VPI CANADIAN BALANCED POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
SIX-MONTH PERIODS ENDED JUNE 30, 2018 AND 2017

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER
DIXON MITCHELL INVESTMENT COUNSEL 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 CANADIAN BALANCED POOL

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

As at	June 30, 2018 (unaudited)	December 31, 2017 (audited)
Assets		
Financial assets at fair value through profit or loss	$ 389,129	$ 374,446
Cash	26,326	15,268
Accrued dividends receivable	464	517
Accrued interest receivable for distribution purposes	362	360
Subscriptions receivable	119	1,285
	$ 416,400	$ 391,876
Liabilities		
Accounts payable and accrued liabilities	$ 84	$ 92
Redemptions payable	435	918
Management fees payable (notes 4 and 5)	603	574
	1,122	1,584
Net assets attributable to holders of redeemable units	$ 415,278	$ 390,292
Net assets attributable to holders of redeemable units per series:		
Series A	$ 341,927	$ 322,602
Series B	32,763	38,464
Series F	36,665	28,143
Series O	3,923	1,083
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 14.59	$ 14.40
Series B	14.52	14.34
Series F	14.86	14.58
Series O	10.78	10.53
Number of redeemable units outstanding:		
Series A	23,428	22,406
Series B	2,256	2,682
Series F	2,468	1,930
Series O	364	103

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

VPI CANADIAN BALANCED POOL

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

Six-month periods ended June 30 (unaudited)

	2018	2017
Investment income:		
Interest income for distribution purposes	$ 1,081	$ 1,594
Dividend income	3,663	3,408
Foreign exchange gain (loss) on cash	148	(212)
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	5,273	(799)
Change in unrealized appreciation (depreciation) in value of investments	(268)	3,335
	9,897	7,326
Expenses:		
Administration	70	65
Audit fees	7	8
Independent review committee fees	6	5
Security holder reporting costs	105	87
Custodian fees	8	8
Filing fees	25	15
Legal fees	2	2
Management fees (notes 4 and 5)	3,626	3,401
Registered plan fees	4	4
Trustee fees	3	3
Withholding taxes	116	153
Transaction costs	14	21
	3,986	3,772
Absorbed expenses (notes 4 and 5)	(2)	–
	3,984	3,772
Increase in net assets attributable to holders of redeemable units	$ 5,913	$ 3,554
Increase in net assets attributable to holders of redeemable units per series:		
Series A	$ 4,788	$ 2,883
Series B	387	406
Series F	668	265
Series O	70	–
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	$ 0.21	$ 0.13
Series B	0.16	0.13
Series F	0.30	0.18
Series O	0.20	–

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

VPI CANADIAN BALANCED POOL

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

Six-month periods ended June 30 (unaudited)

	Series A		Series B		Series F		Series O		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Net assets attributable to holders of redeemable units, beginning of year	$ 322,602	$ 296,822	$ 38,464	$ 44,071	$ 28,143	$ 19,594	$ 1,083	$ –	$ 390,292	$ 360,487
Increase in net assets attributable to holders of redeemable units	4,788	2,883	387	406	668	265	70	–	5,913	3,554
Redeemable unit transactions:										
Proceeds from redeemable units issued	35,570	21,914	757	814	9,904	5,493	3,117	–	49,348	28,221
Reinvestment of distributions to holders of redeemable units	391	321	–	–	17	11	–	–	408	332
Redemption of redeemable units	(21,424)	(25,142)	(6,845)	(6,401)	(2,067)	(2,842)	(347)	–	(30,683)	(34,385)
	14,537	(2,907)	(6,088)	(5,587)	7,854	2,662	2,770	–	19,073	(5,832)
Distributions to holders of redeemable shares:										
Net investment income (loss)	–	–	–	–	–	–	–	–	–	–
Total distributions paid to holders of redeemable units	–	–	–	–	–	–	–	–	–	–
Net increase (decrease) in net assets attributable holders of redeemable units	19,325	(24)	(5,701)	(5,181)	8,522	2,927	2,840	–	24,986	(2,278)
Net assets attributable to holders of redeemable units, end of year	$ 341,927	$ 296,798	$ 32,763	$ 38,890	$ 36,665	$ 22,521	$ 3,923	$ –	$ 415,278	$ 358,209
Increase (decrease) in redeemable units outstanding:										
Beginning of year	22,406	22,001	2,682	3,287	1,930	1,434	103	–	27,121	26,722
Issued	2,482	1,596	53	59	678	394	293	–	3,506	2,049
Issued on reinvestment of distributions	27	23	–	–	1	1	–	–	28	24
Redeemed	(1,487)	(1,830)	(479)	(470)	(141)	(204)	(32)	–	(2,139)	(2,504)
Redeemable units outstanding, end of year	23,428	21,790	2,256	2,876	2,468	1,625	364	–	28,516	26,291
Weighted average units outstanding, during the year	22,943	22,099	2,437	3,052	2,221	1,496	348	–		

