



# VPI INCOME POOL

## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2017

### MANAGER

VALUE PARTNERS INVESTMENTS INC.

### PORTFOLIO MANAGERS

PATIENT CAPITAL MANAGEMENT INC.  
CANISO INVESTMENT COUNSEL LTD.

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This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the Pool. If you have not received a copy of the annual financial statements with this annual management report of fund performance, you may obtain a copy at your request, and at no cost, by calling toll-free at 1-866-323-4235, by writing to us at 300-175 Hargrave Street, Winnipeg, Manitoba, R3C 3R8, by visiting our website at [www.valuepartnersinvestments.ca](http://www.valuepartnersinvestments.ca) or by visiting the SEDAR website at [www.sedar.com](http://www.sedar.com).

You may also contact us using one of these methods to request a copy of the Pool's interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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## Annual Management Discussion of Fund Performance

March 1, 2018

### Investment Objective and Strategies

The investment objective of the Pool 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.

The strategy of the Pool is to use a flexible approach to investing in fixed income and equity securities with no geographic restrictions. The Pool generally invests no less than 25% of its assets in fixed income securities and no less than 25% in equity securities. Allocations between asset classes are based on economic conditions and/or the Portfolio Managers' assessment of valuations.

### Risk

Overall, the risks associated with investing in the Pool have not materially changed and remain as discussed in the prospectus. The Pool continues to be suitable for investors with a low to medium tolerance for risk. During the year, however, there have been external factors at play that have changed the prevalence of certain risks relative to others.

Patient Capital views North American markets as vulnerable to a significant correction. They believe that U.S. and Canadian equity market valuations are substantially above long-term averages and thus vulnerable to a significant correction should valuations revert to their long-term averages. The Canadian economy posted strong growth and employment numbers in the latter half of 2017. Strength in manufacturing, the housing sector and a rebound in oil prices contributed to the economic strength. However, some concerns loom on the horizon. Continued high housing prices, historically high levels of consumer debt and burgeoning government debt are cause for concern. Canada also faces uncertainties and challenges as the United States starts to implement President Trump's agenda. The North American Free Trade Agreement is under negotiation and the tax reform in the U.S. threatens Canada's competitive position. The strengthening North American economy has led to a rise in interest rates by both the Federal Reserve and Bank of Canada. Rising interest rates, increasing inflation, political uncertainty in the U.S. and the threat of military action on the Korean Peninsula all pose significant risks to equity markets.

Long-term interest rates remain an important factor in considering the Pool's returns and risk profile. As such, the Pool continues to be positioned to reduce interest rate risk by maintaining a shorter than average duration in the fixed income component of the Pool. In addition, Canso (fixed income portfolio manager) has been investing a significant portion of the fixed income securities of the Pool in floating rate securities to mitigate against the possibility of rising interest rates.

### Results of Operations

Net assets of the Pool increased by approximately \$123.0 million for the year ended December 31, 2017. Contributing to this increase was \$154.6 million of net sales of units. The increase was offset by \$25.7 million of distributions paid to unitholders and \$5.8 million from a decrease in net assets. The decrease in net assets was due to \$31.6 million of unrealized depreciation in the value of investments and forward currency contracts and \$14.2 million of operating expenses offset by dividend and interest income of \$25.8 million, \$11.5 million of net realized gains on the sale of investments, and \$2.7 million of net realized gains on forward currency contracts.

From the beginning of the year, the Portfolio Managers had positioned the portfolio such that fixed income securities (including cash & equivalents) represent over 70% of the Pool's holdings. This has been due to increases in equity valuations in recent years that have made it difficult for Patient Capital (equity portfolio manager) to identify businesses for the portfolio that are trading at attractive valuations.



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#### Results of Operations (continued)

The following table shows the changes to the allocation of the overall portfolio during the year:

Sector	Allocation Increase	Sector	Allocation Decrease
Mortgage-backed securities	3.2%	Corporate bonds	3.2%
Cash	0.4%	Equities	0.7%
Warrants	0.3%		

The most significant shift was in the fixed income securities of the portfolio where the corporate bond allocation decreased by 3.2 % and the allocation to mortgage-backed securities increased by 3.2%. During the year, Canso continued to add floating rate notes to the portfolio to mitigate against the risk of rising interest rates. Canso expects these floating rate issues to be positive contributors to the portfolio. To further mitigate against the risk of rising interest rates, Canso actively reduced the duration and increased the credit quality of the fixed income securities in the portfolio.

