



VPI INCOME 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 INCOME 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	\$ 607,300	\$ 838,622
Cash and cash equivalents	41,288	2,164
Forward currency contracts	—	1,295
Accrued dividends receivable	563	1,804
Accrued interest receivable for distribution purposes	2,126	2,183
Subscriptions receivable	1,376	625
Due from Manager (note 5)	—	1
Due from broker	24,271	109
	\$ 676,924	\$ 846,803
Liabilities		
Forward currency contracts	\$ 2,447	\$ —
Accounts payable and accrued liabilities	117	133
Redemptions payable	760	1,266
Management fees payable (notes 4 and 5)	992	1,270
Distributions payable	1,086	—
Due to brokers	22,246	—
	27,648	2,669
Net assets attributable to holders of redeemable units	\$ 649,276	\$ 844,134
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 542,789	\$ 705,609
Series F	83,413	115,199
Series O	23,074	23,326
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 9.69	\$ 11.56
Series F	9.56	11.42
Series O	8.70	10.42
Number of redeemable units outstanding:		
Series A	56,084	61,017
Series F	8,733	10,089
Series O	2,655	2,239

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

VPI INCOME 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	\$ 6,842	\$ 8,565
Dividend income	7,144	6,949
Foreign exchange gain (loss) on cash	161	(23)
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized loss (gain) on sale of investments	(134,082)	7,534
Net realized gain (loss) on forward currency contracts	1,061	(792)
Change in unrealized appreciation in value of investments	547	10,783
Change in unrealized appreciation (depreciation) in forward currency contracts	(3,742)	4,712
	(122,069)	37,728
Expenses:		
Administration	112	100
Audit fees	8	6
Independent review committee fees	10	5
Security holder reporting costs	190	154
Custodian fees	15	15
Filing fees	1	17
Management fees (notes 4 and 5)	5,968	7,007
Registered plan fees	7	5
Trustee fees	3	2
Withholding taxes	369	393
Transaction costs	281	28
	6,964	7,732
Absorbed expenses (notes 4 and 5)	(11)	(4)
	6,953	7,728
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (129,022)	\$ 30,000
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	\$ (108,989)	\$ 24,391
Series B	—	759
Series F	(17,190)	4,438
Series O	(2,843)	412
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ (1.86)	\$ 0.41
Series B	—	0.38
Series F	(1.83)	0.45
Series O	(1.20)	0.42

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

VPI INCOME POOL

Statements of Change 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 periods	\$ 705,609	\$ 649,756	\$ —	\$ 21,022	\$ 115,199	\$ 105,616	\$ 23,326	\$ 9,303	\$ 844,134	\$ 785,697
Increase (decrease) in net assets attributable to holders of redeemable units	(108,989)	24,391	—	759	(17,190)	4,438	(2,843)	412	(129,022)	30,000
Redeemable unit transactions:										
Proceeds from redeemable units issued	26,333	51,791	—	796	6,314	4,533	6,784	5,016	39,431	72,136
Reinvestment of distributions to holders of redeemable units	7,176	6,087	—	152	1,189	696	202	71	8,567	7,006
Redemption of redeemable units	(81,034)	(49,745)	—	(3,383)	(20,646)	(10,858)	(3,875)	(2,365)	(105,555)	(66,351)
	(47,525)	8,133	—	(2,435)	(13,143)	4,371	3,111	2,722	(57,557)	12,791
Distributions to holders of redeemable units:										
Net investment income	(6,306)	(5,146)	—	(158)	(1,453)	(838)	(520)	(71)	(8,279)	(6,213)
Net increase (decrease) in net assets attributable to holders of redeemable units	(162,820)	27,378	—	(1,834)	(31,786)	7,971	(252)	3,063	(194,858)	36,578
Net assets attributable to holders of redeemable units, end of periods	\$ 542,789	\$ 677,134	\$ —	\$ 19,188	\$ 83,413	\$ 113,587	\$ 23,074	\$ 12,366	\$ 649,276	\$ 822,275
Increase (decrease) in redeemable units outstanding:										
Beginning of periods	61,017	58,857	—	2,094	10,089	9,781	2,239	954	73,345	71,686
Issued	2,478	4,540	—	77	638	1,298	779	497	3,895	6,412
Issued on reinvestment of distributions	718	530	—	15	122	62	23	7	863	614
Redeemed	(8,129)	(4,359)	—	(327)	(2,116)	(973)	(386)	(238)	(10,631)	(5,897)
Redeemable units outstanding, end of periods	56,084	59,568	—	1,859	8,733	10,168	2,655	1,220	67,472	72,815
Weighted average units outstanding, during the periods	58,525	59,264	—	1,991	9,385	9,862	2,369	973		

