



**VALUE  
PARTNERS**  
INVESTMENTS

# **VPI CORPORATE BOND POOL**

**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
FOR THE YEAR ENDED DECEMBER 31, 2022**

## **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

## **PORTFOLIO MANAGER**

CANSO INVESTMENT COUNSEL LTD.

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



## Annual Management Discussion of Fund Performance

March 17, 2023

### Investment Objective and Strategies

VPI Corporate Bond Pool's objective is to preserve capital while providing a reasonable level of income and the potential for long-term capital growth by investing primarily in fixed income securities.

The Portfolio Manager will use a flexible approach to investing in fixed income securities with no geographic restrictions. Fixed income securities may include, but are not limited to corporate bonds, convertible bonds, government bonds, loans, notes and other evidences of indebtedness. In the event that the Portfolio Manager is unable to find fixed income securities that meet its investment criteria in terms of quality and value, the Portfolio Manager will choose to hold cash and/or cash equivalents until the right opportunity comes available. This approach is used to protect investor capital and avoid the potential for long-term capital losses.

### Risk

The Pool is considered suitable for investors with a low tolerance for risk. The risks of investing in the Pool remain as discussed in the Prospectus and there were no significant changes to the Pool that materially affected its overall level of risk during the reporting period.

### Results of Operations

The net assets for the Pool decreased by approximately \$27.3 million for the year ended December 31, 2022. This decrease was primarily due to a \$24.7 million decrease in net assets from operations and \$14.0 million of distributions to unitholders. This was offset by net sales of \$11.4 million. The decrease in net assets from operations resulted from \$8.0 million of realized net losses on the sale of investments and currency forward contracts, \$30.7 million of unrealized depreciation on the sale of investments and currency forward contracts and \$2.5 million of management fees and operating expenses. This was offset by \$16.5 million of interest and dividend income.

Each series of the Pool experienced a loss in the range of -6.6% to -5.1% relative to the -11.7% loss of the FTSE Canada Universe Bond Index.

Below investment grade bonds, including issues from American Airlines, Avis and Bombardier, contributed to portfolio outperformance as credit spreads narrowed over the period. Air Canada and Spirit Aerosystems executed cash tenders in the fourth quarter of 2022, leading bond prices higher. Limited Recourse Capital Notes were a detractor to performance as prices dropped across the securities held.

### Revenues and Expenses

Revenues of the Pool amounted to \$16.5 million for the year, which can be primarily attributed to interest income from its holdings. The Pool experienced \$8.0 million in realized net losses on the sale of investments and currency forward contracts and \$30.7 million of unrealized depreciation on the sale of investments and currency forward contracts. The Pool also incurred \$2.5 million in management fees and operating expenses net of \$118 thousand of expenses absorbed by the Manager.



VALUE  
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INVESTMENTS

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2022

### VPI CORPORATE BOND POOL

#### **Recent Developments**

##### *Economic Conditions*

2022 was a bruising year for bonds as yields climbed. Central bankers were burned by bets that 2021's inflation surge would prove transitory. Instead, price pressures were exacerbated by Russia's invasion of Ukraine, which sent oil and gas prices soaring in the early part of the year. When energy prices moderated during the latter part of the year, inflation stayed stubbornly high. In an attempt to bring inflation back down, the Federal Reserve executed its most aggressive interest rate increases since the 1980s. Tighter monetary policy led investors to flee the most popular bets across markets, from technology stocks to cryptocurrencies.

It takes time for the full effects of higher interest rates to filter through the economy, leaving investors wondering how the Federal Reserve sequence of rate increases will eventually affect the behavior of businesses and consumers. The Federal Reserve Chairman has signaled that their fight against inflation is not done, and the unemployment rate has remained at a historically low level. However, the markets are pricing in something entirely different. Bond traders are betting on the Federal Reserve pivoting from raising rates to cutting them later this year. Given the pace of monetary tightening, many economists suspect that a U.S. recession is imminent and will dent corporate earnings and erode the attractiveness of company bonds and shares.