There were also several changes made to the Pool's equity holdings during the year. The following table summarizes the businesses that were added and/or removed from the portfolio:

<i>Additions</i>	<i>Dispositions</i>
Boardwalk REIT	Bank of Montreal
Firm Capital American Realty Partners Corporation	Boardwalk REIT
Verizon Communications Inc.	Northwest Healthcare Property REIT

Significant cash flows into the Pool from new unitholders as well as proceeds from the above dispositions allowed the Portfolio Managers to make the above equity additions as well as fixed income additions to the portfolio. It also allowed them to add to existing positions that they believed were still attractively valued.

As a result of these changes, there were some notable shifts in the sector allocation of equities from the prior year as indicated in the following table:

<i>Sector</i>	<i>Allocation Increase</i>	<i>Sector</i>	<i>Allocation Decrease</i>
Mortgage-backed securities	3.2%	Corporate bonds	3.2%
Telecommunication services	2.9%	Banks	2.5%
Cash	0.4%	Retailing	1.2%
Warrants	0.3%		

The portfolio has also changed from a geographic standpoint during the year as indicated by the most significant changes shown in the following table:

<i>Country</i>	<i>Allocation Increase</i>	<i>Country</i>	<i>Allocation Decrease</i>
Canada	6.3%	United States	2.9%
		Great Britain	1.6%
		Denmark	1.0%

Each series of the Pool experienced a loss ranging from -0.1% to -1.3% for the year as compared to a 5.8% return for the blended index which is comprised of 50% S&P/TSX Composite Total Return Index and 50% FTSE TMX Universe Bond Index (the "Blended Index"). The Pool underperformed the index due to investments in the energy and retail sectors and a substantially lower weighting in equities than the index. In addition, the Pool's U.S. holdings were impacted by the appreciation of the Canadian dollar relative to the U.S. dollar. The investments in financial services companies helped performance as they continued to increase earnings and dividends. The performance of the Fixed Income portion of the portfolio aided performance; particularly in light of the substantially low duration of the portfolio.



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#### Revenues and Expenses

Revenues of the Pool amounted to \$25.8 million, which can be attributed to a combination of dividend income from its equity holdings and interest income from its fixed income holdings. Despite an increase in fixed income assets, interest income decreased by approximately \$0.5 million as the fixed income portfolio shifted from higher to lower yielding securities. Dividend income increased by \$1.6 million as more equity securities were added to the portfolio during the year.

The Pool also incurred \$14.2 million in management fees and operating expenses, realized a \$11.5 million gain on the sale of investments, realized a \$2.7 million gain on forward currency contracts and experienced \$31.6 million of unrealized depreciation in the value of its investments and forward currency contracts. The realized gain on sale of investments of \$11.5 million is attributable to the following dispositions in the portfolio during the year as referred to previously. Dividends and interest received from each of these holdings while in the Pool are in addition to these gains.

Holding	Approximate Holding Period	Proceeds (millions)	Cost (millions)	Realized Gain (Loss) (millions)
Bank of Montreal	11.2 years	\$ 10.2	\$ 6.8	\$ 3.4
Boardwalk REIT	0.1 years	1.1	1.0	0.1
Northwest Healthcare Property REIT	1.1 years	3.5	2.5	1.0
Fixed income securities	n/a	168.2	161.4	6.8
Canada T-Bills	n/a	176.8	176.6	0.2
		\$ 359.8	\$ 348.3	\$ 11.5

#### Recent Developments

##### *Economic Conditions*

The U.S. economy performed extremely well during 2017. Employment figures reached record levels with the unemployment rate falling below four per cent for the first time in several years. As well, all of the significant economic statistics such as manufacturing growth, profits and consumer spending continued to build on the previous year's strong performance. This strong economic performance and heightened confidence was aided in part by President Trump's policies. Tax cuts, reduced regulation and a pro energy policy have had a positive impact on growth and confidence. These positive developments have raised concerns about rising inflation and interest rates. Despite President Trump's strong economic performance the American political environment remains extremely rancorous and divided; especially with respect to the ongoing Russian collusion investigation. As a result, the potential for a political crisis affecting the equity markets is at elevated levels. Rising tensions with Iran and North Korea pose heightened geopolitical risks.

