



**VALUE
PARTNERS**
INVESTMENTS

VPI VALUE 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 Value Pool's objective is to provide unitholders with long-term growth while preserving capital. The Portfolio Manager seeks to achieve the objectives of the Pool by investing in a diversified, but concentrated, portfolio of North American and International-based equity securities.

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 or short-term debt securities until appropriate investment opportunities become available.

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 of the Pool decreased by approximately \$63.8 million for the year ended December 31, 2018. This decrease consisted of an \$18 million decrease in net assets from operations, \$45.3 million of net redemptions and \$0.5 million of distributions. The decrease in net assets from operations can be attributed to \$19.0 million of unrealized depreciation in the value of investments and \$3.2 million in operating expenses offset by \$3.2 million of dividend and interest income and \$0.8 million of net realized gains on the sale of investments during the year.

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>
Canadian Utilities Ltd.	None
Honda Motor Co. Ltd.	
WPP PLC	
Linamar Corp.	

As a result of these additions as well as cash flows of the Pool and changes in market value, there were some 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>
Automobiles & Components	6.4%	Cash & Equivalents	16.1%
Media	5.0%	Retailing	0.5%
Banks	2.7%	Energy	0.1%
Consumer Services	1.7%		
Utilities	0.8%		



Results of Operations (continued)

Each series of the Pool, experienced losses in the range -10.0% to -12.1% 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/TSX Composite Total Return Index due to investments in the Energy and Retail sectors. While the price of oil rebounded Canadian energy producers did not enjoy the benefits as the price differential between world benchmark prices and the price received by Canadian oil and gas companies rose to historically high levels. The lack of pipeline capacity and the perceived inability to build future pipelines led to negative sentiment. 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. Performance was positively impacted by the investments in the financial sector. The Pool's holdings in Canadian banks benefitted from continued earnings and dividend growth throughout the year.

The Portfolio Manager will hold significant cash and short-term debt instruments in adverse market conditions while waiting for investment opportunities that meet its stringent criteria. As a result, the volatility of the Pool during periods in which the Pool is not fully-invested is generally expected to be less than the market experiences during the period. During the year, the Portfolio Manager maintained substantial cash balances as investment opportunities were limited due to high market valuations. During the fourth quarter, as market valuations declined, the Portfolio Manager took the opportunity to add several new equity holdings that increased the portfolio's yield and long-term potential rate of return.

Revenues and Expenses

Revenues of the Pool amounted to \$3.2 million, representing interest and dividend income from its holdings. The Pool also incurred \$3.2 million in management fees and operating expenses, realized a gain of \$0.8 million on the disposal of investments and experienced \$19.0 million in unrealized depreciation in the value of its investments during the year.

Realized gains on the sale of investments during the year are attributable to some partial dispositions in the portfolio:

Holding	Approximate Holding Period	Proceeds (millions)	Cost (millions)	Realized Gain (millions)
Partial Dispositions	n/a	\$ 1.9	\$ 1.1	\$ 0.8
Canada Treasury Bills	n/a	438.0	438.0	-
		\$ 439.9	\$ 439.1	\$ 0.8

Recent Developments

Economic Conditions

The U.S. economy was very strong during 2018. GDP growth for the year is expected to top three per cent. 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.



Portfolio Allocation

Cash & Equivalents	47.6%	US Equities	14.2%
Canadian Equities	38.1%	Other Net Assets	0.1%

Sector Allocation

Cash & Equivalents	47.6%	Media	5.0%
Energy	22.9%	Retailing	2.4%
Banks	9.3%	Utilities	0.8%
Automobiles & Components	6.4%	Other Net Assets	0.1%
Consumer Services	5.5%		

Top 25 Holdings

Issuer	Maturity Date	Percentage of Net Assets
Canada Treasury Bills	10-Jan-19	45.5%
Canadian Natural Resources		8.3%
Speedway Motorsports Inc.		5.5%
Ensign Energy Services Inc.		5.3%
Linamar Corporation		5.2%
Cenovus Energy Inc.		5.1%
WPP PLC		5.0%
Canadian Imperial Bank of Commerce		4.8%
Bank of Nova Scotia		4.5%
Encana Corporation		4.2%
Bed Bath & Beyond		2.4%
Cash		2.1%
Honda Motor Co. Ltd.		1.2%
Canadian Utilities Ltd.		0.8%
Other Net Assets		0.1%
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.

