VALUE PARTNERS INVESTMENTS

VPI INCOME POOL

ANNUAL FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGERS

VALUE PARTNERS INVESTMENTS INC.
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	Dean Bjarnarson
Chief Operating Officer and Secretary	Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of VPI Income Pool

Opinion

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

- statements of financial position as at December 31, 2021 and December 31, 2020;
- statements of comprehensive income (loss) for the years then ended;
- statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- statements of cash flows for the years then ended; 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 years then ended 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 INCOME 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	$	603,121	$	607,266
Cash and cash equivalents		2,245		1,864
Accrued dividends receivable		587		592
Accrued interest receivable for distribution purposes		10,676		5,455
Subscriptions receivable		716		937
	$	617,345	$	616,114
Liabilities				
Accounts payable and accrued liabilities	$	116	$	117
Redemptions payable		352		640
Management fees payable (notes 4 and 5)		894		903
Distributions payable		772		1,017
Due to Manager		6		–
Due to broker		10,676		5,411
		12,816		8,088
Net assets attributable to holders of redeemable units	$	604,529	$	608,026
Net assets attributable to holders of redeemable units per series:				
Series A	$	520,129	$	515,422
Series F		66,907		73,266
Series O		17,493		19,338
Net assets attributable to holders of redeemable units per unit:				
Series A	$	12.07	$	10.59
Series F		11.83		10.42
Series O		10.51		9.38
Number of redeemable units outstanding:				
Series A		43,099		48,650
Series F		5,657		7,029
Series O		1,665		2,062

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

VPI INCOME POOL

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

Years ended December 31, 2021 and 2020

	2021	2020
Investment income (loss):		
Interest income for distribution purposes	$ –	$ 7,243
Dividend income	14,801	16,857
Foreign exchange gain (loss) on cash	151	(89)
Income distribution from investments	16,274	7,587
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	25,452	(124,673)
Net realized gain (loss) on forward currency contracts	–	(479)
Change in unrealized appreciation in value of investments	42,799	42,470
Change in unrealized appreciation (depreciation) in value of forward currency contracts	–	(1,295)
	99,477	(52,379)
Expenses:		
Administration	189	198
Audit fees	16	18
Independent review committee fees	8	12
Security holder reporting costs	312	355
Custodian fees	29	26
Interest expense	73	–
Filing fees	25	26
Legal fees	2	3
Management fees (notes 4 and 5)	10,458	11,426
Registered plan fees	15	16
Trustee fees	5	5
Withholding taxes	845	651
Transaction costs	122	587
	12,099	13,323
Absorbed expenses (notes 4 and 5)	(19)	(23)
	12,080	13,300
Increase (decrease) in net assets attributable to holders of redeemable units	$ 87,397	$ (65,679)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ 74,099	$ (56,034)
Series F	10,364	(9,063)
Series O	2,934	(582)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ 1.64	$ (1.00)
Series F	1.74	(1.04)
Series O	1.69	(0.24)

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

VPI INCOME POOL

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

Years ended December 31, 2021 and 2020

	Series A		Series F		Series O		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of year	$ 515,422	$ 705,609	$ 73,266	$ 115,199	$ 19,338	$ 23,326	$ 608,026	$ 844,134
Increase (decrease) in net assets attributable to holders of redeemable units	74,099	(56,034)	10,364	(9,063)	2,934	(582)	87,397	(65,679)
Redeemable unit transactions:								
Proceeds from redeemable units issued	47,967	44,229	5,944	9,474	3,830	7,580	57,741	61,283
Reinvestment of distributions to holders of redeemable units	8,316	13,014	1,432	2,322	572	562	10,320	15,898
Redemption of redeemable units	(118,895)	(180,005)	(22,337)	(41,849)	(8,330)	(10,319)	(149,562)	(232,173)
	(62,612)	(122,762)	(14,961)	(30,053)	(3,928)	(2,177)	(81,501)	(154,992)
Distributions to holders of redeemable units:								
Net investment income	(6,780)	(11,391)	(1,762)	(2,817)	(851)	(1,229)	(9,393)	(15,437)
Net increase (decrease) in net assets attributable to holders of redeemable units	4,707	(190,187)	(6,359)	(41,933)	(1,845)	(3,988)	(3,497)	(236,108)
Net assets attributable to holders of redeemable units, end of year	$ 520,129	$ 515,422	$ 66,907	$ 73,266	$ 17,493	$ 19,338	$ 604,529	$ 608,026
Increase (decrease) in redeemable units outstanding:								
Beginning of year	48,650	61,017	7,029	10,089	2,062	2,239	57,741	73,345
Issued	4,178	4,248	522	959	382	868	5,082	6,075
Issued on reinvestment of distributions	727	1,301	127	237	56	64	910	1,602
Redeemed	(10,456)	(17,916)	(2,021)	(4,256)	(835)	(1,109)	(13,312)	(23,281)
Redeemable units outstanding, end of year`	43,099	48,650	5,657	7,029	1,665	2,062	50,421	57,741
Weighted average units outstanding, during the year	45,137	55,833	5,960	8,717	1,733	2,381		

