



**VALUE  
PARTNERS**  
INVESTMENTS

# **VPI CANADIAN BALANCED POOL**

**INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

SIX-MONTH PERIODS ENDED JUNE 30, 2021 AND 2020

## **MANAGER**

VALUE PARTNERS INVESTMENTS INC.

## **PORTFOLIO MANAGER**

DIXON MITCHELL INVESTMENT COUNSEL INC.

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### **NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

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

# VPI CANADIAN BALANCED POOL

Statements of Financial Position

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

June 30, 2021 and December 31, 2020 (unaudited)

As at	June 30, 2021	December 31, 2020
<b>Assets</b>		
Financial assets at fair value through profit or loss	\$ 759,344	\$ 661,695
Cash and cash equivalents	33,532	21,766
Accrued dividends receivable	320	402
Accrued interest receivable for distribution purposes	605	607
Subscriptions receivable	715	538
	<b>\$ 794,516</b>	<b>\$ 685,008</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities	\$ 88	\$ 117
Redemptions payable	892	242
Due to Manager (note 5)	—	35
Due to broker	14,449	—
Management fees payable (notes 4 and 5)	1,100	1,000
	<b>16,529</b>	<b>1,394</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 777,987</b>	<b>\$ 683,614</b>
Net assets attributable to holders of redeemable units per series:		
Series A	\$ 660,795	\$ 583,455
Series F	100,427	87,261
Series O	16,765	12,898
Net assets attributable to holders of redeemable units per unit:		
Series A	\$ 18.95	\$ 17.42
Series F	19.37	17.72
Series O	14.18	12.91
Number of redeemable units outstanding:		
Series A	34,865	33,498
Series F	5,184	4,925
Series O	1,182	999

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

# VPI CANADIAN BALANCED POOL

Statements of Comprehensive Income (Loss)

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

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	2021	2020
Investment income (loss):		
Interest income for distribution purposes	\$ 1,906	\$ 2,307
Dividend income	4,250	4,285
Foreign exchange loss on cash	(484)	(9)
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	13,527	(7,082)
Change in unrealized appreciation (depreciation) in value of investments	50,343	(6,886)
	<u>69,542</u>	<u>(7,385)</u>
Expenses:		
Administration	82	86
Audit fees	8	7
Independent review committee fees	4	5
Security holder reporting costs	133	128
Custodian fees	15	12
Filing fees	16	6
Legal fees	3	-
Management fees (notes 4 and 5)	6,282	4,753
Registered plan fees	7	5
Trustee fees	3	3
Withholding taxes	129	148
Transaction costs	45	69
	<u>6,727</u>	<u>5,222</u>
Absorbed expenses (notes 4 and 5)	(6)	(4)
	<u>6,721</u>	<u>5,218</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>\$ 62,821</u>	<u>\$ (12,603)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per series:		
Series A	\$ 53,035	\$ (11,115)
Series F	8,383	(1,371)
Series O	1,403	(117)
Increase (decrease) in net assets attributable to holders of redeemable units per unit:		
Series A	\$ 1.54	\$ (0.36)
Series F	1.66	(0.33)
Series O	1.29	(0.16)

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

# VPI CANADIAN BALANCED POOL

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

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	Series A		Series F		Series O		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
Net assets attributable to holders of redeemable units, beginning of period	\$ 583,455	\$ 473,503	\$ 87,261	\$ 64,539	\$ 12,898	\$ 7,787	\$ 683,614	\$ 545,829
Increase (decrease) in net assets attributable to holders of redeemable units	53,035	(11,115)	8,383	(1,371)	1,403	(117)	62,821	(12,603)
Redeemable unit transactions:								
Proceeds from redeemable units issued	55,739	53,394	9,903	12,216	3,321	2,232	68,963	67,842
Reinvestment of distributions to holders of redeemable units	826	616	75	47	-	-	901	663
Redemption of redeemable units	(32,260)	(22,592)	(5,195)	(5,130)	(857)	(275)	(38,312)	(27,997)
	24,305	31,418	4,783	7,133	2,464	1,957	31,552	40,508
Net increase in net assets attributable to holders of redeemable units	77,340	20,303	13,166	5,762	3,867	1,840	94,373	27,905
Net assets attributable to holders of redeemable units, end of period	\$ 660,795	\$ 493,806	\$ 100,427	\$ 70,301	\$ 16,765	\$ 9,627	\$ 777,987	\$ 573,734
Increase (decrease) in redeemable units outstanding:								
Beginning of period	33,498	29,522	4,925	3,958	999	657	39,422	34,137
Issued	3,098	3,444	537	765	245	192	3,880	4,401
Issued on reinvestment of distributions	46	40	4	3	-	-	50	43
Redeemed	(1,777)	(1,440)	(282)	(327)	(62)	(25)	(2,121)	(1,792)
Redeemable units outstanding, end of period	34,865	31,566	5,184	4,399	1,182	824	41,231	36,789
Weighted average units outstanding, during the period	34,432	30,573	5,049	4,177	1,091	733		

