



**VALUE
PARTNERS**
INVESTMENTS

VPI DIVIDEND GROWTH POOL

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

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER

BRISTOL GATE CAPITAL PARTNERS INC.

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 DIVIDEND GROWTH 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
Assets		
Financial assets at fair value through profit or loss	\$ 194,612	\$ 132,065
Cash and cash equivalents	778	3,196
Accrued dividends receivable	66	113
Due from Manager (note 5)	4	–
Subscriptions receivable	540	860
	\$ 196,000	\$ 136,234
Liabilities		
Accounts payable and accrued liabilities	\$ 45	\$ 61
Management fees payable (notes 4 and 5)	191	140
Redemptions payable	32	13
Due to broker	–	2,996
	268	3,210
Net assets attributable to holders of redeemable units	\$ 195,732	\$ 133,024
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 104,293	\$ 76,017
Series F	46,006	32,382
Series O	45,433	24,625
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 11.91	\$ 10.75
Series F	12.07	10.85
Series O	12.33	11.02
Number of redeemable units outstanding:		
Series A	8,760	7,072
Series F	3,811	2,985
Series O	3,684	2,234

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

VPI DIVIDEND GROWTH POOL

Statement of Comprehensive Income (Loss)

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

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

	2021	2020
Income:		
Interest income for distribution purposes	\$ 85	\$ 30
Dividend income	883	344
Foreign exchange loss on cash	(39)	(219)
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on sale of investments	2,931	(3,379)
Change in unrealized appreciation in value of investments	16,034	3,346
	19,894	122
Expenses:		
Administration	55	69
Audit fees	8	8
Independent review committee fees	5	5
Security holder reporting costs	38	10
Custodian fees	3	2
Filing fees	16	18
Legal fees	3	3
Management fees (notes 4 and 5)	1,024	329
Registered plan fees	2	1
Trustee fees	3	3
Withholding taxes	149	56
Transaction costs	6	8
	1,312	512
Absorbed expenses (notes 4 and 5)	(28)	(44)
	1,284	468
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 18,610	\$ (346)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	\$ 9,940	\$ (399)
Series F	4,449	(79)
Series O	4,221	132
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 1.21	\$ (0.13)
Series F	1.30	(0.07)
Series O	1.42	0.20

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

VPI DIVIDEND GROWTH POOL

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

For the six-month period ended June 30 (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	\$ 76,017	\$ 9,175	\$ 32,382	\$ 4,827	\$ 24,625	\$ 2,278	\$ 133,024	\$ 16,280
Increase (decrease) in net assets attributable to holders of redeemable units per series	9,940	(399)	4,449	(79)	4,221	132	18,610	(346)
Redeemable unit transactions:								
Proceeds from redeemable units issued	23,294	37,336	10,260	11,899	19,902	11,037	53,456	60,272
Reinvestment of distributions to holders of redeemable units	157	47	52	14	—	—	209	61
Redemption of redeemable units	(5,115)	(997)	(1,137)	(668)	(3,315)	(561)	(9,567)	(2,226)
	18,336	36,386	9,175	11,245	16,587	10,476	44,098	58,107
Net increase in net assets attributable to holders of redeemable units	28,276	35,987	13,624	11,166	20,808	10,608	62,708	57,761
Net assets attributable to holders of redeemable units, end of period	\$ 104,293	\$ 45,162	\$ 46,006	\$ 15,993	\$ 45,433	\$ 12,886	\$ 195,732	\$ 74,041
Increase (decrease) in redeemable units outstanding:								
Beginning of period	7,072	909	2,985	478	2,234	225	12,291	1,612
Issued	2,136	3,813	955	1,221	1,741	1,135	4,832	6,169
Issued on reinvestment of distributions	14	5	5	1	—	—	19	6
Redeemed	(462)	(109)	(134)	(72)	(291)	(61)	(887)	(242)
Redeemable units outstanding, end of period	8,760	4,618	3,811	1,628	3,684	1,299	16,255	7,545
Weighted average units outstanding, during the period	8,186	3,136	3,412	1,147	2,979	669		

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

VPI DIVIDEND GROWTH POOL

Statement of Cash Flows
(In thousands of dollars)

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

	2021	2020
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 18,610	\$ (346)
Adjustments for:		
Foreign exchange loss on cash	39	219
Net realized (gain) loss on sale of investments	(2,931)	3,379
Transaction costs	6	8
Change in unrealized appreciation in value of investments	(16,034)	(3,346)
Purchase of investments	(66,604)	(72,024)
Proceeds from sale of investments	23,017	15,251
Dividends receivable	47	(21)
Due from Manager	(4)	14
Management fees payable	51	71
Due to broker	(2,996)	—
Other payables and accrued expenses	(17)	2
Net cash used in operating activities	(46,816)	(56,793)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	209	43
Proceeds from redeemable units issued	50,909	59,798
Redemption of redeemable units	(6,681)	(1,792)
Net cash from financing activities	44,437	58,049
Foreign exchange loss on cash	(39)	(219)
Net increase (decrease) in cash and cash equivalents	(2,418)	1,037
Cash and cash equivalents, beginning of period	3,196	290
Cash and cash equivalents, end of period	\$ 778	\$ 1,327
Supplementary information:		
Dividends received, net of withholding tax	780	267
Interest received, net of withholding tax	85	30

