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# **VPI CORPORATE BOND POOL**

**INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2022**

## **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

## **PORTFOLIO MANAGER**

CANSO INVESTMENT COUNSEL LTD.

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



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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six-month period ended June 30, 2022

### VPI CORPORATE BOND POOL

## Interim Management Discussion of Fund Performance

August 18, 2022

The Interim Management Report of Fund Performance presents management's view of the significant factors and developments affecting the Pool's performance and outlook since December 31, 2021, the Pool's most recent fiscal year-end. This report should be read in conjunction with the Annual Management Report of Fund Performance for the year ended December 31, 2021.

### Results of Operations

Net assets of the Pool decreased by approximately \$32.2 million for the six-month period ended June 30, 2022 due to a \$31.4 million decrease in net assets from operations and \$6.2 million in distributions. This was offset by \$5.4 million of net sales.

Each series of the Pool experienced a loss in the range of -7.7% to -6.9% which was lower than the -12.2% loss of the FTSE TMX Universe Bond Index (the "Index"). Despite its short duration, the Pool was negatively impacted by widening credit spreads as lower quality credit underperformed. Short and mid-term bonds issued by Air Canada, Bombardier, Spirit Aerosystems and other high yield issuers underperformed in the period. The Pool benefited from its large allocation to floating rate securities, which are less sensitive to interest rate changes.

### Revenues and Expenses

Revenues of the Pool for the period amounted to \$7.5 million, which can be primarily attributed to interest income from its holdings. The Pool experienced \$4.8 million of net realized gains on the sale of investments and currency forward contracts and \$42.4 million of unrealized depreciation in the value of investments and currency forward contracts. The Pool also incurred \$1.2 million in management fees and operating expenses net of \$60 thousand of expenses absorbed by the Manager.

### Recent Developments

#### *Economic Conditions*

Accelerating inflation and rising interest rates caused the global markets to take a bruising in the first half of the year, which was the worst in several decades. Stocks, bonds, emerging markets and cryptocurrencies all posted steep losses. One of the few assets that rose in the first half was certain commodity prices. Oil and gas prices rose after the Russia-Ukraine war disrupted imports from Russia, the third-largest oil producer in the world. Investors seeking refuge from volatile financial markets have also piled into the U.S. dollar as a safe bet. The currency at a multi-decade high is also getting support from the Federal Reserve's (the Fed) aggressive interest rate increases.

The Fed admitted that inflation remains elevated, reflecting supply and demand imbalances related to the pandemic, higher energy prices and broader price pressures. They have raised interest rates three times this year. The most recent increase was by 0.75% in June, which was the biggest such move since 1994. The central bank is also starting to reduce its holdings of Treasury securities, agency debt and mortgage-backed securities. Investors concede that the current economic environment in which inflation is high, borrowing costs are rising and growth is expected to slow, makes it difficult to be enthusiastic about many parts of the market.

The Bank of Canada increased its overnight rate to 1.5%. Economic growth is strong in Canada and household spending has strengthened after the lifting of public health restrictions. Housing market activity has moderated from its lofty levels. Job vacancies are elevated, and companies are reporting widespread labour shortages. Wage growth has picked up across sectors. The Bank of Canada is concerned about the risk of elevated inflation becoming entrenched and has guided to further rate hikes to curb inflation.

#### *Series Name Change*

Series I units of the Pool were formerly known as Series O units and were renamed as Series I units on June 15, 2022. Series I units are available to investors who have, or whose dealer has, entered into an agreement directly with the Manager to purchase Series I units and who make the required minimum investment and minimum additional investment as set out by the Manager from time to time. Such investors may include investors who opened a discretionary investment management account with the Manager prior to on or about September 30, 2022, certain institutional investors as approved by the Manager and other mutual funds managed by the Manager.

Series O units of the Pool were qualified on June 28, 2022 and are available to investors who have entered into a discretionary investment management account with the Manager.



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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the six-month period ended June 30, 2022

### VPI CORPORATE BOND POOL

#### Portfolio Allocation

Corporate Bonds	67.0%	Equities	1.0%
Mortgage-Backed Securities	15.1%	Other Net Assets	0.5%
Government Bonds	13.8%	Cash	0.2%
Term-Loans	3.4%	Forwards	-1.0%

#### Sector Allocation

Corporate Bonds	67.0%	Other Net Assets	0.5%
Mortgage-Backed Securities	15.1%	Cash	0.2%
Government Bonds	13.8%	Capital Goods	0.1%
Term-Loans	3.4%	Telecommunication Services	0.1%
Energy	0.8%	Forward currency contract	-1.0%