The Canadian economy performed better than expected in 2017. Improved manufacturing, a strong construction market and a rebound in commodity prices all contributed to the positive economic growth. However, the Canadian economy faces challenges due to rising interest rates, uncertainty over the North American Free Trade Agreement and the impact of reduced taxes in the United States.

##### *Series O units*

Effective July 2017, the Pool introduced a new Series of units; Series O. Series O units are available to investors who have, or whose dealers have, entered into an agreement directly with the Manager to purchase Series O units or who have opened a discretionary investment management account with the Manager.



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### Summary of Investment Portfolio

As at December 31, 2017

#### Portfolio Allocation

Corporate Bonds	56.1%	Cash & Equivalents	6.8%
Equities	28.6%	Other Net Assets	0.6%
Mortgage-backed Securities	7.6%	Warrants	0.3%

#### Geographic Allocation

Canada	79.5%	France	2.1%
United States	14.3%	Germany	0.6%
Great Britain	3.1%	Jersey	0.4%

#### Sector Allocation

Corporate Bonds	56.1%	Retailing	4.0%
Energy	10.0%	Telecommunication Services	2.9%
Banks	10.0%	Real Estate	1.7%
Mortgage-backed securities	7.6%	Other Net Assets	0.6%
Cash & Equivalents	6.8%	Warrants	0.3%

#### Top 25 Holdings

Issuer	Maturity Date	Coupon Rate	Percentage of Net Assets
Bank of Nova Scotia			4.4%
Canadian Imperial Bank of Commerce			3.9%
Bank of Nova Scotia, FRN	01-May-18	1.33%	3.4%
Toronto Dominion Bank	08-Jun-21	1.68%	3.1%
Royal Bank of Canada, FRN	23-Mar-20		3.1%
Canada Treasury Bills	08-Mar-18		3.0%
Verizon Communications			2.9%
Cenovus Energy Inc.			2.9%
Ensign Energy Services Inc.			2.8%
Toronto Dominion Bank, FRN	28-Mar-18		2.8%
Bank of Montreal, FRN	29-Mar-18	0.20%	2.7%
Canada Government	22-Feb-18		2.6%
Macy's Inc			2.5%
Royal Bank of Canada	26-Apr-19	1.40%	2.5%
Royal Dutch Shell PLC			2.3%
Total S.A.			2.2%
Canadian Imperial Bank of Commerce, FRN	01-Jun-18		2.1%
Bank of Nova Scotia, FRN	20-Apr-18		1.9%
Wells Fargo & Company			1.9%
Bombardier Inc.	15-Mar-25	7.50%	1.8%
Enbridge	24-May-19		1.8%
Bank of Montreal	11-Apr-19	1.21%	1.6%
Bed Bath & Beyond Inc.			1.6%
Bell Canada	10-Mar-22	3.00%	1.4%
SLM Corporation	25-Jan-23	5.50%	1.3%
<b>Total</b>			<b>62.5%</b>

The above summary of investment portfolio may change due to ongoing portfolio transactions of the Pool. An update will be made available within 60 days of each subsequent quarter-end.



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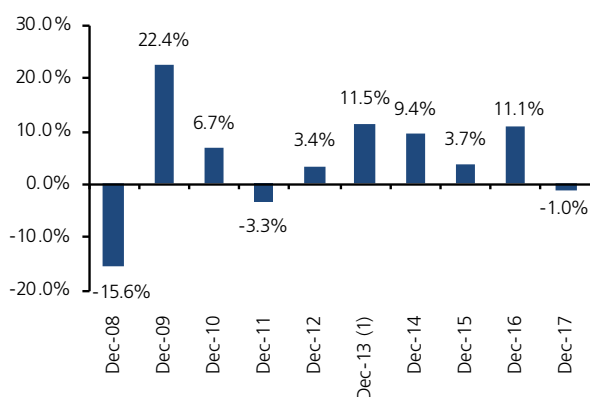
#### Past Performance

The historical performance information shown below assumes that all distributions were reinvested in the Pool and does not account for any sales, redemptions, distributions or optional charges or income taxes payable by an investor that would have reduced returns. Mutual fund returns are not guaranteed, their values change frequently and past performance may not be repeated.

