



**VALUE  
PARTNERS**  
INVESTMENTS

# **VPI CANADIAN EQUITY POOL**

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

## **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

## **PORTFOLIO MANAGER**

VALUE PARTNERS INVESTMENTS INC.

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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 CANADIAN EQUITY POOL

Statements of Financial Position

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

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

As at	June 30, 2021	December 31, 2020
<b>Assets</b>		
Financial assets at fair value through profit or loss	\$ 1,123,762	\$ 1,018,221
Cash and cash equivalents	110,635	85,514
Accrued dividends receivable	1,759	1,448
Due from Manager (notes 4 and 5)	1	–
Subscriptions receivable	462	274
	<b>\$ 1,236,619</b>	<b>\$ 1,105,457</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 121	\$ 142
Redemptions payable	2,286	742
Management fees payable (notes 4 and 5)	1,648	1,523
	<b>4,055</b>	<b>2,407</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 1,232,564</b>	<b>\$ 1,103,050</b>
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 946,608	\$ 852,391
Series F	209,732	179,273
Series O	76,224	71,386
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 22.19	\$ 19.11
Series F	18.46	15.83
Series O	12.57	10.72
Number of redeemable units outstanding:		
Series A	42,660	44,604
Series F	11,359	11,327
Series O	6,064	6,659

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

# VPI CANADIAN EQUITY POOL

Statements of Comprehensive Income (Loss)

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

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

	2021	2020
Investment income (loss):		
Interest income for distribution purposes	\$ 6	\$ 388
Dividend income	15,974	18,377
Foreign exchange gain (loss) on cash	81	(265)
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	50,651	28,253
Change in unrealized appreciation (depreciation) in value of investments	120,970	(234,363)
	<u>187,682</u>	<u>(187,610)</u>
Expenses:		
Administration	120	130
Audit fees	8	7
Independent review committee fees	7	5
Security holder reporting costs	226	234
Custodian fees	25	21
Filing fees	23	1
Legal fees	3	—
Management fees (notes 4 and 5)	9,453	8,131
Registered plan fees	10	8
Trustee fees	3	3
Withholding taxes	812	749
Transaction costs	57	83
	<u>10,747</u>	<u>9,372</u>
Absorbed expenses (notes 4 and 5)	<u>(28)</u>	<u>(22)</u>
	<u>10,719</u>	<u>9,350</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 176,963</u>	<u>\$ (196,960)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	\$ 135,031	\$ (156,584)
Series F	29,597	(30,261)
Series O	12,335	(10,115)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 3.09	\$ (3.40)
Series F	2.63	(2.76)
Series O	1.89	(1.78)

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

# VPI CANADIAN EQUITY POOL

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

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

	Series A		Series F		Series O		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of period	\$ 852,391	\$ 916,248	\$ 179,273	\$ 174,819	\$ 71,386	\$ 56,173	\$ 1,103,050	\$ 1,147,240
Increase (decrease) in net assets attributable to holders of redeemable units per series	135,031	(156,584)	29,597	(30,261)	12,335	(10,115)	176,963	(196,960)
Redeemable unit transactions:								
Proceeds from redeemable units issued	44,253	63,785	17,357	20,998	16,791	15,919	78,401	100,702
Reinvestment of distributions to holders of redeemable units	1,279	1,130	200	160	—	—	1,479	1,290
Redemption of redeemable units	(86,346)	(61,448)	(16,695)	(16,146)	(24,288)	(3,935)	(127,329)	(81,529)
	(40,814)	3,467	862	5,012	(7,497)	11,984	(47,449)	20,463
Net increase (decrease) in net assets attributable to holders of redeemable units	94,217	(153,117)	30,459	(25,249)	4,838	1,869	129,514	(176,497)
Net assets attributable to holders of redeemable units, end of period	\$ 946,608	\$ 763,131	\$ 209,732	\$ 149,570	\$ 76,224	\$ 58,042	\$ 1,232,564	\$ 970,743
Increase in redeemable units outstanding:								
Beginning of period	44,604	45,925	11,327	10,583	6,659	5,024	62,590	61,532
Issued	2,144	3,713	998	1,505	1,429	1,590	4,571	6,808
Issued on reinvestment of distributions	62	65	12	11	—	—	74	76
Redeemed	(4,150)	(3,494)	(978)	(1,213)	(2,024)	(405)	(7,152)	(5,112)
Redeemable units outstanding, end of period	42,660	46,209	11,359	10,886	6,064	6,209	60,083	63,304
Weighted average units outstanding, during the period	43,674	46,076	11,239	10,948	6,533	5,671		

