VPI MORTGAGE POOL

INTERIM FINANCIAL STATEMENTS (UNAUDITED)
SIX-MONTH PERIODS ENDED JUNE 30, 2020 AND 2019

MANAGER
VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER
HSBC GLOBAL ASSET MANAGEMENT (CANADA) LIMITED

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 MORTGAGE 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	$	47,136	$	38,938
Cash and cash equivalents		1,517		545
Accrued interest receivable		110		–
Due from Manager (note 5)		–		4
Subscriptions receivable		618		43
Due from broker		–		209
	$	49,381	$	39,739
Liabilities				
Accounts payable and accrued liabilities	$	37	$	52
Redemptions payable		293		67
Management fees payable (notes 4 and 5)		36		29
Distributions payable		57		29
Due to broker		469		–
		892		177
Net assets attributable to holders of redeemable units	$	48,489	$	39,562
Net assets attributable to holders of redeemable units per series:				
Series A	$	31,110	$	25,847
Series F		16,077		13,451
Series O		1,302		264
Net assets attributable to holders of redeemable units per unit:				
Series A	$	10.02	$	9.93
Series F		9.75		9.68
Series O		9.83		9.77
Number of redeemable units outstanding:				
Series A		3,105		2,603
Series F		1,649		1,390
Series O		132		27

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

VPI MORTGAGE POOL

Statements of Comprehensive Income
(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	$ 597	$ 506
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	28	(73)
Change in unrealized appreciation in value of investments	358	528
	983	961
Expenses:		
Administration	43	62
Audit fees	4	4
Independent review committee fees	5	5
Security holder reporting costs	17	14
Custodian fees	3	2
Filing fees	10	9
Management fees (notes 4 and 5)	186	154
Registered plan fees	1	1
Trustee fees	3	3
	272	254
Absorbed expenses (notes 4 and 5)	(42)	(63)
	230	191
Increase in net assets attributable to holders of redeemable units	$ 753	$ 770
Increase in net assets attributable to holders of redeemable units per series:		
Series A	$ 454	$ 455
Series F	285	305
Series O	14	10
Increase in net assets attributable to holders of redeemable units per unit:		
Series A	$ 0.16	$ 0.19
Series F	0.18	0.21
Series O	0.22	0.25

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VPI MORTGAGE 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 F		Series O		Total	
	2020	2019	2020	2019	2020	2019	2020	2019
Net assets attributable to holders of redeemable units, beginning of period	$ 25,847	$ 23,792	$ 13,451	$ 15,039	$ 264	$ 2,072	$ 39,562	$ 40,903
Increase in net assets attributable to holders of redeemable units	454	455	285	305	14	10	753	770
Redeemable unit transactions:								
Proceeds from redeemable units issued	17,254	7,027	7,266	4,342	1,638	298	26,158	11,667
Reinvestment of distributions to holders of redeemable units	223	185	158	155	10	5	391	345
Redemption of redeemable units	(12,473)	(8,362)	(4,919)	(6,404)	(613)	(2,017)	(18,005)	(16,783)
	5,004	(1,150)	2,505	(1,907)	1,035	(1,714)	8,544	(4,771)
Distributions to holders of redeemable shares:								
Net investment income	(195)	(162)	(164)	(151)	(11)	(5)	(370)	(318)
Net increase (decrease) in net assets attributable to holders of redeemable units	5,263	(857)	2,626	(1,753)	1,038	(1,709)	8,927	(4,319)
Net assets attributable to holders of redeemable units, end of period	$ 31,110	$ 22,935	$ 16,077	$ 13,286	$ 1,302	$ 363	$ 48,489	$ 36,584
Increase (decrease) in redeemable units outstanding:								
Beginning of period	2,603	2,423	1,390	1,565	27	212	4,020	4,200
Issued	1,731	712	749	449	167	30	2,647	1,191
Issued on reinvestment of distributions	22	19	16	16	1	1	39	36
Redeemed	(1,251)	(848)	(506)	(663)	(63)	(206)	(1,820)	(1,717)
Redeemable units outstanding, end of period	3,105	2,306	1,649	1,367	132	37	4,886	3,710
Weighted average units outstanding, during the period	2,815	2,346	1,571	1,429	65	40		

