VPI INCOME POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
SIX-MONTH PERIODS ENDED JUNE 30, 2023 AND 2022

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER
VALUE PARTNERS INVESTMENTS INC.

VPI INCOME POOL

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

June 30, 2023 and December 31, 2022 (unaudited)

As at		June 30, 2023		December 31, 2022
Assets				
Financial assets at fair value through profit or loss	$	523,033	$	516,327
Cash and cash equivalents		2,108		11,144
Accrued dividends receivable		497		425
Subscriptions receivable		1,616		1,155
	$	527,254	$	529,051
Liabilities				
Accounts payable and accrued liabilities	$	99	$	109
Redemptions payable		650		186
Management fees payable (notes 4 and 5)		763		772
Distributions payable		1,288		1,070
Due to Manager (note 5)		5		5
		2,805		2,142
Net assets attributable to holders of redeemable units	$	524,449	$	526,909
Net assets attributable to holders of redeemable units per series:				
Series A	$	462,583	$	458,906
Series F		49,473		52,651
Series I		12,393		15,352
Series O		–		–
Net assets attributable to holders of redeemable units per unit:				
Series A	$	11.56	$	11.15
Series F		11.29		10.89
Series I		9.88		9.57
Series O		10.60		10.23
Number of redeemable units outstanding:				
Series A		40,015		41,172
Series F		4,384		4,833
Series I		1,254		1,605
Series O		–		–

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

VPI INCOME POOL

Statements of Comprehensive Income (Loss)
(In thousands of dollars, except for per unit amounts)

For the six-month periods ended June 30, 2023 and 2022 (unaudited)

	2023	2022
Income:		
Interest income for distribution purposes	$ 3,760	$ 2,227
Dividend income	7,898	7,331
Foreign exchange gain (loss) on cash	(488)	232
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	13,338	9,172
Net realized gain on foreign currency forward contracts	1	–
Change in unrealized appreciation (depreciation) in value of investments	6,526	(75,221)
	31,035	(56,259)
Expenses:		
Administration	94	86
Audit fees	8	7
Independent review committee fees	6	5
Security holder reporting costs	141	148
Custodian fees	17	14
Filing fees	10	10
Legal fees	3	3
Management fees (notes 4 and 5)	4,648	4,926
Registered plan fees	6	7
Trustee fees	3	3
Withholding taxes	559	531
Transaction costs	47	58
	5,542	5,798
Absorbed expenses (notes 4 and 5)	(8)	(8)
	5,534	5,790
Increase (decrease) in net assets attributable to holders of redeemable units	$ 25,501	$ (62,049)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ 21,907	$ (53,920)
Series F	2,712	(6,637)
Series I	882	(1,492)
Series O	–	–
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ 0.54	$ (1.26)
Series F	0.60	(1.18)
Series I	0.59	(0.99)
Series O	–	–

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

VPI INCOME POOL

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

For the six-month periods ended June 30, 2023 and 2022 (unaudited)

	Series A		Series F		Series I		Series O		Total	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
Net assets attributable to holders of redeemable units, beginning of period	$ 458,906	$ 520,129	$ 52,651	$ 66,907	$ 15,352	$ 17,493	$ –	$ –	$ 526,909	$ 604,529
Increase (decrease) in net assets attributable to holders of redeemable units	21,907	(53,920)	2,712	(6,637)	882	(1,492)	–	–	25,501	(62,049)
Redeemable unit transactions:										
Proceeds from redeemable units issued	18,163	25,768	1,898	4,754	125	1,410	–	–	20,186	31,932
Reinvestment of distributions to holders of redeemable units	5,636	3,717	730	631	257	215	–	–	6,623	4,563
Redemption of redeemable units	(37,111)	(38,468)	(7,686)	(8,931)	(3,873)	(3,515)	–	–	(48,670)	(50,914)
	(13,312)	(8,983)	(5,058)	(3,546)	(3,491)	(1,890)	–	–	(21,861)	(14,419)
Distributions to holders of redeemable units:										
Net investment income	(4,918)	(2,829)	(832)	(735)	(350)	(299)	–	–	(6,100)	(3,863)
Net increase (decrease) in net assets attributable to holders of redeemable units	3,677	(65,732)	(3,178)	(10,918)	(2,959)	(3,681)	–	–	(2,460)	(80,331)
Net assets attributable to holders of redeemable units, end of period	$ 462,583	$ 454,397	$ 49,473	$ 5,989	$ 12,393	$ 13,812	$ –	$ –	$ 524,449	$ 524,198
Increase (decrease) in redeemable units outstanding:										
Beginning of period	41,172	43,099	4,833	5,657	1,605	1,665	–	–	47,610	50,421
Issued	1,576	2,218	169	416	13	138	–	–	1,758	2,772
Issued on reinvestment of distributions	488	325	65	56	26	22	–	–	579	403
Redeemed	(3,221)	(3,335)	(683)	(803)	(390)	(342)	–	–	(4,294)	(4,480)
Redeemable units outstanding, end of period	40,015	42,307	4,384	5,326	1,254	1,483	–	–	45,653	49,116
Weighted average units outstanding, during the period	40,529	42,785	4,548	5,643	1,492	1,506	–	–		

