VPI INCOME POOL

ANNUAL FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2018 AND 2017

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGERS
PATIENT CAPITAL MANAGEMENT INC.
CANSO INVESTMENT COUNSEL LTD.

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements have been prepared by the management of Value Partners Investments Inc. (Value Partners), the Manager of the Value Partners Pools (the Pools), and approved by the Board of Directors of Value Partners.

Management is responsible for the information and representations contained in these financial statements. The Board of Directors of Value Partners is responsible for reviewing and approving the financial statements and overseeing management's performance of its financial reporting responsibilities. An Audit Committee comprised of two independent Directors is appointed by the Board of Directors to review the financial statements, the adequacy of internal controls, the audit process and financial reporting with management and the external auditors. The Audit Committee reports to the Board of Directors prior to the approval of the audited financial statements.

Value Partners maintains appropriate processes to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. The significant accounting policies which management believes are appropriate for the Pools, are described in note 3 of the financial statements.

KPMG LLP are the external auditors of the Pools. The external auditors have audited the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express to the unitholders their opinion on the financial statements. Their report is set out below.

On behalf of Value Partners Investments Inc.
Manager of the Pools

Paul Lawton	Dean Bjarnarson
Chief Operating Officer and Secretary	Chief Financial Officer

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of VPI Income Pool

Opinion

We have audited the financial statements of VPI Income Pool (the Entity), which comprise the:

- statements of financial position as at December 31, 2018 and December 31, 2017
- statements of comprehensive loss for the years then ended
- statements of changes in financial position for the years then ended
- statements of cash flows for the years then ended
- notes to the financial statements, including a summary of significant accounting policies.

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2018 and December 31, 2017, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditors' Responsibilities for the Audit of the Financial Statements***" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report of Financial Performance to be filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

  The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants

Winnipeg, Canada

March 18, 2019

VPI INCOME POOL

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

As at	December 31, 2018	December 31, 2017
Assets		
Financial assets at fair value through profit or loss	$ 775,948	$ 758,724
Cash and cash equivalents	6,830	4,201
Forward currency contracts	–	1,844
Accrued dividends receivable	2,656	1,748
Accrued interest receivable for distribution purposes	2,606	2,715
Subscriptions receivable	1,008	136
	$ 789,048	$ 769,368
Liabilities		
Forward currency contracts	$ 1,870	$ –
Accounts payable and accrued liabilities	179	146
Redemptions payable	129	552
Management fees payable (notes 4 and 5)	1,173	1,092
Due to Manager (note 5)	–	4
	3,351	1,794
Net assets attributable to holders of redeemable units	$ 785,697	$ 767,574
Net assets attributable to holders of redeemable units per series:		
Series A	$ 649,756	$ 636,699
Series B	21,022	28,358
Series F	105,616	100,341
Series O	9,303	2,176
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 11.04	$ 11.59
Series B	10.04	10.56
Series F	10.80	11.29
Series O	9.75	10.16
Number of redeemable units outstanding:		
Series A	58,857	54,941
Series B	2,094	2,686
Series F	9,781	8,885
Series O	954	214

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

VPI INCOME POOL

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

Years ended December 31, 2018 and 2017

	2018	2017
Investment income:		
Interest income for distribution purposes	$ 16,171	$ 17,621
Dividend income	9,655	8,142
Foreign exchange gain (loss) on cash	(53)	107
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	11,625	11,503
Net realized gain (loss) on forward currency contracts	(2,636)	2,707
Change in unrealized depreciation in value of investments	(35,022)	(33,716)
Change in unrealized appreciation (depreciation) in forward currency contracts	(3,714)	2,087
	(3,974)	8,451
Expenses:		
Administration	191	161
Audit fees	16	17
Independent review committee fees	7	7
Security holder reporting costs	348	298
Custodian fees	34	33
Filing fees	37	47
Legal fees	3	4
Management fees (notes 4 and 5)	13,882	12,898
Registered plan fees	11	11
Trustee fees	5	5
Withholding taxes	806	699
Transaction costs	82	69
	15,422	14,249
Absorbed expenses (notes 4 and 5)	(7)	–
	15,415	14,249
Decrease in net assets attributable to holders of redeemable units	$ (19,389)	$ (5,798)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ (16,910)	$ (5,586)
Series B	(516)	(438)
Series F	(1,808)	229
Series O	(155)	(3)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ (0.30)	$ (0.11)
Series B	(0.22)	(0.16)
Series F	(0.20)	0.03
Series O	(0.19)	(0.13)