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

VPI INCOME 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	\$ (129,022)	\$ 30,000
Adjustments for:		
Foreign exchange loss (gain) on cash	(161)	23
Net realized loss (gain) on sale of investments	134,082	(7,534)
Transaction costs	281	28
Change in unrealized appreciation in value of investments	(547)	(10,783)
Change in unrealized depreciation (appreciation) in forward currency contracts	3,742	(4,712)
Purchase of investments	(531,970)	(287,401)
Proceeds from sale of investments	629,476	277,328
Dividends receivable	1,241	(1,142)
Interest receivable for distribution purposes	57	(362)
Management fees payable	(278)	(72)
Other payables and accrued expenses	(1,932)	(1,139)
Due to Manager	1	—
Net cash from (used in) operating activities	104,970	(5,766)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	1,374	793
Proceeds from redeemable units issued	31,626	66,606
Redemption of redeemable units	(99,007)	(60,689)
Net cash from (used in) financing activities	(66,007)	6,710
Foreign exchange gain (loss) on cash	161	(23)
Net increase in cash and cash equivalents	39,124	921
Cash and cash equivalents, beginning of period	2,164	6,830
Cash and cash equivalents, end of period	\$ 41,288	\$ 7,751
Supplementary information:		
Dividends received, net of withholding tax	\$ 8,016	\$ 5,414
Interest received	6,899	8,203

