreciation (depreciation) in currency forward contracts	(883)	1,199
	30,906	33,139
Expenses:		
Administration	109	47
Audit fees	15	9
Independent review committee fees	6	1
Security holder reporting costs	46	4
Custodian fees	16	5
Filing fees	23	12
Legal fees	3	3
Management fees (notes 4 and 5)	1,627	180
Registered plan fees	2	–
Trustee fees	6	3
	1,853	264
Absorbed expenses (notes 4 and 5)	(157)	(77)
	1,696	187
Increase in net assets attributable to holders of redeemable units	$ 29,210	$ 32,952
Increase in net assets attributable to holders of redeemable units per series:		
Series A	$ 5,306	$ 3,041
Series F	1,257	580
Series O	22,647	29,331
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	$ 0.64	$ 1.55
Series F	0.66	1.51
Series O	0.96	1.33

The accompanying notes form an integral part of these financial statements.

VPI CORPORATE BOND POOL

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
(In thousands of dollars and units)

Year ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020

	Series A 2021	Series A 2020	Series F 2021	Series F 2020	Series O 2021	Series O 2020	Total 2021	Total 2020
Net assets attributable to holders of redeemable units, beginning of year	$ 52,057	$ –	$ 8,446	$ –	$ 248,796	$ –	$ 309,299	$ –
Increase in net assets attributable to holders of redeemable units	5,306	3,041	1,257	580	22,647	29,331	29,210	32,952
Redeemable unit transactions:								
Proceeds from redeemable units issued	80,671	51,283	25,988	7,939	598	232,465	107,257	291,687
Reinvestment of distributions to holder of redeemable units	6,785	1,439	1,727	240	22,019	10,529	30,531	12,208
Redemption of redeemable units	(15,373)	(2,281)	(3,709)	(65)	(324)	(13,000)	(19,406)	(15,346)
	72,083	50,441	24,006	8,114	22,293	229,994	118,382	288,549
Distributions to holders of redeemable shares:								
Net investment gain	(2,313)	(525)	(813)	(107)	(12,329)	(6,227)	(15,455)	(6,859)
Net realized gain on investments	(4,380)	(900)	(1,138)	(141)	(9,691)	(4,302)	(15,209)	(5,343)
Total distributions paid to holders of redeemable units	(6,693)	(1,425)	(1,951)	(248)	(22,020)	(10,529)	(30,664)	(12,202)
Net increase in net assets attributable to holders of redeemable units	70,696	52,057	23,312	8,446	22,920	248,796	116,928	309,299
Net assets attributable to holders of redeemable units, end of year	$ 122,753	$ 52,057	$ 31,758	$ 8,446	$ 271,716	$ 248,796	$ 426,227	$ 309,299
Increase (decrease) in redeemable units outstanding:								
Beginning of year	4,829	–	784	–	22,984	–	28,597	–
Issued	7,204	4,910	2,319	767	52	23,182	9,575	28,859
Issued on reinvestment of distributions	617	135	157	23	1,990	995	2,764	1,153
Redeemed	(1,370)	(216)	(329)	(6)	(28)	(1,193)	(1,727)	(1,415)
Redeemable units outstanding, end of year	11,280	4,829	2,931	784	24,998	22,984	39,209	28,597
Weighted average units outstanding, during the year	8,232	1,967	1,899	385	23,491	22,036		

The accompanying notes form an integral part of these financial statements.

VPI CORPORATE BOND POOL

Statements of Cash Flows
(In thousands of dollars)

Year ended December 31, 2021, and for the period from June 29, 2020 to December 31, 2020

	2021	2020
Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	$ 29,210	$ 32,952
Adjustments for:		
Foreign exchange gain on cash	(22)	(41)
Net realized (gain) loss on sale of investments	(13,965)	1,049
Change in unrealized depreciation (appreciation) in value of investments	1,120	(17,338)
Change in unrealized depreciation (appreciation) in currency forward contracts	883	(1,199)
Purchases of investments	(260,323)	(91,066)
Proceeds from sale of investments	156,824	25,095
Dividends receivable	–	(3)
Interest receivable for distribution purposes	(378)	(3,154)
Due from Manager	16	(18)
Due from broker	109	(109)
Due to broker	170	–
Accounts payable and accrued liabilities	11	50
Management fees payable	116	68
Net cash used in operating activities	(86,229)	(53,714)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	9,638	6,663
Proceeds from redeemable units issued	96,394	66,932
Redemption of redeemable units	(18,114)	(15,187)
Net cash from financing activities	87,918	58,408
Foreign exchange gain on cash	22	41
Net increase in cash and cash equivalents	1,711	4,735
Cash and cash equivalents, beginning of year	4,735	–
Cash and cash equivalents, end of year	$ 6,446	$ 4,735
Supplementary information:		
Dividend received, net of withholding tax	$ 34	$ 8
Interest received, net of withholding tax	16,625	3,810