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

VPI INCOME POOL

Statements of Changes in Financial Position
(In thousands of dollars and units)

Years ended December 31, 2018 and 2017

	Series A 2018	Series A 2017	Series B 2018	Series B 2017	Series F 2018	Series F 2017	Series O 2018	Series O 2017	Total 2018	Total 2017
Net assets attributable to holders of redeemable units, beginning of year	$ 636,699	$ 542,008	$ 28,358	$ 30,802	$ 100,341	$ 71,718	$ 2,176	$ –	$ 767,574	$ 644,528
Increase (decrease) in net assets attributable to holders of redeemable units	(16,910)	(5,586)	(516)	(438)	(1,808)	229	(155)	(3)	(19,389)	(5,798)
Redeemable unit transactions:										
Proceeds from redeemable units issued	129,576	181,169	2,115	4,883	35,433	44,838	9,989	2,179	177,113	233,069
Reinvestment of distributions to holders of redeemable units	16,610	21,917	479	1,004	2,214	2,950	298	46	19,601	25,917
Redemption of redeemable units	(101,314)	(82,321)	(8,912)	(6,853)	(27,606)	(15,238)	(2,707)	–	(140,539)	(104,412)
	44,872	120,765	(6,318)	(966)	10,041	32,550	7,580	2,225	56,175	154,574
Distributions to holders of redeemable units:										
Net investment income	(8,283)	(9,460)	(288)	(511)	(1,878)	(2,351)	(203)	(6)	(10,652)	(12,328)
Net realized gain on investments	(6,622)	(11,028)	(214)	(529)	(1,080)	(1,805)	(95)	(40)	(8,011)	(13,402)
Total distributions paid to holders of redeemable units	(14,905)	(20,488)	(502)	(1,040)	(2,958)	(4,156)	(298)	(46)	(18,663)	(25,730)
Net increase (decrease) in net assets attributable to holders of redeemable units	13,057	94,691	(7,336)	(2,444)	5,275	28,623	7,127	2,176	18,123	123,046
Net assets attributable to holders of redeemable units, end of year	$ 649,756	$ 636,699	$ 21,022	$ 28,358	$ 105,616	$ 100,341	$ 9,303	$ 2,176	$ 785,697	$ 767,574
Increase (decrease) in redeemable units outstanding:										
Beginning of year	54,941	44,800	2,686	2,779	8,885	6,066	214	–	66,726	53,645
Issued	11,180	15,249	200	447	3,134	3,886	972	209	15,486	19,791
Issued on reinvestment of distributions	1,460	1,875	46	94	199	259	30	5	1,735	2,233
Redeemed	(8,724)	(6,983)	(838)	(634)	(2,437)	(1,326)	(262)	–	(12,261)	(8,943)
Redeemable units outstanding, end of year	58,857	54,941	2,094	2,686	9,781	8,885	954	214	71,686	66,726
Weighted average units outstanding, during the year	55,973	51,456	2,364	2,783	9,034	7,439	812	23		

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

VPI INCOME POOL

Statements of Cash Flows
(In thousands of dollars)