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

VPI INCOME POOL

Statements of Cash Flows
(In thousands of dollars)

Years ended December 31, 2021 and 2020

	2021	2020
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 87,397	$ (65,679)
Adjustments for:		
Foreign exchange loss (gain) on cash	(151)	89
Net realized loss (gain) on sale of investments	(25,452)	124,673
Transaction costs	122	587
Income distribution from investments	(9,681)	(4,302)
Change in unrealized appreciation in value of investments	(42,799)	(42,470)
Change in unrealized depreciation in forward currency contracts	–	1,295
Purchase of investments	(58,764)	(956,912)
Proceeds from sale of investments	140,719	1,109,780
Dividends receivable	5	1,212
Interest receivable for distribution purposes	(5,221)	(3,272)
Management fees payable	(9)	(367)
Other payables and accrued expenses	(1)	(16)
Due from Manager (note 5)	–	1
Due to Manager	6	–
Due to broker	5,265	5,520
Net cash from operating activities	91,436	170,139
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	682	1,478
Proceeds from redeemable units issued	53,953	53,070
Redemption of redeemable units	(145,841)	(224,898)
Net cash used in financing activities	(91,206)	(170,350)
Foreign exchange gain (loss) on cash	151	(89)
Net increase (decrease) in cash and cash equivalents	381	(300)
Cash and cash equivalents, beginning of year	1,864	2,164
Cash and cash equivalents, end of year	$ 2,245	$ 1,864
Supplementary information:		
Dividends received, net of withholding tax	$ 13,961	$ 17,418
Interest received, net of withholding tax	1,299	7,256

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

VPI INCOME 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	Average cost	Fair value	% of net assets
Mutual Funds:					
24,971,864	VPI Corporate Bond Pool - Series O		$ 253,026	$ 271,465	44.90
Equities:					
Automobiles and Components:					
211,800	Honda Motor Co Ltd. ADR		7,106	7,611	
35,500	Magna International Inc.		2,231	3,633	
			9,337	11,244	1.86
Banks:					
66,200	Bank of Montreal		5,534	9,016	
95,100	Bank of Nova Scotia		5,731	8,516	
57,775	Canadian Imperial Bank of Commerce		5,500	8,519	
64,865	Royal Bank of Canada		5,275	8,708	
88,330	Toronto-Dominion Bank		5,566	8,566	
			27,606	43,325	7.17
Capital Goods:					
35,000	3M Company		8,078	7,853	
18,000	Lockheed Martin Corp.		7,776	8,081	
73,900	Siemens AG		6,186	8,084	
			22,040	24,018	3.97
Commercial and Professional Services:					
57,600	Wolters Kluwer NV		6,283	8,572	1.42
Communication Services:					
150,000	Rogers Communications Inc., Class B		8,877	9,035	1.49
Consumer Services:					
57,000	Starbucks Corp.		5,747	8,422	1.39
Diversified Financials:					
14,500	S&P Global Inc.		6,602	8,644	1.43
Food, Beverage and Tobacco:					
132,000	Asahi Group Holdings, Ltd.		8,172	6,478	
34,000	Diageo PLC ADR		5,742	9,454	
52,500	Nestle S.A. ADR		8,041	9,309	
50,000	The J.M. Smucker Company		7,283	8,578	
			29,238	33,819	5.59
Food and Staples Retailing:					
350,000	Carrefour S.A.		7,759	8,097	
82,000	Loblaw Companies Ltd.		5,158	8,498	
138,000	Seven & I Holdings Co., Ltd.		5,954	7,653	
			18,871	24,248	4.01
Healthcare Equipment and Services:					
81,000	CVS Health Corp.		5,802	10,555	
16,000	UnitedHealth Group Inc.		6,390	10,148	
			12,192	20,703	3.42

