



**VALUE  
PARTNERS**  
INVESTMENTS

# **VPI CANADIAN BALANCED POOL**

## **ANNUAL FINANCIAL STATEMENTS**

YEARS ENDED DECEMBER 31, 2020 AND 2019

### **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

### **PORTFOLIO MANAGER**

DIXON MITCHELL INVESTMENT COUNSEL INC.

## 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

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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of VPI Canadian Balanced Pool

### **Opinion**

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

- statements of financial position as at December 31, 2020 and December 31, 2019;
- statements of comprehensive income 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 (herein after 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, 2020 and December 31, 2019, 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:

- 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.

The image shows a handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, slightly slanted style. Below the signature, there is a horizontal line that starts under the 'K' and ends under the 'P', with a small upward tick at the end.

Chartered Professional Accountants

Winnipeg, Canada

March 22, 2021

# VPI CANADIAN BALANCED POOL

Statements of Financial Position

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

As at	December 31, 2020	December 31, 2019
<b>Assets</b>		
Financial assets at fair value through profit or loss	\$ 661,695	\$ 523,749
Cash and cash equivalents	21,766	21,765
Accrued dividends receivable	402	322
Accrued interest receivable for distribution purposes	607	910
Subscriptions receivable	538	230
	<b>\$ 685,008</b>	<b>\$ 546,976</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 117	\$ 114
Redemptions payable	242	192
Due to manager (note 5)	35	–
Management fees payable (notes 4 and 5)	1,000	841
	<b>1,394</b>	<b>1,147</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 683,614</b>	<b>\$ 545,829</b>
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 583,455	\$ 473,503
Series F	87,261	64,539
Series O	12,898	7,787
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 17.42	\$ 16.04
Series F	17.72	16.31
Series O	12.91	11.86
Number of redeemable units outstanding:		
Series A	33,498	29,522
Series F	4,925	3,958
Series O	999	657

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

# VPI CANADIAN BALANCED POOL

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

Years ended December 31, 2020 and 2019

	2020	2019
Investment income:		
Interest income for distribution purposes	\$ 4,197	\$ 3,827
Dividend income	8,713	7,695
Foreign exchange loss on cash	(130)	(2)
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on sale of investments	22,840	3,694
Change in unrealized appreciation in value of investments	35,688	54,057
	71,308	69,271
Expenses:		
Administration	159	182
Audit fees	18	16
Independent review committee fees	6	7
Security holder reporting costs	248	207
Custodian fees	25	21
Filing fees	34	24
Legal fees	3	1
Management fees (notes 4 and 5)	10,231	8,749
Registered plan fees	11	8
Trustee fees	5	5
Withholding taxes	280	273
Transaction costs	102	38
	11,122	9,531
Absorbed expenses (notes 4 and 5)	(8)	(6)
	11,114	9,525
Increase in net assets attributable to holders of redeemable units	\$ 60,194	\$ 59,746
Increase in net assets attributable to holders of redeemable units per series:		
Series A	\$ 50,880	\$ 48,549
Series B	-	3,364
Series F	8,051	6,989
Series O	1,263	844
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 1.62	\$ 1.85
Series B	-	1.97
Series F	1.83	2.01
Series O	1.56	1.61

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

# VPI CANADIAN BALANCED POOL

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

Years ended December 31, 2020 and 2019

	Series A		Series B		Series F		Series O		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units, beginning of year	\$ 473,503	\$ 346,791	\$ –	\$ 28,307	\$ 64,539	\$ 43,153	\$ 7,787	\$ 4,243	\$ 545,829	\$ 422,494
Increase in net assets attributable to holders of redeemable units	50,880	48,549	–	3,364	8,051	6,989	1,263	844	60,194	59,746
Redeemable unit transactions:										
Proceeds from redeemable units issued	106,169	114,563	–	1,064	24,534	20,846	4,214	3,413	134,917	139,886
Reinvestment of distributions to holders of redeemable units	6,392	2,208	–	–	1,143	497	328	118	7,863	2,823
Redemption of redeemable units	(48,385)	(37,436)	–	(32,735)	(9,485)	(6,383)	(366)	(713)	(58,236)	(77,267)
	64,176	79,335	–	(31,671)	16,192	14,960	4,176	2,818	84,544	65,442
Distributions to holders of redeemable shares:										
Net realized gains on investments	(4,985)	–	–	–	(752)	–	(110)	–	(5,847)	–
Net investment income	(119)	(1,172)	–	–	(769)	(563)	(218)	(118)	(1,106)	(1,853)
Total distributions paid to holders of redeemable units	(5,104)	(1,172)	–	–	(1,521)	(563)	(328)	(118)	(6,953)	(1,853)
Net increase (decrease) in net assets attributable to holders of redeemable units	109,952	126,712	–	(28,307)	22,722	21,386	5,111	3,544	137,785	123,335
Net assets attributable to holders of redeemable units, end of year	\$ 583,455	\$ 473,503	\$ –	\$ –	\$ 87,261	\$ 64,539	\$ 12,898	\$ 7,787	\$ 683,614	\$ 545,829
Increase (decrease) in redeemable units outstanding:										
Beginning of year	29,522	24,475	–	2,009	3,958	3,005	657	408	34,137	29,897
Issued	6,580	7,318	–	69	1,482	1,323	348	299	8,410	9,009
Issued on reinvestment of distributions	376	140	–	–	65	31	26	10	467	181
Redeemed	(2,980)	(2,411)	–	(2,078)	(580)	(401)	(32)	(60)	(3,592)	(4,950)
Redeemable units outstanding, end of year	33,498	29,522	–	–	4,925	3,958	999	657	39,422	34,137
Weighted average units outstanding, during the year	31,378	26,310	–	1,708	4,389	3,479	810	523		