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

VPI MORTGAGE 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 in net assets attributable to holders of redeemable units	$	753	$	770
Adjustments for:				
Net realized loss (gain) on sale of investments		(28)		73
Change in unrealized depreciation (appreciation) in value of investments		(358)		(528)
Purchases of investments		(14,398)		(7,191)
Proceeds from sale of investments		6,586		11,793
Interest receivable for distribution purposes		(110)		(71)
Management fees payable		7		(4)
Other payables and accrued expenses		663		(205)
Due from Manager		4		7
Net cash from (used in) operating activities		(6,881)		4,644
Cash flows from (used in) financing activities:				
Distributions paid to holders of redeemable units, net of reinvested distributions		49		51
Proceeds from redeemable units issued		25,582		11,524
Redemption of redeemable units		(17,778)		(16,324)
Net cash from (used in) financing activities		7,853		(4,749)
Net increase (decrease) in cash and cash equivalents		972		(105)
Cash and cash equivalents, beginning of period		545		1,188
Cash and cash equivalents, end of period	$	1,517	$	1,083
Supplementary information:				
Interest received, net of withholding tax	$	487	$	435

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

VPI MORTGAGE POOL

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

June 30, 2020

Number of units, shares or par value	Description	Average cost	Fair value	% of net assets
Mutual Fund:				
4,404,349	HSBC Mortgage Fund, Institutional Series	$ 46,797	$ 47,136	
Total financial assets at FVTPL (Schedule 1)		46,797	47,136	97.21
Cash:				
Domestic		1,517	1,517	3.13
Total investments		48,314	48,653	100.34
Other assets less liabilities			(164)	(0.34)
Total net assets attributable to holders of redeemable units			$ 48,489	100.00

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

Schedule 1 - Asset Composition of Underlying Fund
June 30, 2020

As at June 30, 2020, 97.2 percent of the net assets of the Pool were invested in HSBC Mortgage Fund Institutional Series units (the Underlying Fund). As a result, the major asset classes in which the Underlying Fund was invested at the end of the period are indicated below.

Description	Percentage
Residential mortgages	79.1%
Bonds	15.8%
Mortgage-backed Securities	3.2%
Cash & Equivalents	1.9%
Total	100.0%

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

1. Reporting entity:

(a) VPI Mortgage Pool (the Pool) is an open-ended mutual fund trust, established on October 30, 2012 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 two series of units: Series A and Series F. On July 5, 2017, the Pool began offering Series O units.

The Pool's objective is to seek to earn a high level of income while protecting invested capital primarily through investments with exposure to residential first mortgages on property in Canada and other debt obligations. It invests in one or more underlying mutual funds and other debt obligations to achieve this objective.

(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 F units are only available to investors that have a fee-based account with a dealer that has signed a Series F agreement with the Manager. Series O units are available for investors who have, or whose dealer has, entered into an agreement directly with the Manager to purchase Series O units or if investors open discretionary investment management accounts with the Manager. Series O units have no sales charge.

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

(c) Unitholders may redeem all or part of their units by delivering a written request to do so to the Manager or Trustee or to an investment dealer, securities dealer or mutual fund dealer for delivery to the Manager or Trustee. Units will be redeemed at the net asset value per unit as determined on the next valuation date. Requests for redemption received after 4:00 p.m., Toronto time, on any day are deemed to be received on the first business day following the date of the actual receipt.

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 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 statement 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 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.

3. Significant accounting policies (continued):

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, due from Manager, subscriptions receivable, due from broker, accounts payable and accrued liabilities, redemptions payable, management fees payable, distributions 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.

3. Significant accounting policies (continued):

(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.

(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 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.

3. Significant accounting policies (continued):

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 will 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	1.00%
Series F	0.50%

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

The Manager absorbed a portion of the operating expenses of the Pool during the six-month periods ended June 30, 2020 and 2019 (note 5). In accordance with the prospectus, the Manager may discontinue absorbing operating expenses at any time.

(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	$ 36	$ 29
Due from Manager	–	4

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

	2020	2019
Management fees	$ 186	$ 154
Absorbed expenses	(42)	(63)

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	207,833	205,529
Series O	1	1

6. Brokerage commissions:

No commission was paid to brokers for portfolio transactions for the six-month periods ended June 30, 2020 and 2019.

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 are no capital or non-capital losses available for carry forward.

(In thousands of dollars, except for unit amounts)

8. Financial risk management:

The investment activities of the Pool expose the Pool to various types of financial risks. The Manager seeks to minimize potential adverse effects of these risks on the Pool by contracting 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. As of June 30, 2020 and December 31, 2019, the Pool and the Underlying Fund did not invest in equity securities and therefore, the Pool is not subject to a significant amount of other price risk.

(ii) Interest rate risk:

Interest rate risk arises on interest-bearing financial instruments such as bonds and mortgages. Cash, short term investments and other money market instruments are short term in nature and are not generally subject to significant amounts of interest rate risk.

