VPI INCOME POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER

VALUE PARTNERS INVESTMENTS INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Value Partners Investments Inc., the Manager of the Pools, appoints independent auditors to audit the Pool's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice.

The Pool's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants Canada.

VPI INCOME POOL

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

June 30, 2021 and December 31, 2020 (unaudited)

As at	June 30, 2021	December 31 2020
Assets		
Financial assets at fair value through profit or loss	$ 588,735	$ 607,266
Cash and cash equivalents	18,600	1,864
Accrued dividends receivable	460	592
Accrued interest receivable for distribution purposes	1,090	5,455
Subscriptions receivable	1,197	937
	$ 610,082	$ 616,114
Liabilities		
Accounts payable and accrued liabilities	$ 99	$ 117
Redemptions payable	798	640
Management fees payable (notes 4 and 5)	869	903
Distributions payable	1,113	1,017
Due to brokers	1,044	5,411
	3,923	8,088
Net assets attributable to holders of redeemable units	$ 606,159	$ 608,026
Net assets attributable to holders of redeemable units per series:		
Series A	$ 522,953	$ 515,422
Series F	66,252	73,266
Series O	16,954	19,338
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 11.68	$ 10.59
Series F	11.48	10.42
Series O	10.30	9.38
Number of redeemable units outstanding:		
Series A	44,791	48,650
Series F	5,772	7,029
Series O	1,646	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 and units, except for per unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	2021	2020
Investment income (loss):		
Interest income for distribution purposes	$ 2,893	$ 6,842
Dividend income	7,906	7,144
Foreign exchange gain on cash	15	161
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	17,026	(134,082)
Net realized gain on forward currency contracts	–	1,061
Change in unrealized appreciation in value of investments	41,729	547
Change in unrealized depreciation in forward currency contracts	–	(3,742)
	69,569	(122,069)
Expenses:		
Administration	86	112
Audit fees	8	8
Independent review committee fees	7	10
Security holder reporting costs	169	190
Custodian fees	14	15
Filing fees	13	1
Legal fees	3	–
Management fees (notes 4 and 5)	5,154	5,968
Registered plan fees	8	7
Trustee fees	3	3
Withholding taxes	548	369
Transaction costs	87	281
	6,100	6,964
Absorbed expenses (notes 4 and 5)	(10)	(11)
	6,090	6,953
Increase (decrease) in net assets attributable to holders of redeemable units	$ 63,479	$ (129,022)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ 53,915	$ (108,989)
Series F	7,468	(17,190)
Series O	2,096	(2,843)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ 1.17	$ (1.86)
Series F	1.20	(1.83)
Series O	1.14	(1.20)

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)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	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 periods	$ 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	53,915	(108,989)	7,468	(17,190)	2,096	(2,843)	63,479	(129,022)
Redeemable unit transactions:								
Proceeds from redeemable units issued	24,260	26,333	2,522	6,314	2,470	6,784	29,252	39,431
Reinvestment of distributions to holders of redeemable units	4,633	7,176	712	1,189	239	202	5,584	8,567
Redemption of redeemable units	(71,381)	(81,034)	(16,848)	(20,646)	(6,814)	(3,875)	(95,043)	(105,555)
	(42,488)	(47,525)	(13,614)	(13,143)	(4,105)	3,111	(60,207)	(57,557)
Distributions to holders of redeemable units:								
Net investment income	(3,896)	(6,306)	(868)	(1,453)	(375)	(520)	(5,139)	(8,279)
Net increase (decrease) in net assets attributable to holders of redeemable units	7,531	(162,820)	(7,014)	(31,786)	(2,384)	(252)	(1,867)	(194,858)
Net assets attributable to holders of redeemable units, end of periods	$ 522,953	$ 542,789	$ 66,252	$ 83,413	$ 16,954	$ 23,074	$ 606,159	$ 649,276
Increase in redeemable units outstanding:								
Beginning of periods	48,650	61,017	7,029	10,089	2,062	2,239	57,741	73,345
Issued	2,181	2,478	228	638	251	779	2,660	3,895
Issued on reinvestment of distributions	415	718	65	122	24	23	504	863
Redeemed	(6,455)	(8,129)	(1,550)	(2,116)	(691)	(386)	(8,696)	(10,631)
Redeemable units outstanding, end of periods	44,791	56,084	5,772	8,733	1,646	2,655	52,209	67,472
Weighted average units outstanding, during the periods	46,205	58,525	6,204	9,385	1,845	2,369		

