



VPI CANADIAN BALANCED POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER

DIXON MITCHELL INVESTMENT COUNSEL INC.

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Value Partners Investments Inc., the Manager of the Pools, appoints independent auditors to audit the Pool's Annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the Interim Financial Statements, this must be disclosed in an accompanying notice.

The Pool's independent auditors have not performed a review of these Interim Financial Statements in accordance with standards established by the Chartered Professional Accountants Canada.

VPI CANADIAN BALANCED POOL

Statements of Financial Position

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

June 30, 2020 and December 31, 2019

As at	June 30, 2020	December 31, 2019
Assets		
Financial assets at fair value through profit or loss	\$ 538,701	\$ 523,749
Cash and cash equivalents	34,839	21,765
Accrued dividends receivable	284	322
Accrued interest receivable for distribution purposes	668	910
Subscriptions receivable	635	230
Due from Manager (note 5)	1	–
	\$ 575,128	\$ 546,976
Liabilities		
Accounts payable and accrued liabilities	\$ 103	\$ 114
Redemptions payable	414	192
Management fees payable (notes 4 and 5)	877	841
	1,394	1,147
Net assets attributable to holders of redeemable units	\$ 573,734	\$ 545,829
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 493,806	\$ 473,503
Series F	70,301	64,539
Series O	9,627	7,787
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 15.64	\$ 16.04
Series F	15.98	16.31
Series O	11.68	11.86
Number of redeemable units outstanding:		
Series A	31,566	29,522
Series F	4,399	3,958
Series O	824	657

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

VPI CANADIAN BALANCED POOL

Statements of Comprehensive Income (Loss)

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

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

	2020	2019
Investment income:		
Interest income for distribution purposes	\$ 2,307	\$ 1,685
Dividend income	4,285	3,868
Foreign exchange loss on cash	(9)	(17)
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain (loss) on sale of investments	(7,082)	2,071
Change in unrealized appreciation (depreciation) in value of investments	(6,886)	42,962
	(7,385)	50,569
Expenses:		
Administration	86	88
Audit fees	7	7
Independent review committee fees	5	5
Security holder reporting costs	128	101
Custodian fees	12	10
Filing fees	6	18
Management fees (notes 4 and 5)	4,753	4,090
Registered plan fees	5	4
Trustee fees	3	3
Withholding taxes	148	134
Transaction costs	69	8
	5,222	4,468
Absorbed expenses (notes 4 and 5)	(4)	(3)
	5,218	4,465
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (12,603)	\$ 46,104
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	\$ (11,115)	\$ 37,659
Series B	—	2,802
Series F	(1,371)	5,083
Series O	(117)	560
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ (0.36)	\$ 1.49
Series B	—	1.56
Series F	(0.33)	1.58
Series O	(0.16)	1.21

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

VPI CANADIAN BALANCED POOL

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

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

	Series A		Series B		Series F		Series O		Total	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units, beginning of period	\$ 473,503	\$ 346,791	\$ —	\$ 28,307	\$ 64,539	\$ 43,153	\$ 7,787	\$ 4,243	\$ 545,829	\$ 422,494
Increase (decrease) in net assets attributable to holders of redeemable units	(11,115)	37,659	—	2,802	(1,371)	5,083	(117)	560	(12,603)	46,104
Redeemable unit transactions:										
Proceeds from redeemable units issued	53,394	42,587	—	520	12,216	8,944	2,232	852	67,842	52,903
Reinvestment of distributions to holders of redeemable units	616	480	—	—	47	34	—	—	663	514
Redemption of redeemable units	(22,592)	(16,317)	—	(5,976)	(5,130)	(2,259)	(275)	(48)	(27,997)	(24,600)
	31,418	26,750	—	(5,456)	7,133	6,719	1,957	804	40,508	28,817
Net increase (decrease) in net assets attributable to holders of redeemable units	20,303	64,409	—	(2,654)	5,762	11,802	1,840	1,364	27,905	74,921
Net assets attributable to holders of redeemable units, end of period	\$ 493,806	\$ 411,200	\$ —	\$ 25,653	\$ 70,301	\$ 54,955	\$ 9,627	\$ 5,607	\$ 573,734	\$ 497,415
Increase (decrease) in redeemable units outstanding:										
Beginning of period	29,522	24,475	—	2,009	3,958	3,005	657	408	34,137	29,897
Issued	3,444	2,787	—	34	765	581	192	78	4,401	3,480
Issued on reinvestment of distributions	40	32	—	—	3	2	—	—	43	34
Redeemed	(1,440)	(1,073)	—	(396)	(327)	(146)	(25)	(4)	(1,792)	(1,619)
Redeemable units outstanding, end of period	31,566	26,221	—	1,647	4,399	3,442	824	482	36,789	31,792
Weighted average units outstanding, during the period	30,573	25,288	—	1,801	4,177	3,223	733	462		