As of June 30, 2020 and December 31, 2019, the Pool does not directly hold any interest-bearing financial instruments such as bonds or mortgages. The Pool is indirectly exposed to interest rate risk to the extent that the value of interest-bearing financial instruments in the Underlying Fund will fluctuate due to changes in the prevailing levels of interest rates. The table below summarizes the Pool's indirect exposure to interest rate risk through its investment in the Underlying Fund, 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	$ 11,624	$ 14,753	$ 18,050	$ 2,475	$ 234	$ 47,136

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	$ 9,585	$ 11,459	$ 16,600	$ 1,131	$ 163	$ 38,938

8. Financial risk management (continued):

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 constants, 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.

(In thousands of dollars)	Impact on net assets ($)	Impact on net assets (%)
As at June 30, 2020	$ 263	0.54%
As at December 31, 2019	205	0.52%

(iii) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Pool. As at June 30, 2020 and December 31, 2019, the Pool did not directly hold any debt securities. However, the Pool is indirectly exposed to credit risk to the extent that the value of debt securities in the Underlying Fund will fluctuate due to changes in the prevailing levels of the interest rates.

The Underlying Fund's exposure to debt securities (excluding mortgages) by credit rating are as follows:

June 30, 2020	% of debt securities	% of net assets
AAA	55.15%	11.42%
AA	6.30%	1.31%
A	12.91%	2.67%
BBB	25.64%	5.31%
N/R	–%	–%
	100.0%	20.71%

December 31, 2019	% of debt securities	% of net assets
AAA	10.86%	2.18%
AA	26.14%	5.26%
A	21.44%	4.31%
BBB	27.90%	5.61%
N/R	13.66%	2.75%
	100.0%	20.11%

(In thousands of dollars, except for unit amounts)

8. Financial risk management (continued):

(iv) Liquidity risk:

The Pool is exposed to liquidity risk to the extent that it is subject to daily cash redemptions of redeemable units. The Pool invests primarily in the Underlying Fund which invests primarily in mortgages that have repurchase guarantees provided by HSBC Bank Canada under certain circumstances. In addition, the Pool retains sufficient cash positions to maintain liquidity. As at June 30, 2020 and December 31, 2019, the Pool did not have significant exposure to liquidity risk.

(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. As at June 30, 2020 and December 31, 2019, the Pool held no significant financial instruments denominated in foreign currencies.

(vi) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The market segments are represented as a percentage of financial assets at FVTPL. The following is a summary of the Pool's concentration risk:

Market segment Long	June 30, 2020	December 31, 2019
	%	%
Short-term investments	1.85	4.98
Federal bonds	6.21	1.11
Provincial bonds	1.12	0.73
Corporate bonds	7.73	10.40
Mortgages	79.19	79.47
Mortgage-backed securities	3.90	3.31
	100.00	100.00

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.

(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, 2020 and December 31, 2019.

(In thousands of dollars, except for unit amounts)

9. Fair value disclosure (continued):

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

	Level 1	Level 2	Level 3	Total
Fund - long	$ 47,136	$ –	$ –	$ 47,136

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

	Level 1	Level 2	Level 3	Total
Fund - long	$ 38,938	$ –	$ –	$ 38,938

During the six-month period ended June 30, 2020 and the year ended December 31, 2019, there were no transfers between levels.

10. Investments with structured entities:

The Pool has determined that the Underlying Fund in which it invests is an unconsolidated structured entity. This represents a significant judgment by the Pool as decision making about the Underlying Fund's investing activities are not governed by voting rights held by the Pool and other investors. The table below describes the types of structured entities that the Pool does not consolidate, but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Pool
Investment fund	To manage assets on behalf of third party investors and generate fees for the investment manager. These vehicles are financed through the issue of units to investors.	Investment in units issued by the Underlying Fund

The change in fair value of the Underlying Fund is included in the statements of comprehensive income in 'Change in unrealized appreciation (depreciation) in value of investments'.

(In thousands of dollars, except for unit amounts)

10. Investments with structured entities (continued):

The table below sets out the interests held by the Pool in unconsolidated structured entities. The maximum exposure to loss is the carrying amounts of the financial assets held.

June 30, 2020			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Mortgage Pool	1	$ 2,165,076	$ 47,136

Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
HSBC Mortgage Fund, Institutional Series	Canada	Canada	$ 47,136

December 31, 2019			
Fund	Number of underlying funds held	Total net assets of Underlying Fund	Carrying amount
VPI Mortgage Pool	1	$ 2,176,380	$ 38,938

Underlying Fund	Principal place of business	Country of domicile	Carrying amount included in statement of financial position
HSBC Mortgage Fund, Institutional Series	Canada	Canada	$ 38,938

For the six-month period ended June 30, 2020 and the year ended December 31, 2019, the Pool did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support in the future. The Pool can redeem their units in the above Underlying Fund at any time, subject to sufficient liquidity.