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

VPI CANADIAN BALANCED POOL

Statements of Cash Flows
(In thousands of dollars)

Six-month periods ended June 30 (unaudited)

	2018	2017
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 5,913	$ 3,554
Adjustments for:		
Foreign exchange loss (gain) on cash	(148)	212
Net realized loss (gain) on sale of investments	(5,273)	799
Transaction costs	14	21
Change in unrealized depreciation (appreciation) in value of investments	268	(3,335)
Purchase of investments	(20,760)	(14,072)
Proceeds from sale of investments	11,068	21,962
Dividends receivable	53	52
Interest receivable for distribution purposes	(2)	54
Management fees payable	29	3
Accounts payable and accrued liabilities	(8)	(6)
Net cash from (used in) operating activities	(8,846)	9,244
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	408	332
Proceeds from redeemable units issued	39,827	28,283
Redemption of redeemable units	(20,479)	(34,471)
Net cash from (used in) financing activities	19,756	(5,856)
Foreign exchange gain (loss) on cash	148	(212)
Net increase in cash	11,058	3,176
Cash, beginning of year	15,268	2,438
Cash, end of year	$ 26,326	$ 5,614
Supplementary information:		
Dividends received, net of withholding tax	$ 3,600	$ 3,307
Interest received, net of withholding tax	1,079	1,648