Years ended December 31, 2018 and 2017

	2018	2017
Cash flows from (used in) operating activities:		
Decrease in net assets attributable to holders of redeemable units	$ (19,389)	$ (5,798)
Adjustments for:		
Foreign exchange loss (gain) on cash	53	(107)
Net realized gain on sale of investments	(11,625)	(11,503)
Transaction costs	82	69
Change in unrealized depreciation in value of investments	35,022	33,716
Change in unrealized depreciation (appreciation) in forward currency contracts	3,714	(2,087)
Purchase of investments	(713,094)	(519,239)
Proceeds from sale of investments	672,391	362,683
Dividends receivable	(908)	(409)
Interest receivable for distribution purposes	109	1,041
Other payables and accrued expenses	33	48
Management fees payable	81	145
Due to Manager	(4)	4
Net cash used in operating activities	(33,535)	(141,437)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	938	(3,766)
Proceeds from redeemable units issued	154,230	223,745
Redemption of redeemable units	(118,951)	(89,402)
Net cash from financing activities	36,217	130,577
Foreign exchange loss (gain) on cash	(53)	107
Net increase (decrease) in cash and cash equivalents	2,629	(10,753)
Cash and cash equivalents, beginning of year	4,201	14,954
Cash and cash equivalents, end of year	$ 6,830	$ 4,201
Supplementary information:		
Dividends received, net of withholding tax	$ 7,949	$ 7,034
Interest received	16,272	18,662

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

VPI INCOME POOL

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

December 31, 2018

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Short-term investments:						
19,715,000	Canadian Treasury Bills	10-Jan-19	1.641	$ 19,660	$ 19,660	
2,224,000	Canadian Treasury Bills	7-Mar-19	1.658	2,217	2,217	
				21,877	21,877	2.78
Bonds:						
Corporate bonds:						
28,023,000	AT&T Inc.	12-Jun-24	3.956	36,545	37,150	
39,838,000	Bank of Montreal	1-Feb-23	2.398	39,767	39,778	
1,438,000	Bank of Nova Scotia	2-Apr-20	2.493	1,438	1,438	
2,640,000	Bank of Nova Scotia	31-Aug-85	2.653	2,214	2,921	
7,481,000	Bell Canada	3-Oct-22	3.000	7,551	7,418	
3,930,000	Black Press Group Ltd.^	31-Mar-19	10.000	4,012	3,931	
971,000	Bombardier Inc.	1-Dec-24	7.500	1,229	1,253	
4,229,000	Bombardier Inc.	15-Mar-25	7.500	5,353	5,466	
1,509,000	BZ Holdings Inc.^	22-May-22	3.000	1,857	2,061	
610,000	Canadian Imperial Bank of Commerce	31-Aug-85	2.688	487	687	
178,416	Canadian Pacific Railway Co.	1-Oct-24	6.910	217	200	
334,000	CIT Group Inc.	1-Aug-23	5.000	474	448	
3,930,000	ClearStream Energy Services Inc.^	23-Mar-26	8.000	3,930	3,537	
330,000	Cogeco Cable Inc.	16-Nov-20	5.150	351	342	
5,255,000	Cogeco Cable Inc.	14-Feb-22	4.925	5,670	5,485	
6,386,000	Cogeco Cable Inc.	26-May-23	4.175	6,616	6,518	
2,844,000	Element Fleet Management Corp.	30-Jun-20	4.250	2,749	2,739	
18,310,000	Enbridge Inc.	24-May-19	2.820	18,371	18,328	
15,065,000	GE Capital Canada Funding Co.	26-Jan-22	4.600	15,378	15,169	
140,000	GE Capital Canada Funding Co.	15-Feb-22	2.568	137	134	
4,225,000	GE Capital Canada Funding Co.	6-Feb-23	3.410	4,425	4,083	
1,157,000	General Electic Co.	15-Mar-23	3.788	1,422	1,426	
325,000	General Electric Co.	15-Apr-20	3.236	421	436	
2,033,000	General Electric Co.	5-May-26	2.962	2,355	2,238	
3,780,000	Heathrow Funding Ltd.	3-Jul-21	4.000	3,930	3,809	
343,000	Heathrow Funding Ltd.	17-Jun-23	3.000	351	343	
2,071,000	Honda Canada Finance Inc	28-Aug-20	2.620	2,082	2,073	
4,576,000	Honda Canada Finance Inc.	17-Apr-20	2.640	4,582	4,593	
12,167,000	Honda Canada Finance Inc.	18-Dec-20	2.569	12,191	12,142	
3,367,000	Kraft Canada Inc.	6-Jul-20	2.700	3,428	3,358	
8,990,000	Kraft Canada Inc.	6-Jul-20	3.128	8,990	9,067	
777,000	Kreditanstalt fuer Wiederaufbau	29-Oct-19	1.750	775	776	
2,472,000	Kreditanstalt fuer Wiederaufbau	28-Jan-20	1.375	2,464	2,453	
1,261,000	Lloyds Bank PLC	7-May-21	3.079	1,636	1,705	
22,882,000	Lloyds Bank PLC	11-Jul-23	2.644	22,882	22,897	
1,144,000	Magna International Inc.	15-Dec-22	3.100	1,169	1,141	
6,378,000	Manufacturers Life Insurance Co.	15-Jan-25	2.640	6,389	6,375	
2,831,000	Manufacturers Life Insurance Co.	1-Jun-25	2.100	2,800	2,803	
3,326,000	Manufacturers Life Insurance Co.	5-Jan-26	2.389	3,313	3,292	
3,200,000	Manufacturers Life Insurance Co.	22-Nov-27	3.181	3,304	3,211	
1,456,000	Met Life Global Funding	27-Sep-19	2.654	1,460	1,458	
1,905,000	Met Life Global Funding	16-Apr-20	1.875	1,884	1,888	
2,780,000	Met Life Global Funding	11-Jun-20	3.027	2,853	2,796	
903,000	Met Life Global Funding	16-Apr-21	3.107	929	909	
2,714,000	Navient Corp.	1-Aug-33	5.625	3,056	2,465	
4,189,243	Postmedia Network Inc.	15-Jul-21	8.250	4,251	4,085	
23,342,000	Royal Bank of Canada	23-Mar-20	2.658	23,347	23,422	
930,000	Royal Bank of Canada	29-Jun-85	3.045	749	1,020	
1,310,000	Royal Bank of Scotland Group	28-May-24	5.125	1,419	1,737	
4,627,000	SNC-Lavalin Group Inc.	4-Mar-19	2.600	4,627	4,626	
878,000	SNC-Lavalin Group Inc.	3-Jul-19	6.190	968	893	
1,846,000	SNC-Lavalin Group Inc.	24-Nov-20	2.689	1,846	1,831	
1,154,000	SNC-Lavalin Group Inc.	2-Mar-21	2.790	1,156	1,148	
4,494,000	Sobey's	8-Aug-23	4.700	4,584	4,603	
2,381,000	Sobey's	29-Oct-35	6.060	2,411	2,555	
2,590,000	Sobey's	6-Oct-36	5.790	2,543	2,701	

