



**VALUE  
PARTNERS**  
INVESTMENTS

## **VPI MORTGAGE POOL**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021**

### **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

### **PORTFOLIO MANAGER**

HSBC GLOBAL ASSET MANAGEMENT (CANADA) LIMITED

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This interim management report of fund performance contains financial highlights but does not contain either interim or annual financial statements of the Pool. If you have not received a copy of the interim financial statements with this interim management report of fund performance, you may obtain a copy at your request, and at no cost, by calling toll-free at 1-866-323-4235, by writing to us at 300-175 Hargrave Street, R3C 3R8, by visiting our website at [www.valuepartnersinvestments.ca](http://www.valuepartnersinvestments.ca) or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com). You may also contact us using one of these methods to request a copy of the Pool's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



## Interim Management Discussion of Fund Performance

August 23, 2021

The Interim Management Report of Fund Performance presents management's view of the significant factors and developments affecting the Pool's performance and outlook since December 31, 2020, the Pool's most recent fiscal year-end. This report should be read in conjunction with the Annual Management Report of Fund Performance for the year ended December 31, 2020.

### Results of Operations

Net assets of the Pool decreased by approximately \$2.8 million for the six-months ended June 30, 2021 due largely to net redemptions of \$2.3 million. The Pool also experienced a decrease in net assets from operations of \$163 thousand and paid out income distributions to unitholders of \$297 thousand. The decrease in net assets from operations was due to \$309 thousand in management fees and operating expenses and \$587 thousand of unrealized depreciation in value of investments offset by \$613 thousand of interest income and \$120 thousand in net realized gains on the sale of investments.

During the period, the Portfolio Manager purchased and disposed of units in the HSBC Mortgage Fund (the "Underlying Fund") as cash proceeds became available, or cash redemptions were required from unitholders. As per the Pool's objective, the only investment made during the period was in units of the Underlying Fund.

Each series of the Pool experienced a loss or return in the range of -0.4% to 0.2% during the period which was slightly ahead of the -0.5% loss of the benchmark FTSE TMX Short Term Bond Index.

The COVID-19 economic recovery differs in many ways from recoveries of previous recessions largely due to the scale and immediacy of fiscal stimulus from governments around the world. The spectre of higher inflation and strong GDP growth pushed investors to rotate out of last year's winners in bonds, gold and high-growth stocks to commodities and economically sensitive sectors of the stock market.

The Bank of Canada did not renew many of the expiring asset purchase programs it had enacted in 2020 due to the dramatic improvement in financial market conditions over the past 12 months. Markets are expecting the Bank of Canada to begin hiking rates in mid-2022, given upside inflation surprises, expectations of strong growth over the second half of 2021 and less labour market scarring than expected.

### Revenues and Expenses

Revenues of the Pool amounted to \$613 thousand, representing interest income distributed from the Underlying Fund and realized a \$120 thousand gain on the sale of investments. The Pool also experienced \$587 thousand of unrealized depreciation in the value of investments and incurred \$309 thousand in management fees and operating expenses, net of \$42 thousand of expenses absorbed by the Manager to maintain the Pool's MER at a competitive level.

### Recent Developments

#### *Economic Conditions*

The fastest bear market of all time in the first half of 2021 has given way to a fast but steady recovery, driven by a reduction in downside tail risks with the advent of effective COVID-19 vaccines. The Portfolio Manager expects policymakers to remain accommodative, but inflation concerns and strong growth will likely prompt a measured and gradual reduction of monetary policy over the coming years. The Underlying Fund is modestly overweight short-term mortgages given their attractive valuations compared to government bonds. The Portfolio Manager continues to be modestly underweight in duration versus the benchmark, with a steepening bias to the yield curve.



**Portfolio Allocation**

Mutual Funds	98.6%	Other Net Assets	-0.1%
Cash	1.5%		

**Top 25 Holdings**

Issuer	Percentage of Net Assets
HSBC Mortgage Fund, Institutional Series	98.6%
Cash	1.5%
Other Net Assets	-0.1%
<b>Total</b>	<b>100.0%</b>

As at June 30, 2021, the net assets of the Pool were invested primarily in the Underlying Fund. As a result, the top 25 holdings of the Underlying Fund at the end of the period and the major asset classes in which the Underlying Fund was invested are indicated below.