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

VPI CANADIAN BALANCED POOL

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

June 30 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Bonds:						
Federal:						
2,500,000	Canada Housing Trust No 1	15-Mar-22	2.650	$ 2,553	$ 2,534	
2,400,000	Canada Housing Trust No 1	15-Jun-24	2.900	2,430	2,461	
2,000,000	Canada Housing Trust No 1	15-Mar-25	2.550	2,110	2,011	
2,750,000	Government of Canada	1-Dec-36	3.813	4,130	5,159	
				11,223	12,165	2.92
Provincial:						
2,400,000	OPB Finance Trust	2-Feb-26	2.950	2,534	2,407	
3,100,000	Province of Alberta	1-Jun-24	3.100	3,243	3,185	
4,000,000	Province of Alberta	15-Dec-22	2.550	3,934	4,015	
2,750,000	Province of Alberta	20-Sep-29	2.900	2,834	2,752	
3,500,000	Province of British Columbia	18-Dec-22	2.700	3,367	3,544	
1,500,000	Province of British Columbia	18-Jun-25	2.850	1,567	1,526	
1,520,000	Province of British Columbia	18-Jun-37	4.700	1,953	1,920	
1,000,000	Province of Manitoba	2-Jun-23	2.550	925	1,001	
1,500,000	Province of Manitoba	5-Mar-37	5.700	2,102	2,055	
2,000,000	Province of Ontario	2-Jun-24	3.500	2,133	2,096	
2,100,000	Province of Ontario	2-Jun-25	2.600	2,178	2,089	
1,700,000	Province of Ontario	2-Dec-26	8.000	2,673	2,351	
1,570,000	Province of Ontario	2-Jun-37	4.700	1,988	1,954	
2,000,000	Province of Quebec	1-Dec-22	3.500	2,085	2,088	
900,000	Province of Quebec	1-Sep-23	3.000	888	921	
1,900,000	Province of Saskatchewan	3-Jun-24	3.200	1,967	1,961	
3,100,000	PSP Capital Inc.	22-Oct-20	3.030	3,267	3,157	
1,600,000	PSP Capital Inc.	4-Apr-24	3.290	1,671	1,656	
				41,309	40,678	9.81
Corporate:						
1,900,000	Anheuser-Busch InBev Finance Inc.	15-May-24	2.600	1,854	1,837	
1,250,000	bcIMC Realty Corp.	29-Jun-22	3.510	1,338	1,283	
2,600,000	Canadian Western Bank	13-Sep-21	2.788	2,612	2,581	
3,000,000	CU Inc.	22-Nov-21	4.801	3,422	3,216	
4,000,000	Enbridge Inc.	5-Dec-22	3.190	3,810	4,009	
2,400,000	Ford Credit Canada Ltd.	16-Sep-20	2.923	2,425	2,394	
1,250,000	Royal Bank of Canada	5-Dec-23	2.333	1,225	1,211	
2,100,000	Royal Bank of Canada	16-Jul-25	4.930	2,443	2,351	
2,500,000	Toronto Dominion Bank	8-Jun-21	1.680	2,484	2,438	
2,100,000	Wells Fargo & Co.	19-May-26	2.975	2,115	2,014	
1,200,000	Wells Fargo Canada Corp.	24-Jan-23	3.460	1,274	1,226	
				25,002	24,560	5.91
Total bonds				77,534	77,403	18.64

VPI CANADIAN BALANCED POOL

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

June 30 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Equities:						
Banks:						
255,580	Bank of Nova Scotia			$ 13,305	$ 19,025	
215,419	Canadian Western Bank			6,632	7,464	
69,420	Royal Bank of Canada			3,976	6,872	
276,120	Toronto-Dominion Bank			10,079	21,010	
				33,992	54,371	13.08
Capital Goods:						
22,870	3M Company			1,803	5,918	
254,000	Badger Daylighting Inc.			6,743	8,044	
236,000	Finning International Inc.			4,992	7,658	
				13,538	21,620	5.21
Consumer Durables & Apparel:						
158,925	Gildan ActiveWear Inc.			4,594	5,885	1.42
Diversified Financials:						
66,945	Berkshire Hathaway Inc. - Class B			13,969	16,437	
259,800	CI Financial Corp.			8,395	6,139	
138,700	Thomson Reuters Corp.			4,791	7,358	
				27,155	29,934	7.21
Energy:						
320,000	ARC Resources Ltd.			8,497	4,346	
235,100	Canadian Natural Resources Ltd.			8,788	11,155	
159,870	Enbridge Inc.			5,189	7,514	
194,702	PrairieSky Royalty Ltd.			5,843	5,053	
139,510	Suncor Energy Inc.			5,503	7,464	
				33,820	35,532	8.56
Food, Beverage and Tobacco:						
44,600	Diageo PLC, ADR			2,858	8,449	
200,830	Saputo Inc.			8,427	8,766	
				11,285	17,215	4.15
Food & Staples Retailing:						
168,361	Alimentation Couche-Tard Inc.			8,302	9,615	2.32
Healthcare Equipment and Services:						
72,000	CVS Health Corp.			8,790	6,095	1.47
Insurance:						
361,130	Manulife Financial Corp.			6,748	8,530	2.05

VPI CANADIAN BALANCED POOL

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

June 30 (unaudited)

