



**VALUE  
PARTNERS**  
INVESTMENTS

## **VPI CORPORATE BOND POOL**

**INTERIM FINANCIAL STATEMENTS (UNAUDITED) SIX-  
MONTH PERIODS ENDED JUNE 30, 2021 AND 2020**

### **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

### **PORTFOLIO MANAGER**

CANSO INVESTMENT COUNSEL LTD.

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#### 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 CORPORATE BOND POOL

## Statement 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
<b>Assets</b>		
Financial assets at fair value through profit or loss	\$ 377,319	\$ 299,889
Cash and cash equivalents	12,155	4,735
Unrealized gain on forward currency contract	—	1,199
Accrued dividends receivable	3	3
Accrued interest receivable	3,226	3,154
Due from Manager (notes 4 and 5)	4	18
Subscriptions receivable	1,774	6,967
Due from broker	—	109
	<b>\$ 394,481</b>	<b>\$ 316,074</b>

## Liabilities

Accounts payable and accrued liabilities	\$ 35	\$ 50
Redemptions payable	318	—
Management fees payable (notes 4 and 5)	136	68
Unrealized loss on foreign currency forward contracts	5,319	—
Distributions payable	1,316	6,657
Due to broker	2,532	—
	<b>9,656</b>	<b>6,775</b>

## Net assets attributable to holders of redeemable units

	<b>\$ 384,825</b>	<b>\$ 309,299</b>
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### Net assets attributable to holders of redeemable units per series:

Series A	\$ 94,753	\$ 52,057
Series F	23,015	8,446
Series O	267,057	248,796

### Net assets attributable to holders of redeemable units per unit:

Series A	\$ 11.32	\$ 10.78
Series F	11.31	10.78
Series O	11.36	10.82

### Number of redeemable units outstanding:

Series A	8,369	4,829
Series F	2,035	784
Series O	23,502	22,984

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

# VPI CORPORATE BOND POOL

## Statement of Comprehensive Income

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

For the six-month period ended June 30, 2021 (unaudited)

	2021
Investment income:	
Interest income for distribution purposes	\$ 7,652
Dividend income	16
Foreign exchange loss on cash	(40)
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	3,524
Net realized gain on currency forward contracts	11,266
Change in unrealized appreciation in value of investments	8,442
Change in unrealized depreciation in forward currency contracts	(6,518)
	<u>24,342</u>
Expenses:	
Administration	50
Audit fees	4
Independent review committee fees	5
Security holder reporting costs	18
Custodian fees	7
Filing fees	12
Legal fees	3
Management fees (notes 4 and 5)	650
Registered plan fees	1
Trustee fees	3
	<u>753</u>
Absorbed expenses (notes 4 and 5)	(75)
	<u>678</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 23,664</u>
Increase in net assets attributable to holders of redeemable units per series:	
Series A	\$ 4,511
Series F	950
Series O	18,203
Increase in net assets attributable to holders of redeemable units per unit:	
Series A	\$ 0.66
Series F	0.69
Series O	0.78

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

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

	Series A 2021	Series F 2021	Series O 2021	Total 2021
Net assets attributable to holders of redeemable units at beginning of period	\$ 52,057	\$ 8,446	\$ 248,796	\$ 309,299
Increase in net assets attributable to holders of redeemable units per series	4,511	950	18,203	23,664
Redeemable unit transactions:				
Proceeds from redeemable units issued	45,855	14,556	58	60,469
Reinvestments of distributions to holders of redeemable units	1,095	277	5,718	7,090
Redemption of redeemable units	(7,724)	(921)	–	(8,645)
	39,226	13,912	5,776	58,914
Distributions to holders of redeemable shares:				
Net investment income	(1,041)	(293)	(5,718)	(7,052)
Net increase in net assets attributable to holders of redeemable units	42,696	14,569	18,261	75,526
Net assets attributable to holders of redeemable units at end of period \$	\$ 94,753	\$ 23,015	\$ 267,057	\$ 384,825
Increase (decrease) in redeemable units outstanding:				
Beginning of period	4,829	784	22,984	28,597
Issued	4,138	1,309	5	5,452
Issued on reinvestment of distributions	98	25	513	636
Redeemed	(696)	(83)	–	(779)
Redeemable units outstanding, end of period	8,369	2,035	23,502	33,906
Weighted average units outstanding, during the period	6,807	1,372	23,202	