**Portfolio Allocation – Underlying Fund**

Residential Mortgages	79.9%	Mortgage-backed Securities	2.3%
Bonds	11.0%		
Cash & Equivalents	6.8%		

**Top 25 Holdings – Underlying Fund**

Issuer	Maturity Date	Coupon Rate	Percentage of Net Assets
Residential Mortgages			79.9%
Canada Housing Trust by CMHC, a government agency	15-Dec-21	1.2%	2.5%
Canada Housing Trust by CMHC, a government agency	15-Mar-22	2.7%	1.7%
Government of Canada	23-Dec-21		1.4%
Royal Bank of Canada	02-Jul-21	0.2%	1.2%
Merrill Lynch, NHA	01-Sep-24	1.8%	0.8%
Bank of Nova Scotia	06-Jul-21		0.7%
Scotia Capital, NHA	01-Oct-24	1.9%	0.6%
Volkswagen Credit Canada Inc.	19-Jul-21	1.0%	0.5%
Suncor Energy Inc	05-Aug-24		0.5%
Scotia Capital, NHA	01-Jul-24	1.9%	0.5%
Choice Properties Real Estate	21-Mar-22	3.0%	0.5%
The Toronto-Dominion Bank	22-Apr-30	3.1%	0.4%
Enbridge Inc	08-Jul-21	0.8%	0.4%
Enbridge Inc.	02-Jul-21		0.4%
Bank of Nova Scotia	02-Jul-21		0.3%
BHP Billiton Finance Ltd.	15-May-23	3.2%	0.3%
Empire Life Insurance Company	16-Dec-26	3.4%	0.3%
Suncor Energy Inc	29-Sep-21		0.3%
Manulife Bank of Canada	07-Feb-22		0.3%
Honda Canada Finance Inc	12-Jul-21		0.2%
Enbridge Inc	19-Jul-21		0.2%
Coast Capital Savings Federal	02-Jul-21		0.2%
Bank of America Corporation	25-Apr-25	2.9%	0.2%
CCL Industries Inc	13-Apr-28	3.9%	0.2%
<b>Total</b>			<b>94.5%</b>

The above summary of investment portfolio may change due to ongoing portfolio transactions of the Pool and the Underlying Fund. An update will be made available within 60 days of each subsequent quarter-end. Additional information about the Underlying Fund, including its prospectus, is available at [www.SEDAR.com](http://www.SEDAR.com).



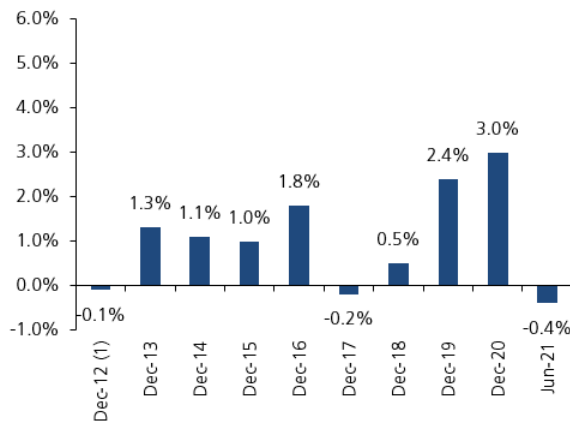
**Past Performance**

The historical performance information shown below assumes that all distributions were reinvested in the Pool and does not account for any sales, redemptions, distributions or optional charges or income taxes payable by an investor that would have reduced returns. Mutual fund returns are not guaranteed, their values change frequently, and past performance may not be repeated.