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

# VPI CANADIAN EQUITY POOL

Statements of Cash Flows  
(In thousands of dollars)

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

	2021	2020
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 176,963	\$ (196,960)
Adjustments for:		
Foreign exchange (gain) loss on cash	(81)	265
Net realized gain on sale of investments	(50,651)	(28,253)
Transaction costs	57	83
Change in unrealized (appreciation) depreciation in value of investments	(120,970)	234,363
Purchase of investments	(120,699)	(250,074)
Proceeds from sale of investments	186,722	173,789
Dividends receivable	(311)	507
Management fees payable	125	(263)
Accounts payable and accrued liabilities	(21)	(15)
Due to Manager	(1)	2
Net cash from (used) in operating activities	71,133	(66,556)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	1,479	1,290
Proceeds from redeemable units issued	61,929	91,780
Redemption of redeemable units	(109,501)	(73,013)
Net cash from (used in) financing activities	(46,093)	20,057
Foreign exchange gain (loss) on cash	81	(265)
Net increase (decrease) in cash and cash equivalents	25,121	(46,764)
Cash and cash equivalents, beginning of period	85,514	142,198
Cash and cash equivalents, end of period	\$ 110,635	\$ 95,434
Supplementary information:		
Dividends received, net of withholding tax	\$ 14,851	\$ 18,135
Interest received	6	388

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

# VPI CANADIAN EQUITY POOL

Schedule of Investments

(In thousands of dollars, except for unit amounts)

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Average cost	Fair value	% of net assets
<b>Equities:</b>				
<b>Automobiles and Components:</b>				
326,000	Magna International Inc.	\$ 12,742	\$ 37,415	3.04
<b>Banks:</b>				
569,000	Bank of Montreal	39,631	72,297	
887,000	Bank of Nova Scotia	52,756	71,510	
508,100	Canadian Imperial Bank of Commerce	46,189	71,698	
566,000	Royal Bank of Canada	36,005	71,084	
836,000	Toronto-Dominion Bank	43,113	72,623	
1,307,168	Wells Fargo & Co.	78,807	73,309	
		296,501	432,521	35.09
<b>Capital Goods:</b>				
105,000	Lockheed Martin Corp.	50,242	49,194	3.99
<b>Communication Services:</b>				
997,290	Rogers Communications Inc., Class B	56,033	65,722	5.33
<b>Healthcare, Equipment and Services:</b>				
200,000	Becton Dickinson and Co.	61,502	60,228	
600,000	CVS Health Corp.	47,135	61,994	
		108,637	122,222	9.92
<b>Insurance:</b>				
1,072,434	Sun Life Financial Inc.	54,106	68,550	5.56
<b>Pharmaceuticals, Biotechnology and Life Sciences:</b>				
655,000	Merck & Co Inc.	63,333	63,078	5.12
<b>Semiconductors and Semiconductor Equipment:</b>				
365,000	Intel Corp.	22,973	25,374	2.06
<b>Software and Services:</b>				
575,000	Oracle Corp.	40,882	55,424	4.50
<b>Technology Hardware and Equipment:</b>				
980,000	Cisco Systems Inc.	56,385	64,317	5.22
<b>Transportation:</b>				
137,000	FedEx Corp.	32,291	50,611	
176,437	United Parcel Service Inc., Class B	23,825	45,438	
		56,116	96,049	7.79