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

# VPI CORPORATE BOND POOL

Statement of Cash Flows  
(In thousands of dollars)

For the six-month period ended June 30, 2021 (unaudited)

	2021
Cash flows from (used in) operating activities:	
Increase in net assets attributable to holders of redeemable units	\$ 23,664
Adjustments for:	
Foreign exchange loss on cash	40
Net realized gain on sale of investments	(3,524)
Change in unrealized appreciation in value of investments	(8,442)
Change in unrealized depreciation in foreign currency forward contracts	6,518
Purchase of investments	(132,868)
Proceeds from sale of investments	67,404
Interest receivable for distribution purposes	(72)
Due from Manager	14
Due from broker	109
Accounts payable and accrued liabilities	(15)
Management fees payable	68
Due to broker	2,532
Net cash used in operating activities	(44,572)
Cash flows from financing activities:	
Distributions paid to holders of redeemable units, net of reinvested distributions	(5,303)
Proceeds from redeemable units issued	65,216
Redemption of redeemable units	(7,881)
Net cash from financing activities	52,032
Foreign exchange loss on cash	(40)
Net increase in cash and cash equivalents	7,420
Cash and cash equivalents, beginning of period	4,735
Cash and cash equivalents, end of period	\$ 12,155
Supplementary information:	
Dividends received, net of withholding tax	\$ 16
Interest received, net of withholding tax	7,580