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

VPI INCOME 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:						
Corporate bonds:						
14,276,000	Air Canada	22-Jun-24	9.00	\$ 13,990	\$ 14,218	
1,255,000	Air Canada	1-Jul-25	4.00	1,737	1,816	
2,660,000	AMC Entertainment Holdings Inc.	15-Apr-25	10.50	3,640	2,953	
6,584,000	American Airlines Inc.	15-Jul-25	11.75	8,942	8,452	
4,155,000	Avis Budget Car Rental LLC / Avis Budget Finance Inc.	15-May-25	10.50	5,707	6,306	
2,640,000	Bank of Nova Scotia	31-Aug-85	1.72	2,214	2,854	
2,858,576	Black Press Group Ltd. ^	31-Mar-24	12.00	2,859	2,822	
489,000	Boeing Co.	30-Oct-24	2.85	637	673	
500,000	Boeing Co.	1-Mar-25	2.50	634	680	
595,000	Boeing Co.	1-May-26	3.10	789	826	
224,000	Boeing Co.	15-Jun-26	2.25	286	295	
2,460,000	Boeing Co.	1-Feb-27	2.70	3,234	3,276	
51,000	Boeing Co.	1-Mar-28	3.25	69	69	
362,000	Boeing Co.	1-Nov-28	3.45	489	482	
401,000	Boeing Co.	15-Feb-33	6.13	523	646	
27,000	Boeing Co.	1-Mar-39	3.50	35	33	
111,000	Boeing Co.	15-Jun-46	3.38	135	126	
1,781,000	Bombardier Inc.	1-Dec-21	8.75	1,882	1,983	
617,000	Bombardier Inc.	15-Mar-22	5.75	614	622	
610,000	Bombardier Inc.	15-Oct-22	6.00	613	588	
1,497,000	Bombardier Inc.	15-Jan-23	6.13	1,457	1,404	
1,010,000	Bombardier Inc.	1-Dec-24	7.50	1,067	905	
2,075,000	Bombardier Inc.	15-Mar-25	7.50	1,989	1,853	
5,426,000	Bombardier Inc.	15-Apr-27	7.88	5,335	4,854	
1,509,000	BZ Holdings Inc. ^	22-May-22	3.00	1,857	2,055	
610,000	Canadian Imperial Bank of Commerce	31-Aug-85	1.75	487	611	
140,382	Canadian Pacific Railway Co.	1-Oct-24	6.91	171	159	
106,000	Cenovus Energy Inc.	15-Sep-23	3.80	130	136	
2,469,000	Cenovus Energy Inc.	15-Apr-27	4.25	1,831	3,048	
1,760,000	Cenovus Energy Inc.	15-Jun-37	5.25	1,221	2,075	
1,273,000	Cenovus Energy Inc.	15-Nov-39	6.75	1,224	1,690	
190,000	Cenovus Energy Inc.	15-Jun-47	5.40	140	222	
3,930,000	ClearStream Energy Services Inc. ^	23-Mar-26	8.00	3,930	2,948	
1,127,000	Continental Resources Inc.	15-Sep-22	5.00	1,117	1,510	
96,000	Continental Resources Inc.	15-Apr-23	4.50	89	125	
323,000	Continental Resources Inc.	1-Jun-24	3.80	249	413	
2,305,000	Continental Resources Inc.	15-Jan-28	4.38	2,012	2,769	
572,000	Continental Resources Inc.	1-Jun-44	4.90	350	622	
1,758,000	Delta Air Lines Inc.	1-May-25	7.00	2,466	2,474	
24,000	Embraer Netherlands Finance BV	15-Jun-25	5.05	27	29	
201,000	Embraer Netherlands Finance BV	1-Feb-27	5.40	228	243	
252,000	Embraer Overseas Ltd.	16-Sep-23	5.70	318	328	
15,267,000	Ford Credit Canada Co.	21-Mar-24	3.70	15,322	13,860	
6,809,000	Ford Motor Credit Co LLC	7-Jan-22	4.53	9,068	8,906	
436,000	GE Capital Canada Funding Co.	15-Feb-22	0.95	425	426	
4,225,000	GE Capital Canada Funding Co.	6-Feb-23	1.84	4,425	4,120	
190,000	GE Capital International Funding Co. Unlimited Co.	15-Nov-35	4.42	293	263	
309,000	General Electric Co.	15-Mar-23	1.31	386	411	
1,760,000	General Electric Co.	5-May-26	0.92	2,039	2,081	
412,000	General Motors Financial Co Inc.	5-Jan-23	2.36	516	541	
3,092,000	General Motors Financial of Canada Ltd.	14-May-24	5.95	3,085	3,332	
1,121,000	Hertz Corp.	1-Jun-22	7.63	1,127	1,150	
1,049,000	Hertz Corp.	15-Oct-24	5.50	384	451	
395,000	Hertz Corp.	1-Aug-26	7.13	223	170	
1,536,000	Hertz Corp.	15-Jan-28	6.00	718	660	
2,424,000	Howmet Aerospace Inc.	1-May-25	6.88	3,433	3,585	
31,000	Husky Energy Inc.	10-Mar-27	3.60	26	30	
370,000	Husky Energy Inc.	15-Apr-29	4.40	366	504	
125,000	Kruger Packaging Holdings LP	1-Jun-26	6.00	125	125	