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

# VPI CANADIAN BALANCED POOL

Statements of Cash Flows

(In thousands of dollars)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

	2021	2020
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 62,821	\$ (12,603)
Adjustments for:		
Foreign exchange loss on cash	484	9
Net realized loss (gain) on sale of investments	(13,527)	7,082
Transaction costs	45	69
Change in unrealized depreciation (appreciation) in value of investments	(50,343)	6,886
Purchase of investments	(104,564)	(107,928)
Proceeds from sale of investments	70,740	78,939
Dividends receivable	82	38
Interest receivable for distribution purposes	2	242
Management fees payable	100	36
Due to broker	14,449	—
Other payables and accrued expenses	(64)	(12)
Net cash used in operating activities	(19,775)	(27,242)
Cash flows from (used in) financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	901	663
Proceeds from redeemable units issued	65,244	65,349
Redemption of redeemable units	(34,120)	(25,687)
Net cash from financing activities	32,025	40,325
Foreign exchange loss on cash	(484)	(9)
Net increase in cash and cash equivalents	11,766	13,074
Cash and cash equivalents, beginning of period	21,766	21,765
Cash and cash equivalents, end of period	\$ 33,532	\$ 34,839
Supplementary information:		
Dividends received, net of withholding tax	\$ 4,203	\$ 4,175
Interest received, net of withholding tax	1,908	2,549

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

# VPI CANADIAN BALANCED POOL

## Schedule of Investments

(In thousands of dollars, except for unit amounts)

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Short-term investments:</b>						
5,000,000	Canadian Treasury Bill	22-Jul-21	0.065	\$ 4,998	\$ 4,998	
5,000,000	Canadian Treasury Bill	19-Aug-21	0.070	4,998	4,998	
5,000,000	Canadian Treasury Bill	16-Sep-21	0.076	4,998	4,998	
5,000,000	Canadian Treasury Bill	14-Oct-21	0.080	4,997	4,997	
5,000,000	Canadian Treasury Bill	10-Nov-21	0.150	4,995	4,995	
				24,986	24,986	3.21
<b>Bonds:</b>						
<b>Federal:</b>						
2,500,000	Canada Housing Trust No 1	15-Mar-22	2.650	2,553	2,543	
2,400,000	Canada Housing Trust No 1	15-Jun-24	2.900	2,430	2,549	
3,510,000	Canada Housing Trust No 1	15-Mar-25	2.550	3,744	3,714	
7,215,000	Canada Housing Trust No 1	15-Dec-25	1.950	7,667	7,473	
4,555,000	Canada Housing Trust No 1	15-Jun-27	2.350	4,997	4,811	
1,689,000	Canada Housing Trust No 1	15-Mar-31	1.400	1,688	1,634	
970,000	Canadian Government Bond	1-Dec-64	2.750	1,519	1,215	
2,750,000	Canadian Government Real Return Bond	1-Dec-36	4.089	4,130	5,566	
1,000,000	PSP Capital Inc.	18-Aug-21	1.340	995	1,001	
2,433,000	PSP Capital Inc.	21-Jun-22	1.730	2,475	2,467	
3,438,000	PSP Capital Inc.	5-Nov-25	3.000	3,488	3,704	
3,000,000	PSP Capital Inc.	15-Jun-26	0.900	2,997	2,945	
				38,683	39,622	5.09
<b>Provincial:</b>						
3,180,000	Municipal Finance Authority of British Columbia	2-Oct-25	2.650	3,475	3,375	
2,400,000	OPB Finance Trust	2-Feb-26	2.950	2,534	2,568	
3,000,000	Province of Alberta	1-Sep-21	1.350	2,985	3,006	
2,374,000	Province of Alberta	15-Dec-22	2.550	2,335	2,447	
3,100,000	Province of Alberta	1-Jun-24	3.100	3,243	3,303	
5,000,000	Province of Alberta	1-Jun-30	2.050	5,198	5,041	
3,500,000	Province of British Columbia	18-Dec-22	2.700	3,367	3,617	
1,520,000	Province of British Columbia	18-Jun-37	4.700	1,953	2,009	
1,000,000	Province of Manitoba	2-Jun-23	2.550	925	1,038	
1,500,000	Province of Manitoba	5-Mar-37	5.700	2,102	2,149	
2,100,000	Province of Ontario	2-Jun-26	2.400	2,035	2,210	
1,700,000	Province of Ontario	2-Dec-26	8.000	2,673	2,281	
1,570,000	Province of Ontario	2-Jun-37	4.700	1,988	2,055	
2,500,000	Province of Ontario	2-Jun-39	4.600	3,435	3,282	
5,177,000	Province of Ontario	2-Jun-41	4.650	7,513	6,932	
2,000,000	Province of Quebec	1-Dec-22	3.500	2,085	2,087	
900,000	Province of Quebec	1-Sep-23	3.000	888	947	
2,000,000	Province of Quebec	1-Sep-26	2.500	1,954	2,119	
1,900,000	Province of Saskatchewan	3-Jun-24	3.200	1,967	2,030	
				52,655	52,496	6.75
<b>Corporate:</b>						
5,400,000	407 International Inc.	25-May-32	2.590	5,574	5,495	
2,000,000	AltaGas Ltd.	30-May-28	2.075	2,008	1,958	
2,000,000	AltaLink Investments LP	7-Mar-22	2.244	1,994	2,014	
3,061,000	Apple Inc.	19-Aug-24	2.513	3,163	3,191	
4,360,000	Bank of Nova Scotia	1-May-23	2.380	4,529	4,476	
1,250,000	bclMC Realty Corp.	29-Jun-22	3.510	1,338	1,286	
2,600,000	Canadian Western Bank	13-Sep-21	2.788	2,612	2,612	
1,000,000	Canadian Western Bank	14-Sep-23	1.570	1,000	1,010	
2,919,000	Canadian Western Bank	16-Dec-27	1.818	2,876	2,856	
3,000,000	CU Inc.	22-Nov-21	4.801	3,422	3,050	
2,500,000	Central 1 Credit Union	29-Jan-26	1.323	2,506	2,460	