VPI INCOME POOL

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

December 31, 2018

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Corporate bonds (continued):						
1,160,000	Sobey's	7-Jun-40	6.640	$ 1,211	$ 1,335	
4,958,000	Teva Pharmaceutical	1-Oct-26	3.150	5,206	5,177	
7,801,000	Teva Pharmaceutical	1-Mar-28	6.750	10,117	10,341	
24,654,000	Toronto-Dominion Bank	8-Jun-21	1.680	24,366	24,152	
17,748,000	Toronto-Dominion Bank	28-Jun-23	2.616	17,769	17,837	
7,821,000	TransCanada PipeLines Ltd.	15-May-67	4.826	9,203	8,654	
5,106,000	UniCredit SpA	12-Apr-22	3.750	6,322	6,719	
3,182,000	Videotron Ltd.	15-Jun-25	5.625	3,189	3,234	
1,760,000	Videotron Ltd.	15-Jan-26	5.750	1,856	1,788	
4,733,000	VW Credit Canada Inc.	30-Mar-20	2.810	4,737	4,727	
1,129,000	WTH Car Rental ULC	20-Aug-19	2.542	1,129	1,130	
2,793,000	Yellow Pages Digital & Media Solutions Ltd.	1-Nov-22	10.000	2,773	2,840	
3,911,000	Yellow Pages Digital & Media Solutions Ltd.	30-Nov-22	8.000	3,745	3,949	
				392,961	393,244	50.05
Mortgage-backed securities:						
8,756,000	First National Financial	1-Feb-22	1.700	7,339	7,237	
2,289,000	MCAP Service	1-Apr-21	2.639	1,282	1,290	
1,091,000	MCAP Service	1-Sep-21	2.509	649	654	
7,341,000	MCAP Service	1-Oct-21	2.409	5,048	5,064	
8,288,247	Merrill Lynch Financial Assets Inc.	1-Apr-19	1.590	6,453	6,413	
9,067,000	Merrill Lynch Financial Assets Inc.	1-Aug-19	1.750	4,901	4,925	
1,382,000	Merrill Lynch Financial Assets Inc.	7-May-21	6.673	309	294	
1,683,000	Merrill Lynch Financial Assets Inc.	1-Jun-21	2.509	999	1,004	
9,665,000	Merrill Lynch Financial Assets Inc.	1-May-22	2.359	7,162	7,209	
6,370,000	Merrill Lynch Financial Assets Inc.	1-Jun-22	2.359	4,860	4,885	
				39,002	38,975	4.96
Equities:						
Automobiles & Components:						
221,320	Honda Motor Co Ltd.			8,086	7,995	
866,085	Linamar Corp.			42,840	39,234	
				50,926	47,229	6.01
Banks:						
520,200	Bank of Nova Scotia			30,234	35,400	
329,075	Canadian Imperial Bank of Commerce			31,419	33,460	
187,000	Wells Fargo & Co.			10,930	11,769	
				72,583	80,629	10.26
Diversified financials:						
888,366	Kimco Realty Corp.			15,729	17,775	2.26
Energy:						
500,000	Canadian Natural Resources Ltd.			18,417	16,470	
1,943,673	Cenovus Energy Inc.			31,761	18,659	
4,360	ClearStream Energy Services Inc., Preferred^			4,360	4,360	
25,909	ClearStream Energy Services Inc.			15	–	
3,392,147	Ensign Energy Services Inc.			25,873	16,248	
237,650	Total SA			16,224	16,937	
				96,650	72,674	9.25