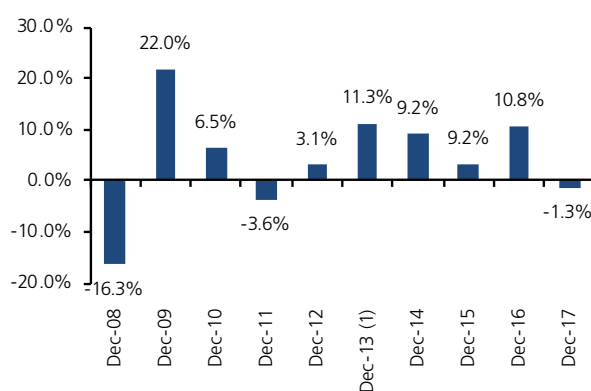
#### Year-by-Year Returns

The bar charts below show the performance of each series of the Pool (net of fees) for the year ended December 31, 2017, and the previous years ended December 31 or since inception to December 31. It shows in percentage terms, how an investment made on January 1 or on inception would have increased or decreased by the end of the respective periods.

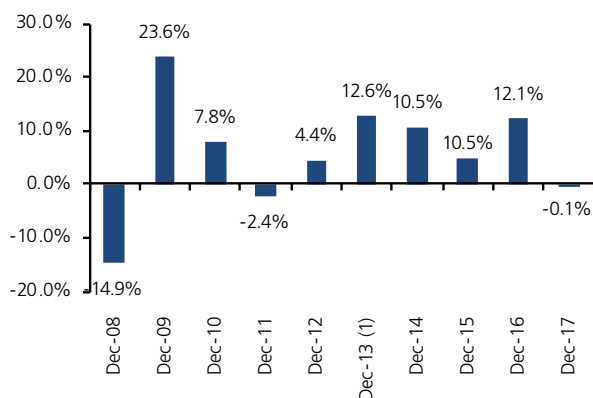
**Series A**



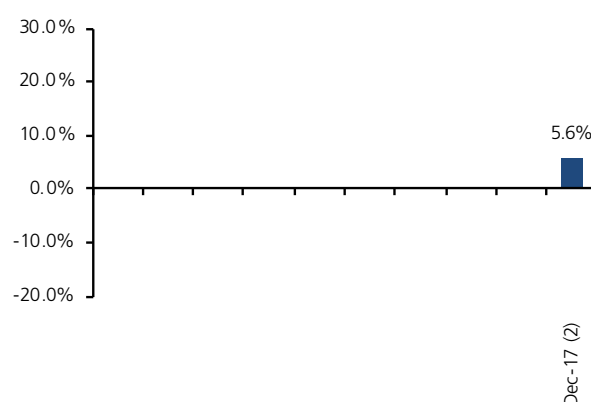
**Series B**



**Series F**



**Series O**



- (1) Patient Capital Management Inc. and Canso Investment Counsel Ltd. were appointed as portfolio managers of the Pool on December 1, 2013.
- (2) 2017 return is since inception on July 5, 2017



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### Annual Compound Returns

The following table shows the annual compound total return of each series of the Pool compared to the Blended Index, the S&P/TSX Composite Index and the FTSE TMX Universe Bond Index for the periods shown ended December 31, 2017. All Index returns are calculated on a total return basis, meaning that performance was calculated under the assumption that all distributions were reinvested.

	10 Year	5 Year	3 Year	1 Year	Since Inception <sup>(2)</sup>
<b>Series A<sup>(1)(3)</sup> (Inception: October 20, 2005)</b>	<b>4.4%</b>	<b>6.8%</b>	<b>4.5%</b>	<b>-1.0%</b>	<b>4.2%</b>
<b>Blended Index</b>	<b>4.9%</b>	<b>5.9%</b>	<b>4.7%</b>	<b>5.8%</b>	<b>5.9%</b>
S&P/TSX Composite Index	4.7%	8.7%	6.6%	9.1%	6.9%
FTSE TMX Universe Bond Index	4.7%	3.0%	2.6%	2.5%	4.5%
<b>Series B<sup>(1)(3)</sup> (Inception: July 3, 2007)</b>	<b>4.0%</b>	<b>6.6%</b>	<b>4.2%</b>	<b>-1.3%</b>	<b>3.8%</b>
<b>Blended Index</b>	<b>4.9%</b>	<b>5.9%</b>	<b>4.7%</b>	<b>5.8%</b>	<b>4.9%</b>
S&P/TSX Composite Index	4.7%	8.7%	6.6%	9.1%	4.4%
FTSE TMX Universe Bond Index	4.7%	3.0%	2.6%	2.5%	4.9%
<b>Series F<sup>(1)(3)</sup> (Inception: July 3, 2007)</b>	<b>5.4%</b>	<b>7.8%</b>	<b>5.5%</b>	<b>-0.1%</b>	<b>5.1%</b>
<b>Blended Index</b>	<b>4.9%</b>	<b>5.9%</b>	<b>4.7%</b>	<b>5.8%</b>	<b>4.9%</b>
S&P/TSX Composite Total Return Index	4.7%	8.7%	6.6%	9.1%	4.4%
FTSE TMX Universe Bond Index	4.7%	3.0%	2.6%	2.5%	4.9%
<b>Series O<sup>(1)(3)</sup> (Inception: July 5, 2017)</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>5.6%</b>
<b>Blended Index</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>4.2%</b>
S&P/TSX Composite Total Return Index	n/a	n/a	n/a	n/a	8.3%
FTSE TMX Universe Bond Index	n/a	n/a	n/a	n/a	0.1%

