



**VALUE
PARTNERS**
INVESTMENTS

VPI FOREIGN EQUITY POOL

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE FOR THE YEAR ENDED DECEMBER 31, 2018

MANAGER

VALUE PARTNERS INVESTMENTS INC.

PORTFOLIO MANAGER

PATIENT CAPITAL MANAGEMENT INC.

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 or by visiting the SEDAR website at 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.



Annual Management Discussion of Fund Performance

March 15, 2019

Investment Objective and Strategies

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

The Portfolio Manager’s investment philosophy is based on the preservation of capital and long-term growth. The Portfolio Manager invests in companies with a long history of operation in stable businesses that are easy to understand. An emphasis is placed on seeking out equity securities of high quality businesses that are trading at a substantial discount to intrinsic value and where there is an expectation of significant profit and dividend growth. In the absence of opportunities that meet its criteria, the Portfolio Manager may hold significant cash, cash equivalents and/or fixed income securities (generally no more than 25%) until appropriate investment opportunities become available. The Pool may also hold up to 20% in Canadian equity securities.

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 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.

Despite the decline in North American equity markets during the fourth quarter of 2018 the Portfolio Manager views North American markets as vulnerable. The Portfolio Manager believes 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 struggled during the second half of 2018. Two key drivers of the Canadian economy slowed in the last six months of 2018. The housing and energy sectors were under pressure. The housing market slowed as rising interest rates and new mortgage “stress tests” made home ownership more difficult. As well, historically high rates of household debt led to lower consumer spending. The energy sector experienced a significant slowdown as the oil price received by Canadian producers was substantially below global benchmark prices due to a lack of pipeline capacity. Continued high housing prices, historically high levels of consumer debt and increasing government deficits and disagreement over future resource development are all reducing confidence in the Canadian economy. While the North American Free Trade Agreement was renegotiated global trade tensions still remain as President Donald Trump attempts to renegotiate trade agreements.

Results of Operations

Net assets for the Pool increased by approximately \$18.6 million for the year ended December 31, 2018. This increase was due to net sales of \$22.0 million offset by a \$1.4 million decrease in net assets from operations and distributions to unitholders of \$2.0 million. The decrease in net assets from operations was due to \$2.8 million net realized losses on sale of investments, \$5.1 million of unrealized depreciation in the value of investments, and \$6.0 million of management fees and operating expenses. This was offset by \$4.5 million of foreign exchange gain on cash, \$5.7 of dividend income and \$2.3 million of interest income

There were several changes made to the Pool’s holdings which changed the allocation of the portfolio over the course of the year. The following table summarizes the businesses that were added or removed from the portfolio:

<i>Additions</i>	<i>Dispositions</i>
Scotiabank	FTI Consulting
Linamar	Scripps Networks Interactive Inc
Oracle Corp.	Bank of America
WPP PLC	
Kimco Realty Corp	

Cash holdings and cash flows into the Pool from new unitholders and proceeds from dispositions allowed the Portfolio Manager to make the above additions to the portfolio and add to existing positions.



Results of Operations (continued)

As a result of these changes and additional purchases of existing securities, there were some significant shifts in the portfolio allocation from the prior year as indicated in the following table:

<i>Sector</i>	<i>Allocation Increase</i>	<i>Sector</i>	<i>Allocation Decrease</i>
Software & Services	5.8%	Energy	2.8%
Diversified Financials	5.6%	Media	1.2%
Capital Goods	3.9%	Insurance	0.4%
Automobile & Components	3.9%		
Telecommunication Services	0.5%		

From a geographic standpoint, the Pool's allocation to US equities has decreased 4.2% to 52.4% and its allocation to Canadian equities has increased by 9.8% to 17.8% as a result of the above trading activity and cash flows of the Pool during the year.