VPI INCOME POOL
Schedule of Investments (continued)
(In thousands of dollars, except for unit amounts)

December 31, 2018

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Media:						
447,790	WPP PLC			$ 38,680	$ 33,515	4.27
Real estate:						
510,000	Firm Capital American Realty Partners Corp.			4,912	4,498	
1,550,322	Firm Capital Property Trust			7,074	9,379	
				11,986	13,877	1.77
Retailing:						
632,000	Bed Bath & Beyond Inc.			28,326	9,771	
298,000	Macy's Inc			12,363	12,121	
				40,689	21,892	2.79
Telecommunication services:						
333,000	Verizon Communications Inc.			19,828	25,570	3.25
Utilities:						
193,640	Canadian Utilities Ltd.			5,855	6,065	0.77
Warrants:						
3,349	Xplornet Communications Inc.^	30-Sep-20		–	127	
776	Xplornet Communications Inc.^	30-Sep-20		–	74	
4,783	Xplornet Communications Inc.^	25-Oct-23		–	2,425	
				–	2,626	0.33
Summary:						
Short-term investments				21,877	21,877	2.78
Corporate bonds				392,961	393,244	50.05
Mortgage-backed securities				39,002	38,975	4.96
Equities				352,926	321,852	40.96
				806,766	775,948	98.75
Transaction costs				(195)		
Total financial assets at FVTPL				806,571	775,948	98.75
Cash:						
Domestic				6,752	6,752	
Foreign				76	78	
Total cash				6,828	6,830	0.92
Forward currency contracts					(1,870)	(0.24)
Other assets less liabilities					4,789	0.57
Total net assets attributable to holders of redeemable units					$ 785,697	100.00

^ Level 3 securities

VPI INCOME POOL

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

December 31, 2018

Forward currency contracts:

The Pool has the following forward currency contract outstanding as at December 31, 2018:

Currency to purchase	Amount	Fair value to purchase	Currency to deliver	Amount	Fair value to deliver	Unrealized gain (loss)	Expiry date
CAD	$ 93,117	$ 93,117	USD	$ 69,678	$ 94,987	$ (1,870)	March 2019

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 B and Series F units. On July 5, 2017, the Pool began offering Series O units.

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.

(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 B units are subject to a fixed sales commission payable by the Manager at the time of purchase. The investor is subject to a redemption fee if units are redeemed within three years 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.

1. Reporting entity (continued):

(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) applicable to the preparation of annual financial statements.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on March 18, 2019.

(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).