VPI INCOME 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
Corporate bonds:						
2,686,000	Maxar Technologies Inc.	31-Dec-27	7.54	3,589	3,613	
1,844,000	Navient Corp.	1-Aug-33	5.63	2,076	1,941	
6,022,000	Neptune Acquisition Inc. ^	8-Apr-27	10.00	5,887	5,888	
1,252,000	Newfield Exploration Co.	1-Jul-24	5.63	1,278	1,631	
204,000	Newfield Exploration Co.	1-Jan-26	5.38	158	260	
530,000	Occidental Petroleum Corp.	15-Aug-26	3.20	385	590	
587,000	Occidental Petroleum Corp.	15-Aug-29	3.50	402	586	
437,000	Occidental Petroleum Corp.	15-Jun-39	7.95	327	538	
516,000	Occidental Petroleum Corp.	15-Aug-39	4.30	297	488	
594,000	Occidental Petroleum Corp.	15-Mar-40	6.20	414	681	
911,000	Occidental Petroleum Corp.	15-Jul-44	4.50	579	862	
139,000	Occidental Petroleum Corp.	15-Jun-45	4.63	82	133	
241,000	Occidental Petroleum Corp.	15-Mar-46	6.60	166	287	
1,042,000	Occidental Petroleum Corp.	15-Apr-46	4.40	702	992	
326,000	Occidental Petroleum Corp.	15-Feb-47	4.10	211	301	
2,582,000	Occidental Petroleum Corp.	15-Mar-48	4.20	1,729	2,386	
228,000	Occidental Petroleum Corp.	15-Aug-49	4.40	145	215	
193,000	Ovintiv Inc.	15-Aug-37	6.63	147	229	
3,290,603	Postmedia Network Inc.	15-Jul-23	8.25	3,291	2,537	
930,000	Royal Bank of Canada	29-Jun-85	1.69	749	955	
692,000	Royal Bank of Scotland Group PLC	15-May-23	1.86	937	943	
2,430,000	SNC-Lavalin Group Inc.	2-Mar-21	1.11	2,401	2,388	
375,000	SNC-Lavalin Group Inc.	2-Mar-23	3.24	364	368	
1,994,000	Sobeys Inc.	8-Aug-23	4.70	2,034	2,118	
2,381,000	Sobeys Inc.	29-Oct-35	6.06	2,411	2,787	
2,590,000	Sobeys Inc.	6-Oct-36	5.79	2,543	2,969	
1,160,000	Sobeys Inc.	7-Jun-40	6.64	1,211	1,448	
120,000	Southwest Airlines Co.	4-May-25	5.25	167	173	
337,000	Spirit AeroSystems Inc.	15-Jun-23	3.95	420	390	
3,181,000	Spirit AeroSystems Inc.	15-Apr-25	7.50	4,453	4,292	
419,000	Spirit AeroSystems Inc.	15-Jun-26	3.85	545	522	
2,501,000	Spirit AeroSystems Inc.	15-Jun-28	4.60	2,886	2,764	
8,015,000	SSL Robotics LLC	31-Dec-23	9.75	10,455	11,709	
1,687,000	Stuart Olson Inc. ^	20-Sep-24	7.00	1,687	628	
3,565,000	Suncor Energy Inc.	9-Apr-30	5.00	3,563	4,221	
119,000	Teck Resources Ltd.	15-Aug-40	6.00	139	172	
222,000	Teck Resources Ltd.	15-Jul-41	6.25	316	331	
26,000	Teck Resources Ltd.	1-Mar-42	5.20	25	35	
7,821,000	TransCanada PipeLines Ltd.	15-May-67	2.60	9,203	7,234	
4,310,000	UniCredit SpA	14-Jan-22	5.21	5,730	5,930	
3,182,000	Videotron Ltd.	15-Jun-25	5.63	3,189	3,361	
2,155,000	Videotron Ltd.	15-Jan-26	5.75	2,269	2,234	
3,003,000	Videotron Ltd.	15-Jan-30	4.50	3,003	3,016	
3,911,000	Yellow Pages Digital & Media Solutions Ltd.	30-Nov-22	8.00	3,745	3,913	
				204,993	209,867	32.33
Term Loans:						
3,553,000	Bombardier Recreational Products Inc.	24-May-27	6.00	4,871	4,892	
3,801,000	Hertz Corp.	30-Jun-23	3.50	3,570	4,622	
3,748,686	Maxar Technologies Ltd.	5-Oct-24	2.75	4,030	4,801	
				12,472	14,315	2.20
Mortgage-backed securities:						
603,000	Hertz Vehicle Financing II LP	25-Oct-23	4.20	695	788	
49,000	Hertz Vehicle Financing II LP	25-Feb-24	3.29	40	53	
135,000	Hertz Vehicle Financing II LP	25-Feb-24	4.39	145	166	
250,000	Hertz Vehicle Financing II LP	25-May-25	4.26	239	309	
1,382,000	Merrill Lynch Financial Assets Inc.	7-May-21	6.67	123	117	
				1,242	1,433	0.22