Each series of the Pool experienced losses/gains in the range -0.6% to 1.7% for the year as compared to a -8.9% loss for the S&P/TSX Composite Total Return Index and a 4.2% return for the S&P 500 Total Return Index (C\$). The Pool underperformed the S&P 500 Total Return Index CAD due to the investments in the energy and retail sectors. While the price of oil rebounded, investors did not believe that it was sustainable and continued to favor high growth opportunities; particularly in the technology sector. The Pool's investment in the retail sector continued to be impacted by the concern that Amazon would dominate the retail landscape and reduce traditional retailer's long-term earnings power. In addition, the Pool maintained a substantial cash balance during the year, as explained below. Performance was positively impacted by the investments in the financial sector, Verizon Communications and Kimco Realty Corporation. During the fourth quarter, the Portfolio Manager made several new equity investments that increased the portfolio's yield and long-term potential rate of return. During the first three quarters, the Portfolio Manager held close to the maximum twenty-five per cent weighting in cash and short-term debt instruments during adverse market conditions while waiting for investment opportunities which were limited due to high market valuations. However, in the fourth quarter of 2018, valuations declined and the Portfolio Manager added several new positions.

Revenues and Expenses

Revenues of the Pool amounted to \$8.0 million for the year, which can be attributed primarily to dividend income from its holdings. The Pool also experienced foreign exchange gains on cash of \$4.5 million which are the result of the depreciation of the US dollar relative to the Canadian dollar during the year. The Pool also incurred \$6.0 million in management fees and operating expenses and realized losses of \$2.8 million on the sale of investments. In addition, the Pool experienced \$5.1 million in unrealized depreciation in the value of its investments.

Realized gains on the sale of investments during the year are attributable to the following dispositions in the portfolio as noted previously:

 Holding	 Approximate Holding Period	 Proceeds (millions)	 Cost (millions)	 Realized Loss (millions)
Bank of America	2.9 years	\$ 14.1	\$ 7.2	\$ 6.9
FTI Consulting Inc.	4.0 years	17.7	11.4	6.3
Scripps Networks Interactive Inc.	0.8 years	15.2	14.4	0.8
Partial dispositions	n/a	17.4	34.2	(16.8)
Canada T-Bills	n/a	274.3	274.3	-
		\$ 338.7	\$ 341.5	\$ (2.8)



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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

VPI FOREIGN EQUITY POOL

Recent Developments

Economic Conditions

The U.S. economy was very strong during 2018. GDP growth for the year is expected to top three percent. As well, employment levels continue to reach record levels with the unemployment rate dropping to record lows and participation rates the highest in many years. The benefit of President Trump's tax cuts led to higher corporate profits and increased spending. Despite the strong performance in 2018 several concerns materialized at the end of the year. The Federal Reserve's interest rate increases were thought to be slowing down the economy in 2019 and reducing consumer and investment spending. Global trade disputes, particularly between the United States and China alarmed investors. Global economic growth in Europe, Asia and emerging markets also started to show signs of weakness. Political uncertainty in the U.S. also started to take its toll. Deep divisions between Democrats and Republicans, the ongoing Russian collusion investigation and prolonged government shutdown all made for an uncertain start to 2019. The Canadian economy slowed significantly during the second half of 2018. A slowing housing market, lower manufacturing due to trade uncertainty and lower commodity prices all contributed to the slowdown.



VPI FOREIGN EQUITY POOL

Portfolio Allocation

US Equities	52.4%	Cash & Equivalents	14.3%
Canadian Equities	17.8%	Other Net Assets	0.5%
Offshore Equities	15.0%		

Sector Allocation

Banks	15.1%	Software & Services	5.8%
Cash & Equivalents	14.3%	Diversified Financials	5.6%
Energy	13.4%	Healthcare Equipment & Services	4.9%
Automobiles & Components	10.2%	Media	4.8%
Retailing	6.9%	Insurance	4.7%
Telecommunication Services	6.6%	Consumer Services	1.1%
Capital Goods	6.1%	Other Net Assets	0.5%

Top 25 Holdings

Issuer	Maturity Date	Percentage of Net Assets
Canada Treasury Bills	23-Jan-19	10.3%
Verizon Communications		6.6%
Snap-On Inc.		6.1%
Oracle Corporation.		5.8%
Kimco Realty Corporation		5.6%
Canadian Imperial Bank of Commerce		5.2%
Linamar Corporation		5.1%
Total S.A		5.1%
Honda Motor Limited		5.1%
Wells Fargo & Company		5.0%
Bank of Nova Scotia		4.9%
CVS Health Corporation		4.9%
Macy's Inc		4.8%
WPP PLC		4.8%
Loews Corporation		4.7%
Cash		4.0%
Devon Energy Corporation		3.2%
Cenovus Energy Inc.		2.6%
National Oilwell Varco Inc		2.5%
Bed Bath & Beyond Inc.		2.1%
Speedway Motorsports Inc.		1.1%
Other Net Assets		0.5%
Total		100.0%

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.