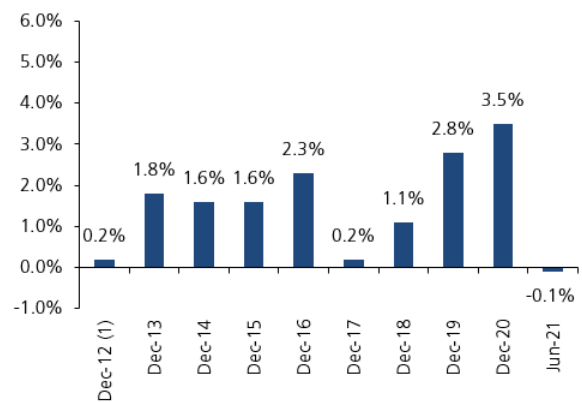
**Year-by-Year Returns**

The bar charts below show the performance of each series of the Pool (net of fees) for the six-month period ended June 30, 2021, and the previous years ended December 31 or since inception to December 31. It shows in percentage terms, how an investment made on January 1 or on inception would have increased or decreased by the end of the respective periods.

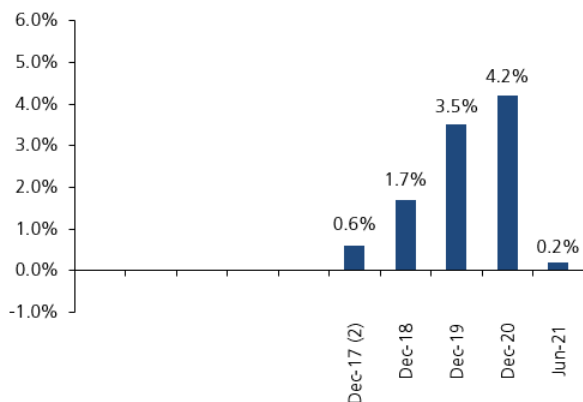
**Series A**



**Series F**



**Series O**



(1) 2012 return is since inception on October 30, 2012

(2) 2017 return is since inception on July 5, 2017.

The past performance for the Underlying Fund is available in the Underlying Fund’s annual and interim management report of fund performance and its annual and interim financial statements, all available on [www.SEDAR.com](http://www.SEDAR.com).



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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six-month period ended June 30, 2021

### VPI MORTGAGE POOL

#### **Management Fees**

The Pool pays an annual management fee on each of its series (excluding Series O) to Value Partners Investments Inc. (“the Manager”). The management fee is calculated daily as a percentage of the net asset value of each series as of the close of business on each business day. In consideration for the management fees, the Manager may pay a percentage sales commission and/or trailing commission to registered dealers or brokers for units bought and held in the Pool depending on which series of units were purchased. The Manager also pays a portion of the management fee to the Portfolio Manager for its services in managing the investment portfolio.

For the six-month period ended June 30, 2021, approximately 28% of the management fee revenues received by the Manager from the Pool were paid to registered dealers and brokers as sales and/or trailing commissions. Since each series may have a different commission structure, this percentage may vary by series. For unitholders eligible for the Management Fee Reduction Program, approximately 18% of the gross management fees were returned to unitholders as management fee rebates. The remainder of the management fee revenue, after payment of fees to the Portfolio Manager for its services, was retained by the Manager for corporate purposes.

#### **Related Party Transactions**

Value Partners Investments Inc. is the manager of the Pool and is responsible for the overall business and operations of the Pool. For the six-months ended June 30, 2021, the Pool paid \$236 thousand in management fees (excluding taxes) to the Manager. For the six-month period ended June 30, 2021, the Manager absorbed \$42 thousand of the Pool’s operating expenses. In addition, the parent company of the Manager also held 211,435 Series F units and 1 Series O unit of the Pool as of June 30, 2021.



