VPI CANADIAN EQUITY POOL

ANNUAL FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2019 AND 2018

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER
VALUE PARTNERS INVESTMENTS INC.

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
Chief Operating Officer and Secretary

Dean Bjarnarson
Chief Financial Officer

INDEPENDENT AUDITORS' REPORT

To the Unitholders of VPI Canadian Equity Pool

Opinion

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

- statements of financial position as at December 31, 2019 and December 31, 2018;
- statements of comprehensive income (loss) for the years then ended;
- statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- statements of cash flows for the years then ended; and
- 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, 2019 and December 31, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

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.

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 17, 2020

VPI CANADIAN EQUITY POOL

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

As at	December 31, 2019	December 31, 2018
Assets		
Financial assets at fair value through profit or loss	$ 1,004,375	$ 755,472
Cash and cash equivalents	142,198	136,905
Accrued dividends receivable	2,678	2,299
Due from Manager (note 5)	2	–
Subscriptions receivable	565	1,366
	$ 1,149,818	$ 896,042
Liabilities		
Accounts payable and accrued liabilities	$ 149	$ 187
Redemptions payable	747	225
Management fees payable (notes 4 and 5)	1,682	1,349
	2,578	1,761
Net assets attributable to holders of redeemable units	$ 1,147,240	$ 894,281
Net assets attributable to holders of redeemable units per series:		
Series A	$ 916,248	$ 713,221
Series B	–	44,521
Series F	174,819	124,179
Series O	56,173	12,360
Net assets attributable to holders of redeemable units per unit:		
Series A	$ 19.95	$ 18.04
Series B	–	14.19
Series F	16.52	14.91
Series O	11.18	10.07
Number of redeemable units outstanding:		
Series A	45,925	39,530
Series B	–	3,138
Series F	10,583	8,326
Series O	5,024	1,227

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

VPI CANADIAN EQUITY POOL

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

Years ended December 31, 2019 and 2018

	2019	2018
Investment income (loss):		
Interest income for distribution purposes	$ 1,266	$ 1,227
Dividend income	32,113	23,016
Foreign exchange gain (loss) on cash	(893)	4,602
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	37,463	26,337
Change in unrealized appreciation (depreciation) in value of investments	74,723	(84,568)
	144,672	(29,386)
Expenses:		
Administration	266	201
Audit fees	15	16
Independent review committee fees	7	7
Security holder reporting costs	394	363
Custodian fees	44	38
Filing fees	43	42
Legal fees	1	3
Management fees (notes 4 and 5)	17,880	15,745
Registered plan fees	13	13
Trustee fees	5	5
Withholding taxes	1,307	839
Transaction costs	98	58
	20,073	17,330
Absorbed expenses (notes 4 and 5)	(23)	(6)
	20,050	17,324
Increase (decrease) in net assets attributable to holders of redeemable units	$ 124,622	$ (46,710)
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ 95,918	$ (38,392)
Series B	5,139	(2,053)
Series F	19,513	(5,642)
Series O	4,052	(623)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ 2.27	$ (1.07)
Series B	1.87	(0.55)
Series F	2.02	(0.80)
Series O	1.52	(0.85)