#### Top 25 Holdings

Issuer	Maturity Date	Coupon Rate	Percentage of Net Assets
Air Canada	15-Aug-29	4.6%	5.8%
Canadian Government Bond	01-Aug-22	0.3%	4.5%
Ford Credit Canada, FRN	21-Mar-24	5.7%	3.9%
Pacific Life Global Funding II, FRN	01-Feb-27	1.1%	3.2%
Canadian Government Bond	01-Nov-22	0.3%	3.1%
Canadian Government Bond	01-May-23	0.3%	2.9%
American Airlines Inc.	15-Jul-25	11.8%	2.5%
Manulife Financial Corporation, FRN	19-Jun-81	3.4%	2.4%
Delta Airlines	15-Sep-27	4.8%	2.1%
Government of Canada, FRN	01-Apr-27	1.2%	2.1%
Government of Canada, FRN	01-Jul-26	1.5%	2.0%
Manulife Financial Corporation, FRN	19-Mar-82	4.1%	2.0%
TransCanada Pipelines Ltd., FRN	15-May-67	3.6%	1.9%
Canadian Imperial Bank of Commerce, FRN	04-Mar-25	1.9%	1.9%
Bank of Nova Scotia, FRN	27-Jul-81	3.7%	1.8%
Government of Canada, FRN	01-Jan-27	1.6%	1.8%
Government of Canada, FRN	06-Jan-27	1.8%	1.7%
Canada Housing Trust	15-Jun-25	1.0%	1.7%
AMC Entertainment Holdings	15-Feb-29	7.5%	1.7%
Bank of Nova Scotia, FRN	04-Aug-26	1.5%	1.7%
Canadian Government Bond	01-Feb-23	0.3%	1.7%
Royal Bank of Canada, FRN	24-Nov-80	4.5%	1.5%
Spirit AeroSystems Inc.	15-Apr-25	7.5%	1.5%
Bombardier Inc.	01-May-34	7.5%	1.5%
Sunlife Financial Inc., FRN	30-Jun-81	3.6%	1.5%
<b>Total</b>			<b>58.4%</b>

The above summary of investment portfolio may change due to ongoing portfolio transactions of the Pool. An update will be made available within 60 days of each subsequent quarter-end.



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### VPI CORPORATE BOND POOL

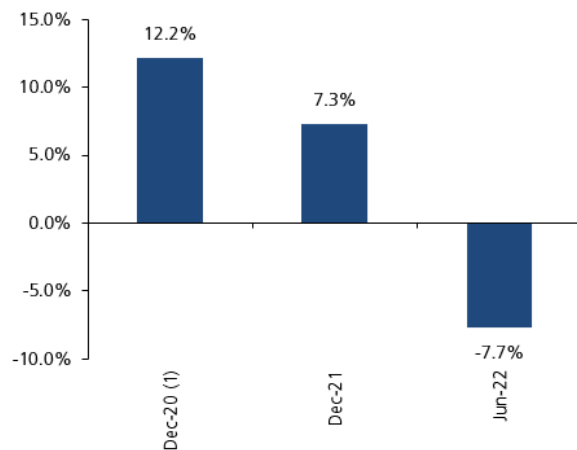
#### Past Performance

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

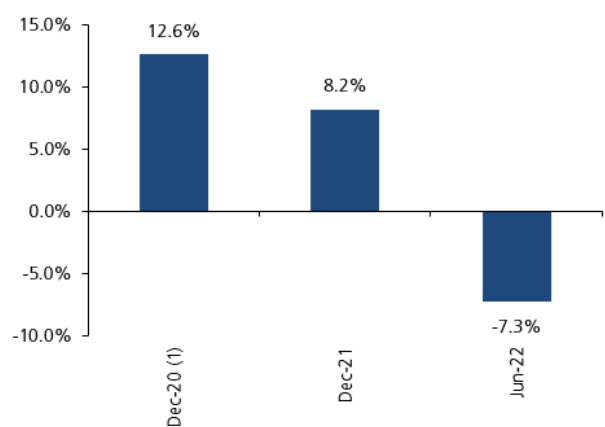
#### Year-by-Year Returns

The bar charts below show the performance of each series of the Pool (net of fees) for the six-month period ended June 30, 2022 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 I



(1) 2020 return is since inception on June 29, 2020



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#### Management Fees

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

For the six-months ended June 30, 2022, approximately 37% 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 12% of the gross management fees were returned to unitholders as management fee rebates. The remainder of the management fee revenue, after payment of fees to the Portfolio Manager for its services, was retained by the Manager for corporate purposes.

#### Related Party Transactions

Value Partners Investments Inc. is the manager of the Pool and is responsible for the overall business and operations of the Pool. For the six-month period ended June 30, 2022, the Pool paid \$1.0 million in management fees (excluding taxes) to the Manager. In addition, the Manager also held 1 Series A unit, 28,542 Series F units and 1 Series I unit of the Pool as of June 30, 2022.