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

VPI INCOME POOL

Statements of Cash Flows
(In thousands of dollars)

For the six-month periods ended June 30, 2023 and 2022 (unaudited)

	2023	2022
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 25,501	$ (62,049)
Adjustments for:		
Foreign exchange loss (gain) on cash	488	(232)
Net realized gain on sale of investments	(13,338)	(9,172)
Transaction costs	47	58
Change in unrealized depreciation (appreciation) in value of investments	(6,526)	75,221
Purchase of investments	(54,718)	(40,168)
Proceeds from sale of investments	67,829	73,042
Accrued dividends receivable	(72)	147
Accrued interest receivable for distribution purposes	–	10,015
Management fees payable	(9)	(121)
Accounts payable and accrued liabilities	(10)	(9,990)
Due to Manager	–	(10)
Net cash from operating activities	19,192	36,741
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	741	629
Proceeds from redeemable units issued	18,709	30,134
Redemption of redeemable units	(47,190)	(48,651)
Net cash used in financing activities	(27,740)	(17,888)
Foreign exchange gain (loss) on cash	(488)	232
Net increase (decrease) in cash and cash equivalents	(9,036)	19,085
Cash and cash equivalents, beginning of period	11,144	2,245
Cash and cash equivalents, end of period	$ 2,108	$ 21,330
Supplementary information:		
Dividends received, net of withholding tax	$ 7,267	$ 6,947
Interest received, net of withholding tax	3,760	12,242

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

VPI INCOME POOL

Schedule of Investment Portfolio
(In thousands of dollars, except for unit amounts)

June 30, 2023 (unaudited)

Number of shares or units	Description	Average cost	Fair value	% of net assets
Mutual Funds:				
26,614,451	VPI Corporate Bond Pool - Series I	$ 269,417	$ 268,625	51.22
Equities:				
Automobiles and Components:				
150,000	Honda Motor Limited ADR	4,992	6,016	
35,500	Magna International Inc.	2,231	2,655	
		7,223	8,671	1.65
Banks:				
64,600	Bank of Montreal	5,852	7,729	
107,400	Bank of Nova Scotia	6,642	7,118	
127,850	Canadian Imperial Bank of Commerce	6,263	7,231	
56,865	Royal Bank of Canada	4,624	7,195	
99,930	Toronto-Dominion Bank	6,490	8,205	
		29,871	37,478	7.15
Capital Goods:				
48,500	3M Company	10,339	6,423	
60,000	Siemens AG	4,999	6,622	
		15,338	13,045	2.49
Commercial and Professional Services:				
39,000	Wolters Kluwer NV	4,254	6,548	1.25
Consumer Staples Distribution and Retail				
248,000	Carrefour S.A.	5,498	6,214	
55,000	Loblaw Companies Ltd.	3,459	6,670	
104,000	Seven & I Holdings Co., Ltd.	4,598	5,908	
		13,555	18,792	3.58
Consumer Services:				
46,500	Starbucks Corp.	4,783	6,095	1.16
Equity REITs				
25,000	American Tower Corp.	7,295	6,416	
1,162,000	Firm Capital Property Trust	4,096	6,101	
		11,391	12,517	2.39
Financial Services				
13,400	S&P Global Inc.	6,132	7,108	1.36
Food, Beverage and Tobacco:				
122,500	Asahi Group Holdings Ltd.	7,114	6,251	
27,000	Diageo PLC ADR	4,706	6,198	
38,800	Nestle S.A. ADR	5,943	6,179	
		17,763	18,628	3.55

