VPI VALUE POOL

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

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER
PATIENT CAPITAL MANAGEMENT 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 VALUE 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	$ 163,525	$ 185,889
Cash	2,684	1,980
Accrued dividends receivable	447	418
Due from Manager (note 5)	–	1
Subscriptions receivable	5	134
Due from broker	1,893	–
	$ 168,554	$ 188,422
Liabilities		
Accounts payable and accrued liabilities	$ 83	$ 92
Redemptions payable	53	248
Management fees payable (notes 4 and 5)	229	259
	365	599
Net assets attributable to holders of redeemable units	$ 168,189	$ 187,823
Net assets attributable to holders of redeemable units per series:		
Series A	$ 123,406	$ 138,250
Series B	8,475	10,728
Series F	34,096	38,060
Series O	2,212	785
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 9.63	$ 9.60
Series B	9.34	9.33
Series F	10.30	10.22
Series O	10.61	10.47
Number of redeemable units outstanding:		
Series A	12,813	14,394
Series B	907	1,150
Series F	3,312	3,724
Series O	209	75

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

VPI VALUE POOL

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

Six-month periods ended June 30 (unaudited)

		2018		2017
Income:				
Interest income for distribution purposes	$	543	$	314
Dividend income		1,109		1,029
Foreign exchange gain (loss) on cash		28		(9)
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		798		1,525
Change in unrealized depreciation in value of investments		(420)		(20,204)
		2,058		(17,345)
Expenses:				
Administration		61		59
Audit fees		7		8
Independent review committee fees		6		5
Security holder reporting costs		67		64
Custodian fees		4		4
Filing fees		9		12
Legal fees		2		2
Management fees (notes 4 and 5)		1,496		1,806
Registered plan fees		2		3
Trustee fees		3		3
Withholding taxes		29		28
Transaction costs		1		2
		1,687		1,996
Absorbed expenses (notes 4 and 5)		(2)		–
		1,685		1,996
Increase (decrease) in net assets attributable to holders of redeemable units	$	373	$	(19,341)
Increase (decrease) in net assets attributable to holders of redeemable units per series:				
Series A	$	169	$	(14,440)
Series B		(31)		(1,364)
Series F		228		(3,537)
Series O		7		–
Increase (decrease) in net assets attributable to holders of redeemable units per unit:				
Series A	$	0.01	$	(0.93)
Series B		(0.03)		(0.90)
Series F		0.07		(0.96)
Series O		0.03		–

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VPI VALUE 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	$ 138,250	$ 158,171	$ 10,728	$ 16,601	$ 38,060	$ 30,505	$ 785	$ –	$ 187,823	$ 205,277
Increase (decrease) in net assets attributable to holders of redeemable units	169	(14,440)	(31)	(1,364)	228	(3,537)	7	–	373	(19,341)
Redeemable unit transactions:										
Proceeds from redeemable units issued	5,507	19,203	134	169	3,455	16,709	1,863	–	10,959	36,081
Reinvestment of distributions to holders of redeemable units	201	218	–	–	28	31	–	–	229	249
Redemption of redeemable units	(20,721)	(19,502)	(2,356)	(2,614)	(7,675)	(5,233)	(443)	–	(31,195)	(27,349)
	(15,013)	(81)	(2,222)	(2,445)	(4,192)	11,507	1,420	–	(20,007)	8,981
Distributions to holders of redeemable shares:										
Net realized gain (loss) on investments	–	–	–	–	–	–	–	–	–	–
Total distributions paid to holders of redeemable units	–	–	–	–	–	–	–	–	–	–
Net increase (decrease) in net assets attributable to holders of redeemable units	(14,844)	(14,521)	(2,253)	(3,809)	(3,964)	7,970	1,427	–	(19,634)	(10,360)
Net assets attributable to holders of redeemable units, end of year	$ 123,406	$ 143,650	$ 8,475	$ 12,792	$ 34,096	$ 38,475	$ 2,212	$ –	$ 168,189	$ 194,917
Increase (decrease) in redeemable units outstanding:										
Beginning of year	14,394	15,391	1,150	1,659	3,724	2,816	75	–	19,343	19,866
Issued	582	1,925	15	17	343	1,578	177	–	1,117	3,520
Issued on reinvestment of distributions	21	22	–	–	3	3	–	–	24	25
Redeemed	(2,184)	(1,971)	(258)	(269)	(758)	(511)	(43)	–	(3,243)	(2,751)
Redeemable units outstanding, end of year	12,813	15,367	907	1,407	3,312	3,886	209	–	17,241	20,660
Weighted average units outstanding, during the year	13,614	15,598	1,025	1,513	3,490	3,690	206	–		

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

VPI VALUE 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	$ 373	$ (19,341)
Adjustments for:		
Foreign exchange loss (gain) on cash	(28)	9
Net realized gain on sale of investments	(798)	(1,525)
Transaction costs	1	2
Change in unrealized depreciation in value of investments	420	20,204
Purchase of investments	(209,092)	(278,199)
Proceeds from sale of investments	231,833	269,938
Dividends receivable	(29)	(18)
Management fees payable	(30)	(20)
Accounts payable and accrued liabilities	(1,902)	(6)
Due from Manager	1	-
Net cash from (used in) operating activities	20,749	(8,956)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	229	249
Proceeds from redeemable units issued	7,201	36,151
Redemption of redeemable units	(27,503)	(27,205)
Net cash from (used in) financing activities	(20,073)	9,195
Foreign exchange loss (gain) on cash	28	(9)
Net increase in cash	704	230
Cash, beginning of year	1,980	1,454
Cash, end of year	$ 2,684	$ 1,684
Supplementary information:		
Dividends received, net of withholding tax	$ 1,051	$ 983
Interest received	543	314