#### 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 period ended December 31, 2021 and the six-month period ended June 30, 2022. *This information is derived from the Pool's audited annual financial statements and interim unaudited financial statements and is not intended to be a reconciliation of the net asset value per unit.*

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

Series A <sup>(4)</sup>	June 30 2022	December 31 2021	December 31 2020
<b>Net assets, beginning of period<sup>(4)</sup></b>	<b>10.88</b>	<b>10.78</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.19	0.50	0.28
Total expenses	(0.09)	(0.18)	(0.09)
Realized gains (losses) for the period	0.12	0.44	0.32
Unrealized gains (losses) for the period	(1.06)	(0.12)	1.04
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.84)</b>	<b>0.64</b>	<b>1.55</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.09)	(0.28)	(0.23)
From dividends	-	-	-
From capital gains	-	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.09)</b>	<b>(0.68)</b>	<b>(0.42)</b>
<b>Net assets, end of period</b>	<b>9.96</b>	<b>10.88</b>	<b>10.78</b>



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### VPI CORPORATE BOND POOL

#### Financial Highlights (continued)

Series F <sup>(4)</sup>	June 30 2022	December 31 2021	December 31 2020
<b>Net assets, beginning of period<sup>(4)</sup></b>	<b>10.84</b>	<b>10.78</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.18	0.50	0.28
Total expenses	(0.05)	(0.10)	(0.05)
Realized gains (losses) for the period	0.12	0.42	0.30
Unrealized gains (losses) for the period	(1.05)	(0.18)	0.98
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.80)</b>	<b>0.64</b>	<b>1.51</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.14)	(0.41)	(0.27)
From dividends	-	-	-
From capital gains	-	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.14)</b>	<b>(0.81)</b>	<b>(0.46)</b>
<b>Net assets, end of period</b>	<b>9.90</b>	<b>10.84</b>	<b>10.78</b>

Series I <sup>(4)</sup>	June 30 2022	December 31 2021	December 31 2020
<b>Net assets, beginning of period<sup>(4)</sup></b>	<b>10.87</b>	<b>10.82</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.19	0.51	0.29
Total expenses	-	-	-
Realized gains (losses) for the period	0.12	0.48	0.24
Unrealized gains (losses) for the period	(1.06)	(0.03)	0.81
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.75)</b>	<b>0.96</b>	<b>1.33</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.19)	(0.52)	(0.27)
From dividends	-	-	-
From capital gains	-	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.19)</b>	<b>(0.92)</b>	<b>(0.46)</b>
<b>Net assets, end of period</b>	<b>9.93</b>	<b>10.87</b>	<b>10.82</b>

(1) This information is derived from the Pool's audited annual financial statements and from the interim unaudited financial statements for the current period ended June 30, 2022.

(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) The Pool began operations on June 29, 2020.



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#### Ratios and Supplemental Data

Series A	June 30 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$126,198	\$122,753	\$52,057
Number of units outstanding (000's) <sup>(1)</sup>	12,668	11,280	4,829
Management expense ratio <sup>(2)</sup>	1.67%	1.64%	1.65%
Management expense ratio before waivers or absorptions	1.67%	1.64%	1.65%
Trading expense ratio <sup>(3)</sup>	0.01%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	32.45%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.96	\$10.88	\$10.78

Series F	June 30 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$34,677	\$31,758	\$8,446
Number of units outstanding (000's) <sup>(1)</sup>	3,501	2,931	784
Management expense ratio <sup>(2)</sup>	0.88%	0.86%	0.90%
Management expense ratio before waivers or absorptions	0.88%	0.86%	0.90%
Trading expense ratio <sup>(3)</sup>	0.01%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	32.45%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.90	\$10.84	\$10.78

Series I	June 30 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$233,110	\$271,716	\$248,796
Number of units outstanding (000's) <sup>(1)</sup>	23,476	24,998	22,984
Management expense ratio <sup>(2)</sup>	0.00%	0.00%	0.00%
Management expense ratio before waivers or absorptions	0.05%	0.06%	0.07%
Trading expense ratio <sup>(3)</sup>	0.01%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	32.45%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.93	\$10.87	\$10.82

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

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

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

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



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#### **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 and principal distributor of the Pool. VPGI is 40.2% owned by Longton Ltd., whose shareholders include specified members of the Lawton family, including Paul and Sean Lawton. Paul Lawton is an officer of VPGI as well as a director and officer of both VPI and LP Financial. Sean Lawton is a director and sales representative of LP Financial.

As of June 30, 2022, sales representatives of LP Financial held, in aggregate, Class A1 shares representing 19.6% and Class C1 shares representing 3.7% 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.*