VPI INCOME POOL

Schedule of Investment Portfolio (continued)
(In thousands of dollars, except for unit amounts)

June 30, 2023 (unaudited)

Number of shares or units	Description	Average cost	Fair value	% of net assets
Healthcare Equipment and Services:				
65,000	CVS Health Corp.	$ 4,656	$ 5,946	
10,000	UnitedHealth Group Inc.	3,994	6,360	
		8,650	12,306	2.35
Insurance:				
176,300	Great-West Lifeco Inc.	4,569	6,782	
120,500	Sun Life Financial Inc.	6,170	8,322	
		10,739	15,104	2.88
Media and Entertainment				
120,000	Comcast Corporation, Class A	5,366	6,598	1.26
Pharmaceuticals, Biotechnology and Life Sciences:				
49,000	Merck & Co., Inc.	4,838	7,482	
120,500	Roche Holding AG ADR	7,163	6,091	
		12,001	13,573	2.59
Software and Services:				
282,000	Infosys Ltd.	5,699	5,997	
108,000	Open Text Corp.	4,313	5,951	
32,000	Oracle Corp.	2,270	5,043	
		12,282	16,991	3.24
Technology Hardware and Equipment:				
105,500	Cisco Systems Inc.	5,647	7,223	
75,000	Logitech International S.A.	7,659	5,906	
		13,306	13,129	2.50
Telecommunication Services:				
223,000	Deutsche Telekom AG ADR	5,260	6,448	
3,285,000	Nippon Telegraph & Telephone Corp.	4,225	5,128	
26,000	Nippon Telegraph & Telephone Corp. ADR	822	1,015	
126,000	Rogers Communications Inc., Class B	7,457	7,615	
		17,764	20,206	3.85
Transportation:				
22,000	FedEx Corp.	4,562	7,217	
28,500	United Parcel Service Inc.	6,921	6,760	
		11,483	13,977	2.67
Utilities:				
750,000	Enel SpA	7,496	6,677	
122,000	Fortis Inc.	6,485	6,965	
		13,981	13,642	2.60
Summary:				
Mutual Funds		269,417	268,625	51.22
Equities		215,882	254,408	48.52
		485,299	523,033	99.74

VPI INCOME POOL

Schedule of Investment Portfolio (continued)
(In thousands of dollars, except for unit amounts)

June 30, 2023 (unaudited)

Number of units, shares or par value	Description	Average cost	Fair value	% of net assets
Transaction costs		$ (162)	$	
Total financial assets at FVTPL		485,137	523,033	99.74
Cash:				
Domestic		1,653	1,653	
Foreign		456	455	
Total cash		2,109	2,108	0.39
Liabilities, net of other assets			(692)	(0.13)
Total net assets attributable to holders of redeemable units			$ 524,449	100.00

Schedule 1 - Asset Composition of Underlying Fund
June 30, 2023

As at June 30, 2023, 51.2 percent of the net assets of the Pool were invested in VPI Corporate Bond Pool Series I (the Underlying Fund). As a result, the major asset classes in which the Underlying Fund was invested at the end of the period are indicated below.

Description	Percentage
Corporate bonds	68.78%
Mortgage-backed securities	11.38%
Government bonds	16.77%
Term loans	2.28%
Equities	0.79%
	100.00%

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

1. Reporting entity:

(a) VPI Income 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 F units. On July 5, 2017, the Pool began offering Series O units and effective June 15, 2022 were renamed as Series I units. Effective June 28, 2022, Series O units of the Pool were qualified for distribution.

The Pool's objective is to place a strong emphasis on avoiding material or long-term capital losses while investing in securities that provide a reasonable level of income and the potential for long-term capital growth. The Pool invests primarily in fixed income and equity securities that pay income.