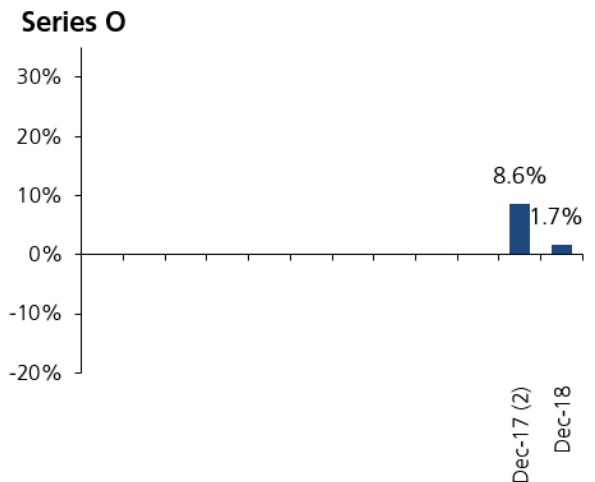
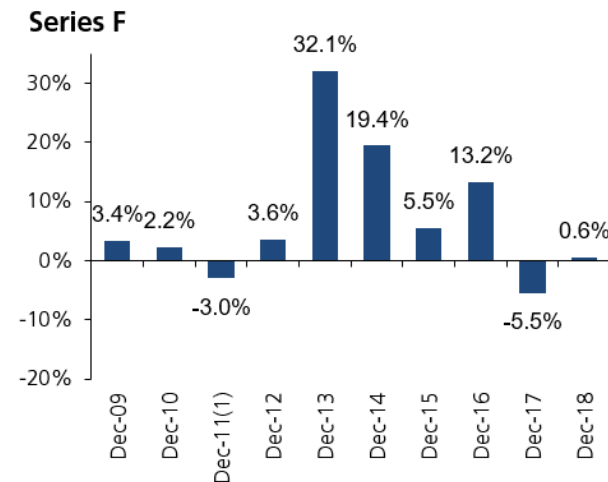
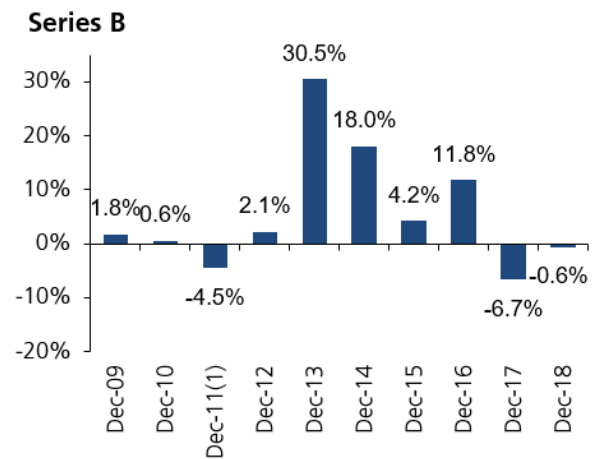
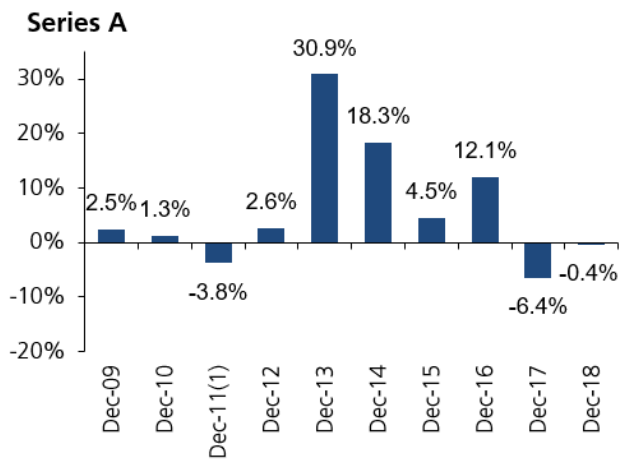
VPI FOREIGN EQUITY POOL

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, 2018 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.



(1) Patient Capital Management Inc. was appointed portfolio manager of the Pool on November 1, 2011.

