VPI FOREIGN EQUITY POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)

SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER

VALUE PARTNERS INVESTMENTS 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 FOREIGN EQUITY 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	$	110,216	$	256,894
Cash and cash equivalents		73,656		11,952
Accrued dividends receivable		132		469
Accrued interest receivable for distribution purposes		–		86
Due from broker		10,001		–
Subscriptions receivable		77		30
	$	194,082	$	269,431
Liabilities				
Accounts payable and accrued liabilities	$	75	$	89
Redemptions payable		271		288
Management fees payable (notes 4 and 5)		292		414
Due to broker		6,599		–
		7,237		791
Net assets attributable to holders of redeemable units	$	186,845	$	268,640
Net assets attributable to holders of redeemable units per series:				
Series A	$	154,484	$	225,082
Series F		27,499		42,631
Series O		4,862		927
Net assets attributable to holders of redeemable units per unit:				
Series A	$	10.05	$	12.75
Series F		9.04		11.41
Series O		7.91		9.93
Number of redeemable units outstanding:				
Series A		15,383		17,657
Series F		3,045		3,736
Series O		615		93

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

VPI FOREIGN EQUITY 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
Income:		
Interest income for distribution purposes	$ 201	$ 796
Dividend income	2,940	3,290
Tax reclaim income	15	–
Foreign exchange gain on cash	2,644	622
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	(48,802)	4,777
Change in unrealized appreciation (depreciation) in value of investments	(8,437)	1,233
	(51,439)	10,718
Expenses:		
Administration	68	80
Audit fees	7	7
Independent review committee fees	7	4
Security holder reporting costs	92	81
Custodian fees	4	5
Filing fees	7	11
Management fees (notes 4 and 5)	1,799	2,372
Registered plan fees	4	3
Trustee fees	3	2
Withholding taxes	400	428
Transaction costs	181	10
	2,572	3,004
Absorbed expenses (notes 4 and 5)	(3)	(1)
	2,569	3,003
Increase (decrease) in net assets attributable to holders of redeemable units	$ (54,008)	$ 7,715
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	$ (45,156)	$ 6,063
Series B	–	305
Series F	(8,530)	1,303
Series O	(322)	44
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	$ (2.78)	$ 0.36
Series B	–	0.31
Series F	(2.51)	0.35
Series O	(0.73)	0.40

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

VPI FOREIGN EQUITY 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	$ 225,082	$ 211,303	$ –	$ 10,483	$ 42,631	$ 40,472	$ 927	$ 1,088	$ 268,640	$ 263,346
Increase (decrease) in net assets attributable to holders of redeemable units	(45,156)	6,063	–	305	(8,530)	1,303	(322)	44	(54,008)	7,715
Redeemable unit transactions:										
Proceeds from redeemable units issued	6,949	15,021	–	404	2,458	6,107	4,490	1,028	13,897	22,560
Reinvestment of distributions to holders of redeemable units	252	315	–	–	35	45	–	–	287	360
Redemption of redeemable units	(32,643)	(13,823)	–	(1,899)	(9,095)	(3,545)	(233)	(942)	(41,971)	(20,209)
	(25,442)	1,513	–	(1,495)	(6,602)	2,607	4,257	86	(27,787)	2,711
Net increase (decrease) in net assets attributable to holders of redeemable units	(70,598)	7,576	–	(1,190)	(15,132)	3,910	3,935	130	(81,795)	10,426
Net assets attributable to holders of redeemable units, end of period	$ 154,484	$ 218,879	$ –	$ 9,293	$ 27,499	$ 44,382	$ 4,862	$ 1,218	$ 186,845	$ 273,772
Increase (decrease) in redeemable units outstanding:										
Beginning of period	17,657	16,852	–	1,026	3,736	3,612	93	112	21,486	21,602
Issued	642	1,153	–	38	245	521	548	101	1,435	1,813
Issued on reinvestment of distributions	23	24	–	-	4	4	-	-	27	28
Redeemed	(2,939)	(1,057)	–	(179)	(940)	(304)	(26)	(93)	(3,905)	(1,633)
Redeemable units outstanding, end of period	15,383	16,972	–	885	3,045	3,833	615	120	19,043	21,810
Weighted average units outstanding, during the period	16,261	16,969	–	970	3,399	3,762	443	109		

