



## **VPI MORTGAGE POOL**

**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE YEAR ENDED DECEMBER 31, 2021**

### **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

### **PORTFOLIO MANAGER**

HSBC GLOBAL ASSET MANAGEMENT (CANADA) LIMITED

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Pool. If you have not received a copy of the annual financial statements with this annual 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.



## Annual Management Discussion of Fund Performance

March 21, 2022

### Investment Objective and Strategies

VPI Mortgage Pool's objective is to seek to earn a high level of income while protecting invested capital primarily through investments with exposure to residential first mortgages on property in Canada and other debt obligations. To achieve this objective, the Pool currently invests in Institutional Series units of the HSBC Mortgage Fund (the "Underlying Fund").

The Underlying Fund invests primarily in uninsured Canadian-dollar-denominated mortgages. The Underlying Fund may also invest a portion of its assets in other debt obligations such as government bonds, corporate bonds, mortgage-backed securities, debentures and other fixed income securities and may hold cash & cash equivalents. The Underlying Fund may maintain a significant portion of its assets in Canadian and U.S. short-term fixed income securities during periods of high market volatility.

### Risk

Overall, the risks associated with investing in the Pool have not materially changed and remain as discussed in the prospectus. During the year, there was no material change to the Underlying Fund that affected the overall risk level of the Underlying Fund. The Pool continues to be suitable for investors who want to earn interest income and protect their capital, have a short-term investment time horizon and have a low tolerance for risk in their returns.

The key risks to the Portfolio Manager's central scenario remain the fallout from the COVID-19 pandemic, including elevated commodity prices, ongoing supply chain issues and a tight labour market, which in turn has increased inflation expectations.

### Results of Operations

Net assets of the Pool increased by approximately \$5.5 million for the year ended December 31, 2021 due largely to net sales of \$6.7 million, offset by a decrease in net assets from operations of \$0.5 million and distributions to unitholders of \$0.7 million. The decrease in net assets from operations was due to \$1.1 million of unrealized depreciation in value of investments and \$0.6 million of management fees and operating expenses, net of \$77 thousand of expenses absorbed by the Manager. This was offset by \$1.1 million in interest income and \$0.1 million in net realized gains on the sale of investments.

During the year, the Portfolio Manager purchased and disposed of units in 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 year was in units of the Underlying Fund.

Each series of the Pool experienced a return (loss) in the range of -1.0% to 0.3% over the past year relative to the -0.9% loss of the benchmark FTSE Canada Short Term Bond Index.



**VALUE  
PARTNERS**  
INVESTMENTS

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2021

### VPI MORTGAGE POOL

#### **Revenues and Expenses**

Revenues of the Pool amounted to \$1.1 million, representing interest income distributed from the Underlying Fund. The Pool also experienced \$0.1 million in net realized gains on the sale of investments and \$1.0 million of unrealized depreciation in the value of investments. As well, the Pool incurred \$0.6 million in management fees and operating expenses net of \$77 thousand of expenses absorbed by the Manager to maintain the Pool's MER at a competitive level.

#### **Recent Developments**

##### *Economic Conditions*

The dramatic policy response to the pandemic in most economies saw stimulus delivered in ways that enabled growth to quickly rebound. At the same time, elevated commodity prices, ongoing supply chain issues and a tight labour market have increased inflation expectations. With continued strong growth and higher inflation, central banks may remove monetary stimulus earlier and more aggressively than previously expected. By the end of 2021, markets had priced in expectations for 75 basis points of rate increases by the US Federal Reserve in 2022 and 125 basis points of increases from the Bank of Canada. The impact of the Omicron wave on economic activity, inflation and, ultimately, the removal of stimulus could be very significant.

The Portfolio Manager continues to run a modest pro-risk allocation in this environment. The Underlying Fund is modestly overweight in high-quality corporate bonds given their attractive fundamentals and the positive economic backdrop as 2022 begins. The Underlying Fund continues to look attractive given its low duration and yield advantage compared to other short-duration alternatives. The Underlying Fund is underweight in duration versus the benchmark and the Portfolio Manager expects the Bank of Canada to raise its target rate in the first half of 2022.