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

VPI VALUE 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
Short-term investments:						
97,000,000	Canada Treasury Bills	9-Aug-18	1.362	$ 96,824	$ 96,886	
Total short-term investments				96,824	96,886	57.60
Equities:						
Banks:						
82,955	Bank of Nova Scotia			4,640	6,175	
46,170	Canadian Imperial Bank of Commerce			4,248	5,280	
				8,888	11,455	6.81
Consumer Services:						
305,696	Speedway Motorsports Inc.			4,719	6,981	4.15
Energy:						
313,000	Canadian Natural Resources Ltd.			8,579	14,852	
656,223	Cenovus Energy Inc.			13,114	8,957	
659,146	Encana Corp.			12,506	11,318	
1,359,183	Ensign Energy Services Inc.			13,148	7,978	
				47,347	43,105	25.63
Retailing:						
194,489	Bed Bath & Beyond Inc.			11,948	5,098	3.03
Total equities				72,902	66,639	39.62
Transaction costs				(69)		
Total financial assets at FVTPL				169,657	163,525	97.22
Cash:						
Domestic				2,024	2,024	
Foreign				652	660	
Total cash				2,676	2,684	1.60
Other assets less liabilities					1,980	1.18
Total net assets attributable to holders of redeemable units					$ 168,189	100.00

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

1. Reporting entity:

(a) VPI Value 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 provide unitholders with long-term growth while preserving capital. VPI Value Pool invests in North American and international-based equity securities.

(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.

(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, due from Manager, 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 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.

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.

3. Significant accounting policies (continued):

(ii) FVTPL (continued):

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, due from Manager, subscriptions receivable, due from broker, 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.

3. Significant accounting policies (continued):

(iii) Amortized Cost (continued):

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.

(b) Redeemable units:

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

(c) Foreign currency:

The Pool's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash are presented as 'Foreign exchange gain (loss) on cash' and those relating to other financial assets and liabilities are presented within 'Net realized gain' and 'Change in unrealized appreciation (depreciation)' in the statements of comprehensive income.

3. Significant accounting policies (continued):

(d) Investment transactions and revenue recognition:

Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the Pool accounted for on an accrual basis. The Pool does not use the effective interest method to amortize premiums paid or discounts received on the purchase of fixed-income securities. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(e) Increase (decrease) in net assets attributable to holders of redeemable units, per unit:

Increase (decrease) in net assets attributable to holders of redeemable units, per unit in the statements of comprehensive income 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 the Pool is entitled to a monthly management fee from each series of units 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	$ 229	$ 259
Due from Manager	-	1

(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	$	1,496	$	1,806
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	40,314	40,224
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 the six-month periods ended June 30, 2018 and 2017.

7. Income taxes:

As of December 31, 2017 and 2016, there are no capital or non-capital losses available for carry forward.

(In thousands of dollars, except for unit amounts)

8. Financial risk management:

The investment activities of the Pool expose it 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	$ 66,639	39.62%	$ 3,332	1.98%
As at December 31, 2017	$ 68,117	36.27%	$ 3,406	1.81%

(ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds. The majority of the Pool's financial assets and liabilities are non-interest bearing. As a result, the Pool is not subject to a significant amount of interest rate risk due to fluctuations in the prevailing level of market interest rates.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(iii) Credit risk:

Credit risk is the risk that 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 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	100.00%	57.60%

As at December 31, 2017	% of debt securities	% of net assets
AAA	100.00%	62.70%

(iv) Liquidity risk:

The Pool is exposed to liquidity risk to the extent that it is subject to daily cash redemptions of redeemable units. Therefore, the Pool invests the majority of its assets in investments that are traded in an active market and can be readily disposed. In addition, the Pool retains sufficient cash positions to maintain liquidity.

(v) Currency risk:

The Pool uses the Canadian dollar as its functional and reporting currency. Currency risk is the risk that the value of monetary assets and liabilities denominated in currencies other than the Canadian dollar (the functional currency of the Pool) will fluctuate due to changes in exchange rates.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(v) Currency risk (continued):

The only foreign currency to which the Pool was exposed to at June 30, 2018 and December 31, 2017 was the US 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	$ 12,079	$ 604	0.36%
Cash	660	33	0.02%
Other assets less liabilities	36	2	0.00%
	$ 12,775	$ 639	0.38%

As at December 31, 2017	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 12,586	$ 629	0.33%
Cash	466	23	0.01%
Other assets less liabilities	32	2	0.00%
	$ 13,084	$ 654	0.34%

(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
	%	%
Banks	7.01	6.67
Consumer services	4.27	3.89
Energy	26.36	23.21
Retailing	3.12	2.88
Short-term investments	59.24	63.35
	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 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.

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

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

The following tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2018 and December 31, 2017.

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

	Level 1	Level 2	Level 3	Total
Equities - long	$ 66,639	$ –	$ –	$ 66,639
Short-term investments	–	96,886	–	96,886
	$ 66,639	$ 96,886	$ –	$ 163,525

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

	Level 1	Level 2	Level 3	Total
Equities - long	$ 68,117	$ –	$ –	$ 68,117
Short-term investments	–	117,772	–	117,772
	$ 68,117	$ 117,772	$ –	$ 185,889

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.