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:

Effective January 1, 2018, the Pool adopted IFRS 9 *Financial Instruments* (IFRS 9). The new standard requires financial assets to be carried at amortized cost, fair value through profit or loss (FVTPL) 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.

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

The classification and measurement of financial liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Pool's financial assets and financial liabilities previously classified as FVTPL under IAS 39, *Financial Instruments: recognition and measurement* (IAS 39), being its investments in securities designated at fair value through profit or loss and forward currency contracts at held-for-trading, continue to be categorized as FVTPL. Other financial assets, being cash, accrued dividends receivable, accrued interest receivable for distribution purposes, subscriptions receivable, and due from broker, were previously classified as loans and receivables under IAS 39 and are now classified under amortized cost. Financial liabilities, being accounts payable and accrued liabilities, redemptions payable, management fees payable, due to manager and due to broker, were previously classified as other financial liabilities under IAS 39 and are now classified as amortized cost. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

3. Significant accounting policies (continued):

(i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: FVTPL, amortized cost or 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 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 December 31, 2018 and 2017, 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 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.

3. Significant accounting policies (continued):

(ii) FVTPL (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, due from broker, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable, due to Manager and due to brokers as amortized cost. Cash includes cash on deposit with the custodian.

3. Significant accounting policies (continued):

(iii) Amortized cost (continued):

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

(iv) Impairment:

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

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

(v) Forward currency contracts:

The value of a forward currency 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 "forward currency contracts" and the change in value over the period is reflected in the statements of comprehensive loss as part of "change in unrealized appreciation (depreciation) in forward currency contracts". When the forward currency contracts are closed out, gains and losses are realized and are included in the "net realized gain (loss) on forward currency contracts" in the statements of comprehensive loss.

3. Significant accounting policies (continued):

(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 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 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.

3. Significant accounting policies (continued):

(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 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 B	2.00%
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.

(In thousands of dollars, except for unit amounts)

4. Management fees and expenses (continued):

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 years ended December 31, 2018 and 2017.

5. Related party transactions:

Related party balances of the Pool as at December 31, 2018 and 2017 are as follows:

	2018	2017
Management fees payable	$ 1,173	$ 1,092
Due to Manager	–	4

Related party transactions of the Pool for the years ended December 31, 2018 and 2017 are as follows:

	2018	2017
Management fees	$ 13,882	$ 12,898
Absorbed expenses	(7)	–

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 December 31, 2018 and 2017, the Manager held the following number of units in the Pool:

	2018	2017
Series F	75,622	73,159
Series O	–	1

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the years ended December 31, 2018 and 2017 are disclosed in the statements of comprehensive loss.

There were no soft dollar commissions paid during the years ended December 31, 2018 and 2017.

7. Income taxes:

As of December 31, 2018 and 2017, there were no capital or non-capital losses available for carry forward.

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):

(i) Other price risk (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 December 31, 2018	$ 321,852	40.96%	$ 16,093	2.05%
As at December 31, 2017	221,488	28.85%	11,074	1.44%

(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.

The tables below summarize the Pool's exposure to interest rate risk. They include the Pool's assets and trading liabilities at fair values, categorized by the earlier of contractual re-pricing or maturity dates.

As at December 31, 2018	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 68,165	$ 113,610	$ 162,182	$ 110,139	$ 321,852	$ 775,948
Forward currency contracts	–	–	–	–	(1,870)	(1,870)

As at December 31, 2017	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ 174,938	$ 172,441	$ 103,260	$ 86,597	$ 221,488	$ 758,724
Forward currency contracts	–	–	–	–	1,844	1,844

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

At December 31, 2018 and 2017, 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 December 31, 2018	$ 1,571	0.20%
As at December 31, 2017	2,691	0.37%

(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 investments represents the maximum credit risk exposure as at December 31, 2018 and 2017.