(2) 2017 return is since inception on July 5, 2017



Annual Compound Returns

The following table shows the annual compound total return of each series of the Pool compared to the S&P 500 Index in Canadian dollar terms for the periods shown ended December 31, 2018. 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 ⁽²⁾
Series A ⁽¹⁾⁽³⁾ (Inception: October 20, 2005)	5.7%	5.3%	1.5%	-0.4%	3.3%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.1%
Series B ⁽¹⁾⁽³⁾ (Inception: July 3, 2007)	5.2%	5.0%	1.2%	-0.6%	1.9%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.1%
Series F ⁽¹⁾⁽³⁾ (Inception: July 3, 2007)	6.6%	6.3%	2.4%	0.6%	3.4%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.1%
Series O ⁽¹⁾⁽³⁾ (Inception: July 5, 2017)	n/a	n/a	n/a	1.7%	6.8%
S&P 500 Index (C\$)	n/a	n/a	n/a	4.2%	7.9%

(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. was appointed portfolio manager of the Pool on November 1, 2011.

The S&P 500 Index ("the Index") has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index includes 500 leading companies in leading industries of the U.S. economy, capturing approximately 80% coverage of U.S. equities.

Management Fees

The Pool pays an annual management fee on each of its series (excluding Series O) to Value Partners Investments Inc. ("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 Manager for its services in managing the investment portfolio.

For the year ended December 31, 2018, approximately 44% 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 17% 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 Manager for its services, was retained by the Manager for corporate purposes.

Related Party Transactions

Value Partners Investments Inc. is the manager of the Pool and is responsible for the overall business and operations of the Pool. For the year ended December 31, 2018 the Pool paid \$4.2 million in management fees (excluding taxes) to the Manager. In addition, the Manager or parent company of the Manager also held 35,311 Series F units as of December 31, 2018.



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 (\$) ⁽¹⁾

Series A	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Net assets, beginning of period	12.66	14.09	12.90	13.02	11.33
Increase (decrease) from operations:					
Total revenue	0.62	0.13	0.30	0.41	0.22
Total expenses	(0.32)	(0.30)	(0.29)	(0.32)	(0.30)
Realized gains (losses) for the period	(0.14)	0.74	0.38	0.96	1.63
Unrealized gains (losses) for the period	(0.25)	(1.41)	1.23	(0.60)	0.47
Total increase (decrease) from operations ⁽²⁾	(0.09)	(0.84)	1.62	0.45	2.02
Distributions:					
From net investment income (excluding dividends)	(0.06)	-	-	-	-
From dividends	(0.02)	-	-	-	-
From capital gains	-	(0.53)	(0.38)	(0.71)	(0.38)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(0.08)	(0.53)	(0.38)	(0.71)	(0.38)
Net assets, end of period	12.54	12.66	14.09	12.90	13.02

Series B	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Net assets, beginning of period	10.29	11.50	10.58	10.68	9.29
Increase (decrease) from operations:					
Total revenue	0.49	0.09	0.24	0.33	0.19
Total expenses	(0.29)	(0.27)	(0.26)	(0.29)	(0.28)
Realized gains (losses) for the period	0.00	0.62	0.31	0.80	1.33
Unrealized gains (losses) for the period	(0.19)	(1.28)	1.00	(0.52)	0.36
Total increase (decrease) from operations ⁽²⁾	0.01	(0.84)	1.29	0.32	1.60
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	-	(0.46)	(0.33)	(0.55)	(0.29)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	-	(0.46)	(0.33)	(0.55)	(0.29)
Net assets, end of period	10.22	10.29	11.50	10.58	10.68



Financial Highlights (continued)

Series F	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Net assets, beginning of period	11.32	12.49	11.37	11.38	9.90
Increase (decrease) from operations:					
Total revenue	0.56	0.12	0.29	0.36	0.21
Total expenses	(0.17)	(0.16)	(0.15)	(0.17)	(0.16)
Realized gains (losses) for the period	(0.14)	0.65	0.34	0.79	1.17
Unrealized gains (losses) for the period	(0.25)	(1.09)	1.21	(0.65)	0.68
Total increase (decrease) from operations ⁽²⁾	0.00	(0.48)	1.69	0.33	1.90
Distributions:					
From net investment income (excluding dividends)	(0.14)	-	-	-	-
From dividends	(0.04)	-	(0.04)	-	-
From capital gains	-	(0.49)	(0.34)	(0.64)	(0.44)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(0.18)	(0.49)	(0.38)	(0.64)	(0.44)
Net assets, end of period	11.21	11.32	12.49	11.37	11.38