(1) The percentage return differs for each series because the management fee rate and expenses differ for each series.

(2) The return since inception for each series will differ when the inception date differs.

(3) Patient Capital Management Inc. and Canso Investment Counsel Ltd. were appointed portfolio managers of the Pool on December 1, 2013.

The Blended Index is comprised of 50% S&P/TSX Composite Total Return Index and 50% FTSE TMX Universe Bond Index. The S&P/TSX Composite Index is a broad market indicator of activity for the Canadian equity market. Size and liquidity are among the key criteria for inclusion in the Index, with size being assessed on a float market capitalization basis and liquidity being measured relative to liquidity thresholds. The FTSE TMX Universe Bond Index is a broad market indicator of activity for the Canadian fixed income market. It measures the total return of Canadian bonds with terms to maturity greater than one year, and it includes approximately 1,000 federal, provincial, municipal and corporate bonds rated BBB or higher.

### Management Fees

The Pool pays an annual management fee on each of its series to the Manager. The management fee is calculated daily as a percentage of the net asset value of each series as of the close of business on each business day. In consideration for the management fees, the Manager may pay a percentage sales commission and/or trailing commission to registered dealers or brokers for units bought and held in the Pool depending on which series of units were purchased. The Manager also pays a portion of the management fee to the Portfolio Managers for their services in managing the investment portfolio.

For the year ended December 31, 2017, approximately 43% of the management fee revenues received by the Manager from the Pool were paid to registered dealers and brokers as sales and/or trailing commissions. Since each series may have a different commission structure, this percentage may vary by series. For unitholders eligible for the Management Fee Reduction Program, approximately 14% of the gross management fees were returned to unitholders as management fee rebates. The remainder of the management fee revenue, after payment of fees to the Portfolio Managers for their services, was retained by the Manager for corporate purposes.



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### Related Party Transactions

Value Partners Investments Inc. is the manager ("Manager") of the Pool and is responsible for the overall business and operations of the Pool. For the year ended December 31, 2017 the Pool paid \$12.3 million in management fees (excluding taxes) to the Manager. In addition, the Manager or parent company of the Manager also held 73,159 Series F units and 1 Series O unit of the Pool as of December 31, 2017.

### Financial Highlights

The following tables show selected key financial information about each series of the Pool and are intended to help you understand the Pool's financial performance for the past five years ended December 31. *This information is derived from the Pool's audited annual financial statements and is not intended to be a reconciliation of the net asset value per unit.*