Number of units, shares or par value	Description	Average cost	Fair value	% of net assets
Materials:				
73,126	Stella Jones Inc.	2,887	3,502	0.84
Pharmaceuticals, Biotechnology & Life Sciences:				
41,850	Johnson & Johnson	2,688	6,680	
48,466	Thermo Fisher Scientific Inc.	11,651	13,206	
		14,339	19,886	4.79
Software and Services:				
114,460	Microsoft Corp.	3,019	14,847	
213,649	Oracle Corp.	9,198	12,383	
124,870	Visa Inc.	2,945	21,757	
		15,162	48,987	11.80
Technology Hardware and Equipment:				
57,400	Apple Inc.	4,291	13,977	
136,194	Cisco Systems Inc.	2,739	7,709	
		7,030	21,686	5.22
Telecommunication Services:				
106,700	Rogers Communications Inc. - Class B	3,760	6,662	1.60
Transportation:				
146,540	Canadian National Railway Company	5,713	15,757	
159,041	TFI International Inc.	3,776	6,449	
		9,489	22,206	5.35
Total equities		200,891	311,726	75.07
Transaction costs		(133)		
Total financial assets at FVTPL		278,292	389,129	93.71
Cash:				
Domestic		26,323	26,323	
Foreign		3	3	
Total cash		26,326	26,326	6.34
Liabilities, net of other assets			(177)	(0.05)
Total net assets attributable to holders of redeemable units			$ 415,278	100.00

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

1. Reporting entity:

(a) VPI Canadian Balanced Pool (the Pool) is an open-ended mutual fund trust, established on September 19, 2007 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 1, 2007 with three series of units: Series A, Series B and Series F. On July 5, 2017, the Pool began offering Series O units.

The Pool's objective is to generate long term growth in value and income by investing in a diversified portfolio of Canadian government and corporate bonds, Canadian and foreign equities, trust and limited partnership units, preferred shares and index or sector proxies, such as index participation units. It is designed to provide both moderate income and reasonable growth over the long term, while being sufficiently diversified to mitigate volatility.

(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 charges.

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 1, 2018.

(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. The new standard requires 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 fair value through profit and loss (FVTPL) under IAS 39, *Financial Instruments: recognition and measurement* (IAS 39), being its investments in securities designated at fair value through profit or loss continue to be categorized as FVTPL. Other financial assets, being cash, accrued dividends receivable, accrued interest receivable for distribution purposes and subscriptions receivable, 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 and management fees payable, 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.

(i) Classification and measurement:

Financial instruments are required to be classified into one of the following categories: 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 .

3. Significant accounting policies (continued):

(i) Classification and measurement (continued):

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 June 30, 2018 and December 31, 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 income 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.

3. Significant accounting policies (continued):

(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.

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.

At each reporting date, the Pool assesses whether there is objective evidence that a financial asset at amortized cost is impaired. If such evidence exists, the Pool recognizes an impairment loss as the difference between the amortized cost of the financial asset and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. Impairment losses on financial assets at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Cash includes cash on deposit with the custodian.

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 currency gain (loss) on cash and other net assets' and those relating to other financial assets and liabilities are presented within 'Net realized gain' and 'Change in unrealized appreciation (depreciation)' in the statements of comprehensive income.

(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.

3. Significant accounting policies (continued):

(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 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 deemed 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.

(In thousands of dollars, except for unit amounts)

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.

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, 2018 and 2017.

5. Related party transactions:

Related party balances of the Pool as at June 30, 2018 and December 31, 2017 are as follows:

	2018	2017
Management fees payable	$ 603	$ 574

(In thousands of dollars, except for unit amounts)

5. Related party transactions (continued):

Related party transactions of the Pool for the six-month periods ended June 30, 2018 and 2017 are as follows:

	2018	2017
Management fees	$ 3,626	$ 3,401
Absorbed expenses	2	–

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

	2018	2017
Series F	38,566	38,480
Series O	–	1

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the six-month periods ended June 30, 2018 and 2017 are disclosed in the statements of comprehensive income.