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

VPI FOREIGN EQUITY 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	$ (54,008)	$ 7,715
Adjustments for:		
Foreign exchange gain on cash	(2,644)	(622)
Net realized loss (gain) on sale of investments	48,802	(4,777)
Transaction costs	181	10
Change in unrealized depreciation (appreciation) in value of investments	8,437	(1,233)
Purchase of investments	(137,969)	(126,484)
Proceeds from sale of investments	227,227	117,477
Dividends receivable	337	(20)
Interest receivable for distribution purposes	86	(3)
Management fees payable	(122)	(29)
Other payables and accrued expenses	(3,416)	(28)
Net cash from (used in) operating activities	86,911	(7,994)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	287	360
Proceeds from redeemable units issued	8,831	18,849
Redemption of redeemable units	(36,969)	(16,007)
Net cash from (used in) financing activities	(27,851)	3,202
Foreign exchange gain on cash	2,644	622
Net increase (decrease) in cash and cash equivalents	61,704	(4,170)
Cash and cash equivalents, beginning of period	11,952	10,534
Cash and cash equivalents, end of period	$ 73,656	$ 6,364
Supplementary information:		
Dividends received, net of withholding tax	$ 2,877	$ 2,842
Interest received	287	793

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

VPI FOREIGN EQUITY POOL

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

June 30, 2020

Number of units or shares	Description	Average cost	Fair value	% of net assets
Equities:				
Automobiles and Components:				
200,000	Honda Motor Co Ltd.	$ 7,482	$ 6,963	3.73
Banks:				
80	Bank of Nova Scotia	5	4	
40,000	HDFC Bank Ltd.	2,439	2,477	
30,000	JPMorgan Chase & Co.	3,868	3,843	
48,215	US Bancorp	2,262	2,418	
227,310	Wells Fargo & Co.	12,985	7,926	
		21,559	16,668	8.92
Capital Goods:				
10,000	Ashtead Group PLC	1,847	1,831	
15,000	Honeywell International Inc.	3,010	2,954	
20,000	Siemens AG	1,568	1,607	
8,599	Techtronic Industries Co. Ltd.	569	570	
		6,994	6,962	3.73
Consumer Durables and Apparel:				
35,000	LVMH Moet Hennessy Louis Vuitton SE	4,142	4,215	2.26
Diversified Financials:				
200,000	UBS Group AG	3,023	3,144	1.68
Energy:				
100,000	Devon Energy Corp.	3,800	1,545	
120,000	Total S.A.	8,173	6,286	
		11,973	7,831	4.19
Food & Staples Retailing:				
13,877	Seven & I Holdings Co., Ltd.	311	307	0.16
Food, Beverage & Tobacco:				
20,000	Fomento Economico Mexicano SAB de CV	1,785	1,689	
15,000	Nestle S.A.	2,315	2,256	
		4,100	3,945	2.11
Healthcare, Equipment and Services:				
20,000	Medtronic PLC	2,588	2,498	
9,000	UnitedHealth Group Inc.	3,529	3,616	
		6,117	6,114	3.27
Materials:				
60,000	Air Liquide S.A.	2,344	2,358	
30,000	Symrise AG	1,173	1,194	
		3,517	3,552	1.90

VPI FOREIGN EQUITY POOL

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

June 30, 2020

Number of units or shares	Description	Average cost	Fair value	% of net assets
Media and Entertainment:				
50,000	Comcast Corp., Class A	$ 2,657	$ 2,655	1.42
Pharmaceuticals, Biotechnology and Life Sciences:				
12,000	Amgen Inc.	3,734	3,855	
15,000	Eli Lilly and Co.	3,267	3,354	
50,000	Roche Holding AG	3,049	2,954	
		10,050	10,163	5.44
Retailing:				
9,000	Home Depot Inc.	3,047	3,071	1.64
Semiconductors and Semiconductor Equipment:				
11,000	Broadcom Inc.	4,724	4,727	
25,000	Intel Corp.	1,683	2,037	
40,000	Taiwan Semiconductor Manufacturing Co. Ltd.	3,057	3,093	
		9,464	9,857	5.28
Software and Services:				
179,515	Oracle Corp.	10,737	13,513	
16,000	Visa Inc., Class A	4,189	4,210	
		14,926	17,723	9.49
Technology Hardware and Equipment:				
42,890	Cisco Systems Inc.	2,249	2,725	1.46
Telecommunication Services:				
250,000	America Movil SAB de CV	4,489	4,321	2.31
Total equities		116,100	110,216	58.99
Transaction costs		(81)		
Total financial assets at FVTPL		116,019	110,216	58.99
Cash:				
Domestic		29,298	29,298	
Foreign		44,493	44,358	
Total cash		73,791	73,656	39.42
Other assets less liabilities			2,973	1.59
Total net assets attributable to holders of redeemable units			$ 186,845	100.00

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

1. Reporting entity:

(a) VPI Foreign Equity Pool (the Pool) is an open-ended mutual fund trust, established on September 26, 2005 by declaration of trust under the laws of the Province of Ontario. The registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on October 20, 2005 with one series of units: Series A. On July 3, 2007, the Pool began offering Series B and Series F units. On July 5, 2017, the Pool began offering Series O units. Effective December 2, 2019, all Series B units were converted to Series A units. Subsequently, the Pool no longer offers Series B units.