# VPI CANADIAN EQUITY 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	Average cost	Fair value	% of net assets
<b>Utilities:</b>				
800,000	Fortis Inc.	\$ 42,145	\$ 43,896	3.56
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Total equities		860,095	1,123,762	91.17
Transaction costs		(214)		
Total financial assets at FVTPL		859,881	1,123,762	91.17
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<b>Cash:</b>				
Domestic		61,124	61,124	
Foreign		49,714	49,511	
Total cash		110,838	110,635	8.98
Other assets, less liabilities			(1,833)	(0.15)
Total net assets attributable to holders of redeemable units			\$1,232,564	100.00

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

# VPI CANADIAN EQUITY POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

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

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## 1. Reporting entity:

- (a) VPI Canadian Equity Pool (the Pool) is an open-ended mutual fund trust, established on September 26, 2005 by declaration of trust under the laws of the Province of Ontario. As of March 2017, the registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on October 20, 2005 with one series of units: Series A. On July 3, 2007, the Pool began offering Series B, Series F and Cardinal Series units. Effective January 5, 2015, the Pool no longer offers Cardinal Series units. On July 5, 2017, the Pool began offering Series O units. Effective December 2, 2019, all Series B units were converted to Series A units. Subsequently, the Pool no longer offers Series B units.

The Pool's objective is to generate longer term growth in value through the increase in the value of its holdings, and through the receipt and reinvestment of dividend income from its holdings. It invests primarily in equity securities of Canadian companies.

- (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.



# VPI CANADIAN EQUITY POOL

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

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

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## 1. Reporting entity (continued):

Units will be redeemed at the net asset value per unit as determined on the next valuation date. Requests for redemption received after 4:00 p.m., Toronto time, on any day are deemed to be received on the first business day following the date of the actual receipt.

## 2. Basis of preparation:

These financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as published by the International Accounting Standards Board (IASB) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on August 23, 2021.

### (a) Basis of measurement:

The financial statements have been prepared on an historical cost basis except for investments at fair value through profit or loss, which are measured at fair value.

### (b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Pool's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### (c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

The most significant judgments made by the Manager in preparing these financial statements is in determining the fair value of financial instruments not traded in an active market, if any, under IFRS 13 - *Fair Value Measurement* (IFRS 13).

# VPI CANADIAN EQUITY POOL

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

For the six-month periods ended June 30, 2021 and 2020 (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 FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

Assessment and decision on the business model approach used is an accounting judgement.

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

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

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

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

# VPI CANADIAN EQUITY POOL

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

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

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## 3. Significant accounting policies (continued):

### (ii) FVTPL:

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

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

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

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

### (iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL.

# VPI CANADIAN EQUITY POOL

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

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

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

Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Pool classifies cash, accrued dividends receivable, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable as amortized cost. Cash includes cash on deposit with the custodian.

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

#### (iv) Impairment:

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

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

#### (b) Redeemable units:

The Pool classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Pool has multiple classes of redeemable units that do not have identical features and therefore, does not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments - presentation* (IAS 32). The redeemable units, which are measured at the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Pool's valuation policies at each redemption date.

# VPI CANADIAN EQUITY POOL

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

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

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

(c) Foreign currency:

The Pool's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to other financial assets and liabilities are presented within 'Net realized gain' and 'Change in unrealized appreciation (depreciation)' in the statements of comprehensive income (loss).

(d) Investment transactions and revenue recognition:

Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the Pool accounted for on an accrual basis. The Pool does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed-income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(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.

# VPI CANADIAN EQUITY POOL

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

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

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

In addition, income taxes payable on net realized capital gains is refundable on a formula basis when units of the Pool are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Any non-capital losses that are realized in the taxation year 2006 and after may be carried forward for 20 years and applied against future income and capital gains.