The accompanying notes form an integral part of these financial statements.

VPI CORPORATE BOND POOL

Schedule of Investment Portfolio
(In thousands of dollars, except for unit amounts)

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Short-term investments:						
8,200,000	Canadian Treasury Bill	6-Jan-22	0.116	$ 8,198	$ 8,198	
5,000,000	Canadian Treasury Bill	17-Mar-22	0.170	4,998	4,998	
7,500,000	Province of Ontario Treasury Bill	23-Mar-22	0.170	7,497	7,497	
				20,693	20,693	4.85
Government Bonds:						
628,000	Canada Housing Trust	15-Mar-22	0.598	630	629	
2,549,000	Canada Housing Trust	15-Sep-22	0.538	2,561	2,556	
				3,191	3,185	0.75
Corporate bonds:						
2,017,000	Air Canada	1-Jul-25	4.000	3,021	3,407	
26,748,000	Air Canada	15-Aug-29	4.625	26,749	26,703	
3,760,000	AMC Entertainment Holdings Inc.	15-Apr-25	10.500	4,388	5,063	
2,785,000	AMC Entertainment Holdings Inc.	24-Apr-26	10.500	3,540	3,741	
7,273,000	American Airlines Inc.	15-Jul-25	11.750	9,340	11,347	
1,517,000	American Airlines Inc.^	15-Feb-26	10.750	2,207	2,232	
239,000	American Airlines Inc.	20-Apr-26	5.500	314	314	
3,043,000	American Airlines Inc.	20-Apr-29	5.750	3,805	4,111	
4,459,000	Avis Budget Car Rental LLC	15-Jul-27	5.750	5,672	5,861	
532,000	Avis Budget Car Rental LLC	15-Jul-27	5.750	701	698	
3,414,000	Avis Budget Car Rental LLC	1-Apr-28	4.750	4,289	4,416	
3,162,000	Avis Budget Car Rental LLC	1-Mar-29	5.375	4,033	4,219	
2,000,000	Bank of Montreal	1-Feb-23	0.668	2,008	2,006	
4,642,000	Bank of Montreal	26-Nov-80	4.300	4,652	4,826	
6,864,000	Bank of Nova Scotia	4-Aug-26	0.730	6,864	6,852	
8,593,000	Bank of Nova Scotia	27-Jul-81	3.700	8,588	8,405	
2,640,000	Bank of Nova Scotia	31-Aug-85	0.324	2,787	2,885	
2,193,759	Black Press Group Ltd.^	31-Mar-24	12.000	2,048	2,076	
3,939,000	Boeing Co.	4-Feb-24	1.433	5,046	4,971	
489,000	Boeing Co.	30-Oct-24	2.850	675	640	
500,000	Boeing Co.	1-Mar-25	2.500	679	645	
2,098,000	Boeing Co.	4-Feb-26	2.196	2,657	2,651	
595,000	Boeing Co.	1-May-26	3.100	825	784	
1,694,000	Bombardier Inc.	15-Mar-25	7.500	1,688	2,183	
313,000	Bombardier Inc.	22-Dec-26	7.350	250	306	
3,108,000	Bombardier Inc.	15-Apr-27	7.875	3,167	4,073	
6,753,000	Bombardier Inc.	1-May-34	7.450	8,156	10,492	
10,000,000	Canadian Imperial Bank of Commerce	10-Jun-24	0.665	10,000	10,020	
7,451,000	Canadian Imperial Bank of Commerce	4-Mar-25	0.620	7,451	7,448	
4,641,000	Canadian Imperial Bank of Commerce	15-Jul-26	0.780	4,641	4,634	
610,000	Canadian Imperial Bank of Commerce	31-Aug-85	1.750	735	680	
98,267	Canadian Pacific Railway Co.	1-Oct-24	6.910	111	106	
31,000	Cenovus Energy Inc.	10-Mar-27	3.600	30	33	
878,000	Cineplex Inc.	26-Feb-26	7.500	883	925	
4,420,715	ClearStream Energy Services Inc.^	23-Mar-26	8.000	3,399	3,315	
20,000	Continental Resources Inc/OK	15-Apr-23	4.500	26	26	
1,000,000	Continental Resources Inc/OK	1-Jun-24	3.800	1,285	1,320	
367,000	Continental Resources Inc/OK	15-Jan-28	4.375	443	502	
2,858,000	Continental Resources Inc/OK	15-Jan-31	5.750	3,753	4,257	
2,303,000	Delta Air Lines Inc.	1-May-25	7.000	3,266	3,330	
24,000	Embraer Netherlands Finance BV	15-Jun-25	5.050	29	31	
201,000	Embraer Netherlands Finance BV	1-Feb-27	5.400	241	265	