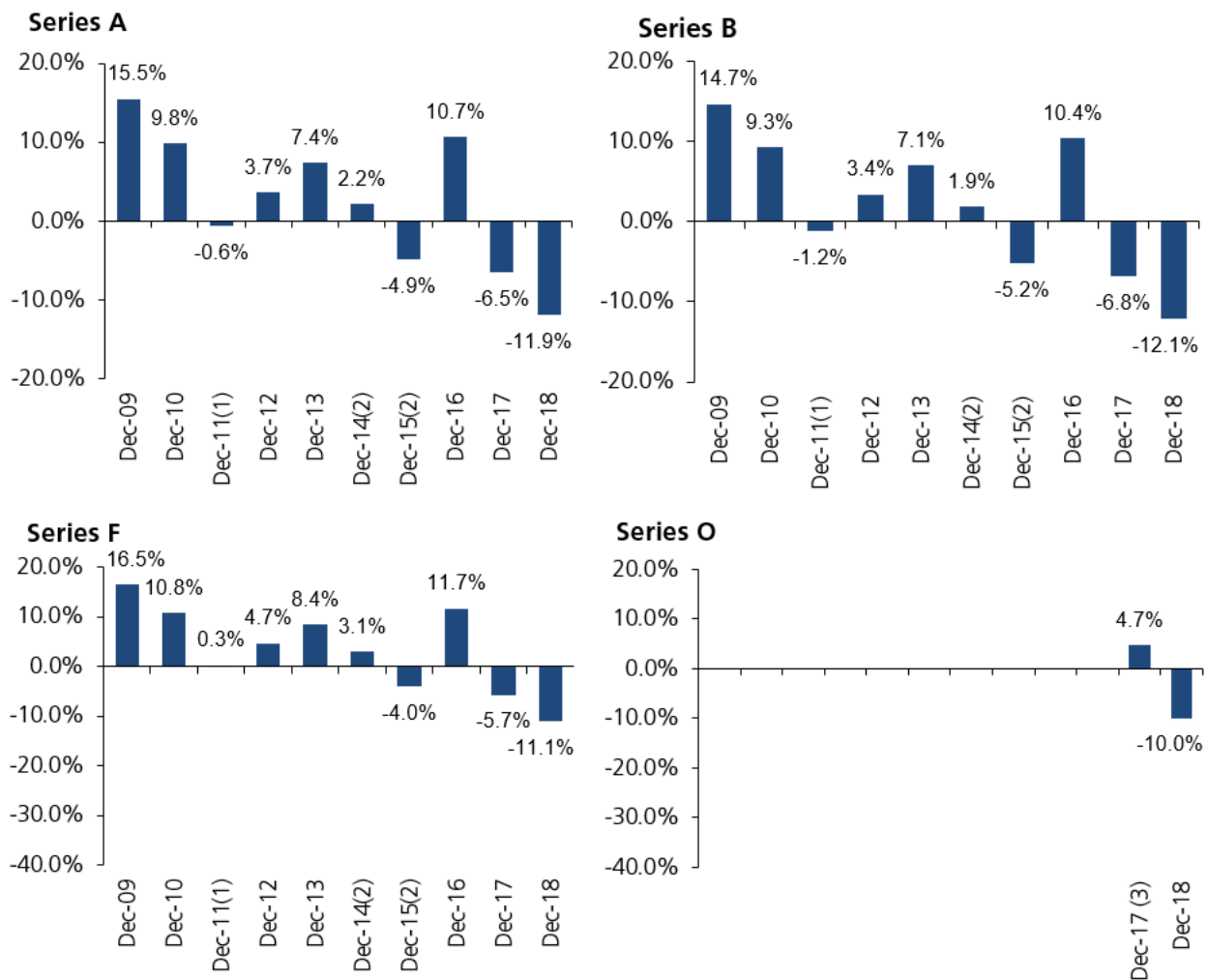


Past Performance

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 Return

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

(2) The Pool was capped to new investments from June 30, 2014 to November 2, 2015.