VPI INCOME POOL

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

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Average cost	Fair value	% of net assets
Insurance:					
220,000	Great-West Lifeco Inc.		$ 5,057	$ 8,351	
137,000	Sun Life Financial Inc.		6,861	9,646	
			11,918	17,997	2.98
Materials:					
46,500	Symrise AG		7,801	8,703	
			7,801	8,703	1.44
Pharmaceuticals, Biotechnology and Life Sciences:					
83,000	Merck & Co., Inc.		7,891	8,035	
140,500	Roche Holding AG ADR		8,352	9,174	
			16,243	17,209	2.85
Real Estate:					
1,162,000	Firm Capital Property Trust		4,515	9,226	1.53
Semiconductors and Semiconductor Equipment:					
82,000	Intel Corp.		5,785	5,334	0.88
Software and Services:					
38,800	Broadridge Financial Solutions Inc.		6,545	8,960	
275,000	Infosys Ltd.		5,385	8,792	
70,000	Oracle Corp.		4,713	7,711	
			16,643	25,463	4.21
Technology Hardware and Equipment:					
108,500	Cisco Systems Inc.		5,744	8,685	
60,000	Logitech International S.A.		6,508	6,395	
			12,252	15,080	2.49
Telecommunication Services:					
137,125	BCE Inc.		7,280	9,024	
314,200	Deutsche Telekom AG ADR		7,243	7,346	
131,400	Nippon Telegraph & Telephone Corp.		4,225	4,540	
100,000	Nippon Telegraph & Telephone Corp. ADR		3,162	3,462	
			21,910	24,372	4.03
Utilities:					
700,000	Enel SpA		8,648	7,085	
150,000	Fortis Inc.		7,879	9,155	
			16,527	16,240	2.69
Warrants:					
176,200	Firm Capital Apartment Real Estate Investment Trust	14-Mar-22	127	–	–

VPI INCOME POOL

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

December 31, 2021

Number of units, shares or par value	Description	Maturity date	Average cost	Fair value	% of net assets
Summary:					
Mutual Funds			$ 253,026	$ 271,465	44.90
Equities			260,516	331,656	54.85
			513,542	603,121	99.75
Transaction costs			(199)		
Total financial assets at FVTPL			513,343	603,121	99.75
Cash:					
Domestic			214	214	
Foreign			2,039	2,031	
Total cash			2,253	2,245	0.37
Liabilities, net of other assets				(837)	(0.12)
Total net assets attributable to holders of redeemable units				$ 604,529	100.00

Schedule 1 - Asset Composition of Underlying Fund
December 31, 2021

As at December 31, 2021, 44.9 percent of the net assets of the Pool were invested in VPI Corporate Bond Pool Series O (the Underlying Fund). As a result, the major asset classes in which the Underlying Fund was invested at the end of the period are indicated below.

Description	Percentage
Corporate bonds	81.45%
Mortgage backed securities	7.67%
Short-term investments	4.97%
Term loans	4.14%
Equities	1.00%
Government bonds	0.77%
	100.00%

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

1. Reporting entity:

(a) VPI Income Pool (the Pool) is an open-ended mutual fund trust, established on September 26, 2005 by declaration of trust under the laws of the Province of Ontario. As of March 2017, 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 October 20, 2005 with one series of units: Series A. On July 3, 2007, the Pool began offering Series B and Series F units. On July 5, 2017, the Pool began offering Series O units. The Pool no longer offers Series B and Cardinal Series units.

The Pool's objective is to place a strong emphasis on avoiding material or long-term capital losses while investing in securities that provide a reasonable level of income and the potential for long-term capital growth. The Pool invests primarily in fixed income and equity securities that pay income.

(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.

1. Reporting entity (continued):

(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, if any, 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 orair 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.

Assessment and decision on the business model approach used is an accounting judgement.

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 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.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(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 (loss) in the period in which they occur. The Pool has classified its investments in securities as FVTPL.

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.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(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. The Pool classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable, due to Manager 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.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(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 (loss) 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 (loss).

(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).

3. Significant accounting policies (continued):

(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 (loss) 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.

(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 the Pool based on a percentage of the net asset value of each series of units as of the close of business on each business day calculated at the following annual rates:

Series A	1.80%
Series F	0.90%

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. 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 years ended December 31, 2021 and 2020.