On June 13, 2023, it was announced that Value Partners Group Inc. ("VPGI"), the parent company of the Manager, had reached an agreement with The Canada Life Assurance Company ("Canada Life") for Canada Life to acquire VPGI ("the Transaction"). The Transaction is expected to close by the end of 2023 and will result in the indirect acquisition of the Manager of the Pool. The completion of the Transaction is subject to receipt of all required regulatory approvals, as well as satisfaction of customary closing conditions.

(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 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.

1. Reporting entity (continued):

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 are available to investors who have entered into a discretionary investment management account with the Manager.

Except for Series I, 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 I, both common fund expenses, as well as expenses unique to Series I, 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.

2. Basis of preparation:

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS).

The financial statements were authorized for issue by the Manager on behalf of the board of directors on August 22, 2023.

(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.

2. Basis of preparation (continued):

(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).

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.

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.

3. Significant accounting policies (continued):

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, 2023 and December 31, 2022, 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 (loss) 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.

3. Significant accounting policies (continued):

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, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable and due to Manager 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.

3. Significant accounting policies (continued):

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.

(v) Foreign currency forward contracts:

The value of a foreign currency forward contract is the gain or loss that would be realized if, on the date that valuation is made, the positions were closed out. It is reflected in the statements of financial position as part of "foreign currency forward contracts" and the change in value over the period is reflected in the statements of comprehensive income (loss) as part of "change in unrealized appreciation (depreciation) in foreign currency forward contracts". When the foreign currency forward contracts are closed out, gains and losses are realized and are included in the "net realized gain (loss) on foreign currency forward contracts" in the statements of comprehensive income (loss).

(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. 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).

3. Significant accounting policies (continued):

(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 (loss) 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.

4. Management fees and expenses:

Except for Series I and 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:

Series A	1.80%
Series F	0.90%

The Manager offers a management fee reduction program to qualified investors in Series A and Series F units. If the unitholder qualifies under this program, the management fee charged to the Pool is reduced and the Pool distributes the amount of the reduction to the investor by way of a management fee distribution. Management fee distributions are automatically reinvested in additional units of a particular series of the Pool unless negotiated otherwise with the Manager.

No management fee is charged to the Pool with respect to Series I units. Instead, each investor negotiates a separate fee that is paid directly to the Manager. Series O units of the Pool pay a portfolio management fee based on a percentage of the net asset value of Series O units as of the close of business on each business day calculated at a rate of 0.15% annually.

Except for Series I 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. The Manager may, at its own discretion, absorb a portion of the operating expenses of Series A, Series F or Series O units from time to time.

Proportionate fund expenses for Series I units, both common fund expenses, as well as expenses unique to Series I, are fully absorbed 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, 2023 and December 31, 2022.

(In thousands of dollars, except for unit amounts)

5. Related party transactions:

Related party balances of the Pool as at June 30, 2023 and December 31, 2022 is as follows:

	2023	2022
Management fees payable	$ 763	$ 772
Due to Manager	5	5

Related party transactions of the Pool for the six-month periods ended June 30, 2023 and 2022 is as follows:

	2023	2022
Management fees	$ 4,648	$ 4,926
Absorbed expenses	(8)	(8)

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, 2023 and December 31, 2022, the Manager or parent company of the Manager held the following number of units in the Pool:

	2023	2022
Series F	–	48,789
Series O	1	1

At June 30, 2023, the Pool holds 26,614,451 (2022 - 23,461,747) Series I units of the VPI Corporate Bond Pool (note 10) with a fair value at June 30, 2023 of $268,625 (2022 - $232,968). The VPI Corporate Bond Pool is managed by the same Manager as the Pool.

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the six-month periods ended June 30, 2023 and 2022 is disclosed in the statements of comprehensive income (loss).

There were $11 of soft dollar commissions paid during the period ended June 30, 2023 (2022 - $9)

(In thousands of dollars, except for unit amounts)

7. Income taxes:

As of December 31, 2022 and 2021, there were no non-capital losses available for carry forward.