**VPI MORTGAGE POOL**

**Portfolio Allocation**

Mutual Funds	97.8%	Other Net Assets	-0.1%
Cash	2.3%		

**Top 25 Holdings**

<b>Issuer</b>	<b>Percentage of Net Assets</b>
HSBC Mortgage Fund, Institutional Series	97.8%
Cash	2.3%
Other Net Assets	-0.1%
<b>Total</b>	<b>100.0%</b>

As at December 31, 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	79.4%	Mortgage-backed Securities	1.9%
Cash & Equivalents	10.2%		
Bonds	8.5%		

**Top 25 Holdings – Underlying Fund**

<b>Issuer</b>	<b>Maturity Date</b>	<b>Coupon Rate</b>	<b>Percentage of Net Assets</b>
Residential Mortgages			79.4%
Royal Bank of Canada	04-Jan-22	0.20%	2.4%
Government of Canada	06-Jan-22		1.8%
Canada Housing Trust by CMHC	15-Mar-22	2.70%	1.7%
National Bank	04-Jan-22	0.20%	1.5%
Canada Housing Trust by CMHC	15-Dec-24	1.80%	0.9%
TransCanada PipeLines Ltd	10-Jan-22		0.7%
Enbridge Inc	25-Jan-22		0.7%
Merrill Lynch, NHA	01-Sep-24	1.80%	0.7%
Scotia Capital, NHA	01-Oct-24	1.90%	0.5%
Scotia Capital, NHA	01-Jul-24	1.90%	0.5%
The Toronto-Dominion Bank	22-Apr-30	3.10%	0.4%
Enbridge Inc	21-Jan-22		0.4%
Suncor Energy Inc.	09-Feb-22		0.4%
BHP Billiton Finance Ltd.	15-May-23	3.20%	0.3%
Government of Canada	20-Jan-22		0.3%
Suncor Energy Inc.	01-Feb-22		0.3%
Aroundtown SA	18-Sep-25	4.60%	0.3%
Manulife Bank of Canada	07-Feb-22		0.3%
Honda Canada Finance Inc	07-Jan-22		0.2%
Coast Capital Savings Federal	03-May-28	5.00%	0.2%
Bank of America Corporation	25-Apr-25	2.90%	0.2%
Brookfield Asset Management Inc.	28-Jan-26		0.2%
Morgan Stanley	07-Feb-24	3.00%	0.2%
Daimler Canada Finance	16-Aug-22	3.30%	0.2%
<b>Total</b>			<b>95.0%</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).



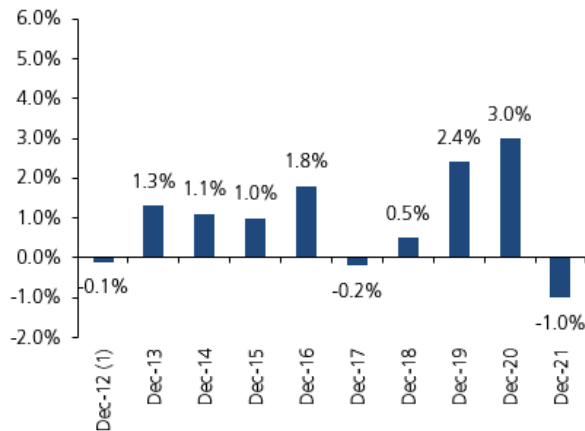
**Past Performance**

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.

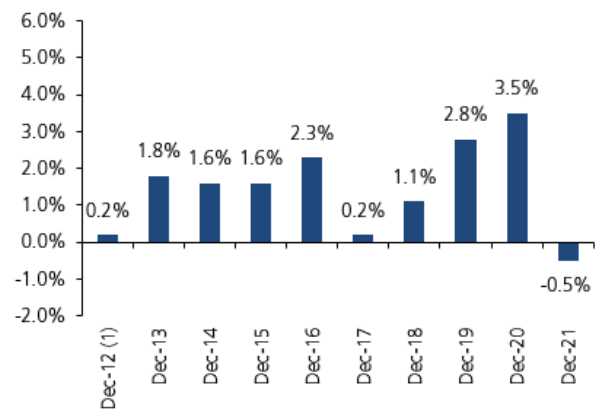
**Year-by-Year Returns**

The bar charts below show the performance of each series of the Pool (net of fees) for the year ended December 31, 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.