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

VPI CANADIAN BALANCED POOL

Statements of Cash Flows

(In thousands of dollars)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

	2020	2019
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (12,603)	\$ 46,104
Adjustments for:		
Foreign exchange loss on cash	9	17
Net realized loss (gain) on sale of investments	7,082	(2,071)
Transaction costs	69	8
Change in unrealized depreciation (appreciation) in value of investments	6,886	(42,962)
Purchase of investments	(107,928)	(76,949)
Proceeds from sale of investments	78,939	37,284
Dividends receivable	38	82
Interest receivable for distribution purposes	242	(195)
Management fees payable	36	29
Accounts payable and accrued liabilities	(12)	(20)
Net cash used in operating activities	(27,242)	(38,673)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	663	514
Proceeds from redeemable units issued	65,349	46,000
Redemption of redeemable units	(25,687)	(17,352)
Net cash from financing activities	40,325	29,162
Foreign exchange loss on cash	(9)	(17)
Net increase (decrease) in cash and cash equivalents	13,074	(9,528)
Cash and cash equivalents, beginning of period	21,765	21,780
Cash and cash equivalents, end of period	\$ 34,839	\$ 12,252
Supplementary information:		
Dividends received, net of withholding tax	\$ 4,175	\$ 3,816
Interest received, net of withholding tax	2,549	1,490

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

VPI CANADIAN BALANCED POOL

Schedule of Investments

(In thousands of dollars, except for unit amounts)