With short-term bonds, money-market funds and other cash-like investments offering their highest yields in years, many investors are reluctant to bet on risky investments with uncertain payouts. The negative sentiment in the bond market had a chilling effect on companies and banks. Companies that hoped to go public have scrapped their plans in large numbers. Banks that typically cash in on fees for advising on deals and initial public offerings are slashing bonuses. Retirees have seen their savings shrink and are now flocking into the increased yields and relative safety of GICs.

Despite the sharp rise in borrowing costs, tighter markets and an uncertain outlook, default activity continued to be muted. The high yield market has not seen a new default over the last five months. For the year, JP Morgan lists 17 defaults and a further 18 companies completing distressed exchanges. While these numbers are up compared to 2021, default rates have not yet materially followed credit spread widening. The reverberations of the elevated default rates in 2020 combined with accommodative markets and record levels of issuance in 2021 continue to be supportive of low default activity. Investors should not rest on these laurels as more and more companies will be forced to reckon with the reality of the current market environment.

##### *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.

##### *Qualification of New Series*

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.



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
For the period ended December 31, 2022

VPI CORPORATE BOND POOL

**Portfolio Allocation**

Corporate Bonds	69.8%	Cash	1.2%
Mortgage-Backed Securities	14.6%	Equities	1.0%
Government Bonds	9.5%	Other Net Assets	0.8%
Term-Loans	3.1%		

**Sector Allocation**

Corporate Bonds	69.8%	Other Net Assets	0.8%
Mortgage-Backed Securities	14.6%	Energy	0.7%
Government Bonds	9.5%	Capital Goods	0.2%
Term-Loans	3.1%	Telecommunication Services	0.1%
Cash	1.2%		

**Top 25 Holdings**

Issuer	Maturity Date	Coupon Rate	Percentage of Net Assets
Air Canada	15-Aug-29	4.6%	6.0%
Canadian Government Bond	01-Apr-24	0.3%	4.3%
Ford Credit Canada, FRN	21-Mar-24	7.3%	3.9%
Pacific Life Global Funding II, FRN	01-Feb-27	1.1%	3.2%
Manulife Financial Corporation, FRN	19-Jun-81	3.4%	2.9%
American Airlines Inc.	15-Jul-25	11.8%	2.7%
Royal Bank of Canada	22-Dec-25	4.1%	2.5%
Manulife Financial Corporation, FRN	19-Mar-82	4.1%	2.4%
Delta Airlines SkyMiles, Term-Loan	16-Sep-27	6.5%	2.3%
Canadian Government Bond	01-Nov-23	0.5%	2.1%
TransCanada Pipelines Ltd., FRN	15-May-67	5.1%	2.1%
Bombardier Inc.	01-May-34	7.5%	2.1%
Laurentian Bank, NHA	01-May-23	2.4%	2.0%
Latam Airlines Group SA	15-Oct-29	13.4%	2.0%
Canadian Government Real Return Bond	01-Dec-26	4.3%	1.8%
Scotia Capital Inc., NHA	01-Apr-27	4.4%	1.8%
Merrill Lynch Canada, NHA	01-Jul-26	4.3%	1.7%
Bank of Nova Scotia, FRN	04-Aug-26	3.0%	1.7%
Spirit AeroSystems Inc.	15-Apr-25	7.5%	1.6%
NatWest Group PLC	10-Nov-26	7.5%	1.6%
Toronto-Dominion Bank FRN	31-Oct-81	3.6%	1.6%
C.P.A. Lte., NHA	01-Jan-27	4.3%	1.5%
Scotia Capital Inc., NHA	06-Jan-27	4.6%	1.5%
Air Canada	01-Jul-25	4.0%	1.5%
TransCanada Pipelines Ltd.	05-Apr-27	3.8%	1.4%
<b>Total</b>			<b>58.2%</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.