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

# VPI CANADIAN BALANCED POOL

Statements of Cash Flows  
(In thousands of dollars)

Years ended December 31, 2020 and 2019

	2020	2019
Cash flows from (used in) operating activities:		
Increase in net assets attributable to holders of redeemable units	\$ 60,194	\$ 59,746
Adjustments for:		
Foreign exchange loss on cash	130	2
Net realized gain on sale of investments	(22,840)	(3,694)
Transaction costs	102	38
Change in unrealized appreciation in value of investments	(35,688)	(54,057)
Purchase of investments	(254,959)	(167,730)
Proceeds from sale of investments	175,439	101,616
Dividends receivable	(80)	254
Interest receivable for distribution purposes	303	(429)
Accounts payable and accrued liabilities	3	(5)
Due to Manager	35	—
Management fees payable	159	193
Net cash used in operating activities	(77,202)	(64,066)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	910	970
Proceeds from redeemable units issued	129,489	104,277
Redemption of redeemable units	(53,066)	(41,194)
Net cash from financing activities	77,333	64,053
Foreign exchange loss on cash	(130)	(2)
Net increase (decrease) in cash and cash equivalents	1	(15)
Cash and cash equivalents, beginning of year	21,765	21,780
Cash and cash equivalents, end of year	\$ 21,766	\$ 21,765
Supplementary information:		
Dividends received, net of withholding tax	\$ 8,353	\$ 7,676
Interest received, net of withholding tax	4,500	3,398

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



# VPI CANADIAN BALANCED POOL

## Schedule of Investments

(In thousands of dollars, except for unit amounts)