# VPI CANADIAN BALANCED POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Corporate (continued):</b>						
1,435,000	Enbridge Gas Inc.	1-Apr-30	2.900	\$ 1,525	\$ 1,514	
2,000,000	Federation des Caisses Desjardins du Quebec	21-Jan-26	1.093	2,000	1,954	
2,500,000	Hydro-Quebec	15-Feb-60	2.100	2,013	2,169	
1,938,000	Intact Financial Corp.	21-May-24	1.207	1,940	1,935	
1,250,000	Royal Bank of Canada	5-Dec-23	2.333	1,225	1,293	
2,100,000	Royal Bank of Canada	16-Jul-25	4.930	2,443	2,403	
200,000	SmartCentres Real Estate Investment Trust	16-Dec-25	1.740	200	197	
500,000	SmartCentres Real Estate Investment Trust	18-Dec-28	2.307	500	486	
1,500,000	SmartCentres Real Estate Investment Trust	11-Dec-30	3.648	1,613	1,569	
1,000,000	TMX Group Ltd.	12-Feb-31	2.016	1,000	972	
3,500,000	VW Credit Canada Inc.	25-Sep-23	1.200	3,507	3,506	
3,402,000	Walt Disney Co.	30-Mar-27	3.057	3,594	3,602	
2,300,000	Wells Fargo & Co.	19-May-26	2.975	2,305	2,418	
1,200,000	Wells Fargo Canada Corp.	24-Jan-23	3.460	1,274	1,249	
				56,161	55,675	7.16
Total bonds				147,499	147,793	19.00
<b>Equities:</b>						
<b>Banks:</b>						
389,047	Bank of Nova Scotia			25,699	31,365	
234,370	Canadian Western Bank			7,040	8,156	
232,378	Royal Bank of Canada			19,790	29,185	
392,834	Toronto-Dominion Bank			18,721	34,125	
				71,250	102,831	13.23
<b>Capital goods:</b>						
306,874	Badger Infrastructure Solutions Ltd.			8,956	11,545	
22,001	Roper Technologies Inc.			9,527	12,810	
				18,483	24,355	3.13
<b>Commercial and professional services:</b>						
127,996	Thomson Reuters Corp.			4,215	15,760	2.03
<b>Communication services:</b>						
115,927	Rogers Communications Inc., Class B			4,287	7,640	0.98
<b>Consumer durables and apparel:</b>						
334,386	Gildan Activewear Inc.			9,895	15,295	1.97
<b>Consumer services:</b>						
249,461	MTY Food Group Inc.			11,222	13,613	1.75
<b>Diversified financials:</b>						
100,325	Berkshire Hathaway Inc., Class B			22,571	34,526	
292,620	Brookfield Asset Management Inc.			11,581	18,505	
989,568	Element Fleet Management Corp.			12,872	14,309	
87,838	Intercontinental Exchange Inc.			12,055	12,911	
				59,079	80,251	10.33