There were no soft dollar commissions paid during six-month periods ended June 30, 2018 and 2017.

7. Income taxes:

Capital losses available for carry forward as of December 31, 2017 and 2016 are as follows:

	2017	2016
Capital losses	$ 3,827	$ 3,827

(In thousands of dollars, except for unit amounts)

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, 2018	$ 311,726	75.07%	$ 15,586	3.75%
As at December 31, 2017	297,471	76.21%	14,874	3.81%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(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 June 30, 2018	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non-interest bearing	Total
Financial assets at FVTPL	$ –	$ 7,990	$ 25,497	$ 43,916	$ 311,726	$ 389,129

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	$ –	$ 5,604	$ 24,755	$ 46,616	$ 297,471	$ 374,446

At June 30, 2018 and December 31, 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 the Pool would have approximately increased or decreased as indicated in the following table. The Pool's sensitivity to interest rates was estimated using the weighted average duration of the bond portfolio.

	Impact on net assets ($)	Impact on net assets (%)
As at June 30, 2018	$ 1,086	0.26%
As at December 31, 2017	1,163	0.32%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(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 bonds and debt securities such as Canada Treasury Bills. 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 June 30, 2018 and December 31, 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.

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

As at June 30, 2018	% of debt securities	% of net assets
AAA	34.12%	6.36%
AA	15.79%	2.94%
A	41.82%	7.80%
BBB	8.27%	1.54%
	100.00%	18.64%

As at December 31, 2017	% of debt securities	% of net assets
AAA	32.84%	6.49%
AA	13.00%	2.56%
A	45.77%	9.03%
BBB	8.39%	1.65%
	100.00%	19.73%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(iv) Liquidity risk:

The Pool is exposed to liquidity risk to the extent 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 currency to which the Pool was exposed at June 30, 2018 and December 31, 2017 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 this currency relative to the Canadian dollar.

As at June 30, 2018	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 127,457	$ 6,373	1.53%
Cash	3	-	0.00%
Other assets less liabilities	21	1	0.00%
	$ 127,481	$ 6.374	1.53%

As at December 31, 2017	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 108,745	$ 5,437	1.39%
Cash	3,569	178	0.05%
Other assets less liabilities	18	1	0.00%
	$ 112,332	$ 5,616	1.44%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(vi) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The market segments are represented as a percentage of financial assets at FVTPL. The following is a summary of the Pool's concentration risk:

Market segment Long	June 30, 2018	December 31, 2017
	%	%
Corporate bonds	6.31	6.32
Federal bonds	3.13	3.24
Provincial bonds	10.46	11.01
Banks	13.97	15.12
Capital goods	5.56	5.64
Consumer durables & apparel	1.51	2.31
Diversified financials	7.69	6.69
Energy	9.13	8.77
Food, beverage and tobacco	4.42	3.76
Food & staples retailing	2.47	2.72
Healthcare equipment and services	1.57	1.75
Insurance	2.19	2.53
Materials	0.90	0.99
Pharmaceuticals, biotechnology & life sciences	5.11	3.85
Software and services	12.59	11.87
Technology hardware and equipment	5.57	4.99
Telecommunication services	1.71	1.83
Transportation	5.71	6.61
	100.00	100.00

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 amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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 table presents information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2018 and December 31, 2017.

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

Financial assets at fair value as at June 30, 2018:

	Level 1	Level 2	Level 3	Total
Equities - long	$ 311,726	$ –	$ –	$ 311,726
Bonds	–	77,403	–	77,403
	$ 311,726	$ 77,403	$ –	$ 389,129

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

	Level 1	Level 2	Level 3	Total
Equities - long	$ 297,471	$ –	$ –	$ 297,471
Bonds	–	76,975	–	76,975
	$ 297,471	$ 76,975	$ –	$ 374,446

At June 30, 2018 and December 31, 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.