December 31, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Short term investments:</b>						
5,000,000	Canadian Treasury Bill	21-Jan-21	0.160	\$ 4,997	\$ 4,997	
5,000,000	Canadian Treasury Bill	18-Feb-21	0.170	4,996	4,996	
5,000,000	Canadian Treasury Bill	4-Mar-21	0.110	4,998	4,998	
5,000,000	Canadian Treasury Bill	1-Apr-21	0.109	4,998	4,998	
5,000,000	Canadian Treasury Bill	20-May-21	0.120	4,996	4,996	
5,000,000	Canadian Treasury Bill	23-Jun-21	0.141	4,996	4,996	
				29,981	29,981	4.39
<b>Bonds:</b>						
<b>Federal:</b>						
2,500,000	Canada Housing Trust No 1	15-Mar-22	2.650	2,553	2,573	
2,400,000	Canada Housing Trust No 1	15-Jun-24	2.900	2,430	2,602	
3,510,000	Canada Housing Trust No 1	15-Mar-25	2.550	3,744	3,803	
7,215,000	Canada Housing Trust No 1	15-Dec-25	1.950	7,667	7,682	
4,555,000	Canada Housing Trust No 1	15-Jun-27	2.350	4,997	5,008	
970,000	Canadian Government Bond	1-Dec-64	2.750	1,519	1,483	
2,750,000	Canadian Government Real Return Bond	1-Dec-36	4.006	4,130	5,792	
1,000,000	PSP Capital Inc.	18-Aug-21	1.340	995	1,007	
2,300,000	PSP Capital Inc.	4-Apr-24	3.290	2,393	2,507	
3,438,000	PSP Capital Inc.	5-Nov-25	3.000	3,488	3,809	
3,000,000	PSP Capital Inc.	15-Jun-26	0.900	2,997	3,017	
				36,913	39,283	5.75
<b>Provincial:</b>						
3,180,000	Municipal Finance Authority of British Columbia	2-Oct-25	2.650	3,474	3,465	
2,400,000	OPB Finance Trust	2-Feb-26	2.950	2,534	2,648	
3,000,000	Province of Alberta	1-Sep-21	1.350	2,985	3,024	
4,000,000	Province of Alberta	15-Dec-22	2.550	3,934	4,176	
3,100,000	Province of Alberta	1-Jun-24	3.100	3,243	3,371	
5,000,000	Province of Alberta	1-Jun-30	2.050	5,198	5,288	
3,500,000	Province of British Columbia	18-Dec-22	2.700	3,367	3,666	
1,520,000	Province of British Columbia	18-Jun-37	4.700	1,953	2,166	
1,000,000	Province of Manitoba	2-Jun-23	2.550	925	1,052	
1,500,000	Province of Manitoba	5-Mar-37	5.700	2,102	2,283	
2,100,000	Province of Ontario	2-Jun-26	2.400	2,035	2,277	
1,700,000	Province of Ontario	2-Dec-26	8.000	2,673	2,392	
1,570,000	Province of Ontario	2-Jun-37	4.700	1,988	2,222	
2,500,000	Province of Ontario	2-Jun-39	4.600	3,435	3,566	
5,177,000	Province of Ontario	2-Jun-41	4.650	7,513	7,557	
2,000,000	Province of Quebec	1-Dec-22	3.500	2,085	2,123	
900,000	Province of Quebec	1-Sep-23	3.000	888	962	
2,000,000	Province of Quebec	1-Sep-26	2.500	1,954	2,188	
1,900,000	Province of Saskatchewan	3-Jun-24	3.200	1,967	2,072	
				54,253	56,498	8.26
<b>Corporate:</b>						
5,400,000	407 International Inc.	25-May-32	2.590	5,574	5,821	
2,000,000	AltaGas Ltd.	30-May-28	2.075	2,008	2,030	
2,000,000	AltaLink Investments LP	7-Mar-22	2.244	1,994	2,032	
3,061,000	Apple Inc.	19-Aug-24	2.513	3,163	3,257	
4,360,000	Bank of Nova Scotia	1-May-23	2.380	4,529	4,534	
1,250,000	bclMC Realty Corp.	29-Jun-22	3.510	1,338	1,306	
2,600,000	Canadian Western Bank	13-Sep-21	2.788	2,612	2,642	
1,000,000	Canadian Western Bank	14-Sep-23	1.570	1,000	1,017	
1,000,000	Canadian Western Bank	16-Dec-27	1.818	1,000	1,009	
3,000,000	CU Inc.	22-Nov-21	4.801	3,422	3,116	
2,000,000	Daimler Canada Finance Inc.	8-Jul-21	1.910	1,996	2,015	
1,435,000	Enbridge Gas Inc.	1-Apr-30	2.900	1,525	1,607	

# VPI CANADIAN BALANCED POOL

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

December 31, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Corporate (continued):</b>						
1,250,000	Royal Bank of Canada	5-Dec-23	2.333	\$ 1,225	\$ 1,313	
2,100,000	Royal Bank of Canada	16-Jul-25	4.930	2,443	2,486	
200,000	SmartCentres Real Estate Investment Trust	16-Dec-25	1.740	200	201	
500,000	SmartCentres Real Estate Investment Trust	18-Dec-28	2.307	500	502	
2,000,000	Suncor Energy Inc.	26-Nov-21	3.100	2,036	2,040	
2,000,000	Toyota Credit Canada Inc.	25-Feb-21	2.200	2,007	2,005	
3,500,000	VW Credit Canada Inc.	25-Sep-23	1.200	3,507	3,533	
3,402,000	Walt Disney Co.	30-Mar-27	3.057	3,594	3,724	
2,300,000	Wells Fargo & Co.	19-May-26	2.975	2,305	2,483	
1,200,000	Wells Fargo Canada Corp.	24-Jan-23	3.460	1,274	1,270	
				49,252	49,943	7.31
<b>Total bonds</b>				140,418	145,724	21.32
<b>Equities:</b>						
<b>Banks:</b>						
255,580	Bank of Nova Scotia			15,027	17,584	
230,419	Canadian Western Bank			6,897	6,595	
228,753	Royal Bank of Canada			19,341	23,925	
347,793	Toronto-Dominion Bank			14,822	25,013	
				56,087	73,117	10.70
<b>Capital Goods:</b>						
304,514	Badger Daylighting Ltd.			8,864	11,581	
22,001	Roper Technologies Inc.			9,527	12,083	
				18,391	23,664	3.46
<b>Commercial and Professional Services:</b>						
125,925	Thomson Reuters Corp.			3,973	13,119	1.92
<b>Communication Services:</b>						
114,400	Rogers Communications Inc., Class B			4,192	6,779	0.99
<b>Consumer Durables &amp; Apparel:</b>						
329,505	Gildan Activewear Inc.			9,688	11,727	1.72
<b>Consumer Services:</b>						
246,700	MTY Food Group Inc.			11,056	14,296	2.09
<b>Diversified Financials:</b>						
100,325	Berkshire Hathaway Inc., Class B			22,570	29,636	
287,885	Brookfield Asset Management Inc.			11,385	15,149	
756,830	Element Fleet Management Corp.			9,883	10,126	
				43,838	54,911	8.03
<b>Energy:</b>						
245,100	Canadian Natural Resources Ltd.			9,163	7,498	
226,870	Enbridge Inc.			7,746	9,236	
				16,909	16,734	2.45
<b>Food &amp; Staples Retailing:</b>						
321,982	Alimentation Couche-Tard Inc., Class B			8,867	13,968	2.04