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

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

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

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

(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.

1. Reporting entity (continued):

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.

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

3. Significant accounting policies (continued):

(ii) FVTPL:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statements of comprehensive income (loss) 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.

(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.

3. Significant accounting policies (continued):

Interest income is recognized by applying the effective interest rate. The Pool classifies cash, accrued dividends receivable, accrued interest receivable for distribution purposes, due from broker, subscriptions receivable, accounts payable and accrued liabilities, redemptions payable, management fees payable and due to broker 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. 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.

3. Significant accounting policies (continued):

Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign exchange gains and losses relating to cash are presented as ‘Foreign exchange gain (loss) on cash’ and those relating to other financial assets and liabilities are presented within ‘Net realized gain’ and ‘Change in unrealized appreciation (depreciation)’ in the statements of comprehensive income (loss).

(d) Investment transactions and revenue recognition:

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

(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.

(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.

3. Significant accounting policies (continued):

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 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 B (note 1 [a])	2.00%
Series F	0.90%

No management fee is charged to the Pool with respect to Series O units. Instead, each investor negotiates a separate fee that is paid directly to the Manager.

Except for Series O units, in addition to the management fee, each series of units pays its proportionate share of common operating expenses of the Pool, in addition to expenses that are unique to that series. These expenses include, but are not limited to audit, legal and filing fees, custodial, recordkeeping and trustee fees, transfer agent fees, investor servicing costs, taxes, compensation and expenses of the Independent Review Committee, and costs of unitholder reports, financial reporting, prospectuses, regulatory filings, and other communications. Brokerage commissions and transaction costs for buying and selling investments for the Pool's portfolio are also paid by the Pool, as well as the costs and expenses related to holding any meeting convened by unitholders.

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

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

(In thousands of dollars, except for unit amounts)

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	$ 292	$ 414

Related party transactions of the Pool for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
Management fees	$ 1,799	$ 2,372
Absorbed expenses	(3)	(1)

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.

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).

There were no soft dollar commissions paid during the 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	$ –	$ 124

(In thousands of dollars, except for unit amounts)

8. Financial risk management:

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

(i) Other price risk:

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

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

	Fair value of equities	% of net assets	Impact on net assets ($)	Impact on net assets (%)
As at June 30, 2020	$ 110,216	58.99%	$ 5,511	2.95%
As at December 31, 2019	$ 215,535	80.23%	$ 10,777	4.01%

(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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(iii) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pool. The Pool's greatest concentration of credit risk is in 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 these investments represents the maximum credit risk exposures as of 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.

As at June 30, 2020, the Pool had no significant investments in debt instruments and/or derivatives.

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

As at December 31, 2019	% of debt securities	% of net assets
AAA	100.00%	15.40%

(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.

(In thousands of dollars, except for unit amounts)

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 currencies 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 these currencies relative to the Canadian dollar.

As at June 30, 2020	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 103,601	$ 5,180	2.77%
Cash	44,358	2,218	1.19%
Other assets less liabilities	133	7	0.00%
	$ 148,092	$ 7,405	3.96%

As at December 31, 2019	Foreign currencies ($)	Impact on net assets ($)	Impact on net assets (%)
Financial assets at FVTPL	$ 200,559	$ 10,028	3.73%
Cash	10,748	537	0.20%
Other assets less liabilities	361	18	0.00%
	$ 211,668	$ 10,583	3.93%

(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.

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

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

Market segment Long	June 30, 2020	December 31, 2019
	%	%
Short-term investments	–	16.10
Automobiles & components	6.32	12.67
Banks	15.12	17.91
Capital goods	6.32	6.87
Consumer durable	3.82	–
Diversified financials	2.85	–
Energy	7.11	15.02
Food & staples retailing	0.28	–
Food, beverage & tobacco	3.58	–
Health care equipment and services	5.55	6.16
Insurance	–	5.25
Materials	3.22	–
Media and entertainment	2.41	6.01
Pharmaceuticals, biotechnology & life sciences	9.22	–
Retailing	2.79	7.40
Semiconductors & semiconductor equipment	8.94	–
Software and services	16.08	6.61
Technology hardware & equipment	2.47	–
Telecommunications	3.92	–
	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.

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.

(In thousands of dollars, except for unit amounts)

9. **Fair value disclosure (continued):**

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 tables present information about the Pool's assets which are recorded at fair value on a recurring basis as of June 30, 2020 and December 31, 2019:

June 30, 2020	Level 1	Level 2	Level 3	Total
Equities - long	$ 110,216	$ –	$ –	$ 110,216

December 31, 2019	Level 1	Level 2	Level 3	Total
Equities - long	$ 215,535	$ –	$ –	$ 215,535
Short-term investments - long	–	41,359	–	41,359

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.