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

VPI DIVIDEND GROWTH 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
Equities:				
Capital goods:				
51,400	Allegion PLC	\$ 7,598	\$ 8,866	
16,056	Roper Technologies Inc.	8,219	9,349	
		15,817	18,215	9.31
Commercial and professional services:				
19,204	Cintas Corp.	7,602	9,084	4.64
Consumer services:				
59,483	Starbucks Corp.	7,038	8,236	4.21
Diversified financials:				
33,079	CME Group Inc.	7,714	8,712	
21,537	Moody's Corp.	7,724	9,664	
		15,438	18,376	9.39
Health care equipment and services:				
17,988	UnitedHealth Group Inc.	7,492	8,920	4.56
Materials:				
26,514	Sherwin-Williams Co.	7,540	8,945	4.57
Media and entertainment:				
70,431	Activision Blizzard Inc.	7,155	8,324	4.25
Pharmaceuticals, biotechnology and life sciences:				
14,135	Thermo Fisher Scientific Inc.	8,885	8,830	
42,344	Zoetis Inc.	8,270	9,771	
		17,155	18,601	9.5
Real estate:				
28,157	American Tower Corp. Class A	8,593	9,419	4.81
Retailing:				
32,754	Dollar General Corp.	8,618	8,777	
21,204	Home Depot Inc.	7,137	8,373	
		15,755	17,150	8.76
Semiconductors and semiconductor equipment:				
48,729	Applied Materials Inc.	6,243	8,593	
13,955	Broadcom Inc.	6,427	8,240	
34,636	Texas Instruments Inc.	6,478	8,248	
		19,148	25,081	12.81

VPI DIVIDEND GROWTH 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
Software and services:				
43,391	Broadridge Financial Solutions	7,637	8,679	
16,209	Intuit Inc.	6,879	9,838	
17,833	Mastercard Inc.	7,491	8,062	
26,457	Microsoft Corp.	\$ 7,226	\$ 8,875	
30,419	Visa Inc. Class A	7,969	8,807	
		37,202	44,261	22.62
<hr/>				
Total equities		165,935	194,612	99.43
<hr/>				
Transaction costs		(9)		
Total financial assets at FVTPL		165,926	194,612	99.43
<hr/>				
Cash:				
Domestic		674	674	
Foreign		104	104	
Total cash		778	778	0.40
<hr/>				
Other assets less liabilities			342	0.17
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Total net assets attributable to holders of redeemable units			\$ 195,732	100.00

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

VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

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

1. Reporting entity:

- (a) VPI Dividend Growth Pool (the Pool) is an open-ended mutual fund trust, established on November 1, 2019 by declaration of trust under the laws of the Province of Ontario. As of November 1, 2019 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 November 6, 2019 with Series A, Series F and Series O.

The Pool's objective is to generate long-term growth of income and capital by investing primarily in a concentrated portfolio of publicly-traded equity securities of companies that are expected to pay a growing dividend.

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

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

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

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

VPI DIVIDEND GROWTH POOL

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

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

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 DIVIDEND GROWTH POOL

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

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

3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

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

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

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

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

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income (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.

VPI DIVIDEND GROWTH POOL

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

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

3. Significant accounting policies (continued):

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

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

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

(iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Pool classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable, as amortized cost. Cash includes cash on deposit with the custodian.

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.

VPI DIVIDEND GROWTH POOL

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

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

3. Significant accounting policies (continued):

The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(iv) Impairment:

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

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

(b) Redeemable units:

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

(c) Foreign currency:

The Pool's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. 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.

VPI DIVIDEND GROWTH POOL

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

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

3. Significant accounting policies (continued):

'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 (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.

VPI DIVIDEND GROWTH POOL

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

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

4. Management fees and expenses:

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

Series A	1.80%
Series F	0.90%

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 December 31, 2020.

5. Related party transactions:

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

	2021	2020
Management fees payable	\$ 191	\$ 140
Due from Manager	4	–

VPI DIVIDEND GROWTH POOL

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

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

5. Related party transactions (continued):

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

	2021	2020
Management fees	\$ 1,024	\$ 329
Absorbed expenses	(28)	(44)

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

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

	2021	2020
Series A	1	1
Series F	50,366	50,254
Series O	1	1

6. Brokerage commissions:

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

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

7. Income taxes:

Capital and non-capital losses available for carry forward as of December 31, 2020 and 2019 is as follows:

	2020	2019
Capital losses	\$ 2,897	\$ 27
Non-capital losses	56	—

VPI DIVIDEND GROWTH POOL

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

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

8. Financial risk management:

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	\$ 194,612	99.43%	\$ 9,731	4.97%
As at December 31, 2020	\$ 132,065	99.28%	\$ 6,603	4.96%

(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 levels 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.

VPI DIVIDEND GROWTH POOL

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

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

8. Financial risk management (continued):

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

As at June 30, 2021	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 194,782	\$ 9,739	4.98%

As at December 31, 2020	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 130,481	\$ 6,524	4.90%

(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.

VPI DIVIDEND GROWTH POOL

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

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

8. Financial risk management (continued):

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

Market segment	June 30,	December 31,
Long	2021	2020
	%	%
Capital goods	9.36	9.42
Commercial and professional services	4.67	4.50
Consumer services	4.23	5.26
Diversified financials	9.44	8.80
Food, beverage and tobacco	—	4.48
Health care equipment and services	4.58	9.34
Materials	4.60	4.36
Media and entertainment	4.28	4.64
Pharmaceuticals, biotechnology and life sciences	9.56	4.23
Real estate	4.84	3.83
Retailing	8.81	8.20
Semiconductors and semiconductor equipment	12.89	9.87
Software and services	22.74	23.07
	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.

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.

VPI DIVIDEND GROWTH POOL

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

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

9. Fair value disclosure (continued):

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 tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2021 and December 31, 2020:

Financial assets at fair value as at June 30, 2021:

June 30, 2021	Level 1	Level 2	Level 3	Total
Equities - long	\$ 194,612	\$ -	\$ -	\$ 194,612

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Equities - long	\$ 132,065	\$ -	\$ -	\$ 132,065

During the six-month periods ended June 30, 2021 and the period ended December 31, 2020, there was no transfers between levels.