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

# VPI CORPORATE BOND 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
<b>Bonds:</b>						
<b>Federal:</b>						
5,166,000	Canada Housing Trust No 1	15-Dec-21	1.150	\$ 5,199	\$ 5,189	
5,202,000	Canada Housing Trust No 1	15-Dec-21	1.500	5,245	5,233	
628,000	Canada Housing Trust No 1	15-Mar-22	0.598	630	630	
2,549,000	Canada Housing Trust No 1	15-Sep-22	0.538	2,561	2,560	
				13,635	13,612	3.54
<b>Corporate:</b>						
129,000	Air Canada	6-Oct-23	4.750	125	132	
14,276.00	Air Canada	22-Jun-24	9.000	14,304	15,240	
2,017,000	Air Canada	1-Jul-25	4.000	3,021	3,926	
3,760,000	AMC Entertainment Holdings Inc.	15-Apr-25	10.500	4,388	5,061	
2,785,000	AMC Entertainment Holdings Inc.	24-Apr-26	10.500	3,540	3,755	
7,273,000	American Airlines Inc.	15-Jul-25	11.750	9,340	11,314	
239,000	American Airlines Inc.	20-Apr-26	5.500	314	314	
3,043,000	American Airlines Inc.	20-Apr-29	5.750	3,805	4,073	
4,459,000	Avis Budget Car Rental LLC	15-Jul-27	5.750	5,672	5,767	
3,414,000	Avis Budget Car Rental LLC	1-Apr-28	4.750	4,289	4,346	
3,162,000	Avis Budget Car Rental LLC	1-Mar-29	5.375	4,033	4,083	
4,250,000	Bank of Montreal	16-Feb-22	0.318	4,250	4,252	
4,642,000	Bank of Montreal	26-Nov-80	4.300	4,652	4,900	
7,593,000	Bank of Nova Scotia	27-Jul-81	3.700	7,594	7,606	
2,640,000	Bank of Nova Scotia	31-Aug-85	0.324	2,787	2,836	
2,484,896	Black Press Group Ltd., Private Placement <sup>A</sup>	31-Mar-24	12.000	2,320	2,340	
3,939,000	Boeing Co.	4-Feb-24	1.433	5,046	4,894	
489,000	Boeing Co.	30-Oct-24	2.850	675	638	
500,000	Boeing Co.	1-Mar-25	2.500	679	643	
595,000	Boeing Co.	1-May-26	3.100	825	780	
224,000	Boeing Co.	15-Jun-26	2.250	297	284	
2,123,000	Boeing Co.	1-Feb-27	2.700	2,825	2,721	
51,000	Boeing Co.	1-Mar-28	3.250	68	66	
1,110,000	Bombardier Inc.	15-Oct-22	6.000	1,247	1,379	
1,010,000	Bombardier Inc.	1-Dec-24	7.500	974	1,309	
2,372,000	Bombardier Inc.	15-Mar-25	7.500	2,363	3,027	
3,730,000	Bombardier Inc.	15-Jun-26	7.125	4,517	4,821	
313,000	Bombardier Inc.	22-Dec-26	7.350	250	299	
7,200,000	Bombardier Inc.	15-Apr-27	7.875	7,338	9,261	
6,753,000	Bombardier Inc.	1-May-34	7.450	8,156	8,991	
10,000,000	Canadian Imperial Bank of Commerce	10-Jun-24	0.665	10,000	10,013	
7,451,000	Canadian Imperial Bank of Commerce	4-Mar-25	0.620	7,450	7,456	
610,000	Canadian Imperial Bank of Commerce	31-Aug-85	1.750	735	661	
112,785	Canadian Pacific Railway Co.	1-Oct-24	6.910	128	124	
1,535,000	Cenovus Energy Inc.	15-Jul-25	5.375	2,057	2,177	
31,000	Cenovus Energy Inc.	10-Mar-27	3.600	30	33	
801,000	Cineplex Inc.	26-Feb-26	7.500	801	840	
4,250,688	ClearStream Energy Services Inc. <sup>A</sup>	23-Mar-26	8.000	3,229	3,188	
20,000	Continental Resources Inc.	15-Apr-23	4.500	26	26	
1,399,000	Continental Resources Inc.	1-Jun-24	3.800	1,798	1,834	
1,322,000	Continental Resources Inc.	15-Jan-28	4.375	1,595	1,811	
4,708,000	Continental Resources Inc.	15-Jan-31	5.750	6,183	6,991	
2,303,000	Delta Air Lines Inc.	1-May-25	7.000	3,266	3,331	
24,000	Embraer Netherlands Finance BV	15-Jun-25	5.050	29	31	
201,000	Embraer Netherlands Finance BV	1-Feb-27	5.400	241	266	
252,000	Embraer Overseas Ltd.	16-Sep-23	5.696	327	334	
15,267,000	Ford Credit Canada Co.	21-Mar-24	3.575	13,864	15,735	
4,809,000	Ford Motor Credit Co LLC	7-Jan-22	3.340	6,370	6,013	
436,000	GE Capital Canada Funding Co.	15-Feb-22	0.788	426	436	
4,225,000	GE Capital Canada Funding Co.	6-Feb-23	1.638	4,123	4,271	
2,069,000	General Electric Co.	5-May-26	0.575	2,443	2,514	
1,121,000	Hertz Corp.	1-Jun-22	0.000	1,184	1,554	