(3) 2017 return 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/TSX Composite Index and 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
Series A ⁽¹⁾ (<i>Inception: October 1, 2007</i>)	2.2%	-2.4%	-3.0%	-11.9%	-0.9%
S&P/TSX Composite Index	7.9%	4.1%	6.4%	-8.9%	3.2%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.8%
Series B ⁽¹⁾ (<i>Inception: October 1, 2007</i>)	1.8%	-2.7%	-3.3%	-12.1%	-1.4%
S&P/TSX Composite Index	7.9%	4.1%	6.4%	-8.9%	3.2%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.8%
Series F ⁽¹⁾ (<i>Inception: October 1, 2007</i>)	3.1%	-1.5%	-2.1%	-11.1%	0.0%
S&P/TSX Composite Index	7.9%	4.1%	6.4%	-8.9%	3.2%
S&P 500 Index (C\$)	14.3%	14.1%	8.6%	4.2%	9.8%
Series O ⁽¹⁾ (<i>Inception: July 5, 2017</i>)	n/a	n/a	n/a	-10.0%	-3.9%
S&P/TSX Composite Index	n/a	n/a	n/a	-8.9%	-0.9%
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) Patient Capital Management Inc. was appointed portfolio manager of the Pool on November 1, 2011.

(3) The Pool was capped to new investments from June 30, 2014 to November 2, 2015.

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 S&P 500 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 39% 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 \$2.6 million in management fees (excluding taxes) to the Manager. In addition, the Manager or parent company of the Manager also held 40,622 Series F units of the Pool 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	9.60	10.28	9.51	10.11	10.15
Increase (decrease) from operations:					
Total revenue	0.19	0.14	0.15	0.17	0.14
Total expenses	(0.20)	(0.20)	(0.20)	(0.21)	(0.22)
Realized gains for the period	0.04	0.08	0.45	0.24	0.49
Unrealized gains (losses) for the period	(1.09)	(0.72)	0.62	(0.67)	(0.20)
Total increase (decrease) from operations ⁽²⁾	(1.06)	(0.70)	1.02	(0.47)	0.21
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.04)	-	(0.26)	(0.09)	(0.26)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(0.04)	-	(0.26)	(0.09)	(0.26)
Net assets, end of period	8.43	9.60	10.28	9.51	10.11

Series B	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Net assets, beginning of period	9.33	10.01	9.23	9.73	9.75
Increase (decrease) from operations:					
Total revenue	0.18	0.13	0.15	0.16	0.13
Total expenses	(0.22)	(0.22)	(0.22)	(0.23)	(0.23)
Realized gains for the period	0.05	0.09	0.39	0.24	0.47
Unrealized gains (losses) for the period	(0.96)	(0.76)	0.54	(0.62)	(0.19)
Total increase (decrease) from operations ⁽²⁾	(0.95)	(0.76)	0.86	(0.45)	0.18
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.05)	-	(0.18)	-	(0.21)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(0.05)	-	(0.18)	-	(0.21)
Net assets, end of period	8.15	9.33	10.01	9.23	9.73



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	10.22	10.83	9.97	10.62	10.74
Increase (decrease) from operations:					
Total revenue	0.20	0.15	0.17	0.18	0.14
Total expenses	(0.12)	(0.12)	(0.12)	(0.12)	(0.13)
Realized gains for the period	0.05	0.06	0.50	0.23	0.50
Unrealized gains (losses) for the period	(1.19)	(0.72)	0.72	(0.71)	(0.20)
Total increase (decrease) from operations ⁽²⁾	(1.06)	(0.63)	1.27	(0.42)	0.31
Distributions:					
From net investment income (excluding dividends)	-	-	-	-	-
From dividends	-	-	-	-	-
From capital gains	(0.05)	-	(0.31)	(0.22)	(0.45)
Return of capital	-	-	-	-	-
Total annual distributions ⁽³⁾	(0.05)	-	(0.31)	(0.22)	(0.45)
Net assets, end of period	9.04	10.22	10.83	9.97	10.62