VPI CORPORATE BOND POOL

Schedule of Investments (continued)
(In thousands of dollars, except for unit amounts)

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Corporate bonds (continued):						
252,000	Embraer Overseas Ltd.	16-Sep-23	5.696	$ 327	$ 333	
15,267,000	Ford Credit Canada Co.	21-Mar-24	3.575	13,864	15,723	
4,809,000	Ford Motor Credit Co LLC	7-Jan-22	3.340	6,370	6,075	
1,402,000	Gannett Holdings LLC	1-Nov-26	6.000	1,753	1,810	
4,225,000	GE Capital Canada Funding Co.	6-Feb-23	1.638	4,123	4,238	
1,951,000	General Electric Co.	5-May-26	0.575	2,304	2,423	
820,000	General Electric Co.	15-Aug-36	0.636	885	899	
4,050,000	Goldman Sachs Group Inc.	29-Apr-25	0.848	4,060	4,061	
4,712,000	Great-West Lifeco Inc.	31-Dec-81	3.600	4,712	4,634	
972,000	Hertz Corp.	15-Oct-22	0.000	–	25	
4,021,000	Hertz Corp.	15-Oct-24	0.000	–	70	
1,390,000	Hertz Corp.	1-Aug-26	0.000	–	66	
2,482,000	Hertz Corp.	15-Jan-28	0.000	–	118	
2,915,000	Hertz Corp.	1-Dec-29	5.000	3,673	3,692	
125,000	Kruger Packaging Holdings LP	1-Jun-26	6.000	125	132	
11,082,000	Manulife Financial Corp.	19-Jun-81	3.375	11,061	10,759	
9,142,000	Manulife Financial Corp.	19-Mar-82	4.100	9,142	9,059	
2,686,000	Maxar Technologies Inc.^	31-Dec-27	7.540	3,590	3,680	
1,651,000	MPLX LP	31-Dec-49	6.875	1,909	2,101	
340,000	Navient Corp.	1-Aug-33	5.625	365	410	
6,022,000	Neptune Acquisition Inc.	8-Apr-27	10.000	5,887	6,218	
530,000	Occidental Petroleum Corp.	15-Aug-26	3.200	616	691	
162,000	Occidental Petroleum Corp.	15-May-28	7.150	202	240	
242,000	Occidental Petroleum Corp.	15-Mar-29	7.200	306	361	
1,178,000	Occidental Petroleum Corp.	15-Aug-29	3.500	1,284	1,529	
3,969,000	Occidental Petroleum Corp.	1-Sep-30	6.625	5,187	6,213	
259,000	Occidental Petroleum Corp.	15-Sep-36	6.450	309	418	
1,225,000	Occidental Petroleum Corp.	15-Jun-39	7.950	1,568	2,045	
516,000	Occidental Petroleum Corp.	15-Aug-39	4.300	505	651	
764,000	Occidental Petroleum Corp.	15-Mar-40	6.200	880	1,188	
935,000	Occidental Petroleum Corp.	15-Jul-44	4.500	899	1,218	
139,000	Occidental Petroleum Corp.	15-Jun-45	4.625	137	182	
469,000	Occidental Petroleum Corp.	15-Mar-46	6.600	556	770	
2,582,000	Occidental Petroleum Corp.	15-Mar-48	4.200	2,468	3,267	
2,139,603	Postmedia Network Inc.	15-Jul-23	8.250	1,652	1,842	
5,350,000	Royal Bank of Canada	31-Dec-49	4.200	5,350	5,338	
6,279,000	Royal Bank of Canada	24-Nov-80	4.500	6,279	6,585	
5,343,000	Royal Bank of Canada	24-Feb-81	4.000	5,363	5,457	
930,000	Royal Bank of Canada	29-Jun-85	0.500	952	1,017	
1,055,000	SNC-Lavalin Group Inc.	2-Mar-23	3.235	1,056	1,065	
3,269,000	SNC-Lavalin Group Inc.	19-Aug-24	3.800	3,326	3,356	
1,229,000	Spirit AeroSystems Inc.	15-Jun-23	3.950	1,402	1,566	
2,130,000	Spirit AeroSystems Inc.	15-Jan-25	5.500	2,809	2,791	
4,871,000	Spirit AeroSystems Inc.	15-Apr-25	7.500	6,631	6,460	
705,000	Spirit AeroSystems Inc.	15-Jun-26	3.850	900	911	
4,467,000	Spirit AeroSystems Inc.	15-Jun-28	4.600	5,057	5,665	
3,627,000	SSL Robotics LLC	31-Dec-23	9.750	5,387	4,941	
6,786,000	Sun Life Financial Inc.	30-Jun-81	3.600	6,791	6,676	
6,657,000	Toronto-Dominion Bank	31-Oct-81	3.600	6,639	6,464	
3,620,000	TransCanada PipeLines Ltd.	9-Jun-24	0.725	3,620	3,624	
7,821,000	TransCanada PipeLines Ltd.	15-May-67	2.366	7,175	8,474	
3,182,000	Videotron Ltd.	15-Jun-25	5.625	3,361	3,421	
2,155,000	Videotron Ltd.	15-Jan-26	5.750	2,235	2,205	
3,003,000	Videotron Ltd.	15-Jan-30	4.500	3,017	3,078	
				322,511	339,034	79.54