VPI INCOME 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:						
Automobiles and Components:						
429,540	Honda Motor Co Ltd.			\$ 14,459	\$ 14,954	2.30
Banks:						
361,200	Bank of Montreal			30,194	26,101	
336,100	Bank of Nova Scotia			20,256	18,882	
132,775	Canadian Imperial Bank of Commerce			12,640	12,048	
243,365	Royal Bank of Canada			19,789	22,415	
445,330	Toronto-Dominion Bank			28,063	26,983	
				110,942	106,429	16.39
Capital Goods:						
33,500	General Dynamics Corp.			6,245	6,819	
20,000	Honeywell International Inc.			3,995	3,939	
65,000	Siemens AG			5,035	5,222	
				15,275	15,980	2.46
Communication Services:						
150,000	Rogers Communications Inc., Class B			8,877	8,183	1.26
Consumer Services:						
75,000	Starbucks Corp.			7,534	7,517	1.16
Diversified Financials:						
10,000	S&P Global Inc.			4,383	4,488	0.69
Energy:						
25,909	ClearStream Energy Services Inc.			15	1	
314	ClearStream Energy Services Inc. (Private Placement)^			314	314	
4,360	ClearStream Energy Services Inc., Preferred^			4,360	3,052	
250,000	Enbridge Inc.			10,601	10,320	
100,000	TC Energy Corp.			6,053	5,800	
				21,343	19,487	3.00
Food and Staples Retailing:						
10,000	Seven & I Holdings Co., Ltd.			226	221	0.03
Food, Beverage and Tobacco:						
45,000	Nestle S.A.			6,739	6,769	
125,000	Fomento Economico Mexicano SAB de CV			10,828	10,558	
57,000	Diageo PLC			9,113	10,433	
				26,681	27,761	4.28
Healthcare Equipment and Services:						
119,235	CVS Health Corp.			8,526	10,551	
20,000	UnitedHealth Group Inc.			7,883	8,034	
				23,857	25,970	4.00

VPI INCOME 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
Insurance:						
250,000	Great-West Lifeco Inc.			\$ 5,747	\$ 5,950	
200,000	Sun Life Financial Inc.			10,016	9,978	
				15,763	15,928	2.45
Materials:						
50,000	Symrise AG			1,937	1,990	0.31
Media and Entertainment:						
277,749	WPP PLC			22,943	14,803	2.28
Real Estate:						
10,000	American Tower Corp., Class A			3,549	3,521	
686,200	Firm Capital American Realty Partners Trust			6,108	5,232	
2,659,697	Firm Capital Property Trust			12,491	13,938	
				22,149	22,691	3.49
Retailing:						
10,000	Home Depot Inc.			3,295	3,412	0.53
Semiconductors and Semiconductor Equipment:						
83,000	Intel Corp.			5,562	6,764	
100,000	Taiwan Semiconductor Manufacturing Co., Ltd.			7,601	7,732	
				13,163	14,496	2.23
Software and Services:						
40,000	Broadridge Financial Solutions Inc.			6,644	6,875	
90,000	Oracle Corp.			5,676	6,775	
20,000	SAP SE			3,560	3,814	
				15,880	17,464	2.69
Technology Hardware and Equipment:						
134,500	Cisco Systems Inc.			6,985	8,544	1.32
Telecommunication Services:						
191,125	BCE Inc.			10,147	10,821	
300,000	Deutsche Telekom AG			6,831	6,852	
10,000	Nippon Telegraph & Telephone Corp.			317	317	
				17,295	17,990	2.77
Transportation:						
30,000	United Parcel Service Inc., Class B			4,180	4,543	0.70
Utilities:						
623,965	Canadian Utilities Ltd.			18,503	21,089	
150,000	Fortis Inc.			7,879	7,745	
				26,382	28,834	4.44
Warrants:						
176,200	Firm Capital American Realty Partners Trust Warrants	14-Mar-22		127	—	—

VPI INCOME 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
Summary:						
Corporate bonds				\$ 204,993	\$ 209,867	32.33
Term Loans				12,472	14,315	2.20
Mortgage-backed securities				1,242	1,433	0.22
Equities				383,676	381,685	58.78
				602,382	607,300	93.53
Transaction costs				(138)		
Total financial assets at FVTPL				602,244	607,300	93.53
Cash:						
Domestic				4,124	4,124	
Foreign				42,890	37,164	
Total cash				47,014	41,288	6.36
Forward currency contracts					(2,447)	(0.38)
Other assets less liabilities					3,135	0.49
Total net assets attributable to holders of redeemable units					\$ 649,276	100.00

^ Level 3 securities

Forward currency contracts:

The Pool has the following forward currency contract outstanding as at June 30, 2020

Currency to purchase	Amount	Fair value to purchase	Currency to deliver	Amount	Fair value to deliver	Unrealized loss	Expiry date
CAD	\$ 140,297	\$ 140,297	USD	\$ 104,823	\$ 142,744	\$ (2,447)	Sept 2020

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

VPI INCOME 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 Income 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 place a strong emphasis on avoiding material or long-term capital losses while investing in securities that provide a reasonable level of income and the potential for long-term capital growth. The Pool invests primarily in fixed income and equity securities that pay income.