### 4. Management fees and expenses:

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

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Series A	1.80%
Series F	0.90%

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

Except for Series O units, in addition to the management fee, each series of units pays its proportionate share of common operating expenses of the Pool, in addition to expenses that are unique to that series. These expenses include, but are not limited to audit, legal and filing fees, custodial, recordkeeping and trustee fees, transfer agent fees, investor servicing costs, taxes, compensation and expenses of the Independent Review Committee, and costs of unitholder reports, financial reporting, prospectuses, regulatory filings, and other communications. Brokerage commissions and transaction costs for buying and selling investments for the Pool's portfolio are also paid by the Pool, as well as the costs and expenses related to holding any meeting convened by unitholders.

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

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

# VPI CANADIAN EQUITY POOL

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

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

## 5. Related party transactions:

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

	2021	2020
Management fees payable	\$ 1,648	\$ 1,523
Due from Manager	1	–

Related party transactions of the Pool for the six-month periods ended June 30, 2021 and 2020 are as follows:

	2021	2020
Management fees	\$ 9,453	\$ 8,131
Absorbed expenses	(28)	(22)

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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

	2021	2020
Series F	31,008	30,939

## 6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the six-month periods ended June 30, 2021 and 2020 are disclosed in the statements of comprehensive income (loss).

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

## 7. Income taxes:

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

# VPI CANADIAN EQUITY POOL

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

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

## 7. Income taxes (continued):

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

	2020	2019
Capital losses	\$ 18,911	\$ –

## 8. Financial risk management:

The investment activities of the Pool expose the Pool to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Pool by contracting a professional, experienced portfolio manager, by monitoring the Pool and market events on a daily basis, and by diversifying the investment portfolio within the parameters of the investment objective and strategy. The most significant risks include market risk (other price risk, interest rate risk and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Pool are discussed below:

### (i) Other price risk:

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

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

	Fair value of equities (\$)	% of net assets	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2021	\$ 1,123,762	91.17%	\$ 56,188	4.56%
As at December 31, 2020	\$ 1,018,221	92.32%	\$ 50,911	4.62%



# VPI CANADIAN EQUITY POOL

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

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

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## 8. Financial risk management (continued):

### (ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds. The majority of the Pool's financial assets and liabilities are non-interest bearing. As a result, the Pool is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates.

### (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.

As at June 30, 2021 and December 31, 2020, the Pool had no significant investments in debt instruments and/or derivatives.

### (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.

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

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As at June 30, 2021	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 598,996	\$ 29,950	2.43%

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# VPI CANADIAN EQUITY POOL

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

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

## 8. Financial risk management (continued):

As at December 31, 2020	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 495,275	\$ 24,764	2.24%

### (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	%	%
Automobiles and components	3.32	4.15
Banks	38.49	38.50
Capital goods	4.38	2.71
Communication services	5.85	4.06
Health care equipment and services	10.88	10.30
Insurance	6.10	5.96
Pharmaceuticals, biotechnology and life sciences	5.61	4.09
Semiconductors and semiconductor equipment	2.26	5.64
Software and services	4.93	5.46
Technology hardware and equipment	5.72	7.00
Transportation	8.55	8.04
Utilities	3.91	4.09
	100.00	100.00

### (vii) Other risk:

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgements and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Pool in future periods.

# VPI CANADIAN EQUITY POOL

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

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

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## 9. Fair value disclosure:

### (i) Valuation models:

The Pool's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument is the 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.

### (ii) Fair value hierarchy - financial instruments measured at fair value:

The following table presents information about the Pool's assets which are recorded at fair value on a recurring basis as of 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	\$ 1,123,762	\$ -	\$ -	\$ 1,123,762

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# VPI CANADIAN EQUITY POOL

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

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

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## 9. Fair value disclosure (continued):

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

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 1,018,221	\$ -	\$ -	\$ 1,018,221

At June 30, 2021 and December 31, 2020, there were no transfers between levels. The financial instruments not measured at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.