VPI CORPORATE BOND POOL

Schedule of Investments (continued)
(In thousands of dollars, except for unit amounts)

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Term Loans:						
5,500,000	Delta Airlines SkyMiles	16-Sep-27	4.750	$ 7,353	$ 7,364	
2,048,865	Hertz Corp.	14-Jun-28	4.000	2,543	2,594	
387,000	Hertz Corp.	30-Jun-28	4.000	481	490	
3,649,825	Maxar Technologies Ltd.	5-Oct-24	2.750	4,692	4,581	
1,772,605	Spirit AeroSystems Inc.	15-Jan-25	4.250	2,356	2,245	
				17,425	17,274	4.05
Mortgage-backed Securities:						
7,400,000	Canadian Mortgage Pools	1-Jan-24	0.470	4,503	4,498	
5,264,000	Canadian Mortgage Pools	1-Nov-25	0.800	4,787	4,683	
5,000,000	Canadian Mortgage Pools	1-Dec-25	0.810	4,592	4,482	
3,018,000	Canadian Mortgage Pools	1-Jan-26	0.550	2,777	2,709	
2,377,000	Canadian Mortgage Pools	1-Jan-26	0.700	2,233	2,177	
2,781,000	Canadian Mortgage Pools	1-May-26	0.280	2,528	2,527	
9,000,000	Canadian Mortgage Pools	1-Jul-26	0.210	8,620	8,619	
2,385,000	Canadian Mortgage Pools	1-Oct-26	0.240	2,217	2,214	
				32,257	31,909	7.49
Equities:						
Capital Goods:						
87,421	Bird Construction Inc.			570	858	0.20
Energy:						
25,909	ClearStream Energy Services Inc.			1	1	
4,360	ClearStream Energy Services Inc., Series 1 Preferred (Private Placement)^			3,052	2,784	
314	ClearStream Energy Services Inc., Series 2 Preferred (Private Placement)^			314	200	
				3,367	2,985	0.70
Telecommunication Services:						
61,069	Xplore Mobile Inc.^			–	70	
46,016	Xplornet Wireless Inc.^			–	225	
				–	295	0.07
Total equities				$ 3,937	$ 4,138	0.97
Summary:						
Short-Term Investments				20,693	20,693	4.85
Government Bonds				3,191	3,185	0.75
Corporate Bonds				322,511	339,034	79.54
Term loans				17,425	17,274	4.05
Mortgage-backed securities				32,257	31,909	7.49
Equities				3,937	4,138	0.97
				400,014	416,233	97.65
Transaction costs				–		
Total financial assets at FVTPL				400,014	416,233	97.65