Series O ⁽⁴⁾	December 31 2018	December 31 2017
Net assets, beginning of period⁽⁴⁾	10.47	10.00
Increase (decrease) from operations:		
Total revenue	0.22	0.35
Total expenses	-	-
Realized gains for the period	0.05	-
Unrealized gains (losses) for the period	(1.40)	(0.06)
Total increase (decrease) from operations ⁽²⁾	(1.13)	0.29
Distributions:		
From net investment income (excluding dividends)	-	-
From dividends	-	-
From capital gains	(0.06)	-
Return of capital	-	-
Total annual distributions ⁽³⁾	(0.06)	-
Net assets, end of period	9.36	10.47

(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⁾	\$91,514	\$138,250	\$158,171	\$144,424	\$188,529
Number of units outstanding (000's) ⁽¹⁾	10,860	14,394	15,391	15,179	18,654
Management expense ratio ⁽²⁾	2.10%	2.06%	2.05%	2.05%	2.05%
Management expense ratio before waivers or absorptions	2.10%	2.06%	2.05%	2.05%	2.05%
Trading expense ratio ⁽³⁾	0.01%	0.00%	0.00%	0.02%	0.01%
Portfolio turnover rate ⁽⁴⁾	2.91%	2.54%	10.45%	20.28%	26.22%
Net asset value per unit ⁽¹⁾	\$8.43	\$9.60	\$10.28	\$9.51	\$10.11

Series B	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Total net asset value (000's) ⁽¹⁾	\$5,204	\$10,728	\$16,601	\$20,254	\$32,094
Number of units outstanding (000's) ⁽¹⁾	639	1,150	1,659	2,195	3,298
Management expense ratio ⁽²⁾	2.38%	2.32%	2.30%	2.29%	2.28%
Management expense ratio before waivers or absorptions	2.38%	2.32%	2.30%	2.29%	2.28%
Trading expense ratio ⁽³⁾	0.01%	0.00%	0.00%	0.02%	0.01%
Portfolio turnover rate ⁽⁴⁾	2.91%	2.54%	10.45%	20.28%	26.22%
Net asset value per unit ⁽¹⁾	\$8.15	\$9.33	\$10.01	\$9.23	\$9.73

Series F	December 31 2018	December 31 2017	December 31 2016	December 31 2015	December 31 2014
Total net asset value (000's) ⁽¹⁾	\$25,413	\$38,060	\$30,505	\$19,808	\$20,715
Number of units outstanding (000's) ⁽¹⁾	2,811	3,724	2,816	1,986	1,950
Management expense ratio ⁽²⁾	1.19%	1.14%	1.13%	1.13%	1.11%
Management expense ratio before waivers or absorptions	1.19%	1.14%	1.13%	1.13%	1.11%
Trading expense ratio ⁽³⁾	0.01%	0.00%	0.00%	0.02%	0.01%
Portfolio turnover rate ⁽⁴⁾	2.91%	2.54%	10.45%	20.28%	26.22%
Net asset value per unit ⁽¹⁾	\$9.04	\$10.22	\$10.83	\$9.97	\$10.62

Series O	December 31 2018	December 31 2017
Total net asset value (000's) ⁽¹⁾	\$1,864	\$785
Number of units outstanding (000's) ⁽¹⁾	199	75
Management expense ratio ⁽²⁾	0.00%	0.00%
Management expense ratio before waivers or absorptions	0.20%	0.16%
Trading expense ratio ⁽³⁾	0.01%	0.00%
Portfolio turnover rate ⁽⁴⁾	2.91%	2.54%
Net asset value per unit ⁽¹⁾	\$9.36	\$10.47

(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.



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.