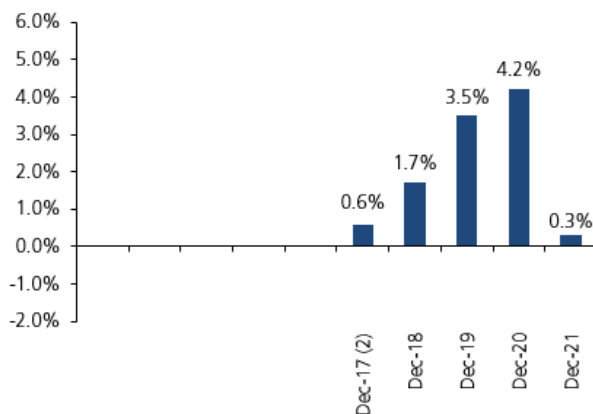
**Series A**



**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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**Annual Compound Returns**

The following table shows the annual compound total return of each series of the Pool compared to the FTSE Canada Short Term Bond Index for the periods shown ended December 31, 2021. All index returns are calculated on a total return basis, meaning that performance was calculated under the assumption that all distributions were reinvested.

	5 Year	3 Year	1 Year	Since Inception <sup>(2)</sup>
Series A <sup>(1)</sup> (Inception: October 30, 2012)	0.9%	1.4%	-1.0%	1.0%
FTSE Canada Short-Term Bond Index	1.9%	2.5%	-0.9%	2.0%
Series F <sup>(1)</sup> (Inception: October 30, 2012)	1.4%	1.9%	-0.5%	1.6%
FTSE Canada Short-Term Bond Index	1.9%	2.5%	-0.9%	2.0%
Series O <sup>(1)</sup> (Inception: July 5, 2017)	n/a	2.7%	0.3%	2.3%
FTSE Canada Short-Term Bond Index	n/a	2.5%	-0.9%	2.0%

(1) The percentage return differs for each series because the management fee rate and expenses differ for each series.

(2) The return since inception for each series will differ when the inception date differs.

The FTSE Canada Short-Term Bond Index is a broad measure of the total return for the Canadian short-term bond market, covering marketable Canadian bonds with a term-to-maturity between one and five years.

**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 period ended December 31, 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 year ended December 31, 2021, the Pool paid \$472 thousand in management fees (excluding taxes) to the Manager. For the year ended December 31, 2021, the Manager absorbed \$77 thousand of the Pool's operating expenses. In addition, the parent company of the Manager also held 213,469 Series F units and 1 Series O unit of the Pool as of December 31, 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. This information is derived from the Pool's audited annual 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>December 31 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</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>Increase from operations:</b>					
Total revenue	0.19	0.24	0.25	0.25	0.23
Total expenses	(0.13)	(0.13)	(0.12)	(0.13)	(0.12)
Realized gains (losses) for the period	0.02	0.03	(0.01)	(0.04)	(0.01)
Unrealized gains (losses) for the period	(0.18)	0.15	0.10	(0.03)	(0.12)
<b>Total increase from operations <sup>(2)</sup></b>	<b>(0.10)</b>	<b>0.29</b>	<b>0.22</b>	<b>0.05</b>	<b>(0.02)</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.04)	(0.18)	(0.11)	(0.10)	(0.09)
From dividends	-	-	-	-	-
From capital gains	(0.22)	-	(0.01)	-	(0.01)
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.26)</b>	<b>(0.18)</b>	<b>(0.12)</b>	<b>(0.10)</b>	<b>(0.10)</b>
<b>Net assets, end of period</b>	<b>9.97</b>	<b>10.13</b>	<b>9.93</b>	<b>9.82</b>	<b>9.86</b>
<b>Series F</b>	<b>December 31 2021</b>	<b>December 31 2020</b>	<b>December 31 2019</b>	<b>December 31 2018</b>	<b>December 31 2017</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>Increase from operations:</b>					
Total revenue	0.18	0.23	0.24	0.24	0.23
Total expenses	(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)
Unrealized gains (losses) for the period	(0.17)	0.16	0.13	(0.03)	(0.13)
<b>Total increase from operations <sup>(2)</sup></b>	<b>(0.04)</b>	<b>0.34</b>	<b>0.28</b>	<b>0.10</b>	<b>0.02</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.14)	(0.27)	(0.20)	(0.20)	(0.20)
From dividends	-	-	-	-	-
From capital gains	(0.21)	-	(0.01)	-	(0.01)
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.35)</b>	<b>(0.27)</b>	<b>(0.21)</b>	<b>(0.20)</b>	<b>(0.21)</b>
<b>Net assets, end of period</b>	<b>9.61</b>	<b>9.82</b>	<b>9.68</b>	<b>9.61</b>	<b>9.71</b>