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

VPI INCOME POOL

Statements of Cash Flows
(In thousands of dollars)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	2021	2020
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 63,479	$ (129,022)
Adjustments for:		
Foreign exchange gain on cash	(15)	(161)
Net realized (gain) loss on sale of investments	(17,026)	134,082
Transaction costs	87	281
Change in unrealized appreciation in value of investments	(41,729)	(547)
Change in unrealized depreciation in forward currency contracts	–	3,742
Purchase of investments	(27,978)	(531,970)
Proceeds from sale of investments	105,177	629,476
Dividends receivable	132	1,241
Interest receivable for distribution purposes	4,365	57
Other payables and accrued expenses	(4,385)	(1,932)
Management fees payable	(34)	(278)
Due to Manager	–	1
Net cash from operating activities	82,073	104,970
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	541	1,374
Proceeds from redeemable units issued	26,639	31,626
Redemption of redeemable units	(92,532)	(99,007)
Net cash used in financing activities	(65,352)	(66,007)
Foreign exchange gain on cash	15	161
Net increase in cash and cash equivalents	16,736	39,124
Cash and cash equivalents, beginning of period	1,864	2,164
Cash and cash equivalents, end of period	$ 18,600	$ 41,288
Supplementary information:		
Dividends received, net of withholding tax	$ 7,490	$ 8,016
Interest received, net of withholding tax	7,258	6,899

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

VPI INCOME POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Mutual funds:						
23,501,499	VPI Corporate Bond Pool - Series O			$ 236,803	$ 267,057	44.06
Equities:						
Automobiles and components:						
225,000	Honda Motor Ltd. ADR			7,549	8,966	
35,500	Magna International Inc.			2,231	4,074	
				9,780	13,040	2.15
Banks:						
66,200	Bank of Montreal			5,534	8,411	
115,100	Bank of Nova Scotia			6,937	9,279	
70,775	Canadian Imperial Bank of Commerce			6,738	9,987	
77,865	Royal Bank of Canada			6,332	9,779	
111,330	Toronto-Dominion Bank			7,016	9,671	
				32,557	47,127	7.77
Capital goods:						
80,000	Siemens AG ADR			6,697	7,889	1.30
Commercial and professional services:						
70,000	Wolters Kluwer NV			7,636	8,709	1.44
Communication services:						
150,000	Rogers Communications Inc. - Class B			8,877	9,886	1.63
Consumer services:						
57,000	Starbucks Corp.			5,747	7,892	1.30
Diversified financials:						
16,000	S&P Global Inc.			7,285	8,132	1.34
Food, beverage and tobacco:						
40,000	Diageo PLC ADR			6,755	9,496	
60,300	Nestle S.A. ADR			9,237	9,314	
50,000	The J.M. Smucker Company			7,283	8,022	
				23,275	26,832	4.43
Food and staples retailing:						
350,000	Carrefour S.A.			7,759	8,524	
100,000	Loblaw Companies Ltd.			6,290	7,629	
115,000	Seven & I Holdings Co., Ltd.			4,940	6,796	
50,000	Seven & I Holdings Co., Ltd. ADR			1,101	1,475	
				20,090	24,424	4.03
Healthcare, equipment and services:						
81,000	CVS Health Corp.			5,802	8,369	
16,000	UnitedHealth Group Inc.			6,390	7,934	
				12,192	16,303	2.69

VPI INCOME POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Insurance:						
220,000	Great-West Lifeco Inc.			$ 5,057	$ 8,100	
137,000	Sun Life Financial Inc.			6,861	8,757	
				11,918	16,857	2.78
Materials:						
29,000	Symrise AG			5,096	5,004	
110,000	Symrise AG ADR			4,383	4,749	
				9,479	9,753	1.61
Pharmaceuticals, biotechnology and life sciences:						
83,000	Merck & Co Inc.			7,891	7,993	
153,500	Roche Holding AG ADR			9,124	8,932	
				17,015	16,925	2.79
Real estate:						
1,290,000	Firm Capital Property Trust			5,396	9,314	1.54
Retailing:						
20,000	Home Depot Inc.			7,125	7,898	1.30
Semiconductors and semiconductor equipment:						
82,000	Intel Corporation			5,785	5,700	0.94
Software and services:						
42,000	Broadridge Financial Solutions Inc.			7,085	8,401	
360,000	Infosys Ltd.			7,050	9,447	
85,000	Oracle Corp.			5,723	8,193	
				19,858	26,041	4.30
Technology hardware and equipment:						
135,500	Cisco Systems Inc.			7,173	8,893	
60,000	Logitech International S.A.			6,508	9,010	
				13,681	17,903	2.95
Telecommunication services:						
137,125	BCE Inc.			7,280	8,382	
360,000	Deutsche Telekom AG			8,299	9,478	
131,400	Nippon Telegraph & Telephone Corp.			4,225	4,243	
100,000	Nippon Telegraph & Telephone Corp. ADR			3,162	3,243	
				22,966	25,346	4.18
Utilities:						
650,000	Enel SpA			8,062	7,476	
150,000	Fortis Inc.			7,879	8,231	
				15,941	15,707	2.59
Warrants:						
176,200	Firm Capital American Real Estate Investment Trust	13-Mar-22		127	–	