- (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.

VPI INCOME 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):

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).

VPI INCOME 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:

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.

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

VPI INCOME 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):

(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.

VPI INCOME 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):

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, due from Manager, due from broker, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions payable and due to brokers 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.

(v) Forward currency contracts:

The value of a forward currency contract is the gain or loss that would be realized if, on the date that valuation is made, the positions were closed out. It is reflected in the statements of financial position as part of "forward currency contracts" and the change in value over the period is reflected in the statements of comprehensive income (loss) as part of "change in unrealized appreciation (depreciation) in forward currency contracts". When the forward currency contracts are closed out, gains and losses are realized and are included in the "net realized gain (loss) on forward currency contracts" in the statements of comprehensive income (loss).

VPI INCOME 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):

(b) Redeemable units:

The Pool classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

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

(c) Foreign currency:

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

(d) Investment transactions and revenue recognition:

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

VPI INCOME 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):

(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.

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.

VPI INCOME 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):

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.

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	\$ 992	\$ 1,270
Due from manager	—	1

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

	2020	2019
Management fees	\$ 5,968	\$ 7,007
Absorbed expenses	(11)	(4)

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	45,019	44,181

VPI INCOME 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:

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:

As of December 31, 2019 and 2018, there were no capital or non-capital losses available for carry forward.

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 professional, experienced portfolio managers, 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	\$ 381,685	58.78%	\$ 19,084	2.94%
As at December 31, 2019	\$ 412,865	48.91%	\$ 20,643	2.45%

VPI INCOME 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	\$ 2,503	\$ 40,009	\$ 87,742	\$ 95,361	\$ 381,685	\$ 607,300
Forward currency contracts	—	—	—	—	(2,447)	(2,447)

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	\$ 54,120	\$ 107,811	\$ 218,688	\$ 45,139	\$ 412,864	\$ 838,622
Forward currency contracts	—	—	—	—	1,295	1,295

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 each 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	\$ 2,019	0.31%
As at December 31, 2019	\$ 1,213	0.14%

VPI INCOME 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):

(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 bonds. 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.

The Pool may enter into forward currency contracts to buy and sell currencies for the purpose of settling foreign securities transactions. These are short-term spot settlements carried out with counterparties with a credit rating of at least "A." The exposure to credit risk on these contracts is considered minimal as there are few contracts outstanding at any one time and the transactions are settled and paid for upon delivery.

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

As at June 30, 2020	% of debt securities	% of net assets
A	0.57%	0.20%
BBB	32.60%	11.32%
BB	27.33%	9.50%
B	18.74%	6.51%
CCC	5.25%	1.83%
CC	0.08%	0.03%
N/R	15.43%	5.36%
	100.00%	34.75%

VPI INCOME 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):

As at December 31, 2019	% of debt securities	% of net assets
AAA	34.50%	17.45%
AA	0.95%	0.33%
A	11.31%	5.72%
BBB	30.56%	15.45%
BB	6.56%	3.32%
B	9.42%	4.77%
N/R	6.70%	3.39%
	100.00%	50.43%

(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 their 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 financial instruments which are denominated or exchanged in a currency other than the Canadian dollar, the Pool's reporting currency, will fluctuate due to changes in exchange rates. The Pool may enter into forward currency contracts to reduce its foreign currency exposure.

At June 30, 2020 and December 31, 2019, the Pool was exposed to 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 and include the underlying principal of forward currency contracts, if any.

As at June 30, 2020	Foreign currencies (\$)	Forward currency contract	Net exposure	Impact on net assets (\$)	Impact on net assets (%)
Financial assets at FVTPL	\$ 296,144	\$ (142,769)	\$ 153,375	\$ 7,669	1.18%
Cash	37,164	—	37,164	1,858	0.29%
Other assets less liabilities	1,638	—	1,638	82	0.01%
	\$ 334,946	\$ (142,769)	\$ 192,177	\$ 9,609	1.48%

VPI INCOME 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):

