



VALUE  
PARTNERS  
INVESTMENTS

# VPI DIVIDEND GROWTH POOL

## ANNUAL FINANCIAL STATEMENTS

PERIOD ENDED DECEMBER 31, 2019

### MANAGER

VALUE PARTNERS INVESTMENTS INC.

### PORTFOLIO MANAGER

BRISTOL GATE CAPITAL PARTNERS 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 Dividend Growth Pool

### ***Opinion***

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

- statement of financial position as at December 31, 2019;
- statement of comprehensive income for the period from November 1, 2019 to December 31, 2019;
- statement of changes in net assets attributable to holders of redeemable units for the period from November 1, 2019 to December 31, 2019;
- statement of cash flows for the period from November 1, 2019 to December 31, 2019; 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 its financial performance and its cash flows for the period from November 1, 2019 to December 31, 2019 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.

A handwritten signature in black ink that reads "KPMG LLP". The signature is written in a cursive, stylized font. Below the signature is a single horizontal line.

Chartered Professional Accountants

Winnipeg, Canada

March 17, 2020

# VPI DIVIDEND GROWTH POOL

## Statement of Financial Position

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

December 31, 2019

| As at | December 31,<br>2019 |
|-------|----------------------|
|-------|----------------------|

### Assets

|   |    |        |
|---|----|--------|
| Financial assets at fair value through profit or loss | \$ | 15,995 |
| Cash and cash equivalents                             |    | 290    |
| Accrued dividends receivable                          |    | 6      |
| Due from Manager (notes 6 and 7)                      |    | 3      |
| Subscriptions receivable                              |    | 41     |
|   | \$ | 16,335 |

### Liabilities

|   |    |    |
|---|----|----|
| Accounts payable and accrued liabilities (note 5) | \$ | 22 |
| Management fees payable                           |    | 15 |
| Distribution payable                              |    | 18 |
|   |    | 55 |

### Net assets attributable to holders of redeemable units

\$ 16,280

#### Net assets attributable to holders of redeemable units per series:

|          |    |       |
|----------|----|-------|
| Series A | \$ | 9,175 |
| Series F |    | 4,827 |
| Series O |    | 2,278 |

#### Net assets attributable to holders of redeemable units per unit:

|          |    |       |
|----------|----|-------|
| Series A | \$ | 10.10 |
| Series F |    | 10.10 |
| Series O |    | 10.13 |

#### Number of redeemable units outstanding:

|          |     |
|----------|-----|
| Series A | 909 |
| Series F | 478 |
| Series O | 225 |

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

# VPI DIVIDEND GROWTH POOL

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

For the period from November 1, 2019 to December 31, 2019

|   | 2019      |
|---|-----------|
| Income:   |           |
| Interest income for distribution purposes   | \$ 4      |
| Dividend income   | 23        |
| Foreign exchange loss on cash   | (26)      |
| Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss: |           |
| Net realized loss on sale of investments  | (2)       |
| Change in unrealized appreciation in value of investments   | 37        |
|   | 36        |
| Expenses:   |           |
| Administration  | 19        |
| Audit fees  | 6         |
| Security holder reporting costs   | 1         |
| Custodian fees  | 1         |
| Filing fees   | 4         |
| Legal fees  | 1         |
| Management fees (notes 4 and 5)   | 18        |
| Trustee fees  | 1         |
| Withholding taxes   | 4         |
| Transaction costs   | 1         |
|   | 56        |
| Absorbed expenses (notes 4 and 5)   | (28)      |
|   | 28        |
| Increase in net assets attributable to holders of redeemable units  | \$ 8      |
| Increase (decrease) in net assets attributable to holders of redeemable units per series:                       |           |
| Series A  | \$ (12)   |
| Series F  | 19        |
| Series O  | 1         |
| Increase (decrease) in net assets attributable to holders of redeemable units per unit:                         |           |
| Series A  | \$ (0.03) |
| Series F  | 0.07      |
| Series O  | 0.01      |