VPI CORPORATE BOND POOL

Schedule of Investments (continued)
(In thousands of dollars, except for unit amounts)

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Cash:						
Domestic				$ 6,403	$ 6,403	
Foreign				44	43	
Total cash				6,447	6,446	1.51
Forward currency contract					316	0.07
Other assets less liabilities					3,232	0.77
Total net assets attributable to holders of redeemable units				$ 406,461	$ 426,227	100.00

^ Level 3 Securities

Forward currency contract:

The Pool has the following forward currency contract outstanding as at December 31, 2021:

Currency to purchase	Amount	Fair value to purchase	Currency to deliver	Amount	Fair value to deliver	Unrealized gain	Expiry date
CAD	$ 176,528	$ 176,528	USD	$ 139,477	$ 176,212	$ 316	March 2022

The accompanying notes form an integral part of these financial statements.

1. Reporting entity:

(a) VPI Corporate Bond Pool (the Pool) is an open-ended mutual fund trust, established on June 29, 2020 by declaration of trust under the laws of the Province of Ontario. As of June 29, 2020 the registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on June 29, 2020 with Series A, Series F and Series O Units.

The Pool's objective is to preserve capital while providing a reasonable level of income and the potential for long-term capital growth by investing primarily in fixed income securities.

(b) Redeemable units issued and outstanding are considered to be capital of the Pool. The Pool's authorized capital consists of an unlimited number of units and series without par value. The number of outstanding units of each series is disclosed in the statements of financial position.

Series A units are subject to a negotiated sales commission payable by the investor at the time of purchase. Series F units are only available to investors that have a fee-based account with a dealer that has signed a Series F agreement with the Manager. Series O units are available for investors who have, or whose dealer has, entered into an agreement directly with the Manager to purchase Series O units or if investors open discretionary investment management accounts with the Manager. Series O units have no sales charge. Unitholder switches between series are included in proceeds from redeemable units issued and redemption of redeemable units in the statements of changes in net assets attributable to holders of redeemable units and are excluded from proceeds from redeemable units issued and redemption of redeemable units in the statements of cash flows.

Except for Series O units, each series of units pays its proportionate share of common expenses of the Pool, in addition to expenses that are unique to that series. Proportionate fund expenses for Series O, both common fund expenses, as well as expenses unique to Series O, are paid by the Manager. Distributions of each series may vary due to the differences in expenses between the series.

(c) Unitholders may redeem all or part of their units by delivering a written request to do so to the Manager or Trustee or to an investment dealer, securities dealer or mutual fund dealer for delivery to the Manager or Trustee. Units will be redeemed at the net asset value per unit as determined on the next valuation date. Requests for redemption received after 4:00 p.m., Toronto time, on any day are deemed to be received on the first business day following the date of the actual receipt.

2. Basis of preparation:

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) applicable to the preparation of annual financial statements.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on March 21, 2022.

(a) Basis of measurement:

The financial statements have been prepared on an historical cost basis except for investments at fair value through profit or loss, which are measured at fair value.

(b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Pool's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

(c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant judgments made by the Manager in preparing these financial statements is in determining the fair value of financial instruments not traded in an active market under IFRS 13 - *Fair Value Measurement* (IFRS 13).

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

Financial instruments held-for trading or at FVTPL are recognized initially on the trade date, which is the date on which the Pool becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Pool derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Pool has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

At December 31, 2021 and 2020, no amounts have been offset in the statements of financial position.

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Pool has classified its investments in securities, derivative financial assets and derivative financial liabilities as FVTPL.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Pool uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that 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 Pool's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

The Pool's accounting policies for measuring the fair value of investments are consistent with those used for measuring its net asset value for transactions with unitholders.

(iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

The Pool classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, due from Manager, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable and due to broker as amortized cost. Cash includes cash on deposit with the custodian.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Impairment:

For financial assets measured at amortized cost, the Pool uses an expected credit loss (ECL) impairment model. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The Pool measures the loss allowance at an amount equal to lifetime ECL for trade and other receivables. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade and other receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that being the difference between the cash flows due to the Pool in accordance with the contract and the cash flows that the Pool expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

(v) Forward currency contracts:

The value of a forward currency contract is the gain or loss that would be realized if, on the date that valuation is made, the positions were closed out. It is reflected in the statements of financial position as part of "forward currency contracts" and the change in value over the period is reflected in the statements of comprehensive income as part of "change in unrealized appreciation (depreciation) in forward currency contracts". When the forward currency contracts are closed out, gains and losses are realized and are included in the "net realized gain (loss) on forward currency contracts" in the statements of comprehensive income.

3. Significant accounting policies (continued):

(b) Redeemable units:

The Pool classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Pool has multiple classes of redeemable units that do not have identical features and therefore, does not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments - presentation* (IAS 32). The redeemable units, which are measured at the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Pool's valuation policies at each redemption date.

(c) Foreign currency:

The Pool's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to other financial assets and liabilities are presented within 'Net realized gain' and 'Change in unrealized appreciation (depreciation)' in the statements of comprehensive income (loss).

(d) Investment transactions and revenue recognition:

Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the Pool accounted for on an accrual basis. The Pool does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed-income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) 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 in the statements of comprehensive income represents the net increase (decrease) in the net assets from operations for each series for the period divided by the weighted average units outstanding for each series for the period.

3. Significant accounting policies (continued):

(f) Income taxes:

The Pool qualifies as a Mutual Fund Trust as defined in the *Income Tax Act* (Canada). Pursuant to the terms of the Declaration of Trust establishing the Pool, it is considered to distribute annually to the unitholders all of the net taxable income, including net realized gains on sale of investments, and such distributions are immediately reinvested in units of the Pool.

In general, the Pool is subject to income tax, however no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders.

In addition, income taxes payable on net realized capital gains is refundable on a formula basis when units of the Pool are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Any non-capital losses that are realized in the taxation year 2006 and after may be carried forward for 20 years and applied against future income and capital gains.

4. Management fees and expenses:

Except for Series O units, the Manager of each series of units is entitled to a monthly management fee from each series of units based on a percentage of the net asset value of the Pool as of the close of business on each business day calculated at the following annual rates:

Series A	1.50%
Series F	0.75%

The Manager offers a management fee reduction program to qualified investors in Series A and Series F units. If the unitholder qualifies under this program, the management fee charged to the Pool is reduced and the Pool distributes the amount of the reduction to the investor by way of a management fee distribution. Management fee distributions are automatically reinvested in additional units of a particular series of the Pool unless negotiated otherwise with the Manager. No management fee is charged to the Pool with respect to Series O units. Instead, each investor negotiates a separate fee that is paid directly to the Manager.

Except for Series O units, in addition to the management fee, each series of units pays its proportionate share of common operating expenses of the Pool, in addition to expenses that are unique to that series.

(In thousands of dollars, except for unit amounts)

4. Management fees and expenses (continued):

These expenses include, but are not limited to audit, legal and filing fees, custodial, recordkeeping and trustee fees, transfer agent fees, investor servicing costs, taxes, compensation and expenses of the Independent Review Committee, and costs of unitholder reports, financial reporting, prospectuses, regulatory filings, and other communications. Brokerage commissions and transaction costs for buying and selling investments for the Pool's portfolio are also paid by the Pool, as well as the costs and expenses related to holding any meeting convened by unitholders.

Proportionate fund expenses for Series O units, both common fund expenses, as well as expenses unique to Series O, are paid by the Manager.

The Manager absorbed a portion of the operating expenses (note 5) of the Pool during the periods ended December 31, 2021 and 2020.