**Financial Highlights**

The following tables show selected key financial information about each series of the Pool and are intended to help you understand the Pool's financial performance for the past five years ended December 31 and the six-month period ended June 30, 2021. *This information is derived from the Pool's audited annual financial statements and interim unaudited financial statements and is not intended to be a reconciliation of the net asset value per unit.*

**The Pool's Net Assets Per Unit (\$) <sup>(1)</sup>**

<b>Series A</b>	<b>June 30 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>Net assets, beginning of period</b>	<b>10.13</b>	<b>9.93</b>	<b>9.82</b>	<b>9.86</b>	<b>9.98</b>	<b>9.93</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.10	0.24	0.25	0.25	0.23	0.25
Total expenses	(0.06)	(0.13)	(0.12)	(0.13)	(0.12)	(0.12)
Realized gains (losses) for the period	0.02	0.03	(0.01)	(0.04)	(0.01)	(0.01)
Unrealized gains (losses) for the period	(0.10)	0.15	0.10	(0.03)	(0.12)	0.07
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.04)</b>	<b>0.29</b>	<b>0.22</b>	<b>0.05</b>	<b>(0.02)</b>	<b>0.19</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	(0.03)	(0.18)	(0.11)	(0.10)	(0.09)	(0.12)
From dividends	-	-	-	-	-	-
From capital gains	-	-	(0.01)	-	(0.01)	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.03)</b>	<b>(0.18)</b>	<b>(0.12)</b>	<b>(0.10)</b>	<b>(0.10)</b>	<b>(0.12)</b>
<b>Net assets, end of period</b>	<b>10.06</b>	<b>10.13</b>	<b>9.93</b>	<b>9.82</b>	<b>9.86</b>	<b>9.98</b>

<b>Series F</b>	<b>June 30 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
<b>Net assets, beginning of period</b>	<b>9.82</b>	<b>9.68</b>	<b>9.61</b>	<b>9.71</b>	<b>9.88</b>	<b>9.87</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.10	0.23	0.24	0.24	0.23	0.26
Total expenses	(0.03)	(0.07)	(0.07)	(0.07)	(0.07)	(0.07)
Realized gains (losses) for the period	0.02	0.02	(0.02)	(0.04)	(0.01)	(0.01)
Unrealized gains (losses) for the period	(0.10)	0.16	0.13	(0.03)	(0.13)	0.06
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.01)</b>	<b>0.34</b>	<b>0.28</b>	<b>0.10</b>	<b>0.02</b>	<b>0.24</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	(0.07)	(0.27)	(0.20)	(0.20)	(0.20)	(0.21)
From dividends	-	-	-	-	-	-
From capital gains	-	-	(0.01)	-	(0.01)	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.07)</b>	<b>(0.27)</b>	<b>(0.21)</b>	<b>(0.20)</b>	<b>(0.21)</b>	<b>(0.21)</b>
<b>Net assets, end of period</b>	<b>9.74</b>	<b>9.82</b>	<b>9.68</b>	<b>9.61</b>	<b>9.71</b>	<b>9.88</b>



INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
For the six-month period ended June 30, 2021

VPI MORTGAGE POOL

Financial Highlights (continued)

Series O <sup>(4)</sup>	June 30 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017
<b>Net assets, beginning of period<sup>(4)</sup></b>	<b>9.85</b>	<b>9.77</b>	<b>9.76</b>	<b>9.92</b>	<b>10.00</b>
<b>Increase from operations:</b>					
Total revenue	0.10	0.23	0.20	0.22	0.09
Total expenses	-	-	-	-	-
Realized gains (losses) for the period	0.02	0.03	(0.03)	(0.03)	(0.01)
Unrealized gains (losses) for the period	(0.10)	0.14	0.17	0.02	(0.08)
<b>Total increase from operations<sup>(2)</sup></b>	<b>0.02</b>	<b>0.40</b>	<b>0.34</b>	<b>0.21</b>	<b>-</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.12)	(0.38)	(0.34)	(0.32)	(0.14)
From dividends	-	-	-	-	-
From capital gains	-	-	(0.01)	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.38)</b>	<b>(0.35)</b>	<b>(0.32)</b>	<b>(0.14)</b>
<b>Net assets, end of period</b>	<b>9.78</b>	<b>9.85</b>	<b>9.77</b>	<b>9.76</b>	<b>9.92</b>

(1) This information is derived from the Pool's audited annual financial statements and from the interim unaudited financial statements for the current period ended June 30, 2021.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional units of the Pool, or both.