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Financial Highlights (continued)

Series O <sup>(4)</sup>	December 31 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	0.18	0.23	0.20	0.22	0.09
Total expenses	-	-	-	-	-
Realized gains (losses) for the period	0.01	0.03	(0.03)	(0.03)	(0.01)
Unrealized gains (losses) for the period	(0.21)	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)	(0.24)	(0.38)	(0.34)	(0.32)	(0.14)
From dividends	-	-	-	-	-
From capital gains	(0.21)	-	(0.01)	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.45)</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>9.64</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.

(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

Series A	December 31 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017
Total net asset value (000's) <sup>(1)</sup>	\$33,569	\$37,456	\$25,847	\$23,792	\$28,808
Number of units outstanding (000's) <sup>(1)</sup>	3,367	3,699	2,603	2,423	2,921
Management expense ratio <sup>(2)</sup>	1.38%	1.38%	1.38%	1.35%	1.35%
Management expense ratio before waivers or absorptions	1.51%	1.53%	1.66%	1.63%	1.51%
Trading expense ratio <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	54.13%	31.78%	53.31%	39.56%	53.75%
Net asset value per unit <sup>(1)</sup>	\$9.97	\$10.13	\$9.93	\$9.82	\$9.86





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Ratios and Supplemental Data (continued)

Series F	December 31 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017
Total net asset value (000's) <sup>(1)</sup>	\$30,339	\$21,743	\$13,451	\$15,039	\$14,406
Number of units outstanding (000's) <sup>(1)</sup>	3,156	2,215	1,390	1,565	1,483
Management expense ratio <sup>(2)</sup>	0.88%	0.88%	0.88%	0.85%	0.85%
Management expense ratio before waivers or absorptions	0.98%	1.00%	1.14%	0.59%	0.98%
Trading expense ratio <sup>(3)</sup>	n/a	n/a	n/a	n/a	n/a
Portfolio turnover rate <sup>(4)</sup>	54.13%	31.78%	53.31%	39.56%	53.75%
Net asset value per unit <sup>(1)</sup>	\$9.61	\$9.82	\$9.68	\$9.61	\$9.71

Series O	December 31 2021	December 31 2020	December 31 2019	December 31 2018	December 31 2017
Total net asset value (000's) <sup>(1)</sup>	\$2,219	\$1,389	\$264	\$2,072	-
Number of units outstanding (000's) <sup>(1)</sup>	230	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	0.45%	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>	54.13%	31.78%	53.31%	39.56%	53.75%
Net asset value per unit <sup>(1)</sup>	\$9.64	\$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.



### Other Information

Value Partners Group Inc. (VPGI) owns 100% of Value Partners Investments Inc. (VPI) and LP Financial Planning Services Ltd. (LP Financial), a mutual fund dealer. 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 December 31, 2021, sales representatives of LP Financial held, in aggregate, Class A1 shares representing 19.0% and Class C1 shares representing 4.7% 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.*