# VPI CANADIAN BALANCED POOL

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

December 31, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Food, Beverage &amp; Tobacco:</b>						
66,900	Diageo PLC ADR			\$ 7,040	\$ 13,535	
263,330	Saputo Inc.			10,468	9,382	
				17,508	22,917	3.35
<b>Healthcare, Equipment &amp; Services:</b>						
50,916	Becton, Dickinson and Company			15,755	16,231	
80,000	CVS Health Corp.			9,507	6,961	
				25,262	23,192	3.39
<b>Insurance:</b>						
209,911	Manulife Financial Corp.			3,922	4,754	0.70
<b>Materials:</b>						
213,957	Stella Jones Inc.			8,031	9,902	1.45
<b>Media &amp; Entertainment:</b>						
10,180	Alphabet Inc., Class A			20,103	22,731	3.33
<b>Pharmaceuticals, Biotechnology &amp; Life Sciences:</b>						
30,750	Thermo Fisher Scientific Inc.			7,511	18,247	2.67
<b>Retailing:</b>						
270,702	Dollarama Inc.			10,693	14,044	2.05
<b>Software and Services:</b>						
94,506	Microsoft Corp.			2,493	26,780	
186,149	Oracle Corp.			8,096	15,341	
114,189	Visa Inc.			2,694	31,820	
				13,283	73,941	10.82
<b>Technology Hardware and Equipment:</b>						
126,735	Apple Inc.			2,369	21,424	
182,794	Cisco Systems Inc.			8,143	10,421	
				10,512	31,845	4.66
<b>Transportation:</b>						
167,340	Canadian National Railway Co.			8,078	23,419	
193,541	TFI International Inc.			5,968	12,683	
				14,046	36,102	5.28
Total equities				303,872	485,990	71.10
Transaction costs				(159)		
Total financial assets at FVTPL				474,112	661,695	96.81
<b>Cash:</b>						
Domestic				20,714	20,714	
Foreign				1,056	1,052	
Total cash				21,770	21,766	3.18
Other assets less liabilities					153	0.01
Total net assets attributable to holders of redeemable units					\$ 683,614	100.00

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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## 1. Reporting entity:

- (a) VPI Canadian Balanced Pool (the Pool) is an open-ended mutual fund trust, established on September 19, 2007 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 1, 2007 with three series of units: Series A, Series B and Series F. On July 5, 2017, the Pool began offering Series O units. Effective December 2, 2019, all Series B units were converted to Series A units. Subsequently, the Pool no longer offers Series B units.

The Pool's objective is to generate long term growth in value and income by investing in a diversified portfolio of Canadian government and corporate bonds, Canadian and foreign equities, trust and limited partnership units, preferred shares and index or sector proxies, such as index participation units. It is designed to provide both moderate income and reasonable growth over the long term, while being sufficiently diversified to mitigate volatility.

- (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 B units were subject to a fixed sales commission payable by the Manager at the time of purchase. The investor is subject to a redemption fee if units are redeemed within three years 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 charges.

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.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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## 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 22, 2021.

### (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).

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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### 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.

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, 2020 and 2019, no amounts have been offset in the statements of financial position.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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## 3. Significant accounting policies (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 in the period in which they occur. The Pool has classified its investments in securities, derivative financial assets and derivative financial liabilities 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.