As at December 31, 2019	Foreign currencies (\$)	Forward currency contract	Net exposure	Impact on net assets (\$)	Impact on net assets (%)
Financial assets at FVTPL	\$ 255,425	\$ (96,609)	\$ 158,816	\$ 7,941	0.94%
Cash	36	—	36	2	0.00%
Other assets less liabilities	1,224	—	1,224	61	0.01%
	\$ 256,685	\$ (96,609)	\$ 160,076	\$ 8,004	0.95%

(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	June 30, 2020	December 31, 2019
Long	%	%
Automobiles and Components	2.46	9.40
Banks	17.51	12.74
Corporate bonds	34.55	40.72
Capital goods	2.63	—
Consumer services	1.24	—
Communication services	1.35	—
Diversified financials	0.74	—
Energy	3.21	9.74
Food, beverage & tobacco	4.57	—
Food & staples retailing	0.04	—
Healthcare equipment & services	3.06	3.88
Insurance	2.62	—
Materials	0.33	—
Media and entertainment	2.44	5.49
Mortgage-backed securities	0.24	8.49
Pharmaceuticals, Biotechnology & Life Sciences	1.22	—
Real estate	3.74	2.57
Retailing	0.56	4.20
Semiconductors & semiconductor equipment	2.39	—
Short-term investments	—	1.56
Software & services	2.88	—
Term loans	2.36	—
Technology hardware & equipment	1.41	—
Telecommunication services	2.96	—
Transportation	0.75	—
Utilities	4.74	0.90
Warrants	—	0.31
Total	100.00	100.00

VPI INCOME 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):

(vii) Other risk:

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization and has had a significant financial, market and social 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. 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 INCOME 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):

(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:

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

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	\$ 378,318	\$ —	\$ 3,367	\$ 381,685
Corporate bonds	—	195,529	14,338	209,867
Term loans	—	14,315	—	14,315
Mortgage-backed securities	—	1,433	—	1,433
Forward currency contracts	—	(2,447)	—	(2,447)
	\$ 378,318	\$ 208,830	\$ 17,705	\$ 604,853

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

Financial assets	Level 1	Level 2	Level 3	Total
Equities - long	\$ 404,512	\$ 1,053	\$ 4,674	\$ 410,239
Corporate bonds	—	331,626	9,920	341,546
Mortgage-backed securities	—	71,167	—	71,167
Short-term investments	—	13,044	—	13,044
Warrants	—	—	2,626	2,626
Forward currency contracts	—	1,295	—	1,295
	\$ 404,512	\$ 418,185	\$ 17,220	\$ 839,917

During the six-month period ended June 30, 2020, there were no transfers between levels.. During the year ended December 31, 2019, \$3,135 was transferred from Level 2 to Level 3. The financial instruments not measured at FVTPL are short-term financial assets and financial liabilities whose carrying amounts approximate fair value.

Level 3 securities have been valued based upon third party broker quotes provided without a range, comparable recent arm's length transactions and valuation models.

VPI INCOME 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):

Reconciliation of Level 3:

For the year ended June 30, 2020:

	Balance at December 31, 2019	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at June 30, 2020
Corporate bonds	\$ 9,920	\$ 5,887	\$ —	\$ —	\$ 82	\$ (1,551)	\$ 14,338
Equities	4,674	—	—	—	—	(1,307)	3,367
Warrants	2,626	—	(2,519)	—	2,519	(2,626)	—
	\$ 17,220	\$ 5,887	\$ (2,519)	\$ —	\$ 2,601	\$ (5,484)	\$ 17,705

For the year ended December 31, 2019:

	Balance at December 31, 2018	Purchases	Sales	Net transfers In (out)	Realized gain (loss)	Unrealized gain (loss)	Balance at December 31, 2019
Corporate bonds	\$ 9,529	\$ 1,687	\$ (4,332)	\$ 3,135	\$ (82)	\$ (17)	\$ 9,920
Equities	4,360	314	—	—	—	—	4,674
Warrants	2,626	—	—	—	—	—	2,626
	\$ 16,515	\$ 2,001	\$ (4,332)	\$ 3,135	\$ (82)	\$ (17)	\$ 17,220

The change in unrealized gain related to Level 3 investments held at June 30, 2020 was \$(2,986) (2019 - change in unrealized gain of [\$140]).

10. Subsequent Event:

In July 2020, the Pool exchanged its fixed income securities for units of the VPI Corporate Bond Pool.