# VPI CORPORATE BOND 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
<b>Corporate (continued):</b>						
972,000	Hertz Corp.	15-Oct-22	6.250	\$ 491	\$ 1,214	
4,021,000	Hertz Corp.	15-Oct-24	0.000	2,075	5,025	
1,390,000	Hertz Corp.	1-Aug-26	7.125	706	1,849	
2,482,000	Hertz Corp.	15-Jan-28	6.000	1,184	3,310	
125,000	Kruger Packaging Holdings LP	1-Jun-26	6.000	125	134	
10,702,000	Manulife Financial Corp.	19-Jun-81	3.375	10,692	10,655	
2,686,000	Maxar Technologies Inc.	31-Dec-27	7.540	3,590	3,607	
1,651,000	MPLX LP	31-Dec-49	6.875	1,909	2,093	
590,000	Navient Corp.	1-Aug-33	5.625	633	707	
6,022,000	Neptune Acquisition Inc.	8-Apr-27	10.000	5,887	6,218	
530,000	Occidental Petroleum Corp.	15-Aug-26	3.200	616	663	
162,000	Occidental Petroleum Corp.	15-May-28	7.150	202	230	
242,000	Occidental Petroleum Corp.	15-Mar-29	7.200	306	346	
1,178,000	Occidental Petroleum Corp.	15-Aug-29	3.500	1,284	1,461	
3,969,000	Occidental Petroleum Corp.	1-Sep-30	6.625	5,187	5,946	
259,000	Occidental Petroleum Corp.	15-Sep-36	6.450	309	384	
1,225,000	Occidental Petroleum Corp.	15-Jun-39	7.950	1,568	1,948	
516,000	Occidental Petroleum Corp.	15-Aug-39	4.300	505	611	
764,000	Occidental Petroleum Corp.	15-Mar-40	6.200	880	1,072	
935,000	Occidental Petroleum Corp.	15-Jul-44	4.500	899	1,119	
139,000	Occidental Petroleum Corp.	15-Jun-45	4.625	137	168	
469,000	Occidental Petroleum Corp.	15-Mar-46	6.600	556	692	
1,042,000	Occidental Petroleum Corp.	15-Apr-46	4.400	1,025	1,241	
326,000	Occidental Petroleum Corp.	15-Feb-47	4.100	311	376	
2,582,000	Occidental Petroleum Corp.	15-Mar-48	4.200	2,468	2,994	
1,543,000	Ovintiv Exploration Inc.	1-Jul-24	5.625	2,012	2,129	
204,000	Ovintiv Exploration Inc.	1-Jan-26	5.375	261	285	
602,000	Ovintiv Inc.	15-Nov-41	5.150	723	816	
2,218,603	Postmedia Network Inc.	15-Jul-23	8.250	1,713	1,834	
6,279,000	Royal Bank of Canada	24-Nov-80	4.500	6,279	6,685	
5,343,000	Royal Bank of Canada	24-Feb-81	4.000	5,363	5,558	
930,000	Royal Bank of Canada	29-Jun-85	0.500	952	999	
1,055,000	SNC-Lavalin Group Inc.	2-Mar-23	3.235	1,056	1,073	
3,269,000	SNC-Lavalin Group Inc.	19-Aug-24	3.800	3,326	3,395	
1,229,000	Spirit AeroSystems Inc.	15-Jun-23	3.950	1,402	1,533	
2,130,000	Spirit AeroSystems Inc.	15-Jan-25	5.500	2,809	2,810	
4,871,000	Spirit AeroSystems Inc.	15-Apr-25	7.500	6,631	6,456	
705,000	Spirit AeroSystems Inc.	15-Jun-26	3.850	900	913	
4,315,000	Spirit AeroSystems Inc.	15-Jun-28	4.600	4,871	5,250	
3,627,000	SSL Robotics LLC	31-Dec-23	9.750	5,387	4,974	
6,786,000	Sun Life Financial Inc.	30-Jun-81	3.600	6,791	6,819	
3,620,000	TransCanada PipeLines Ltd.	9-Jun-24	0.725	3,620	3,624	
7,821,000	TransCanada PipeLines Ltd.	15-May-67	2.366	7,175	8,670	
3,182,000	Videotron Ltd.	15-Jun-25	5.625	3,361	3,534	
2,155,000	Videotron Ltd.	15-Jan-26	5.750	2,235	2,224	
3,003,000	Videotron Ltd	15-Jan-30	4.500	3,017	3,145	
				289,428	315,486	81.98
<b>Total bonds</b>				<b>303,063</b>	<b>329,098</b>	<b>85.52</b>
<b>Term loans:</b>						
2,378,255	Hertz Corp.	30-Jun-23	3.500	2,924	2,948	
61,000	Hertz Corp.	30-Jun-28	4.000	75	76	
3,649,825	Maxar Technologies Ltd.	5-Oct-24	2.750	4,692	4,484	
1,500,000	SkyMiles IP Ltd.	16-Sep-27	4.750	1,952	1,964	
1,781,535	Spirit AeroSystems Inc.	30-Jan-25	6.000	2,368	2,227	
				12,011	11,699	3.04