June 30, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Bonds:						
Federal Bonds:						
2,500,000	Canada Housing Trust No 1	15-Mar-22	2.650	\$ 2,553	\$ 2,597	
2,400,000	Canada Housing Trust No 1	15-Jun-24	2.900	2,430	2,617	
2,000,000	Canada Housing Trust No 1	15-Mar-25	2.550	2,110	2,177	
970,000	Canadian Government Bond	1-Dec-64	2.750	1,519	1,588	
2,750,000	Canadian Government Real Return Bond	1-Dec-36	3.953	4,130	5,459	
7,600,000	PSP Capital Inc.	22-Oct-20	3.030	7,845	7,664	
1,000,000	PSP Capital Inc.	18-Aug-21	1.340	995	1,011	
2,300,000	PSP Capital Inc.	4-Apr-24	3.290	2,393	2,520	
3,438,000	PSP Capital Inc.	5-Nov-25	3.000	3,488	3,815	
				27,463	29,448	5.13
Provincial Bonds:						
2,400,000	OPB Finance Trust	2-Feb-26	2.950	2,534	2,626	
3,000,000	Province of Alberta	1-Sep-21	1.350	2,985	3,035	
4,000,000	Province of Alberta	15-Dec-22	2.550	3,934	4,198	
3,100,000	Province of Alberta	1-Jun-24	3.100	3,243	3,374	
5,000,000	Province of British Columbia	18-Dec-20	3.700	5,083	5,079	
3,500,000	Province of British Columbia	18-Dec-22	2.700	3,367	3,693	
1,500,000	Province of British Columbia	18-Jun-25	2.850	1,567	1,651	
1,520,000	Province of British Columbia	18-Jun-37	4.700	1,953	2,173	
1,000,000	Province of Manitoba	5-Sep-20	1.600	999	1,002	
1,000,000	Province of Manitoba	2-Jun-23	2.550	925	1,057	
1,500,000	Province of Manitoba	5-Mar-37	5.700	2,102	2,290	
2,000,000	Province of Ontario	2-Jun-24	3.500	2,133	2,216	
2,100,000	Province of Ontario	2-Jun-26	2.400	2,035	2,274	
1,700,000	Province of Ontario	2-Dec-26	8.000	2,673	2,429	
1,570,000	Province of Ontario	2-Jun-37	4.700	1,988	2,232	
2,500,000	Province of Ontario	2-Jun-39	4.600	3,435	3,584	
2,000,000	Province of Quebec	1-Dec-22	3.500	2,085	2,145	
900,000	Province of Quebec	1-Sep-23	3.000	888	969	
2,000,000	Province of Quebec	1-Sep-26	2.500	1,954	2,184	
1,900,000	Province of Saskatchewan	3-Jun-24	3.200	1,967	2,080	
				47,850	50,291	8.77
Corporate Bonds:						
5,400,000	407 International Inc.	25-May-32	2.590	5,574	5,738	
2,000,000	AltaLink Investments LP	7-Mar-22	2.244	1,994	2,034	
3,044,000	AltaLink LP	17-Sep-20	3.621	3,092	3,062	
2,500,000	Anheuser-Busch InBev Finance Inc.	15-May-24	2.600	2,431	2,576	
1,000,000	Apple Inc.	19-Aug-24	2.513	973	1,057	
1,250,000	bcIMC Realty Corp.	29-Jun-22	3.510	1,338	1,311	
4,100,000	BMW Canada Inc.	19-Oct-20	1.780	4,093	4,108	
2,600,000	Canadian Western Bank	13-Sep-21	2.788	2,612	2,628	
3,000,000	CU Inc.	22-Nov-21	4.801	3,422	3,159	
2,000,000	Daimler Canada Finance Inc.	8-Jul-21	1.910	1,996	2,002	
1,435,000	Enbridge Gas Inc.	1-Apr-30	2.900	1,525	1,578	
3,093,000	Royal Bank of Canada	17-Jul-20	1.920	3,094	3,095	
4,000,000	Royal Bank of Canada	4-Mar-21	2.860	4,041	4,062	
1,250,000	Royal Bank of Canada	5-Dec-23	2.333	1,225	1,302	
2,100,000	Royal Bank of Canada	16-Jul-25	4.930	2,443	2,484	
2,000,000	Suncor Energy Inc.	26-Nov-21	3.100	2,036	2,042	
3,100,000	Toronto-Dominion Bank	8-Mar-21	2.045	3,098	3,132	
4,500,000	Toronto-Dominion Bank	8-Jun-21	1.680	4,440	4,546	
2,000,000	Toyota Credit Canada Inc.	25-Feb-21	2.200	2,007	2,017	
3,402,000	Walt Disney Co.	30-Mar-27	3.057	3,594	3,651	
2,300,000	Wells Fargo & Co.	19-May-26	2.975	2,305	2,413	
1,200,000	Wells Fargo Canada Corp.	24-Jan-23	3.460	1,274	1,269	
				58,607	59,266	10.33
Total bonds				133,920	139,005	24.23

VPI CANADIAN BALANCED POOL

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

June 30, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Equities:						
Banks:						
255,580	Bank of Nova Scotia			15,027	14,358	
230,419	Canadian Western Bank			6,897	5,449	
228,753	Royal Bank of Canada			19,341	21,070	
347,793	Toronto-Dominion Bank			14,822	21,073	
				56,087	61,950	10.80
Capital Goods:						
304,514	Badger Daylighting Ltd.			8,864	9,050	
17,081	Roper Technologies Inc.			7,069	9,033	
				15,933	18,083	3.15
Commercial and Professional Services:						
125,925	Thomson Reuters Corp.			3,973	11,615	2.02
Consumer Durables and Apparel:						
329,505	Gildan Activewear Inc.			9,688	6,929	1.21
Consumer Services:						
246,700	MTY Food Group Inc.			11,056	6,005	1.05
Diversified Financials:						
78,025	Berkshire Hathaway Inc., Class B			17,133	18,970	
287,885	Brookfield Asset Management Inc., Class A			11,385	12,863	
				28,518	31,833	5.55
Energy:						
245,100	Canadian Natural Resources Ltd.			9,163	5,772	
226,870	Enbridge Inc.			7,746	9,365	
				16,909	15,137	2.64
Food and Staples Retailing:						
321,982	Alimentation Couche-Tard Inc., Class B			8,867	13,707	2.39
Food, Beverage and Tobacco:						
66,900	Diageo PLC			7,040	12,245	
263,330	Saputo Inc.			10,468	8,524	
				17,508	20,769	3.62
Health Care Equipment and Services:						
80,000	CVS Health Corp.			9,507	7,079	1.23
Insurance:						
209,911	Manulife Financial Corp.			3,922	3,877	0.68
Materials:						
213,957	Stella-Jones Inc.			8,031	7,304	1.27