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

VPI CANADIAN EQUITY POOL

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

Years ended December 31, 2019 and 2018

	Series A		Series B		Series F		Series O		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Net assets attributable to holders of redeemable units, beginning of year	$ 713,221	$ 650,134	$ 44,521	$ 64,616	$ 124,179	$ 98,158	$ 12,360	$ 428	$ 894,281	$ 813,336
Increase (decrease) in net assets attributable to holders of redeemable units per series	95,918	(38,392)	5,139	(2,053)	19,513	(5,642)	4,052	(623)	124,622	(46,710)
Redeemable unit transactions:										
Proceeds from redeemable units issued	193,704	165,641	1,154	3,463	51,633	41,528	41,505	14,465	287,996	225,097
Reinvestment of distributions to holders of redeemable units	22,082	18,298	–	921	4,386	3,288	2,078	480	28,546	22,987
Redemption of redeemable units	(88,784)	(65,981)	(50,814)	(21,499)	(19,710)	(9,165)	(1,744)	(1,910)	(161,052)	(98,555)
	127,002	117,958	(49,660)	(17,115)	36,309	35,651	41,839	13,035	155,490	149,529
Distributions to holders of redeemable shares:										
Net investment income	(6,874)	(1,731)	–	–	(2,687)	(1,429)	(1,288)	(235)	(10,849)	(3,395)
Net realized gains on investments	(13,019)	(14,748)	–	(927)	(2,495)	(2,559)	(790)	(245)	(16,304)	(18,479)
Total distributions paid to holders of redeemable units	(19,893)	(16,479)	–	(927)	(5,182)	(3,988)	(2,078)	(480)	(27,153)	(21,874)
Net increase (decrease) in net assets attributable to holders of redeemable units	203,027	63,087	(44,521)	(20,095)	50,640	26,021	43,813	11,932	252,959	80,945
Net assets attributable to holders of redeemable units, end of year	$ 916,248	$ 713,221	$ –	$ 44,521	$ 174,819	$ 124,179	$ 56,173	$ 12,360	$ 1,147,240	$ 894,281
Increase (decrease) in redeemable units outstanding:										
Beginning of year	39,530	33,437	3,138	4,225	8,326	6,109	1,227	40	52,221	43,811
Issued	9,823	8,453	75	225	3,197	2,562	3,770	1,310	16,865	12,550
Issued on reinvestment of distributions	1,099	1,000	–	65	263	218	184	47	1,546	1,330
Redeemed	(4,527)	(3,360)	(3,213)	(1,377)	(1,203)	(563)	(157)	(170)	(9,100)	(5,470)
Redeemable units outstanding, end of year	45,925	39,530	–	3,138	10,583	8,326	5,024	1,227	61,532	52,221
Weighted average units outstanding, during the year	42,181	35,877	2,751	3,713	9,664	7,040	2,673	732		

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

VPI CANADIAN EQUITY POOL

Statements of Cash Flows
(In thousands of dollars)

Years ended December 31, 2019 and 2018

		2019		2018
Cash flows from (used in) operating activities:				
Increase (decrease) in net assets attributable to holders of redeemable units	$	124,622	$	(46,710)
Adjustments for:				
Foreign exchange loss (gain) on cash		893		(4,602)
Net realized gain on sale of investments		(37,463)		(26,337)
Transaction costs		98		58
Change in unrealized depreciation (appreciation) in value of investments		(74,723)		84,568
Purchase of investments		(268,598)		(259,483)
Proceeds from sale of investments		131,783		74,186
Dividends receivable		(379)		(1,169)
Management fees payable		333		186
Accounts payable and accrued liabilities		(38)		40
Due to Manager		(2)		(4)
Net cash used in operating activities		(123,474)		(179,267)
Cash flows from (used in) financing activities:				
Distributions paid to holders of redeemable units, net of reinvested distributions		1,393		1,113
Proceeds from redeemable units issued		223,123		204,258
Redemption of redeemable units		(94,856)		(78,257)
Net cash from financing activities		129,660		127,114
Foreign exchange gain (loss) on cash		(893)		4,602
Net increase (decrease) in cash and cash equivalents		5,293		(47,551)
Cash and cash equivalents, beginning of year		136,905		184,456
Cash and cash equivalents, end of year	$	142,198	$	136,905
Supplementary information:				
Dividends received, net of withholding tax	$	30,427	$	21,008
Interest received		1,266		1,227

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

VPI CANADIAN EQUITY POOL

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

December 31, 2019

Number of units, shares or par value	Description	Average cost	Fair value	% of net assets
Equities:				
Automobiles and Components:				
730,600	Magna International Inc.	$ 24,897	$ 52,019	4.53
Banks:				
584,000	Bank of Montreal	40,316	58,774	
914,000	Bank of Nova Scotia	53,863	67,042	
583,100	Canadian Imperial Bank of Commerce	52,869	63,010	
516,000	Royal Bank of Canada	30,174	53,019	
781,000	Toronto-Dominion Bank	36,631	56,880	
977,168	Wells Fargo & Co.	62,352	68,172	
		276,205	366,897	31.99
Energy:				
2,020,000	Canadian Natural Resources Ltd.	72,134	84,840	
4,791,524	Husky Energy Inc.	80,126	49,928	
1,697,000	Suncor Energy Inc.	62,906	72,224	
		215,166	206,992	18.04
Media and Entertainment:				
350,000	Walt Disney Co.	48,672	65,642	5.72
Semiconductors and Semiconductor Equipment:				
559,000	Intel Corp.	32,912	43,384	3.78
Technology Hardware and Equipment:				
700,000	Cisco Systems Inc.	41,635	43,534	3.79
Transportation:				
237,000	FedEx Corp.	49,233	46,471	
175,000	Union Pacific Corp.	19,719	41,027	
470,000	United Parcel Service Inc.	63,690	71,345	
		132,642	158,843	13.85
Utilities:				
934,400	Canadian Utilities Ltd.	34,374	36,600	
565,400	Fortis Inc.	19,627	30,464	
		54,001	67,064	5.85
Total equities		826,130	1,004,375	87.55
Transaction costs		(422)	–	
Total financial assets at FVTPL		825,708	1,004,375	87.55
Cash:				
Domestic		129,871	129,871	
Foreign		12,634	12,327	
Total cash		142,505	142,198	12.39
Other assets, less liabilities			667	0.06
Total net assets attributable to holders of redeemable units			$ 1,147,240	100.00