(In thousands of dollars, except for unit amounts)

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	$ 894	$ 903
Due to Manager	6	–

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

	2021	2020
Management fees	$ 10,458	$ 11,426
Absorbed expenses	(19)	(23)

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.

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

	2021	2020
Series F	47,360	45,918

At December 31, 2021, the Pool holds 24,971,864 (2020 - 22,984,438) Series O units of the VPI Corporate Bond Pool (note 10) with a fair value at December 31, 2021 of $271,465 (2020 - 248,791). The VPI Corporate Bond Pool is managed by the same Manager as the Pool.

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the years ended December 31, 2021 and 2020 are disclosed in the statements of comprehensive income (loss).

There were $6 of soft dollar commissions paid during the years ended December 31, 2021 (2020-nil).

(In thousands of dollars, except for unit amounts)

7. Income taxes:

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

Capital losses available for carry forward as of December 31, 2021 and 2020 are as follows:

	2021	2020
Capital losses	$ 109,667	$ 124,225

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 professional, experienced portfolio managers, 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. 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 and 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	$ 331,656	54.85%	$ 16,583	2.74%
As at December 31, 2020	$ 358,475	58.96%	$ 17,924	2.95%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

For the Underlying Fund, the most significant exposure to other price risk arises from investments in equity securities. The following table shows the exposure of the Underlying Fund 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	$ 4,139	0.68%	$ 207	0.03%
As at December 31, 2020	$ 3,972	0.65%	$ 199	0.03%

(ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds and mortgages. Cash, short term investments and other money market instruments are short term in nature and are not generally subject to significant amounts of interest rate risk.

As of December 31, 2021 and 2020, the Pool does not directly hold any interest-bearing financial instruments such as bonds or mortgages. The Pool is indirectly exposed to interest rate risk to the extent that the value of interest-bearing financial instruments in the Underlying Fund will fluctuate due to changes in the prevailing levels of interest rates. The table below summarizes the Pool's indirect exposure to interest rate risk through its investment in the Underlying Fund, 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	$ 19,551	$ 43,698	$ 74,245	$ 131,272	$ 2,699	$ 271,465

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	$ 3,934	$ 36,381	$ 90,391	$ 114,790	$ 3,295	$ 248,791

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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 each 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	$ 4,396	0.73%
As at December 31, 2020	$ 2,396	0.39%

(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 fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments represents the maximum credit risk exposure as at 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.

The Pool may enter into forward currency contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short-term spot settlements carried out with counterparties with a credit rating of at least "A". The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

As at December 31, 2021 and 2020, the Pool did not directly hold any debt securities. However, the Pool is indirectly exposed to credit risk to the extent that the value of debt securities in the Underlying Fund will fluctuate due to changes in the prevailing levels of the interest rates.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The Pool's exposure to debt securities by credit rating are as follows:

As at December 31, 2021	% of debt securities	% of net assets
AAA	12.20%	5.30%
AA	1.89%	0.82%
A	4.40%	1.91%
BBB	31.00%	13.47%
BB	24.93%	10.83%
B	15.22%	6.61%
CCC	5.89%	2.56%
N/R	4.47%	1.94%
	100.00%	43.44%

As at December 31, 2020	% of debt securities	% of net assets
AA	0.40%	0.16%
A	0.26%	0.10%
BBB	28.79%	11.31%
BB	27.75%	10.91%
B	22.06%	8.67%
CCC	8.58%	3.37%
N/R	12.16%	4.76%
	100.00%	39.28%

(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 their 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 financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, the Pool's reporting currency, will fluctuate due to changes in exchange rates.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The Pool may enter into forward currency contracts to reduce its foreign currency exposure.

The foreign currencies to which the Pool was exposed at December 31, 2021 are included in following table. The following table illustrates 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 ($)	Net exposure	Impact on net assets ($)	Impact on net assets (%)
United States dollar	$ 164,656	$ 164,656	$ 8,233	1.36%
Euro	32,495	32,495	1,625	0.27%
Japanese yen	18,811	18,811	941	0.16%
Swiss franc	6,446	6,446	322	0.05%
	$ 222,408	$ 222,408	$ 11,121	1.84%

As at December 31, 2020	Foreign currencies ($)	Net exposure	Impact on net assets ($)	Impact on net assets (%)
United States dollar	$ 188,077	$ 188,077	$ 9,404	1.54%
Euro	22,953	22,953	1,148	0.19%
Japanese yen	9,539	9,539	477	0.08%
Swiss franc	10,365	10,365	518	0.09%
	$ 230,934	$ 230,934	$ 11,547	1.90%