# VPI CORPORATE BOND 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
<b>Mortgages:</b>						
<b>Mortgage-backed securities:</b>						
7,400,000	Canadian Mortgage Pools	1-Jan-24	0.441	5,051	5,051	
5,264,000	Canadian Mortgage Pools	1-Nov-25	0.800	5,081	5,017	
2,800,000	Canadian Mortgage Pools	1-Dec-25	0.600	2,713	2,680	
5,000,000	Canadian Mortgage Pools	1-Dec-25	0.810	4,875	4,805	
8,741,000	Canadian Mortgage Pools	1-Jan-26	0.550	8,451	8,330	
2,377,000	Canadian Mortgage Pools	1-Jan-26	0.700	2,332	2,296	
2,781,000	Canadian Mortgage Pools	1-May-26	0.251	2,747	2,743	
603,000	Hertz Vehicle Financing II LP	25-Oct-23	4.200	792	753	
49,000	Hertz Vehicle Financing II LP	25-Feb-24	3.290	6	6	
135,000	Hertz Vehicle Financing II LP	25-Feb-24	4.390	169	169	
250,000	Hertz Vehicle Financing II LP	25-May-25	4.260	312	313	
				32,529	32,163	8.36
<b>Equities:</b>						
<b>Capital goods:</b>						
87,421	Bird Construction Inc.			\$ 570	\$ 772	0.20
<b>Energy:</b>						
25,909	ClearStream Energy Services Inc.^			1	2	
4,360	ClearStream Energy Services Inc., Preferred^			3,052	3,052	
314	ClearStream Energy Services Inc., Preferred^			314	220	
				3,367	3,274	0.85
<b>Telecommunication services:</b>						
61,069	Xplornet Communications Inc., Private Placement^			–	87	
46,016	Xplornet Communications Inc., Private Placement^			–	226	
				–	313	0.08
Total equities				3,937	4,359	1.13
<b>Summary:</b>						
Bonds				303,063	329,098	85.52
Term Loans				12,011	11,699	3.04
Mortgage-backed Securities				32,529	32,163	8.36
Equities				3,937	4,359	1.13
				351,540	377,319	98.05
Transaction costs				–	–	–
Total financial assets at FVTPL				351,540	377,319	98.05
<b>Cash:</b>						
Domestic				9,705	9,705	
Foreign				2,459	2,450	
Total cash				\$ 12,164	12,155	3.16
Forward currency contracts					(5,319)	(1.38)
Other assets less liabilities					670	0.17
Total net assets attributable to holders of redeemable units					\$ 384,825	100.00

^ Level 3 securities

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



# VPI CORPORATE BOND POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month period ended June 30, 2021 (unaudited)

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## 1. Reporting entity:

- (a) VPI Corporate Bond Pool (the Pool) is an open-ended mutual fund trust, established on June 24, 2020 by declaration of trust under the laws of the Province of Ontario. As of June 24, 2020 the registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on June 24, 2020 with Series A, Series F and Series O.

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

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

Series A units are subject to a negotiated sales commission payable by the investor at the time of purchase. Series F units are only available to investors that have a fee-based account with a dealer that has signed a Series F agreement with the Manager. Series O units are available for investors who have, or whose dealer has, entered into an agreement directly with the Manager to purchase Series O units or if investors open discretionary investment management accounts with the Manager. Series O units have no sales charge.

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

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

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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## 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).

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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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.

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

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

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

At June 30, 2021 and December 31, 2020, no amounts have been offset in the statements of financial position.

(ii) FVTPL:

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

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Pool uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Pool's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

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

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

#### (iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. 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.

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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

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.

(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.

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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

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.

(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.

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.

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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## 4. Management fees and expenses:

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

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Series A	1.50%
Series F	0.75%

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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 period ended December 31, 2020.