VPI INCOME POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Summary:						
Mutual Funds				$ 236,803	$ 267,057	44.06
Equities				263,427	321,678	53.06
				500,230	588,735	97.12
Transaction costs				(203)		
Total financial assets at FVTPL				500,027	588,735	97.12
Cash:						
Domestic				(296)	(296)	
Foreign				17,437	18,896	
Total cash				17,141	18,600	3.07
Liabilities, net of other assets					(1,176)	(0.19)
Total net assets attributable to holders of redeemable units					$ 606,159	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. 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 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.

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

(c) Unitholders may redeem all or part of their units by delivering a written request to do so to the Manager or Trustee or to an investment dealer, securities dealer or mutual fund dealer for delivery to the Manager or Trustee.

1. Reporting entity (continued):

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 Accounting Standard 34 Interim Financial Reporting (IAS 34), as published by the International Accounting Standards Board (IASB) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on August 23, 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).

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 June 30, 2021 and 2020, no amounts have been offset in the statements of financial position.

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 (loss) 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.

3. Significant accounting policies (continued):

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, due from broker, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable, due to Manager and due to brokers as amortized cost. Cash includes cash on deposit with the custodian.

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

(iv) Impairment:

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

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

(v) Forward currency contracts:

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

3. Significant accounting policies (continued):

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).

(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.

3. Significant accounting policies (continued):

(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%

No management fee is charged to the Pool with respect to Series O units. Instead, each investor negotiates a separate fee that is paid directly to the Manager.

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

(In thousands of dollars, except for unit amounts)

4. Management fees and expenses (continued):

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

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

The Manager absorbed a portion of the operating expenses (note 5) of the Pool during the six-month periods ended June 30, 2021 and 2020.

5. Related party transactions:

Related party balances of the Pool as at June 30, 2021 and December 31, 2020 are as follows:

	2021	2020
Management fees payable	$ 869	$ 903
Due from manager	–	–

Related party transactions of the Pool for the years ended June 30, 2021 and 2020 are as follows:

	2021	2020
Management fees	$ 5,154	$ 5,968
Absorbed expenses	(10)	(11)

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 June 30, 2021 and December 31, 2020, the Manager held the following number of units in the Pool:

	2021	2020
Series F	46,621	45,918

(In thousands of dollars, except for unit amounts)

5. Related party transactions (continued):

As of June 30, 2021, the Pool holds 23,501,499 (2020 - 22,984,438) units of the VPI Corporate Bond Pool (note 10) with a fair value of $267,057 (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 six-month periods ended June 30, 2021 and 2020 are disclosed in the statements of comprehensive income (loss).

There were no soft dollar commissions paid during the six-month periods ended June 30, 2021 and 2020.

7. Income taxes:

As of December 31, 2020 and 2019, there were no non-capital losses available for carry forward.

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

	2020	2019
Capital losses	$ 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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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

(i) Other price risk:

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

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

	Fair value of equities	% of net assets	Impact on net assets ($)	Impact on net assets (%)
As at June 30, 2021	$ 321,678	53.06%	$ 16,084	2.65%
As at December 31, 2020	$ 358,475	58.96%	$ 17,924	2.95%

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 June 30, 2021	$ 4,359	0.72%	$ 218	0.04%
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. 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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As of June 30, 2021 and December 31, 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 June 30, 2021	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 16,497	$ 57,992	$ 81,631	$ 107,853	$ 3,085	$ 267,057

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

At June 30, 2021 and December 31, 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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

		Impact on net assets ($)	Impact on net assets (%)
As at June 30, 2021	$	2,079	0.34%
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 Pool's greatest concentration of credit risk is in debt securities such as bonds. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments represents the maximum credit risk exposure as at June 30, 2021 and December 31, 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 June 30, 2021 and December 31, 2020, the Pool 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.