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

# VPI DIVIDEND GROWTH POOL

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

For the period from November 1, 2019 to December 31, 2019

|  | Series A | Series F | Series O | Total     |
|--|----------|----------|----------|-----------|
| Net assets attributable to holders of redeemable units, beginning of period              | \$ —     | \$ —     | \$ —     | \$ —      |
| Increase (decrease) in net assets attributable to holders of redeemable units per series | (12)     | 19       | 1        | 8         |
| Redeemable unit transactions:  |          |          |          |           |
| Proceeds from redeemable units issued  | 9,202    | 4,858    | 2,280    | 16,340    |
| Reinvestments of distributions to holders of redeemable units                            | 8        | 9        | —        | 17        |
| Redemption of redeemable units   | (16)     | (50)     | —        | (66)      |
|  | 9,194    | 4,817    | 2,280    | 16,291    |
| Distributions to holders of redeemable shares:   |          |          |          |           |
| Net investment income  | (7)      | (9)      | (3)      | (19)      |
| Net increase in net assets attributable to holders of redeemable units                   | 9,175    | 4,827    | 2,278    | 16,280    |
| Net assets attributable to holders of redeemable units, end of period                    | \$ 9,175 | \$ 4,827 | \$ 2,278 | \$ 16,280 |
| Increase (decrease) in redeemable units outstanding:                                     |          |          |          |           |
| Beginning of period  | —        | —        | —        | —         |
| Issued   | 910      | 482      | 225      | 1,617     |
| Issued on reinvestment of distributions  | 1        | 1        | —        | 2         |
| Redeemed   | (2)      | (5)      | —        | (7)       |
| Redeemable units outstanding, end of period  | 909      | 478      | 225      | 1,612     |
| Weighted average units outstanding, during the period                                    | 451      | 292      | 121      |           |

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

# VPI DIVIDEND GROWTH POOL

Statement of Cash Flows  
(In thousands of dollars)

For the period from November 1, 2019 to December 31, 2019

|  | 2019     |
|--|----------|
| Cash flows from (used in) operating activities:                                    |          |
| Increase in net assets attributable to holders of redeemable units                 | \$ 8     |
| Adjustments for:   |          |
| Foreign exchange loss on cash  | 26       |
| Net realized loss on sale of investments   | 2        |
| Transaction costs  | 1        |
| Change in unrealized appreciation in value of investments                          | (37)     |
| Purchase of investments  | (16,303) |
| Proceeds from sale of investments  | 342      |
| Dividends receivable   | (6)      |
| Management fees payable  | 15       |
| Due to Manager   | (3)      |
| Accounts payable and accrued liabilities   | 22       |
| Net cash used in operating activities  | (15,933) |
| Cash flows from financing activities:  |          |
| Distributions paid to holders of redeemable units, net of reinvested distributions | 16       |
| Proceeds from redeemable units issued  | 16,299   |
| Redemption of redeemable units   | (66)     |
| Net cash from financing activities   | 16,249   |
| Foreign exchange loss on cash  | (26)     |
| Net increase in cash and cash equivalents  | 290      |
| Cash and cash equivalents, beginning of period                                     | —        |
| Cash and cash equivalents, end of period   | \$ 290   |
| Supplementary information:   |          |
| Dividends received, net of withholding tax   | \$ 13    |
| Interest received, net of withholding tax  | 4        |

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



# VPI DIVIDEND GROWTH POOL

## Schedule of Investments

(In thousands of dollars, except for unit amounts)