Capital losses available for carry forward as of December 31, 2022 and 2021 are as follows:

	2022	2021
Capital losses	$ 102,968	$ 109,667

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 professional, experienced portfolio managers, 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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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, 2023	$ 254,408	48.52%	$ 12,720	2.43%
As at December 31, 2022	$ 298,764	56.70%	$ 14,938	2.84%

For the Underlying Fund, the most significant exposure to other price risk arises from investments in equity securities. The following table shows the exposure of the Underlying Fund 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, 2023	$ 3,922	0.75%	$ 196	0.04%
As at December 31, 2022	$ 3,975	0.75%	$ 199	0.04%

(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.

As of June 30, 2023 and December 31, 2022, the Pool does not directly hold any interest-bearing financial instruments such as bonds or mortgages. The Pool is indirectly exposed to interest rate risk to the extent that the value of interest-bearing financial instruments in the Underlying Fund will fluctuate due to changes in the prevailing levels of interest rates.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The table below summarizes the Pool's indirect exposure to interest rate risk through its investment in the Underlying Fund, categorized by the earlier of contractual re-pricing or maturity dates.

As at June 30, 2023	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 48,416	$ 59,566	$ 81,640	$ 76,867	$ 2,136	$ 268,625

As at December 31, 2022	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 10,727	$ 42,262	$ 79,650	$ 82,710	$ 2,214	$ 217,563

At June 30, 2023 and December 31, 2022, 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, 2023	$ 1,329	0.25%
As at December 31, 2022	$ 1,277	0.24%

(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 bonds. 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, 2023 and December 31, 2022.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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.

The Pool may enter into foreign currency forward contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short-term spot settlements carried out with counterparties with a credit rating of at least “A.” The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

As at June 30, 2023 and December 31, 2022, the Pool did not directly hold any debt securities. However, the Pool is indirectly exposed to credit risk to the extent that the value of debt securities in the Underlying Fund will fluctuate due to changes in the prevailing levels of the interest rates.

The Pool’s exposure to debt securities by credit rating are as follows:

As at June 30, 2023	% of debt securities	% of net assets
AAA	31.64%	15.72%
AA	5.06%	2.51%
A	13.85%	6.88%
BBB	19.11%	9.49%
BB	16.31%	8.10%
B	8.69%	4.32%
CCC	1.01%	0.50%
N/R	4.33%	2.15%
	100.00%	49.67%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As at December 31, 2022	% of debt securities	% of net assets
AAA	25.88%	10.36%
AA	3.26%	1.31%
A	4.34%	1.74%
BBB	24.70%	9.88%
BB	21.75%	8.71%
B	11.33%	4.54%
CCC	3.38%	1.35%
N/R	5.36%	2.15%
	100.00%	40.04%

(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 their 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 financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, the Pool’s reporting currency, will fluctuate due to changes in exchange rates. The Pool may enter into foreign currency forward contracts to reduce its foreign currency exposure.

The foreign currencies to which the Pool was exposed at June 30, 2023 and December 31, 2022 are included in following table.

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 and include the underlying principal of foreign currency forward contracts, if any.

As at June 30, 2023	Foreign currencies ($)	Net exposure	Impact on net assets ($)	Impact on net assets (%)
United States dollar	$ 123,887	$ 123,887	$ 6,194	1.18%
Euro	19,440	19,440	972	0.19%
Japanese yen	17,340	17,340	867	0.17%
Swiss franc	5,906	5,906	295	0.06%
	$ 166,573	$ 166,573	$ 8,328	1.60%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As at December 31, 2022	Foreign currencies ($)	Net exposure	Impact on net assets ($)	Impact on net assets (%)
United States dollar	$ 155,674	$ 155,674	$ 7,784	1.48%
Euro	23,301	23,301	1,165	0.22%
Japanese yen	20,593	20,593	1,030	0.19%
Swiss franc	7,939	7,939	397	0.08%
	$ 207,507	$ 207,507	$ 10,376	1.97%

The Pool was indirectly exposed to foreign currencies held by the Underlying Fund. The only foreign currencies held by the Underlying Fund at June 30, 2023 and December 31, 2022 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 these currencies relative to the Canadian dollar.