5. Related party transactions:

Related party balances of the Pool as at December 31, 2021 and 2020 are as follows:

	2021	2020
Management fees payable	$ 184	$ 68
Due from manager	2	18

Related party transactions of the Pool for the periods ended December 31, 2021 and 2020 are as follows:

	2021	2020
Management fees	$ 1,627	$ 180
Absorbed expenses	(157)	(77)

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(In thousands of dollars, except for unit amounts)

5. Related party transactions (continued):

As of December 31, 2021 and 2020, the Manager or parent company of the Manager held the following number of units in the Pool:

	2021	2020
Series A	1	1
Series F	28,135	26,123
Series O	1	1

During 2020, the Pool exchanged 23,183,117 of its Series O units for fixed income securities and cash with a fair value of $232,465 with the VPI Income Pool.

At December 31, 2021, the VPI Income Pool holds 24,971,864 (2020 - 22,984,438) Series O units of the Pool. The VPI Income Pool is managed by the same Manager as the Pool.

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the periods ended December 31, 2021 and 2020 is disclosed in the statements of comprehensive income.

There were no soft dollar commissions paid during the periods ended December 31, 2021 and 2020.

7. Income taxes:

As of December 31, 2021 and 2020, there is no capital or non-capital losses available for carry forward.

8. Financial risk management:

The investment activities of the Pool expose the Pool to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Pool by contracting a professional, experienced portfolio manager, by monitoring the Pool and market events on a daily basis, and by diversifying the investment portfolio within the parameters of the investment objective and strategy. The most significant risks include market risk (other price risk, interest rate risk and currency risk), credit risk and liquidity risk.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

These risks and related risk management practices employed by the Pool are discussed below:

(i) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The maximum risk resulting from financial instruments held by the Pool is determined by the fair value of the financial instruments. The portfolio manager moderates this risk through a careful selection of securities within specified parameters established for the Pool.

For the Pool, the most significant exposure to other price risk arises from investments in equity securities. The following table shows the exposure of the Pool to equity securities and indicates the impact on net assets if the prices of the equity securities on the respective stock exchanges increased or decreased by 5 percent, with all other variables held constant.

	Fair value of equities	% of net assets	Impact on net assets ($)	Impact on net assets (%)
As at December 31, 2021	$ 4,138	0.97%	$ 207	0.05%
As at December 31, 2020	$ 3,972	1.29%	$ 199	0.06%

(ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Pool is exposed to this risk to the extent that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

The tables below summarize the Pool's exposure to interest rate risk. They include the Pool's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2021	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 29,976	$ 67,002	$ 113,838	$ 201,278	$ 4,139	$ 416,233

(In thousands of dollars, except for unit amounts)

8. **Financial risk management (continued):**

As at December 31, 2020	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 4,742	$ 43,853	$ 108,956	$ 138,366	$ 3,972	$ 299,889

At December 31, 2021 and 2020, should interest rates have increased or decreased by 25 basis points, excluding cash and treasury bills and assuming a parallel shift in the yield curve, with all other variables held constant, net assets for the Pool would have approximately increased or decreased as indicated in the following table. The Pool's sensitivity to interest rates was estimated using the weighted average duration of the bond portfolio.

	Impact on net assets ($)	Impact on net assets (%)
As at December 31, 2021	$ 6,903	1.62%
As at December 31, 2020	$ 2,979	0.96%

(iii) 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 the Pool. The Pool's greatest concentration of credit risk is in debt securities such as bonds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of these investments represents the maximum credit risk exposures as of December 31, 2021 and 2020.

All transactions 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 broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

Debt securities in the Pool by credit rating are as follows:

As at December 31, 2021	% of debt securities	% of net assets
AAA	12.20%	11.80%
AA	1.89%	1.83%
A	4.40%	4.26%
BBB	31.00%	30.00%
BB	24.93%	24.12%
B	15.22%	14.72%
CCC	5.89%	5.70%
N/R	4.47%	4.33%
	100.00%	96.76%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As at December 31, 2020	% of debt securities	% of net assets
AA	0.40%	0.39%
A	0.26%	0.25%
BBB	28.79%	27.67%
BB	27.75%	26.67%
B	22.06%	21.20%
CCC	8.58%	8.24%
N/R	12.16%	11.64%
	100.00%	96.06%

(iv) Liquidity risk:

The Pool is exposed to liquidity risk to the extent that it is subject to daily cash redemptions of redeemable units. Therefore, the Pool invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Pool retains sufficient cash positions to maintain liquidity.