VPI CANADIAN BALANCED POOL

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

June 30, 2020

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
Pharmaceuticals, Biotechnology and Life Sciences:						
41,850	Johnson & Johnson			2,688	8,016	
49,766	Thermo Fisher Scientific Inc.			12,155	24,560	
				14,843	32,576	5.68
Retailing:						
270,702	Dollarama Inc.			10,693	12,225	2.13
Software and Services:						
100,807	Microsoft Corp.			2,659	27,942	
186,149	Oracle Corp.			8,096	14,013	
124,870	Visa Inc., Class A			2,946	32,853	
				13,701	74,808	13.04
Technology Hardware and Equipment:						
57,400	Apple Inc.			4,291	28,520	
182,794	Cisco Systems Inc.			8,143	11,612	
				12,434	40,132	6.99
Telecommunication Services:						
114,400	Rogers Communications Inc., Class B			4,192	6,241	1.09
Transportation:						
167,340	Canadian National Railway Co.			8,078	20,099	
193,541	TFI International Inc.			5,968	9,327	
				14,046	29,426	5.13
Total equities				259,908	399,696	69.67
Transaction costs				(135)		
Total financial assets at FVTPL				393,693	538,701	93.90
Cash:						
Domestic				33,300	33,300	
Foreign				1,580	1,539	
Total cash				34,880	34,839	6.07
Other assets less liabilities					194	0.03
Total net assets attributable to holders of redeemable units					\$ 573,734	100.00

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

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

1. Reporting entity:

- (a) VPI Canadian Balanced Pool (the Pool) is an open-ended mutual fund trust, established on September 19, 2007 by declaration of trust under the laws of the Province of Ontario. The registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on October 1, 2007 with three series of units: Series A, Series B and Series F. On July 5, 2017, the Pool began offering Series O units. 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 long term growth in value and income by investing in a diversified portfolio of Canadian government and corporate bonds, Canadian and foreign equities, trust and limited partnership units, preferred shares and index or sector proxies, such as index participation units. It is designed to provide both moderate income and reasonable growth over the long term, while being sufficiently diversified to mitigate volatility.

- (b) Redeemable units issued and outstanding are considered to be capital of the Pool. The Pool's authorized capital consists of an unlimited number of units and series without par value. The number of outstanding units of each series is disclosed in the statements of financial position.

Series A units are subject to a negotiated sales commission payable by the investor at the time of purchase. Series B units are subject to a fixed sales commission payable by the Manager at the time of purchase. The investor is subject to a redemption fee if units are redeemed within three years of purchase. Series F units are only available to investors that have a fee-based account with a dealer that has signed a Series F agreement with the Manager. Series O units are available for investors who have, or whose dealer has, entered into an agreement directly with the Manager to purchase Series O units or if investors open discretionary investment management accounts with the Manager. Series O units have no sales charges.

Except for Series O units, each series of units pays its proportionate share of common expenses of the Pool, in addition to expenses that are unique to that series. Proportionate fund expenses for Series O, both common fund expenses, as well as expenses unique to Series O, are paid by the Manager. Distributions of each series may vary due to the differences in expenses between the series.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

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 Accounting Standard 34 Interim Financial Reporting (IAS 34), as published by the International Accounting Standards Board (IASB) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on August 20, 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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

2. Basis of preparation (continued):

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 at 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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

3. Significant accounting policies (continued):

At June 30, 2020 and December 31, 2019, no amounts have been offset in the statements of financial position.

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income in the period in which they occur. The Pool has classified its investments in securities, derivative financial assets and derivative financial liabilities as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Pool uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Pool's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

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 CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

3. Significant accounting policies (continued):

(iii) Amortized cost:

Financial instruments classified under amortized cost include financial assets that are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest and financial liabilities not classified as FVTPL. Such financial assets and liabilities are recognized initially at fair value plus any directly attributable transaction costs.

Subsequent measurement of these financial assets and financial liabilities is at amortized cost using the effective interest method, less any impairment losses. Interest income is recognized by applying the effective interest rate. The Pool classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable and management fees payable as amortized cost. 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.