As at June 30, 2023	Foreign currencies ($)	Foreign currency forward contracts	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 141,672	$ (147,974)	$ (6,302)	$ (315)	(0.06)%
Cash	63	–	63	3	0.00%
Other assets less liabilities	2,065	–	2,065	103	0.02%
	$ 143,800	$ (147,974)	$ (4,174)	$ (209)	(0.04)%

As at December 31, 2022	Foreign currencies ($)	Foreign currency forward contracts	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 142,939	$ (146,477)	$ (3,528)	$ (176)	(0.04)%
Cash	920	–	920	46	0.01%
Other assets less liabilities	2,503	–	2,503	125	0.03%
	$ 146,362	$ (146,477)	$ (105)	$ (5)	(0.00)%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(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 Long	June 30, 2023	December 31, 2022
	%	%
Automobiles and components	1.66	1.93
Banks	7.17	7.57
Capital goods	2.49	3.05
Commercial and professional services	1.25	1.38
Consumer staples distribution and retail	3.59	–
Communication services	–	1.84
Consumer services	1.17	1.54
Equity REITs	2.39	1.28
Financial services	1.36	–
Diversified financials	–	1.32
Food, beverage and tobacco	3.56	4.36
Food and staples retailing	–	4.68
Health care equipment and services	2.35	3.19
Insurance	2.89	3.22
Media and Entertainment	1.26	1.55
Mutual funds	51.35	42.13
Pharmaceuticals, biotechnology and life sciences	2.60	3.51
Software and services	3.25	4.87
Technology hardware and equipment	2.51	3.21
Telecommunication services	3.87	2.90
Transportation	2.67	3.35
Utilities	2.61	3.12
Total	100.00	100.00

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

The Underlying Fund makes up a significant portion of the Pool, thus the concentration risk of the Underlying Fund as a percentage of the Pool's FVTPL is disclosed below:

Market segment Long	June 30, 2023	December 31, 2022
	%	%
Government bonds	8.59	3.98
Corporate bonds	35.22	29.45
Term loans	1.17	1.29
Mortgage backed securities	5.83	6.17
Capital goods	0.08	0.07
Energy	0.32	0.31
Media and entertainment	0.01	–
Telecommunication services	–	0.02
Total	51.22	41.29

(vii) Other risk:

Unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair the portfolio manager's ability to carry out the objectives of the Pool or cause the Pools to incur losses. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted.

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).

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

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 tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

Financial assets at fair value as at June 30, 2023:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 254,408	$ –	$ –	$ 254,408
Mutual funds	268,625	–	–	268,625
	$ 523,033	$ –	$ –	$ 523,033

Financial assets at fair value as at December 31, 2022:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 298,764	$ –	$ –	$ 298,764
Mutual funds	217,563	–	–	217,563
	$ 516,327	$ –	$ –	$ 516,327

9. Fair value disclosure (continued):

During the six-month period ended June 30, 2023 and the year ended December 31, 2022, 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.

10. Investments with structured entities:

The Pool has determined that the Underlying Fund in which it invests is an unconsolidated structured entity. This represents a significant judgment by the Pool as decision making about the Underlying Fund's investing activities are not governed by voting rights held by the Pool and other investors. The table below describes the types of structured entities that the Pool does not consolidate, but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Pool
Investment fund	To manage assets on behalf of third party investors and generate fees for the investment manager These vehicles are financed through the issue of units to investors	Investment in units issued by the Underlying Fund

The change in fair value of the Underlying Fund is included in the statements of comprehensive income (loss) in 'Change in unrealized appreciation (depreciation) in value of investments'.

(In thousands of dollars, except for unit amounts)

10. Investments with structured entities (continued):

The table below sets out the interests held by the Pool in unconsolidated structured entities. The maximum exposure to loss is the carrying amounts of the financial assets held.

June 30, 2023			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Income Pool	1	$ 499,151	$ 268,625
Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
VPI Corporate Bond Pool	Canada	Canada	$ 268,625

December 31, 2022			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Income Pool	1	$ 398,917	$ 217,563
Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
VPI Corporate Bond Pool	Canada	Canada	$ 217,563

For the six-month period ended June 30, 2023 and year ended December 31, 2022, the Pool did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support in the future. The Pool can redeem their units in the above Underlying Fund at any time, subject to sufficient liquidity.