### (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.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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### 3. Significant accounting policies (continued):

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 and management fees payable 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.

#### (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.



# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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### 3. Significant accounting policies (continued):

(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 currency gain (loss) on cash and other net assets' 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.

(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.

(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.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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### 3. Significant accounting policies (continued):

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:

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Series A	1.80%
Series B (note 1 [a])	2.00%
Series F	0.90%

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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, 2020 and 2019.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 5. Related party transactions:

Related party balances of the Pool as at December 31, 2020 and 2019 are as follows:

	2020	2019
Management fees payable	\$ 1,000	\$ 841
Due to manager	35	–

Related party transactions of the Pool for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Management fees	\$ 10,231	\$ 8,749
Absorbed expenses	(8)	(6)

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, 2020 and 2019, the parent company of the Manager held the following number of units in the Pool:

	2020	2019
Series F	31,559	30,856

## 6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the years ended December 31, 2020 and 2019 are disclosed in the statements of comprehensive income.

There were no soft dollar commissions paid during years ended December 31, 2020 and 2019.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 7. Income taxes:

Capital losses available for carry forward as of December 31, 2020 and 2019 are as follows:

	2020	2019
Capital losses	\$ —	\$ 3,827

## 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. 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, 2020	\$ 485,990	71.10%	\$ 24,300	3.55%
As at December 31, 2019	\$ 366,782	67.19%	\$ 18,339	3.36%

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 8. Financial risk management (continued):

### (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, 2020	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 45,830	\$ 29,556	\$ 35,255	\$ 65,064	\$ 485,990	\$ 661,695

As at December 31, 2019	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 61,798	\$ 36,484	\$ 20,230	\$ 38,454	\$ 366,783	\$ 523,749

At December 31, 2020 and 2019, 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, 2020	\$ 2,095	0.31%
As at December 31, 2019	1,175	0.22%

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 8. Financial risk management (continued):

### (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 bonds and debt securities such as Canada Treasury Bills. 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, 2020 and 2019.

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, 2020	% of debt securities	% of net assets
AAA	44.71%	11.50%
AA	10.45%	2.69%
A	34.71%	8.92%
BBB	10.13%	2.60%
	100.00%	25.71%

  

As at December 31, 2019	% of debt securities	% of net assets
AAA	42.85%	12.32%
AA	18.33%	5.27%
A	36.21%	10.41%
BBB	2.61%	0.75%
	100.00%	28.75%

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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## 8. Financial risk management (continued):

### (iv) Liquidity risk:

The Pool is exposed to liquidity risk to the extent 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, 2020 and 2019 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 this currency relative to the Canadian dollar.

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As at December 31, 2020	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 226,270	\$ 11,318	1.65%

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As at December 31, 2019	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 174,206	\$ 8,711	1.60%

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### (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.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 8. Financial risk management (continued):

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	December 31,	December 31,
Long	2020	2019
	%	%
Short term investments	4.53	5.66
Corporate bonds	7.55	11.34
Federal bonds	5.94	4.97
Provincial bonds	8.54	8.01
Banks	11.05	11.20
Capital goods	3.58	3.51
Commercial and professional services	1.98	2.23
Consumer durables & apparel	1.77	1.74
Consumer services	2.16	1.03
Diversified financials	8.30	5.31
Energy	2.53	5.16
Food, beverage and tobacco	3.46	3.40
Food & staples retailing	2.11	2.01
Health care equipment and services	3.50	1.32
Insurance	0.72	1.06
Materials	1.50	1.29
Media & entertainment	3.44	–
Pharmaceuticals, biotechnology & life sciences	2.76	5.41
Software and services	11.17	13.08
Retailing	2.12	–
Technology hardware and equipment	4.81	6.34
Communication services	1.02	1.31
Transportation	5.46	4.62
	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.



# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

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## 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 amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 table presents information about the Pool's assets which are recorded at fair value on a recurring basis as of December 31, 2020 and 2019.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

Years ended December 31, 2020 and 2019

## 9. Fair value disclosure (continued):

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

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 485,990	\$ –	\$ –	\$ 485,990
Bonds	–	145,724	–	145,724
Short term investments	–	29,981	–	29,981
	\$ 485,990	\$ 175,705	\$ –	\$ 661,695

Financial assets at fair value as at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 366,782	\$ –	\$ –	\$ 366,782
Bonds	–	127,339	–	127,339
Short term investments	–	29,628	–	29,628
	\$ 366,782	\$ 156,967	\$ –	\$ 523,749

At December 31, 2020 and 2019, 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.