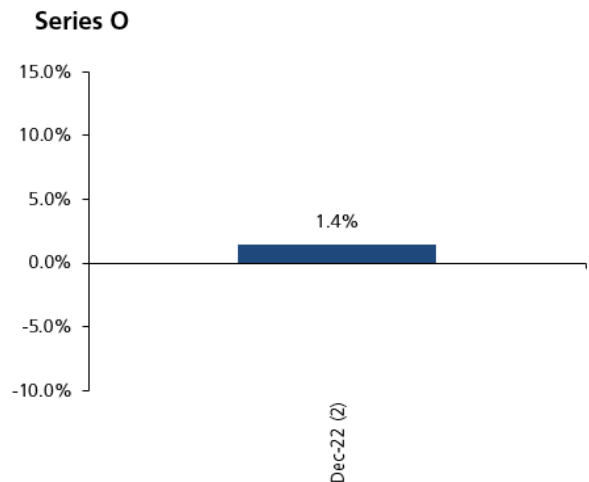
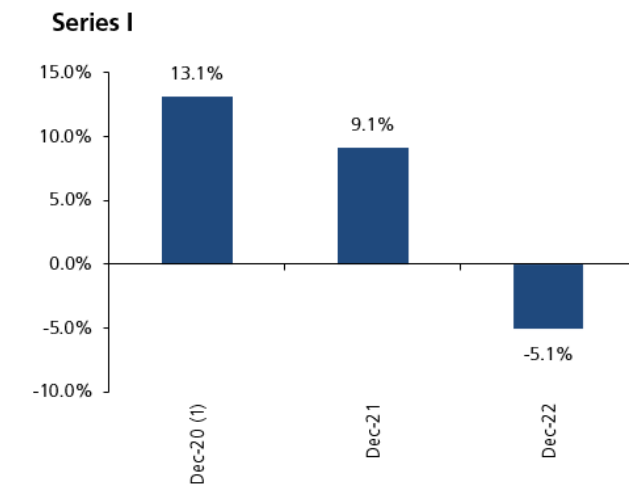
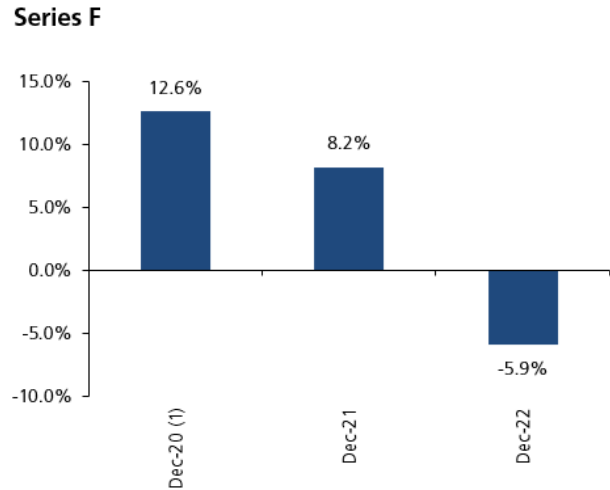
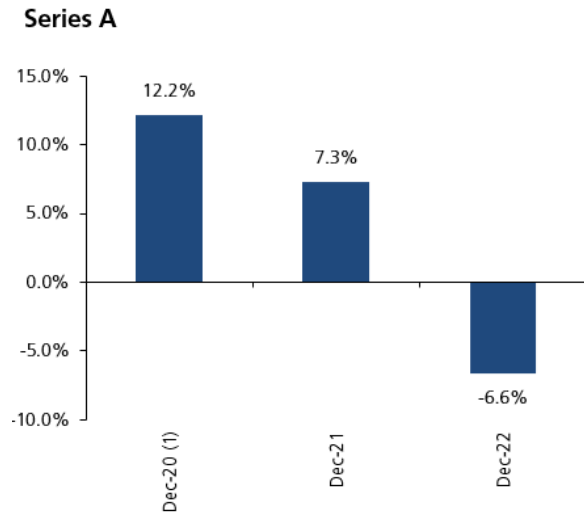


**Past Performance**

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

**Year-by-Year Returns**

The bar charts below show the performance of each series of the Pool (net of fees) for the year ended December 31, 2022, and for previous years ended December 31 or since inception to December 31. It shows in percentage terms, how an investment made on January 1 or on inception would have increased or decreased by the end of the respective periods.