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 forward currency 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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

Debt securities in the Pool by credit rating are as follows:

As at December 31, 2018	% of debt securities	% of net assets
AAA	37.45%	21.64%
AA	1.97%	1.14%
A	19.27%	11.14%
BBB	26.72%	15.44%
BB	7.47%	4.32%
B	3.27%	1.89%
CCC	1.15%	0.66%
N/R	2.70%	1.56%
	100.00%	57.79%

As at December 31, 2017	% of debt securities	% of net assets
AAA	32.86%	22.99%
AA	11.27%	7.89%
A	27.75%	19.42%
BBB	12.65%	8.86%
BB	3.45%	2.41%
B	8.57%	6.00%
CCC	0.14%	0.10%
N/R	3.31%	2.32%
	100.00%	69.99%

(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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(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 forward currency contracts to reduce its foreign currency exposure.

At December 31, 2018 and 2017, the Pool was exposed to 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 and include the underlying principal of forward currency contracts, if any.

As at December 31, 2018	Foreign currencies ($)	Forward currency contract	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 227,359	$ (95,166)	$ 132,193	$ 6,609	0.84%
Cash	78	–	78	4	0.00%
Other assets less liabilities	1,936	–	1,936	97	0.01%
	$ 229,373	$ (95,166)	$ 134,207	$ 6,710	0.85%

As at December 31, 2017	Foreign currencies ($)	Forward currency contract	Net exposure	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 175,298	$ (73,958)	$ 101,340	$ 5,067	0.66%
Cash	28	–	28	1	0.00%
Other assets less liabilities	1,676	–	1,676	84	0.01%
	$ 177,002	$ (73,958)	$ 103,044	$ 5,152	0.67%

(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	December 31, 2018	December 31, 2017
	%	%
Automobiles & Components	6.09	–
Banks	10.39	10.08
Corporate bonds	50.67	56.78
Diversified financials	2.29	–
Energy	9.37	10.08
Media	4.32	–
Mortgage-backed securities	5.02	7.72
Real estate	1.79	1.69
Retailing	2.82	4.09
Short-term investments	2.82	6.31
Telecommunication services	3.30	2.91
Utilities	0.78	–
Warrants	0.34	0.34
Total	100.00	100.00

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure:

(i) Valuation models:

The Pool's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Pool's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Pool classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Changes in valuation methods may result in transfers into, or out of, a financial instrument's assigned level.

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

The following tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of December 31, 2018 and 2017:

Financial assets and liabilities at fair value as at December 31, 2018:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 310,368	$ 4,498	$ 4,360	$ 319,226
Corporate bonds	–	383,715	9,529	393,244
Mortgage-backed securities	–	38,975	–	38,975
Short-term investments	–	21,877	–	21,877
Warrants	–	–	2,626	2,626
Forward currency contracts	–	(1,870)	–	(1,870)
	$ 310,368	$ 447,195	$ 16,515	$ 774,078

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

Financial assets and liabilities at fair value as at December 31, 2017:

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	$ 214,708	$ 4,154	$ –	$ 218,862
Corporate bonds	–	414,920	15,821	430,741
Mortgage-backed securities	–	58,594	–	58,594
Short-term investments	–	47,901	–	47,901
Warrants	–	–	2,626	2,626
Forward currency contracts	–	1,844	–	1,844
	$ 214,708	$ 527,413	$ 18,447	$ 760,568

During the years ended December 31, 2018 and 2017, 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.

Level 3 securities have been valued based upon third party broker quotes provided without a range.

Reconciliation of Level 3:

For the year ended December 31, 2018:

	Balance at December 31, 2017	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2018
Corporate bonds	$ 15,821	$ –	$ (6,943)	$ –	$ 238	$ 413	$ 9,529
Equities	–	4,360	–	–	–	–	4,360
Warrants	2,626	–	–	–	–	–	2,626
	$ 18,447	$ 4,360	$ (6,943)	$ –	$ 238	$ 413	$ 16,515

For the year ended December 31, 2017:

	Balance at December 31, 2016	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2017
Corporate bonds	$ 29,315	$ 393	$ (6,716)	$ (7,263)	$ 210	$ (118)	$ 15,821
Warrants	–	–	–	–	–	2,626	2,626
	$ 29,315	$ 393	$ (6,716)	$ (7,263)	$ 210	$2,508	$18,447

The change in unrealized gain related to Level 3 investments held at December 31, 2018 was ($2,095) (2017 - change in unrealized gain of $3,981).