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

1. Reporting entity:

(a) VPI Canadian Equity 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, Series F and Cardinal Series units. Effective January 5, 2015, the Pool no longer offers Cardinal Series units. On July 5, 2017, the Pool began offering Series O units. Effective December 2, 2019, all Series B units were converted to Series A units. Subsequently, the Pool no longer offers Series B units.

The Pool's objective is to generate longer term growth in value through the increase in the value of its holdings, and through the receipt and reinvestment of dividend income from its holdings. It invests primarily in equity securities of Canadian companies.

(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 17, 2020.

(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:

(i) Classification and measurement:

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

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

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, 2019 and 2018, no amounts have been offset in the statements of financial position.

3. Significant accounting policies (continued):

(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.

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, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable as amortized cost. Cash includes cash on deposit with the custodian.

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. 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.

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 income (loss).

(d) Investment transactions and revenue recognition:

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

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 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 (note 1 [a])	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 years ended December 31, 2019 and 2018.

(In thousands of dollars, except for unit amounts)

5. Related party transactions:

Related party balances of the Pool as at December 31, 2019 and 2018 are as follows:

	2019	2018
Management fees payable	$ 1,682	$ 1,349
Due from Manager	2	–

Related party transactions of the Pool for the years ended December 31, 2019 and 2018 are as follows:

	2019	2018
Management fees	$ 17,880	$ 15,745
Absorbed expenses	(23)	(6)

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, 2019 and 2018, the parent company of the Manager held the following number of units in the Pool:

	2019	2018
Series F	30,170	47,737

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the years ended December 31, 2019 and 2018 are disclosed in the statements of comprehensive income (loss).

There were no soft dollar commissions paid during the years ended December 31, 2019 and 2018.

7. Income taxes:

As of December 31, 2019 and 2018, 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 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 December 31, 2019	$ 1,004,375	87.55%	$ 50,219	4.38%
As at December 31, 2018	755,472	84.48%	37,774	4.22%

(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 the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pool.

As at December 31, 2019 and 2018, the Pool had no significant investments in debt instruments and/or derivatives.

(iv) Liquidity risk:

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

(v) Currency risk:

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

The only foreign currency to which the Pool was exposed at December 31, 2019 and 2018 was the U.S. dollar. The following table illustrates 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 December 31, 2019	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 379,576	$ 18,979	1.65%
Cash	12,327	616	0.05%
Other assets less liabilities	483	24	0.00%
	$ 392,386	$ 19,619	1.70%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

As at December 31, 2018	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 264,604	$ 13,230	1.48%
Cash	10,155	508	0.06%
Other assets less liabilities	390	20	0.00%
	$ 275,149	$ 13,758	1.54%

(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, 2019	December 31, 2018
	%	%
Automobiles and components	5.18	5.59
Banks	36.52	36.54
Capital goods	–	3.85
Energy	20.61	17.03
Media and Entertainment	6.54	6.94
Pharmaceuticals, biotechnology & life sciences	–	6.88
Semiconductors and semiconductor equipment	4.32	–
Technology hardware and equipment	4.33	–
Transportation	15.82	11.96
Utilities	6.68	11.21
	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.

(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 December 31, 2019 and 2018:

Financial assets at fair value as at December 31, 2019:

	Level 1	Level 2	Level 3	Total
Equities - long	$ 1,004,375	$ –	$ –	$ 1,004,375

9. Fair value disclosure (continued):

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

	Level 1	Level 2	Level 3	Total
Equities - long	$ 755,472	$ –	$ –	$ 755,472

At December 31, 2019 and 2018, 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.