(1) 2020 return is since inception on June 29, 2020  
 (2) 2022 return is since inception on June 28, 2022.



**Annual Compound Returns**

The following table shows the annual compound total return of each series of the Pool compared to the FTSE Canada Universe Bond Index for the periods shown ended December 31, 2022. All index returns are calculated on a total return basis, meaning that performance was calculated under the assumption that all distributions were reinvested.

	<b>1 Year</b>	<b>Since Inception</b>
Series A <sup>(1)</sup> ( <i>Inception: July 2, 2020</i> )	-6.6%	4.8%
FTSE Canada Universe Bond Index	-11.7%	-5.4%
Series F <sup>(1)</sup> ( <i>Inception: July 2, 2020</i> )	-5.9%	5.6%
FTSE Canada Universe Bond Index	-11.7%	-5.4%
Series I <sup>(1)</sup> ( <i>Inception: July 2, 2020</i> )	-5.1%	6.5%
FTSE Canada Universe Bond Index	-11.7%	-5.4%
Series O <sup>(1)(2)</sup> ( <i>Inception: June 28, 2022</i> )	n/a	n/a
FTSE Canada Universe Bond Index	n/a	n/a

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

(2) *Series O related performance returns are not applicable as Series O has not been in operation for a full year.*

The FTSE Canada Universe Bond Index is a broad market indicator of activity for the Canadian fixed income market. It measures the total return of Canadian bonds with terms to maturity greater than one year, and it includes approximately 1,000 federal, provincial, municipal, and corporate bonds rated BBB or higher.



VALUE  
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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2022

### VPI CORPORATE BOND POOL

#### **Management Fees**

The Pool pays an annual management fee on each of its series (excluding Series I & 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. 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 0.30% annually.

For the period ended December 31, 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 period ended December 31, 2022, the Pool paid \$2.1 million in management fees (excluding taxes) to the Manager. In addition, the Manager also held 1 Series A unit, 29,096 Series F units, 1 Series I unit and 1 Series O unit as of December 31, 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 past year ended December 31 or since inception to December 31. This information is derived from the Pool's audited annual financial statements and is not intended to be a reconciliation of the net asset value per unit.

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

<b>Series A</b>	<b>December 31 2022</b>	<b>December 31 2021</b>	<b>December 31 2020</b>
<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	0.41	0.50	0.28
Total expenses	(0.17)	(0.18)	(0.09)
Realized gains (losses) for the period	(0.21)	0.44	0.32
Unrealized gains (losses) for the period	(0.73)	(0.12)	1.04
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.70)</b>	<b>0.64</b>	<b>1.55</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.20)	(0.28)	(0.23)
From dividends	-	-	-
From capital gains	(0.43)	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.63)</b>	<b>(0.68)</b>	<b>(0.42)</b>
<b>Net assets, end of period</b>	<b>9.86</b>	<b>10.88</b>	<b>10.78</b>





**Financial Highlights (continued)**

Series F	December 31 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	0.41	0.50	0.28
Total expenses	(0.09)	(0.10)	(0.05)
Realized gains (losses) for the period	(0.22)	0.42	0.30
Unrealized gains (losses) for the period	(0.71)	(0.18)	0.98
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.61)</b>	<b>0.64</b>	<b>1.51</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.33)	(0.41)	(0.27)
From dividends	-	-	-
From capital gains	(0.43)	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.76)</b>	<b>(0.81)</b>	<b>(0.46)</b>
<b>Net assets, end of period</b>	<b>9.87</b>	<b>10.84</b>	<b>10.78</b>