Series O⁽⁴⁾	December 31 2018	December 31 2017
Net assets, beginning of period⁽⁴⁾	9.85	10.00
Increase (decrease) from operations:		
Total revenue	0.49	0.30
Total expenses	-	-
Realized gains (losses) for the period	(0.24)	-
Unrealized gains (losses) for the period	0.23	1.70
Total increase (decrease) from operations ⁽²⁾	0.48	2.00
Distributions:		
From net investment income (excluding dividends)	(0.20)	-
From dividends	-	0.56
From capital gains	(0.01)	0.46
Return of capital	-	-
Total annual distributions ⁽³⁾	(0.21)	1.02
Net assets, end of period	9.75	9.85

(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



Ratios and Supplemental Data

Series A	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Total net asset value (000's) ⁽¹⁾	\$211,303	\$197,108	\$184,946	\$151,563	\$106,631
Number of units outstanding (000's) ⁽¹⁾	16,852	15,567	13,127	11,748	8,192
Management expense ratio ⁽²⁾	2.05%	2.06%	2.06%	2.08%	2.12%
Management expense ratio before waivers or absorptions	2.05%	2.06%	2.06%	2.08%	2.12%
Trading expense ratio ⁽³⁾	0.09%	0.02%	0.01%	0.04%	0.04%
Portfolio turnover rate ⁽⁴⁾	32.85%	22.39%	18.05%	36.35%	40.65%
Net asset value per unit ⁽¹⁾	\$12.54	\$12.66	\$14.09	\$12.90	\$13.02

Series B	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Total net asset value (000's) ⁽¹⁾	\$10,483	\$12,603	\$16,168	\$13,619	\$9,133
Number of units outstanding (000's) ⁽¹⁾	1,026	1,225	1,406	1,287	855
Management expense ratio ⁽²⁾	2.32%	2.32%	2.32%	2.34%	2.40%
Management expense ratio before waivers or absorptions	2.32%	2.32%	2.32%	2.34%	2.40%
Trading expense ratio ⁽³⁾	0.09%	0.02%	0.01%	0.04%	0.04%
Portfolio turnover rate ⁽⁴⁾	32.85%	22.39%	18.05%	36.35%	40.65%
Net asset value per unit ⁽¹⁾	\$10.22	\$10.29	\$11.50	\$10.58	\$10.68

Series F	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Total net asset value (000's) ⁽¹⁾	\$40,472	\$34,974	\$25,464	\$17,100	\$8,097
Number of units outstanding (000's) ⁽¹⁾	3,612	3,089	2,038	1,504	711
Management expense ratio ⁽²⁾	1.10%	1.10%	1.10%	1.13%	1.16%
Management expense ratio before waivers or absorptions	1.10%	1.10%	1.10%	1.13%	1.16%
Trading expense ratio ⁽³⁾	0.09%	0.02%	0.01%	0.04%	0.04%
Portfolio turnover rate ⁽⁴⁾	32.85%	22.39%	18.05%	36.35%	40.65%
Net asset value per unit ⁽¹⁾	\$11.21	\$11.32	\$12.49	\$11.37	\$11.38

Series O	December 31 2018	December 31 2017
Total net asset value (000's) ⁽¹⁾	\$1,088	\$61
Number of units outstanding (000's) ⁽¹⁾	112	6
Management expense ratio ⁽²⁾	0.00%	0.00%
Management expense ratio before waivers or absorptions	0.16%	0.14%
Trading expense ratio ⁽³⁾	0.09%	0.02%
Portfolio turnover rate ⁽⁴⁾	32.85%	22.39%
Net asset value per unit ⁽¹⁾	\$9.75	\$9.85

(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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Other Information

As at December 31, 2018, Value Partners Group Inc. (VPGI) owns 100 percent of the Manager. VPGI is 37.5 percent owned by Longton Ltd., whose shareholders include 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. Effective December 30, 2018, VPGI acquired 100 percent of the shares of Lawton Partners Financial Planning Services Limited.

As of December 31, 2018, sales representatives of Lawton Partners Financial Planning Services Limited hold, in aggregate, Class A1 shares of VPGI representing 16.9 percent of the common equity and Class C1 shares representing 6.2 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.

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.