### The Pool's Net Assets Per Unit (\$) <sup>(1)</sup>

Series A	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
<b>Net assets, beginning of period</b>	<b>12.10</b>	<b>11.23</b>	<b>11.35</b>	<b>10.73</b>	<b>10.29</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.42	0.54	0.56	0.51	0.45
Total expenses	(0.24)	(0.24)	(0.25)	(0.24)	(0.23)
Realized gains (losses) for the period	0.23	0.18	0.30	0.20	0.59
Unrealized gains (losses) for the period	(0.52)	0.79	(0.25)	0.47	0.34
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.11)</b>	<b>1.27</b>	<b>0.36</b>	<b>0.94</b>	<b>1.15</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.12)	(0.23)	(0.26)	(0.24)	-
From dividends	(0.07)	(0.07)	(0.03)	(0.02)	(0.24)
From capital gains	(0.20)	(0.06)	(0.24)	(0.12)	(0.49)
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.39)</b>	<b>(0.36)</b>	<b>(0.53)</b>	<b>(0.38)</b>	<b>(0.73)</b>
<b>Net assets, end of period</b>	<b>11.59</b>	<b>12.10</b>	<b>11.23</b>	<b>11.35</b>	<b>10.73</b>
<b>Series B</b>	<b>December 31 2017</b>	<b>December 31 2016</b>	<b>December 31 2015</b>	<b>December 31 2014</b>	<b>December 31 2013</b>
<b>Net assets, beginning of period</b>	<b>11.08</b>	<b>10.37</b>	<b>10.55</b>	<b>10.01</b>	<b>9.62</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.38	0.50	0.51	0.48	0.42
Total expenses	(0.25)	(0.25)	(0.26)	(0.25)	(0.24)
Realized gains (losses) for the period	0.22	0.17	0.29	0.18	0.54
Unrealized gains (losses) for the period	(0.51)	0.69	(0.21)	0.46	0.33
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.16)</b>	<b>1.11</b>	<b>0.33</b>	<b>0.87</b>	<b>1.05</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.12)	(0.25)	(0.28)	(0.23)	-
From dividends	(0.07)	(0.08)	(0.04)	(0.02)	(0.23)
From capital gains	(0.20)	(0.06)	(0.22)	(0.11)	(0.46)
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.39)</b>	<b>(0.39)</b>	<b>(0.54)</b>	<b>(0.36)</b>	<b>(0.69)</b>
<b>Net assets, end of period</b>	<b>10.56</b>	<b>11.08</b>	<b>10.37</b>	<b>10.55</b>	<b>10.01</b>





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### Financial Highlights (continued)

Series F	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
<b>Net assets, beginning of period</b>	<b>11.82</b>	<b>11.01</b>	<b>11.15</b>	<b>10.55</b>	<b>10.05</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.41	0.53	0.55	0.50	0.44
Total expenses	(0.13)	(0.13)	(0.14)	(0.13)	(0.13)
Realized gains (losses) for the period	0.23	0.16	0.26	0.21	0.61
Unrealized gains (losses) for the period	(0.48)	0.82	(0.30)	0.42	0.32
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.03</b>	<b>1.38</b>	<b>0.37</b>	<b>1.00</b>	<b>1.24</b>
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.20)	(0.33)	(0.37)	(0.34)	-
From dividends	(0.11)	(0.10)	(0.05)	(0.03)	(0.26)
From capital gains	(0.20)	(0.06)	(0.24)	(0.12)	(0.48)
Return of capital	-	-	-	-	-
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.52)</b>	<b>(0.49)</b>	<b>(0.66)</b>	<b>(0.49)</b>	<b>(0.74)</b>
<b>Net assets, end of period</b>	<b>11.29</b>	<b>11.82</b>	<b>11.01</b>	<b>11.15</b>	<b>10.55</b>
<b>Series O<sup>(4)</sup></b>	<b>December 31 2017</b>				
<b>Net assets, beginning of period<sup>(4)</sup></b>	<b>10.00</b>				
<b>Increase (decrease) from operations:</b>					
Total revenue	0.31				
Total expenses	(0.03)				
Realized gains (losses) for the period	(0.37)				
Unrealized gains (losses) for the period	(0.04)				
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.13)</b>				
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.13)				
From dividends	(0.08)				
From capital gains	(0.19)				
Return of capital	-				
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.40)</b>				
<b>Net assets, end of period</b>	<b>10.16</b>				

(1) This information is derived from the Pool's audited annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional units of the Pool, or both.

(4) Inception date: July 5, 2017.