Series I	December 31 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	0.41	0.51	0.29
Total expenses	-	-	-
Realized gains (losses) for the period	(0.19)	0.48	0.24
Unrealized gains (losses) for the period	(0.80)	(0.03)	0.81
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(0.58)</b>	<b>0.96</b>	<b>1.33</b>
<b>Distributions:</b>			
From net investment income (excluding dividends)	(0.43)	(0.52)	(0.27)
From dividends	-	-	-
From capital gains	(0.43)	(0.40)	(0.19)
Return of capital	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.86)</b>	<b>(0.92)</b>	<b>(0.46)</b>
<b>Net assets, end of period</b>	<b>9.89</b>	<b>10.87</b>	<b>10.82</b>



**Financial Highlights (continued)**

Series O	December 31 2022
<b>Net assets, beginning of period<sup>(5)</sup></b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>	
Total revenue	0.25
Total expenses	(0.01)
Realized gains (losses) for the period	(0.29)
Unrealized gains (losses) for the period	0.05
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>-</b>
<b>Distributions:</b>	
From net investment income (excluding dividends)	(0.24)
From dividends	-
From capital gains	(0.18)
Return of capital	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.42)</b>
<b>Net assets, end of period</b>	<b>9.89</b>

(1) This information is derived from the Pool's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional units of the Pool, or both.

(4) Inception date: June 29, 2020

(5) Inception date: June 28, 2022



ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE  
For the period ended December 31, 2022

VPI CORPORATE BOND POOL

Ratios and Supplemental Data

Series A	December 31 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$132,649	\$122,753	\$52,057
Number of units outstanding (000's) <sup>(1)</sup>	13,313	11,280	4,829
Management expense ratio <sup>(2)</sup>	1.69%	1.64%	1.65%
Management expense ratio before waivers or absorptions	1.69%	1.64%	1.65%
Trading expense ratio <sup>(3)</sup>	0.01%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	67.59%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.86	\$10.88	\$10.78

Series F	December 31 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$37,039	\$31,758	\$8,446
Number of units outstanding (000's) <sup>(1)</sup>	3,752	2,931	784
Management expense ratio <sup>(2)</sup>	0.90%	0.86%	0.90%
Management expense ratio before waivers or absorptions	0.90%	0.86%	0.90%
Trading expense ratio <sup>(3)</sup>	0.01%	0.00%	0.00%
Portfolio turnover rate <sup>(4)</sup>	67.59%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.87	\$10.84	\$10.78

Series I	December 31 2022	December 31 2021	December 31 2020
Total net asset value (000's) <sup>(1)</sup>	\$229,067	\$271,716	\$248,796
Number of units outstanding (000's) <sup>(1)</sup>	23,167	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>	67.59%	43.09%	8.36%
Net asset value per unit <sup>(1)</sup>	\$9.89	\$10.87	\$10.82

Series O	December 31 2022
Total net asset value (000's) <sup>(1)</sup>	\$162
Number of units outstanding (000's) <sup>(1)</sup>	16
Management expense ratio <sup>(2)</sup>	0.30%
Management expense ratio before waivers or absorptions	0.35%
Trading expense ratio <sup>(3)</sup>	0.01%
Portfolio turnover rate <sup>(4)</sup>	67.59%
Net asset value per unit <sup>(1)</sup>	\$9.89



### Ratios and Supplemental Data (continued)

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

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

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

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

### Other Information

Value Partners Group Inc. (VPGI) owns 100% of Value Partners Investments Inc. (VPI) and LP Financial Planning Services Ltd. (LP Financial), a mutual fund dealer 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 December 31, 2022, sales representatives of LP Financial held, in aggregate, Class A1 shares representing 19.7% and Class C1 shares representing 3.5% 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.*