# VPI CANADIAN BALANCED POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
<b>Energy:</b>						
249,694	Canadian Natural Resources Ltd.			\$ 9,345	\$ 11,236	
109,245	Enbridge Inc.			3,753	5,422	
				13,098	16,658	2.14
<b>Food, beverage and tobacco:</b>						
23,372	Diageo PLC ADR			2,459	5,548	
307,167	Saputo Inc.			12,111	11,356	
				14,570	16,904	2.17
<b>Food and staples retailing:</b>						
519,877	Alimentation Couche-Tard Inc., Class B			16,725	23,680	3.04
<b>Healthcare, equipment and services:</b>						
56,916	Becton Dickinson and Co.			17,594	17,140	
90,000	CVS Health Corp.			10,542	9,299	
				28,136	26,439	3.40
<b>Insurance:</b>						
2,018	Brookfield Asset Management Reinsurance Partners Ltd.			86	132	
239,162	Manulife Financial Corp.			4,652	5,836	
				4,738	5,968	0.75
<b>Materials:</b>						
244,648	Stella Jones Inc.			9,488	10,919	1.40
<b>Media and entertainment:</b>						
11,787	Alphabet Inc., Class A			24,568	35,640	4.58
<b>Pharmaceuticals, biotechnology and life sciences:</b>						
30,750	Thermo Fisher Scientific Inc.			7,511	19,209	2.47
<b>Retailing:</b>						
434,605	Dollarama Inc.			18,463	24,659	3.17
<b>Software and services:</b>						
78,573	Microsoft Corp.			2,072	26,358	
186,149	Oracle Corp.			8,096	17,943	
118,189	Visa Inc.			3,865	34,220	
				14,033	78,521	10.09
<b>Technology hardware and equipment:</b>						
126,735	Apple Inc.			2,369	21,494	2.76
<b>Transportation:</b>						
187,432	Canadian National Railway Co.			10,710	24,514	
196,302	TFI International Inc.			6,275	22,215	
				16,985	46,729	6.01



# VPI CANADIAN BALANCED POOL

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

June 30, 2021 (unaudited)

Number of units, shares or par value	Description	Maturity date	Coupon rate %	Average cost	Fair value	% of net assets
	Total equities			\$ 349,115	\$ 586,565	75.40
	Transaction costs			(183)		
	Total financial assets at FVTPL			521,417	759,344	97.61
	<b>Cash:</b>					
	Domestic			23,484	23,484	
	Foreign			10,002	10,048	
	Total cash			33,486	33,532	4.31
	Liabilities, net of other assets				(14,889)	(1.92)
	Total net assets attributable to holders of redeemable units				\$ 777,987	100.00

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements

(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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## 1. Reporting entity:

- (a) VPI Canadian Balanced Pool (the Pool) is an open-ended mutual fund trust, established on September 19, 2007 by declaration of trust under the laws of the Province of Ontario. As of March 2017, the registered office of the Pool is located at 300-175 Hargrave St., Winnipeg, Manitoba. The trustee of the Pool is RBC Investor Services Trust and the Manager of the Pool is Value Partners Investments Inc. (VPI or the Manager).

The Pool commenced operations on October 1, 2007 with three series of units: Series A, Series B and Series F. On July 5, 2017, the Pool began offering Series O units. Effective December 2, 2020, all Series B units were converted to Series A units. Subsequently, the Pool no longer offers Series B units.

The Pool's objective is to generate long term growth in value and income by investing in a diversified portfolio of Canadian government and corporate bonds, Canadian and foreign equities, trust and limited partnership units, preferred shares and index or sector proxies, such as index participation units. It is designed to provide both moderate income and reasonable growth over the long term, while being sufficiently diversified to mitigate volatility.