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### Ratios and Supplemental Data

Series A	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
Total net asset value (000's) <sup>(1)</sup>	\$636,699	\$542,008	\$384,155	\$241,949	\$108,863
Number of units outstanding (000's) <sup>(1)</sup>	54,941	44,800	34,205	21,322	10,146
Management expense ratio <sup>(2)</sup>	1.98%	1.98%	2.00%	2.05%	2.11%
Management expense ratio before waivers or absorptions	1.98%	1.98%	2.00%	2.05%	2.11%
Trading expense ratio <sup>(3)</sup>	0.01%	0.01%	0.02%	0.02%	0.08%
Portfolio turnover rate <sup>(4)</sup>	38.15%	43.82%	58.07%	66.79%	80.73%
Net asset value per unit <sup>(1)</sup>	\$11.59	\$12.10	\$11.23	\$11.35	\$10.73
Series B	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
Total net asset value <sup>(1)</sup>	\$28,358	\$30,802	\$27,851	\$23,199	\$14,183
Number of units outstanding (000's) <sup>(1)</sup>	2,686	2,779	2,685	2,198	1,417
Management expense ratio <sup>(2)</sup>	2.24%	2.24%	2.26%	2.29%	2.35%
Management expense ratio before waivers or absorptions	2.24%	2.24%	2.26%	2.29%	2.35%
Trading expense ratio <sup>(3)</sup>	0.01%	0.01%	0.02%	0.02%	0.08%
Portfolio turnover rate <sup>(4)</sup>	38.15%	43.82%	58.07%	66.79%	80.73%
Net asset value per unit <sup>(1)</sup>	\$10.56	\$11.08	\$10.37	\$10.55	\$10.01
Series F	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
Total net asset value (000's) <sup>(1)</sup>	\$100,341	\$71,718	\$38,324	\$13,892	\$1,587
Number of units outstanding (000's) <sup>(1)</sup>	8,885	6,066	3,482	1,246	150
Management expense ratio <sup>(2)</sup>	1.03%	1.03%	1.07%	1.08%	1.14%
Management expense ratio before waivers or absorptions	1.03%	1.03%	1.07%	1.08%	1.14%
Trading expense ratio <sup>(3)</sup>	0.01%	0.01%	0.02%	0.02%	0.08%
Portfolio turnover rate <sup>(4)</sup>	38.15%	43.82%	58.07%	66.79%	80.73%
Net asset value per unit <sup>(1)</sup>	\$11.29	\$11.82	\$11.01	\$11.15	\$10.55
Series O	December 31 2017	December 31 2016	December 31 2015	December 31 2014	December 31 2013
Total net asset value (000's) <sup>(1)</sup>	\$2,176				
Number of units outstanding (000's) <sup>(1)</sup>	214				
Management expense ratio <sup>(2)</sup>	0.00%				
Management expense ratio before waivers or absorptions	0.00%				
Trading expense ratio <sup>(3)</sup>	0.01%				
Portfolio turnover rate <sup>(4)</sup>	38.15%				
Net asset value per unit <sup>(1)</sup>	\$10.16				

(1) This information is provided as at the date shown.

(2) Management expense ratio is based on total expenses for the stated period (excluding distributions, commissions and other portfolio transaction costs) and is expressed as an annualized percentage of daily average net assets during the period. In the period a series is established, the management expense ratio is annualized from the date of inception to December 31.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net assets during the period.

(4) The Pool's portfolio turnover rate indicates how actively the Pool's portfolio manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Pool buying and selling all of the securities in its portfolio once in the course of the year. The higher the Pool's portfolio turnover rate in a year, the greater the trading costs payable by the Pool in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Pool.



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## ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2017

### VPI INCOME POOL

#### Other Information

As at December 31, 2017, Value Partners Group Inc. (VPGI) owns 100 percent of the Manager. VPGI is 37.9 percent beneficially owned by The Longton Trust II, a discretionary family trust established for the benefit of specified members of the Lawton family, including one director/officer of the Manager. Certain of the directors, officers and shareholders of VPGI are also shareholders and sales representatives of Lawton Partners Financial Planning Services Limited, a mutual fund dealer.

As of December 31, 2017, sales representatives of Lawton Partners Financial Planning Services Limited hold, in aggregate, Class A1 shares of VPGI representing 15.9 percent of the common equity and Class C1 shares representing 6.3 percent of the common equity. The remaining common equity of VPGI was held by sales representatives of other dealer firms and employees of the Manager. No sales representative held more than 5 percent of the common equity of the Manager. Additional information regarding equity interests may be obtained from the Pool's annual information form or from the Manager's website at [www.valuepartnersinvestments.ca](http://www.valuepartnersinvestments.ca).

#### Forward-Looking Statements

*This report may contain forward-looking statements about the Pool, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates", or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Pool action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Pool and economic factors.*

*Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Pool. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.*

*We stress that the above-mentioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions and we urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Pool has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise.*