## 5. Related party transactions:

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

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	2021	2020
Management fees payable	\$ 136	\$ 68
Due from Manager	4	18

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# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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## 5. Related party transactions:

Related party transactions of the Pool for the six-month period ended June 30, 2021 is as follows:

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		2021
Management fees	\$	650
Absorbed expenses		(75)

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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 or parent company of the Manager held the following number of units in the Pool:

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	2021	2020
Series A	1	1
Series F	26,615	26,123
Series O	1	1

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## 6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the for the six-month period ended June 30, 2021 is disclosed in the statements of comprehensive income.

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

## 7. Income taxes:

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

## 8. Financial risk management:

The investment activities of the Pool expose the Pool to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Pool by contracting a professional, experienced portfolio manager, by monitoring the Pool and market events on a daily basis, and by diversifying the investment portfolio within the parameters of the investment objective and strategy.



# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

## 8. Financial risk management (continued):

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 June 30, 2021	\$ 4,359	1.13%	\$ 218	0.06%
As at December 31, 2020	\$ 3,972	1.29%	\$ 199	0.06%

### (ii) Interest rate risk:

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

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

	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
As at June 30, 2021						
Financial assets at FVTPL	\$ 23,308	\$ 81,935	\$ 115,334	\$ 151,918	\$ 4,359	\$ 377,319

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

## 8. Financial risk management (continued):

As at December 31, 2020	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 4,742	\$ 43,853	\$ 108,856	\$ 138,366	\$ 3,972	\$ 299,889

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.

	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2021	\$ 2,996	0.78%
As at December 31, 2020	2,979	0.96%

### (iii) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pool. The Pool's greatest concentration of credit risk is in debt securities such as Canada Treasury Bills. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of these investments represents the maximum credit risk exposures as of 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.

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

## 8. Financial risk management (continued):

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

As at June 30, 2021	% of debt securities	% of net assets
AAA	9.21%	8.91%
AA	1.14%	1.10%
A	1.83%	1.77%
BBB	23.76%	23.00%
BB	21.04%	20.36%
B	16.89%	16.35%
CCC	12.00%	11.61%
N/R	14.13%	13.68%
	100.00%	96.78%

  

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

### (iv) Liquidity risk:

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

### (v) Currency risk:

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

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

## 8. Financial risk management (continued):

The only foreign currencies to which the Pool was exposed at June 30, 2021 and December 31, 2020 was the U.S. dollar. The following tables illustrate the potential impact to the Pool's net assets, all other variables held constant, as a result of a 5 percent change in these currencies relative to the Canadian dollar.

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

Market segment	June 30, 2021	December 31, 2020
Long	%	%
Corporate bonds	83.62	88.31
Term loans	6.71	5.56
Mortgage-backed securities	8.52	4.80
Capital goods	0.20	0.23
Energy	0.87	1.10
Telecommunication services	0.08	–
	100.00	100.00

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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## 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.

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

## 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 at fair value as at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 772	\$ -	\$ 3,587	\$ 4,359
Term Loans	-	11,699	-	11,699
Bonds	-	323,570	5,528	329,098
Mortgage backed securities	-	32,163	-	32,163

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities - long	\$ 700	\$ -	\$ 3,272	\$ 3,972
Bonds	-	266,225	15,290	281,515
Mortgage backed securities	-	14,402	-	14,402

The financial instruments not measured at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

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

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
Corporate bonds	\$ 15,290	\$ 163	\$ (125)	\$ (9,700)	\$ 15	\$ (115)	\$ 5,528
Equities	3,272	-	(102)	-	102	315	3,587
	\$ 18,562	\$ 163	\$ (227)	\$ (9,700)	\$ 117	\$ 200	\$ 9,115

# VPI CORPORATE BOND POOL

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

For the six-month period ended June 30, 2021 (unaudited)

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## 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	\$ -	\$ 15,211	\$ (264)	\$ -	\$ 18	\$ 325	\$ 15,290
Equities	-	3,366	-	-	-	(94)	3,272
	\$ -	\$ 18,577	\$ (264)	\$ -	\$ 18	\$ 231	\$ 18,562

The change in unrealized gain related to Level 3 investments held at June 30, 2021 was \$470 (2020 - change in unrealized gain of \$231).