(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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

3. Significant accounting policies (continued):

The Pool has multiple classes of redeemable units that do not have identical features and therefore, does not qualify as equity under International Accounting Standard (IAS) 32, *Financial Instruments - presentation* (IAS 32).

The redeemable units, which are measured at the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Pool's valuation policies at each redemption date.

(c) Foreign currency:

The Pool's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction.

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

(d) Investment transactions and revenue recognition:

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

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

Increase (decrease) in net assets attributable to holders of redeemable units, per unit in the statements of comprehensive income (loss) represents the net increase (decrease) in the net assets from operations for each series for the period divided by the weighted average units outstanding for each series for the period.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

3. Significant accounting policies (continued):

(f) Income taxes:

The Pool qualifies as a Mutual Fund Trust as defined in the *Income Tax Act* (Canada). Pursuant to the terms of the Declaration of Trust establishing the Pool, it is considered to distribute annually to the unitholders all of the net taxable income, including net realized gains on sale of investments, and such distributions are immediately reinvested in units of the Pool.

In general, the Pool is subject to income tax, however no income tax is payable on net income and/or net realized capital gains which are distributed to unitholders. In addition, income taxes payable on net realized capital gains is refundable on a formula basis when units of the Pool are redeemed.

Capital losses are available to be carried forward indefinitely and applied against future capital gains. Any non-capital losses that are realized in the taxation year 2006 and after may be carried forward for 20 years and applied against future income and capital gains.

4. Management fees and expenses:

Except for Series O units, the Manager of each series of units is entitled to a monthly management fee from the Pool based on a percentage of the net asset value of each series of units as of the close of business on each business day calculated at the following annual rates:

Series A	1.80%
Series B (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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

4. Management fees and expenses (continued):

Proportionate fund expenses for Series O units, both common fund expenses, as well as expenses unique to Series O, are paid by the Manager.

The Manager absorbed a portion of the operating expenses (note 5) of the Pool during the six-month periods ended June 30, 2020 and 2019.

5. Related party transactions:

Related party balances of the Pool as at June 30, 2020 and December 31, 2019 are as follows:

		2020		2019
Management fees payable	\$	877	\$	841
Due from Manager		1		—

Related party transactions of the Pool for the six-month periods ended June 30, 2020 and 2019 are as follows:

		2020		2019
Management fees	\$	4,753	\$	4,090
Absorbed expenses		(4)		(3)

These transactions are in the normal course of operations and are measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

As of June 30, 2020 and December 31, 2019, the Manager or parent company of the Manager held the following number of units in the Pool:

	2020	2019
Series F	30,936	30,856

6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the six-month periods ended June 30, 2020 and 2019 are disclosed in the statements of comprehensive income (loss).

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

6. Brokerage commissions (continued):

There were no soft dollar commissions paid during six-month periods ended June 30, 2020 and 2019.

7. Income taxes:

Capital losses available for carry forward as of December 31, 2019 and 2018 are as follows:

		2019		2018
Capital losses	\$	3,827	\$	3,827

8. Financial risk management:

The investment activities of the Pool expose the Pool to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Pool by contracting a professional, experienced portfolio manager, by monitoring the Pool and market events on a daily basis, and by diversifying the investment portfolio within the parameters of the investment objective and strategy. The most significant risks include market risk (other price risk, interest rate risk and currency risk), credit risk and liquidity risk. These risks and related risk management practices employed by the Pool are discussed below:

(i) Other price risk:

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The maximum risk resulting from financial instruments held by the Pool is determined by the fair value of the financial instruments. The portfolio manager moderates this risk through a careful selection of securities within specified parameters established for the Pool.

For the Pool, the most significant exposure to other price risk arises from investments in equity securities. The following table shows the exposure of the Pool to equity securities and indicates the impact on net assets if the prices of the equity securities on the respective stock exchanges increased or decreased by 5 percent, with all other variables held constant.

	Fair value of equities (\$)	% of net assets	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2020	\$ 399,696	69.67%	\$ 19,985	3.48%
As at December 31, 2019	\$ 366,782	67.19%	\$ 18,339	3.36%

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

8. Financial risk management (continued):

(ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds. The Pool is exposed to this risk to the extent that the value of interest-bearing financial instruments will fluctuate due to changes in the prevailing levels of market interest rates.