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

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

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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## 1. Reporting entity (continued):

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

## 2. Basis of preparation:

These financial statements have been prepared in compliance with International Accounting Standard 34 Interim Financial Reporting (IAS 34), as published by the International Accounting Standards Board (IASB) and as required by Canadian securities legislation and the Canadian Accounting Standards Board.

The financial statements were authorized for issue by the Manager on behalf of the board of directors on August 23, 2021.

### (a) Basis of measurement:

The financial statements have been prepared on an historical cost basis except for investments at fair value through profit or loss, which are measured at fair value.

### (b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Pool's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest thousand.

### (c) Use of estimates and judgments:

The preparation of the financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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## 2. Basis of preparation (continued):

The most significant judgments made by the Manager in preparing these financial statements is in determining the fair value of financial instruments not traded in an active market, if any, under IFRS 13 - *Fair Value Measurement* (IFRS 13).

## 3. Significant accounting policies:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

### (a) Financial instruments:

#### (i) Classification and measurement:

Financial assets are required to be classified into one of the following categories: fair value through profit or loss (FVTPL), amortized cost or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is derivative or it is designated as such on initial recognition.

Assessment and decision on the business model approach used is an accounting judgement.

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

Financial instruments at FVTPL are recognized initially on the trade date, which is the date on which the Pool becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Pool derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statements of financial position only when the Pool has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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### 3. Significant accounting policies (continued):

At June 30, 2021 and December 31, 2020, no amounts have been offset in the statements of financial position.

(ii) FVTPL:

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

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

The fair value of financial assets and liabilities that are not traded in an active market, including derivative instruments, is determined using valuation techniques. Valuation techniques also include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of the Manager, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of the most recently reported information of a similar financial asset or liability.

The Pool's accounting policies for measuring the fair value of investments are consistent with those used for measuring its net asset value for transactions with unitholders.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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## 3. Significant accounting policies (continued):

### (iii) Amortized cost:

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

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

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

### (iv) Impairment:

For financial assets measured at amortized cost, the Pool uses an expected credit loss (ECL) impairment model. The ECL model uses an allowance for expected credit losses being recorded regardless of whether or not there has been an actual loss event.

The Pool measures the loss allowance at an amount equal to lifetime ECL for trade and other receivables. Lifetime ECL's are the ECL's that result from all possible default events over the expected life of the trade and other receivables. ECL's are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (that being the difference between the cash flows due to the Pool in accordance with the contract and the cash flows that the Pool expects to receive). ECL's are discounted at the effective interest rate of the financial asset.

### (b) Redeemable units:

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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### 3. Significant accounting policies (continued):

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

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

(c) Foreign currency:

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

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

(d) Investment transactions and revenue recognition:

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

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

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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### 3. Significant accounting policies (continued):

(f) Income taxes:

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

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

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

### 4. Management fees and expenses:

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

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Series A	1.80%
Series F	0.90%

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

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



# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

## 4. Management fees and expenses (continued):

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

The Manager absorbed a portion of the operating expenses (note 5) of the Pool during the six-month periods ended June 30, 2021 and 2020.

## 5. Related party transactions:

Related party balances of the Pool as at June 30, 2021 and December 31, 2020 are as follows:

	2021	2020
Management fees payable	\$ 1,100	\$ 1,000
Due to Manager	–	35

Related party transactions of the Pool for the six-month periods ended June 30, 2021 and 2020 are as follows:

	2021	2020
Management fees	\$ 6,282	\$ 4,753
Absorbed expenses	(6)	(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, 2021 and December 31, 2020, the Manager or parent company of the Manager held the following number of units in the Pool:

	2021	2020
Series F	31,629	31,559

## 6. Brokerage commissions:

Commissions paid to brokers for portfolio transactions for the six-month periods ended June 30, 2021 and 2020 are disclosed in the statements of comprehensive income (loss).

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

## 6. Brokerage commissions (continued):

There were no soft dollar commissions paid during six-month periods ended June 30, 2021 and 2020.

## 7. Income taxes:

Capital losses available for carry forward as of December 31, 2020 and 2019 are as follows:

	2020	2019
Capital losses	\$ —	\$ 3,827

## 8. Financial risk management:

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

### (i) Other price risk:

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

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

	Fair value of equities (\$)	% of net assets	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2021	\$ 586,565	75.40%	\$ 29,328	3.77%
As at December 31, 2020	485,990	71.10%	24,300	3.55%

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (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, 2021	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 42,965	\$ 31,488	\$ 38,612	\$ 59,714	\$ 586,565	\$ 759,344

As at December 31, 2020	Less than 1 year	1 - 3 years	3 - 5 years	Greater than 5 years	Non- interest bearing	Total
Financial assets at FVTPL	\$ 45,830	\$ 29,556	\$ 35,255	\$ 65,064	\$ 485,990	\$ 661,695

At June 30, 2021 and December 31, 2020, should interest rates have increased or decreased by 25 basis points, excluding cash and treasury bills and assuming a parallel shift in the yield curve, with all other variables held constant, net assets for the Pool would have approximately increased or decreased as indicated in the following table. The Pool's sensitivity to interest rates was estimated using the weighted average duration of the bond portfolio.