December 31, 2019

| Number of<br>units, shares<br>or par value               | Description             | Maturity<br>date | Coupon<br>rate % | Average<br>cost | Fair<br>value | % of<br>net assets |
|--|-------------------------|------------------|------------------|-----------------|---------------|--------------------|
| <b>Equities:</b>   |                         |                  |                  |                 |               |                    |
| <b>Banks:</b>  |                         |                  |                  |                 |               |                    |
| 16,624   | Bank of America Corp.   |                  |                  | \$ 740          | \$ 759        | 4.66               |
| <b>Capital Goods:</b>                                    |                         |                  |                  |                 |               |                    |
| 4,530  | Allegion PLC            |                  |                  | 726             | 732           |                    |
| 1,493  | Boeing Co.              |                  |                  | 702             | 631           |                    |
| 1,562  | Roper Technologies Inc. |                  |                  | 727             | 717           |                    |
|  |                         |                  |                  | 2,155           | 2,080         | 12.78              |
| <b>Commercial and Professional Services:</b>             |                         |                  |                  |                 |               |                    |
| 2,127  | Cintas Corp.            |                  |                  | 728             | 742           | 4.56               |
| <b>Consumer Services:</b>                                |                         |                  |                  |                 |               |                    |
| 6,544  | Starbucks Corp.         |                  |                  | 739             | 746           | 4.58               |
| <b>Food, Beverage and Tobacco:</b>                       |                         |                  |                  |                 |               |                    |
| 5,986  | Tyson Foods Inc.        |                  |                  | 709             | 707           | 4.34               |
| <b>Health Care Equipment and Services:</b>               |                         |                  |                  |                 |               |                    |
| 3,809  | Danaher Corp.           |                  |                  | 737             | 758           |                    |
| 1,999  | UnitedHealth Group Inc. |                  |                  | 741             | 762           |                    |
|  |                         |                  |                  | 1,478           | 1,520         | 9.34               |
| <b>Household and Personal Products:</b>                  |                         |                  |                  |                 |               |                    |
| 2,792  | Estee Lauder Co., Inc.  |                  |                  | 729             | 748           | 4.59               |
| <b>Materials:</b>  |                         |                  |                  |                 |               |                    |
| 943  | Sherwin-Williams Co.    |                  |                  | 723             | 714           | 4.39               |
| <b>Pharmaceuticals, Biotechnology and Life Sciences:</b> |                         |                  |                  |                 |               |                    |
| 4,552  | Zoetis Inc.             |                  |                  | 736             | 781           | 4.80               |
| <b>Real Estate:</b>                                      |                         |                  |                  |                 |               |                    |
| 2,538  | American Tower Corp.    |                  |                  | 722             | 756           | 4.64               |
| <b>Retailing:</b>  |                         |                  |                  |                 |               |                    |
| 2,429  | Home Depot Inc.         |                  |                  | 707             | 688           |                    |
| 4,870  | Ross Stores Inc.        |                  |                  | 733             | 735           |                    |
|  |                         |                  |                  | 1,440           | 1,423         | 8.74               |
| <b>Semiconductors and Semiconductor Equipment:</b>       |                         |                  |                  |                 |               |                    |
| 1,722  | Broadcom Inc.           |                  |                  | 721             | 706           |                    |
| 4,639  | Texas Instruments Inc.  |                  |                  | 743             | 772           |                    |
|  |                         |                  |                  | 1,464           | 1,478         | 9.08               |

# VPI DIVIDEND GROWTH POOL

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

December 31, 2019

| Number of<br>units, shares<br>or par value                   | Description                         | Maturity<br>date | Coupon<br>rate % | Average<br>cost | Fair<br>value | % of<br>net assets |
|--|-------------------------------------|------------------|------------------|-----------------|---------------|--------------------|
| <b>Software and Services:</b>                                |                                     |                  |                  |                 |               |                    |
| 4,485  | Broadridge Financial Solutions Inc. |                  |                  | \$ 724          | \$ 718        |                    |
| 2,014  | Intuit Inc.                         |                  |                  | 704             | 684           |                    |
| 1,923  | Mastercard Inc.                     |                  |                  | 736             | 744           |                    |
| 2,991  | Visa Inc.                           |                  |                  | 724             | 729           |                    |
|  |                                     |                  |                  | 2,888           | 2,875         | 17.65              |
| <b>Transportation:</b>                                       |                                     |                  |                  |                 |               |                    |
| 9,508  | Southwest Airlines Co.              |                  |                  | 709             | 666           | 4.09               |
| Total equities   |                                     |                  |                  | 15,960          | 15,995        | 98.24              |
| Transaction costs  |                                     |                  |                  | (1)             | —             |                    |
| Total financial assets at FVTPL                              |                                     |                  |                  | 15,959          | 15,995        | 98.24              |
| <b>Cash:</b>   |                                     |                  |                  |                 |               |                    |
| Domestic   |                                     |                  |                  | 137             | 137           |                    |
| Foreign  |                                     |                  |                  | 155             | 153           |                    |
| Total cash   |                                     |                  |                  | 292             | 290           | 1.78               |
| Liabilities, net of other assets                             |                                     |                  |                  |                 | (5)           | (0.02)             |
| Total net assets attributable to holders of redeemable units |                                     |                  |                  |                 | \$ 16,280     | 100.00             |

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

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 1. Reporting entity:

- (a) VPI Dividend Growth Pool (the Pool) is an open-ended mutual fund trust, established on November 1, 2019 by declaration of trust under the laws of the Province of Ontario. As of November 1, 2019 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 November 6, 2019 with Series A, Series F and Series O.