The Pool was indirectly exposed to foreign currencies held by the Underlying Fund. The only foreign currencies held by the Underlying Fund at December 31, 2021 and 2020 was the U.S. dollar. The following table illustrates 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%
Other assets less liabilities	$ 177,051	$ (176,180)	$ 871	$ 43	0.01%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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%

(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
	%	%
Automobiles and components	1.86	2.78
Banks	7.19	7.94
Capital goods	3.98	2.78
Commercial and professional services	1.42	1.49
Communication services	1.50	1.46
Consumer services	1.40	1.50
Diversified financials	1.43	1.40
Energy	–	2.69
Food, beverage and tobacco	5.62	4.24
Food and staples retailing	4.02	3.12
Health care equipment and services	3.43	3.00
Insurance	2.98	2.74
Materials	1.44	1.57
Mutual fund	45.02	40.98
Pharmaceuticals, biotechnology and life sciences	2.85	2.98
Real estate	1.53	2.25
Retailing	–	1.39
Semiconductors and semiconductor equipment	0.88	1.69
Software and services	4.22	4.61
Technology hardware and equipment	2.50	3.26
Telecommunication services	4.04	4.85
Utilities	2.69	1.28
Total	100.00	100.00

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The Underlying Fund makes up a significant portion of the Pool, thus the concentration risk of the Underlying Fund as a percentage of the Pool's FVTPL is disclosed below:

Market segment Long	December 31, 2021	December 31, 2020
	%	%
Short-term investments	2.23	–
Government bonds	0.35	–
Corporate bonds	36.81	36.19
Term loans	1.62	2.28
Mortgage backed securities	3.44	1.97
Capital goods	0.09	0.09
Energy	0.32	0.45
Telecommunication services	0.03	–
	44.89	40.98

(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. 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).

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

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 and liabilities at fair value as at December 31, 2021:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 331,656	$ –	$ –	$ 331,656
Mutual funds	271,465	–	–	271,465
	$ 603,121	$ –	$ –	$ 603,121

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

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 358,088	$ –	$ 387	$ 358,475
Mutual funds	248,791	–	–	248,791
	$ 606,879	$ –	$ 387	$ 607,266

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

During the years ended December 31, 2021 and 2020, there were no transfers between levels. The financial instruments not measured at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

At December 31, 2020, Level 3 securities were valued based upon a recent transaction price.

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
Equities	$ 387	$ –	$ –	$ –	$ –	$ (387)	$ –

For the year ended 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	$ 9,920	$ 157	$ (8,404)	$ –	$ (2,086)	$ 413	$ –
Equities	4,674	127	(3,366)	–	(1,308)	260	387
Warrants	2,626	–	(2,520)	–	2,520	(2,626)	–
	$ 17,220	$ 284	$ (14,290)	$ –	$ (874)	$ (1,953)	$ 387

The change in unrealized gain related to Level 3 investments held at December 31, 2021 was nil (2020 - change in unrealized gain of $260).

10. Investments with structured entities:

The Pool has determined that the the Underlying Fund in which it invests is an unconsolidated structured entity. This represents a significant judgment by the Pool as decision making about the Underlying Fund’s investing activities are not governed by voting rights held by the Pool and other investors.

(In thousands of dollars, except for unit amounts)

10. Investments with structured entities (continued):

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

Entity	Nature and purpose	Interest held by the Pool
Investment fund	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investment in units issued by the Underlying Fund

The change in fair value of the Underlying Fund is included in the statements of comprehensive income (loss) in 'Change in unrealized appreciation (depreciation) in value of investments'.

The table below sets out the interests held by the Pool in unconsolidated structured entities. The maximum exposure to loss is the carrying amounts of the financial assets held.

December 31, 2021			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Income Pool	1	$ 426,227	$ 271,465

Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
VPI Corporate Bond Pool	Canada	Canada	$ 271,465

December 31, 2020			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Income Pool	1	$ 309,299	$ 248,791

Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
VPI Corporate Bond Pool	Canada	Canada	$ 248,791

10. Investments with structured entities (continued):

For the years ended December 31, 2021 and 2020, the Pool did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support in the future. The Pool can redeem their units in the above Underlying Fund at any time, subject to sufficient liquidity.