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

As at June 30, 2021	% of debt securities	% of net assets
AAA	9.21%	3.93%
AA	1.14%	0.49%
A	1.83%	0.78%
BBB	23.76%	10.13%
BB	21.04%	8.97%
B	16.89%	7.20%
CCC	12.00%	5.12%
N/R	14.13%	6.02%
	100.00%	42.64%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As at December 31, 2020	% of debt securities	% of net assets
AA	0.40%	0.16%
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. The Pool may enter into forward currency contracts to reduce its foreign currency exposure.

The foreign currencies to which the Pool was exposed at June 30, 2021 and December 31, 2020 are included in following table. The following tables illustrate the potential impact to the Pool's net assets, all other variables held constant, as a result of a 5 percent change in these currencies relative to the Canadian dollar and include the underlying principal of forward currency contracts, if any.

As at June 30, 2021	Foreign currencies ($)	Net exposure	Impact on net assets ($)	Impact on net assets (%)
United States dollar	$ 175,394	$ 175,394	$ 8,770	1.45%
Euro	32,353	32,353	1,618	0.27%
Japanese yen	11,216	11,216	561	0.09%
Swiss franc	9,014	9,014	451	0.07%
	$ 227,977	$ 227,977	$ 11,400	1.88%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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 June 30, 2021 and December 31, 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 June 30, 2021	Foreign currencies ($)	Forward currency contract	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 196,208	$ (205,602)	$ (9,394)	$ (470)	(0.12)%
Cash	2,450	–	2,450	123	0.03%
Other assets less liabilities	2,629	–	2,629	131	0.03%
	$ 201,287	$ (205,602)	$ 4,315	$ (216)	(0.06)%

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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The following is a summary of the Pool's concentration risk:

Market segment Long	June 30, 2021	December 31, 2020
	%	%
Automobiles and components	2.21	2.78
Banks	8.00	7.94
Capital goods	1.34	2.78
Commercial and professional services	1.48	1.49
Communication services	1.68	1.46
Consumer services	1.34	1.50
Diversified financials	1.38	1.40
Energy	–	2.69
Food, beverage and tobacco	4.56	4.24
Food and staples retailing	4.15	3.12
Health care equipment and services	2.77	3.00
Insurance	2.86	2.74
Materials	1.66	1.57
Mutual funds	45.37	40.98
Pharmaceuticals, biotechnology and life sciences	2.87	2.98
Real estate	1.58	2.25
Retailing	1.34	1.39
Semiconductors and semiconductor equipment	0.97	1.69
Software and services	4.42	4.61
Technology hardware and equipment	3.04	3.26
Telecommunication services	4.31	4.85
Utilities	2.67	1.28
Total	100.00	100.00

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	June 30, 2021	December 31, 2020
	%	%
Corporate bonds	36.84	36.19
Term loans	2.96	2.28
Mortgage backed securities	3.75	1.97
Capital goods	0.09	0.09
Energy	0.38	0.45
Telecommunication services	0.04	–
Total	44.06	40.98

8. Financial risk management (continued):

(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). 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.

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

(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 June 30, 2021 and December 31, 2020:

Financial assets and liabilities at fair value as at June 30, 2021:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 321,678	$ –	$ –	$ 321,678
Mutual funds	267,057	–	–	267,057
	$ 588,735	$ –	$ –	$ 588,735

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

During the six-month periods ended June 30, 2021 and the period ended December 31, 2020, there was no transfers between levels.

Level 3 securities have been valued based upon third party broker quotes provided without a range.

Reconciliation of Level 3:

For the year ended June 30, 2021:

	Balance at December 31, 2020	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at June 30, 2021
Equities	$ 387	$ –	$ –	$ –	$ –	$ (387)	$ –

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

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 June 30, 2021 was $nil (2020 - change in unrealized gain of $260).

10. Investments with structured entities:

The Pool has determined that 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. 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.

(In thousands of dollars, except for unit amounts)

10. Investments with structured entities (continued):

June 30, 2021			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Income Pool	1	$ 384,825	$ 267,057

Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
VPI Corporate Bond Pool	Canada	Canada	$ 267,057

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

For the six-month period ended June 30, 2021 and the year ended December 31, 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.