The Pool's objective is to generate long-term growth of income and capital by investing primarily in a concentrated portfolio of publicly-traded equity securities of companies that are expected to pay a growing dividend.

- (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 statement of financial position.

Series A units are subject to a negotiated sales commission payable by the investor at the time 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.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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).

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

### 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 at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

Financial instruments held-for trading or 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, no amounts have been offset in the statement of financial position.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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 statement 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.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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 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.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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 statement 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.



# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

## 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 each series of units based on a percentage of the net asset value of the Pool as of the close of business on each business day calculated at the following annual rates:

---

|          |       |
|----------|-------|
| Series A | 1.80% |
| 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 period ended December 31, 2019.

## 5. Related party transactions:

Related party balances of the Pool as at December 31, 2019 is as follows:

---

|                         |    |      |
|-------------------------|----|------|
|                         |    | 2019 |
| Management fees payable | \$ | 15   |

---

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

## 5. Related party transactions (continued):

Related party transactions of the Pool for the period ended December 31, 2019 is as follows:

|                   |    | 2019 |
|-------------------|----|------|
| Management fees   | \$ | 18   |
| Absorbed expenses |    | (28) |

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, the Manager or parent company of the Manager held the following number of units in the Pool:

|          | 2019   |
|----------|--------|
| Series A | 1      |
| Series F | 50,107 |
| Series O | 1      |

## 6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the period ended December 31, 2019 is disclosed in the statements of comprehensive loss.

There were no soft dollar commissions paid during the period ended December 31, 2019.

## 7. Income taxes:

Capital losses available for carry forward as of December 31, 2019 are as follows:

|                | 2019  |
|----------------|-------|
| Capital losses | \$ 27 |

As of December 31, 2019, there are no non-capital losses available for carry forward.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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<br>of equities | % of net<br>assets | Impact on net<br>assets (\$) | Impact on net<br>assets (%) |
|-------------------------|---------------------------|--------------------|------------------------------|-----------------------------|
| As at December 31, 2019 | \$ 15,995                 | 98.24%             | \$ 800                       | 4.91%                       |

### (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 levels of market interest rates.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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, 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 currencies to which the Pool was exposed at December 31, 2019 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 these currencies relative to the Canadian dollar.

| As at December 31, 2019       | Foreign currencies (\$) | Impact on net assets (\$) | Impact on net assets (%) |
|-------------------------------|-------------------------|---------------------------|--------------------------|
| Financial assets at FVTPL     | \$ 15,995               | \$ 800                    | 4.91%                    |
| Cash                          | 153                     | 8                         | 0.05%                    |
| Other assets less liabilities | 7                       | —                         | 0.00%                    |
|                               | \$ 16,155               | \$ 808                    | 4.96%                    |

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

## 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                                   | December 31, |
|--|--------------|
| Long   | 2019         |
|  | %            |
| Banks  | 4.75         |
| Capital goods                                    | 13.01        |
| Commercial and professional services             | 4.64         |
| Consumer services                                | 4.66         |
| Food, beverage and tobacco                       | 4.42         |
| Health care equipment and services               | 9.50         |
| Household and personal products                  | 4.68         |
| Materials  | 4.46         |
| Pharmaceuticals, biotechnology and life sciences | 4.88         |
| Real estate                                      | 4.73         |
| Retailing  | 8.90         |
| Semiconductors and semiconductor equipment       | 9.24         |
| Software and services                            | 17.97        |
| Transportation                                   | 4.16         |
|  | 100.00       |

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 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.

# VPI DIVIDEND GROWTH POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the period from November 1, 2019 to December 31, 2019

---

## 9. Fair value disclosure (continued):

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

The following table present information about the Pool's assets which are recorded at fair value on a recurring basis as of December 31, 2019:

| December 31, 2019 | Level 1   | Level 2 | Level 3 | Total     |
|-------------------|-----------|---------|---------|-----------|
| Equities - long   | \$ 15,995 | \$ —    | \$ —    | \$ 15,995 |

At December 31, 2019, there were no transfers between levels.