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

As at June 30, 2020	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 37,768	\$ 32,181	\$ 22,540	\$ 46,516	\$ 399,696	\$ 538,701

As at December 31, 2019	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 61,798	\$ 36,484	\$ 20,230	\$ 38,454	\$ 366,783	\$ 523,749

At June 30, 2020 and December 31, 2019, should interest rates have increased or decreased by 25 basis points, excluding cash and treasury bills and assuming a parallel shift in the yield curve, with all other variables held constant, net assets for the Pool would have approximately increased or decreased as indicated in the following table. The Pool's sensitivity to interest rates was estimated using the weighted average duration of the bond portfolio.

	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2020	\$ 1,414	0.25%
As at December 31, 2019	1,175	0.22%

(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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

8. Financial risk management (continued):

The Pool's greatest concentration of credit risk is in bonds and debt securities such as Canada Treasury Bills. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments represents the maximum credit risk exposure as at June 30, 2020 and December 31, 2019.

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker.

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

As at June 30, 2020	% of debt securities	% of net assets
AAA	33.52%	8.12%
AA	20.48%	4.96%
A	41.87%	10.15%
N/R	4.13%	1.00%
	100.00%	24.23%

As at December 31, 2019	% of debt securities	% of net assets
AAA	42.85%	12.32%
AA	18.33%	5.27%
A	36.21%	10.41%
BBB	2.61%	0.75%
	100.00%	28.75%

(iv) Liquidity risk:

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

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

8. Financial risk management (continued):

(v) Currency risk:

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

The only foreign currency to which the Pool was exposed at June 30, 2020 and 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 this currency relative to the Canadian dollar.

As at June 30, 2020	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
Financial assets at FVTPL	\$ 194,843	\$ 9,742	1.70%
Cash	1,539	77	0.01%
Other assets less liabilities	13	1	0.00%
	\$ 196,395	\$ 9,820	1.71%

As at December 31, 2019	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
Financial assets at FVTPL	\$ 174,161	\$ 8,708	1.60%
Cash	35	2	0.00%
Other assets less liabilities	10	1	0.00%
	\$ 174,206	\$ 8,711	1.60%

(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.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

8. Financial risk management (continued):

The following is a summary of the Pool's concentration risk:

Market segment	June 30,	December 31,
Long	2020	2019
	%	%
Short term investments	—	5.66
Corporate bonds	11.00	11.34
Federal bonds	5.47	4.97
Provincial bonds	9.34	8.01
Banks	11.50	11.20
Capital goods	3.36	3.51
Commercial and professional services	2.16	2.23
Consumer durables and apparel	1.29	1.74
Consumer services	1.11	1.03
Diversified financials	5.91	5.31
Energy	2.81	5.16
Food, beverage and tobacco	3.86	3.40
Food and staples retailing	2.54	2.01
Healthcare equipment and services	1.31	1.32
Insurance	0.72	1.06
Materials	1.36	1.29
Pharmaceuticals, biotechnology and life sciences	6.05	5.41
Retailing	2.27	—
Software and services	13.88	13.08
Technology hardware and equipment	7.44	6.34
Telecommunication services	1.16	1.31
Transportation	5.46	4.62
	100.00	100.00

(vii) Other risk:

In the month of March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social dislocating impact. The Manager is continuing to monitor the outbreak and the impact on the Pool. The extent and duration of the impact of COVID-19 on global and local economies, financial markets, industry sectors and geographic locations the Pool may invest in is uncertain and the ultimate financial effect on the Pool is not known at this time.

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

9. Fair value disclosure:

(i) Valuation models:

The Pool's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Pool's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Pool classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The three levels of the fair value hierarchy are:

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

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

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

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

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

The following table presents information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2019 and December 31, 2018.

Financial assets at fair value as at June 30, 2020:

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 399,696	\$ —	\$ —	\$ 399,696
Bonds	—	139,005	—	139,005
	\$ 399,696	\$ 139,005	\$ —	\$ 538,701

VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2020 and 2019 (unaudited)

9. Fair value disclosure (continued):

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

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 366,782	\$ –	\$ –	\$ 366,782
Bonds	–	127,339	–	127,339
Short term investments	–	29,628	–	29,628
	\$ 366,782	\$ 156,967	\$ –	\$ 523,749

During the six-month period ended June 30, 2020 and the year ended December 31, 2019, 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.