	Impact on net assets (\$)	Impact on net assets (%)
As at June 30, 2021	\$ 2,022	0.26%
As at December 31, 2020	2,095	0.31%

### (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 bonds and debt securities such as Canada Treasury Bills. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. The carrying amount of investments represents the maximum credit risk exposure as at June 30, 2021 and December 31, 2020.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

## 8. Financial risk management (continued):

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

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

As at June 30, 2021	% of debt securities	% of net assets
AAA	42.61%	9.46%
AA	11.63%	2.58%
A	35.97%	7.99%
BBB	9.79%	2.18%
	100.00%	22.21%

  

As at December 31, 2020	% of debt securities	% of net assets
AAA	44.71%	11.50%
AA	10.45%	2.69%
A	34.71%	8.92%
BBB	10.13%	2.60%
	100.00%	25.71%

### (iv) Liquidity risk:

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

### (v) Currency risk:

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

The only foreign currency to which the Pool was exposed at June 30, 2021 and December 31, 2020 was the U.S. dollar.

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

## 8. Financial risk management (continued):

The following tables illustrate the potential impact to the Pool's net assets, all other variables held constant, as a result of a 5 percent change in this currency relative to the Canadian dollar.

As at June 30, 2021	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 253,168	\$ 12,658	1.63%

As at December 31, 2020	Foreign currencies (\$)	Impact on net assets (\$)	Impact on net assets (%)
United States dollar	\$ 226,270	\$ 11,318	1.65%

### (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, 2021	December 31, 2020
Long	%	%
Short term investments	3.29	4.53
Corporate bonds	7.33	7.55
Federal bonds	5.22	5.94
Provincial bonds	6.91	8.54
Banks	13.54	11.05
Capital goods	3.21	3.58
Commercial and professional services	2.08	1.98
Communication services	1.01	1.02
Consumer durables and apparel	2.01	1.77
Consumer services	1.79	2.16
Diversified financials	10.58	8.30
Energy	2.19	2.53
Food, beverage and tobacco	2.23	3.46
Food and staples retailing	3.12	2.11
Health care equipment and services	3.48	3.50
Insurance	0.77	0.72
Materials	1.44	1.50
Media and entertainment	4.69	3.44
Pharmaceuticals, biotechnology and life sciences	2.53	2.76
Retailing	3.25	2.12
Software and services	10.35	11.17
Technology hardware and equipment	2.83	4.81
Transportation	6.15	5.46
	100.00	100.00

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

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## 8. Financial risk management (continued):

(vii) Other risk:

The global pandemic related to an outbreak of COVID-19 has cast additional uncertainty on the assumptions used by management in making its judgements and estimates. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. The duration and impact of the COVID-19 outbreak is unknown at this time, as is the efficacy of the government and central bank interventions. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Pool in future periods.

## 9. Fair value disclosure:

(i) Valuation models:

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

The three levels of the fair value hierarchy are:

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

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

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

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

# VPI CANADIAN BALANCED POOL

Notes to Financial Statements (continued)  
(In thousands of dollars, except for unit amounts)

For the six-month periods ended June 30, 2021 and 2020 (unaudited)

## 9. Fair value disclosure (continued):

(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, 2020.

Financial assets at fair value as at June 30, 2021:

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 586,565	\$ –	\$ –	\$ 586,565
Bonds	–	147,793	–	147,793
Short term investments	–	24,986	–	24,986
	\$ 586,565	\$ 172,779	\$ –	\$ 759,344

Financial assets at fair value as at December 31, 2020:

	Level 1	Level 2	Level 3	Total
Equities - long	\$ 485,990	\$ –	\$ –	\$ 485,990
Bonds	–	145,724	–	145,724
Short term investments	–	29,981	–	29,981
	\$ 485,990	\$ 175,705	\$ –	\$ 661,695

During the six-month period ended June 30, 2021 and the year ended December 31, 2020, 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.