(v) Currency risk:

The Pool uses the Canadian dollar as its functional and reporting currency. Currency risk is the risk that the value of monetary assets and liabilities denominated in currencies other than the Canadian dollar (the functional currency of the Pool), will fluctuate due to changes in exchange rates.

The only foreign currency to which the Pool was exposed at December 31, 2021 and 2020 was the U.S. dollar. The following tables illustrate the potential impact to the Pool's net assets, all other variables held constant, as a result of a 5 percent change in these currencies relative to the Canadian dollar.

As at December 31, 2021	Foreign currencies ($)	Forward currency contract	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 174,720	$ (176,180)	$ (1,460)	$ (73)	(0.02)%
Cash	43	–	43	2	0.00%
Other assets less liabilities	2,288	–	2,288	114	0.03%
	$ 177,051	$ (176,180)	$ 871	$ 43	0.01%

As at December 31, 2020	Foreign currencies ($)	Forward currency contract	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 184,821	$ (184,455)	$ 366	$ 18	0.00%
Cash	87	–	87	4	0.00%
Other assets less liabilities	2,520	–	2,520	126	0.00%
	$ 187,428	$ (184,455)	$ 2,973	$ 148	0.00%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(vi) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The market segments are represented as a percentage of financial assets at FVTPL. The following is a summary of the Pool's concentration risk:

Market segment Long	December 31, 2021	December 31, 2020
	%	%
Short-term investments	4.97	–
Government bonds	0.77	–
Corporate bonds	81.45	88.31
Term loans	4.14	5.56
Mortgage backed securities	7.67	4.80
Capital goods	0.21	0.23
Energy	0.72	1.10
Telecommunication services	0.07	–
	100.00	100.00

(vii) Other risk:

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgements and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Pool in future periods.

9. Fair value disclosure:

(i) Valuation models:

The Pool's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument 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. The Pool's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements.

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

The Pool's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument 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. The Pool's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Pool classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: 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: 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: 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. Changes in valuation methods may result in transfers into, or out of, a financial instrument's assigned level.

(ii) Fair value hierarchy - financial instruments measured at fair value:

The following tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of December 31, 2021 and 2020:

Financial assets at fair value as at December 31, 2021:

December 31, 2021	Level 1	Level 2	Level 3	Total
Equities - long	$ 859	$ –	$ 3,279	$ 4,138
Bonds	–	348,190	11,303	359,493
Mortgage backed securities	–	31,909	–	31,909
Short term investments	–	20,693	–	20,693
Forward currency contracts	–	316	–	316
	$ 859	$ 401,108	$ 14,582	$ 416,549

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

Financial assets at fair value as at December 31, 2020:

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities - long	$ 700	$ –	$ 3,272	$ 3,972
Bonds	–	266,225	15,290	281,515
Mortgage backed securities	–	14,402	–	14,402
	$ 700	$ 280,627	$ 18,562	$ 299,889

During the years ended December 31, 2021 and for the period from June 29, 2020 to December 31, 2020, there was no transfers between levels 1 and 2. The financial instruments not measured at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Level 3 securities have been valued based upon third party broker quotes provided without a range, pricing services and valuation models. (2020 - provided without a range, pricing services and at cost which approximates fair value).

During the year ended December 31, 2021, $6,218 of bonds were transferred from level 3 to level 2 due to the increased availability of observable inputs used in the measurement of fair value of these securities.

Reconciliation of Level 3:

For the year ended December 31, 2021:

	Balance at December 31, 2020	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2021
Corporate bonds	$ 15,290	$ 2,541	$ (510)	$ (6,218)	$ 35	$ 165	$ 11,303
Equities	3,272	–	(101)	–	101	7	3,279
	$ 18,562	$ 2,541	$ (611)	$ (6,218)	$ 136	$ 172	$ 14,582

For the period from June 20, 2020 to December 31, 2020:

	Balance at December 31, 2019	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2020
Corporate bonds	$ –	$ 15,211	$ (264)	$ –	$ 18	$ 325	$ 15,290
Equities	–	3,366	–	–	–	(94)	3,272
	$ –	$ 18,577	$ (264)	$ –	$ 18	$ 231	$ 18,562

The change in unrealized gain related to Level 3 investments held at December 31, 2021 was $162 (2020 - change in unrealized gain of $231).