(4) Inception date: July 5, 2017



**Ratios and Supplemental Data**

<b>Series A</b>	<b>June 30 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
Total net asset value (000's) <sup>(1)</sup>	\$34,467	\$37,456	\$25,847	\$23,792	\$28,808	\$24,165
Number of units outstanding (000's) <sup>(1)</sup>	3,428	3,699	2,603	2,423	2,921	2,421
Management expense ratio <sup>(2)</sup>	1.38%	1.38%	1.38%	1.35%	1.35%	1.35%
Management expense ratio before waivers or absorptions	1.53%	1.53%	1.66%	1.63%	1.51%	1.85%
Trading expense ratio <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	20.83%	31.78%	53.31%	39.56%	53.75%	33.84%
Net asset value per unit <sup>(1)</sup>	\$10.06	\$10.13	\$9.93	\$9.82	\$9.86	\$9.98

<b>Series F</b>	<b>June 30 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</b>	<b>December 31 2016</b>
Total net asset value (000's) <sup>(1)</sup>	\$22,395	\$21,743	\$13,451	\$15,039	\$14,406	\$9,593
Number of units outstanding (000's) <sup>(1)</sup>	2,301	2,215	1,390	1,565	1,483	970
Management expense ratio <sup>(2)</sup>	0.88%	0.88%	0.88%	0.85%	0.85%	0.85%
Management expense ratio before waivers or absorptions	1.00%	1.00%	1.14%	0.59%	0.98%	1.32%
Trading expense ratio <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	20.83%	31.78%	53.31%	39.56%	53.75%	33.84%
Net asset value per unit <sup>(1)</sup>	\$9.73	\$9.82	\$9.68	\$9.61	\$9.71	\$9.88

<b>Series O</b>	<b>June 30 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</b>
Total net asset value (000's) <sup>(1)</sup>	\$921	\$1,389	\$264	\$2,072	-
Number of units outstanding (000's) <sup>(1)</sup>	94	141	27	212	-
Management expense ratio <sup>(2)</sup>	0.13%	0.13%	0.13%	0.10%	0.00%
Management expense ratio before waivers or absorptions	0.47%	0.46%	0.61%	0.65%	0.00%
Trading expense ratio <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	20.83%	31.78%	53.31%	39.56%	53.75%
Net asset value per unit <sup>(1)</sup>	\$9.78	\$9.85	\$9.77	\$9.76	\$9.92

(1) This information is provided as at the date shown.

(2) Management expense ratio is based on total expenses for the stated period (excluding distributions, commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets during the period. In the period a series is established, the management expense ratio is annualized from the date of inception to December 31.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Pool's portfolio turnover rate indicates how actively the Pool's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Pool buying and selling all of the securities in its portfolio once in the course of the year. The higher the Pool's portfolio turnover rate in a year, the greater the trading costs payable by the Pool in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Pool.





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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six-month period ended June 30, 2021

### VPI MORTGAGE POOL

#### **Other Information**

Value Partners Group Inc. (VPGI) owns 100% of Value Partners Investments Inc. (VPI) and LP Financial Planning Services Ltd. (LP Financial), formerly Lawton Partners Financial Planning Services Limited, a mutual fund dealer and principal distributor of the Pool. VPGI is 37.4% owned by Longton Ltd., whose shareholders include specified members of the Lawton family, including Paul and Sean Lawton. Paul Lawton is an officer of VPGI as well as a director and officer of both VPI and LP Financial. Sean Lawton is a director and sales representative of LP Financial.

As of June 30, 2021, sales representatives of LP Financial held, in aggregate, Class A1 shares representing 18.8% and Class C1 shares representing 5.1% of the common equity of VPGI. The remaining common equity of VPGI was held by sales representatives of other dealer firms and employees of VPGI, VPI and LP Financial. No other sales representative held more than 5 percent of the common equity of VPGI. Additional information regarding equity interests may be obtained from the Pool's annual information form or from the Manager's website at <http://www.valuepartnersinvestments.ca>

#### **Forward-Looking Statements**

*This report may contain forward-looking statements about the Pool, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Pool action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Pool and economic factors.*

*Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Pool. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.*

*We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Pool has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.*