



# Realpool Global – Mexico Pooled Fund Financial Statements

DECEMBER 2022

## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

British Columbia Investment Management Corporation ("BCI") manages Pooled Investment Portfolios on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. QuadReal Property Group Limited Partnership and affiliates ("QuadReal") manage the Mortgage and Real Estate programs pursuant to asset management agreements as agreed to between BCI and QuadReal. This report contains the financial statements for the Realpool Global - Mexico Pooled Investment Portfolio for the year ended December 31, 2022.

The financial statements of this Pooled Investment Portfolio have been prepared by QuadReal and approved by the BCI Chief Investment Officer / Chief Executive Officer. All of the financial statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies used in the preparation of these statements are disclosed in note 3 to the financial statements. The statements include certain amounts that are based on management's judgement and best estimates.

BCI's Board has established an Audit Committee. The BCI Audit Committee's mandate includes oversight of the financial statements of the Pooled Investment Portfolio managed by QuadReal through a governance framework established with QuadReal's Board and Audit Committee. Through this governance framework, the BCI Committee mandate is executed through oversight from QuadReal's Audit Committee and includes making recommendations on the appointment of the external auditor for the Pooled Investment Portfolio, reviewing the external audit plan; reviewing BCI's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, including QuadReal related controls, and reviewing the annual audited financial statements of the Pooled Investment Portfolios. The BCI Committee and QuadReal Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

BCI and QuadReal maintain a system of internal control and supporting processes to provide reasonable assurance that assets are safeguarded; that transactions are appropriately authorized and recorded; and that there are no material misstatements in the financial statements. BCI's and QuadReal's internal control framework includes: a strong corporate governance structure; a code of conduct that includes conflict of interest guidelines; an organizational structure that provides for appropriate segregation of duties and accountability for performance; an enterprise-wide risk management framework that identifies, monitors and reports on key risks; and adherence to BCI Board-approved Pooled Investment Portfolio Policies and client-approved investment mandates. BCI's and QuadReal's system of internal control is supported by external auditors who review and evaluate internal controls and report directly to the BCI and QuadReal Audit Committees.

The Pooled Investment Portfolio's external auditors, KPMG LLP, have full and unrestricted access to the BCI and QuadReal Audit Committees and BCI and QuadReal management. KPMG LLP discusses with management and the Committees the results of their audit of the Pooled Investment Portfolio financial statements and related findings with respect to such audit. The Pooled Investment Portfolio financial statements are audited by KPMG LLP in accordance with Canadian generally accepted auditing standards. KPMG LLP has performed such tests and other procedures as they considered necessary to express an opinion on the Pooled Investment Portfolio financial statements.

**[S] Gordon J. Fyfe**

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Gordon J. Fyfe  
Chief Executive Officer, BCI  
Chief Investment Officer, BCI

**[S] Dennis Lopez**

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Dennis Lopez  
Chief Executive Officer, QuadReal

**[S] Tamara Lawson**

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Tamara Lawson  
Chief Financial Officer, QuadReal



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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Realpool Global - Mexico

### ***Opinion***

We have audited the financial statements of Realpool Global - Mexico (the "Fund"), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of comprehensive income (loss) for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board ("IASB").

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

## ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*KPMG LLP*

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Chartered Professional Accountants

Vancouver, Canada  
June 23, 2023

# REALPOOL GLOBAL - MEXICO

## Statement of Financial Position

(Expressed in thousands of Canadian dollars, except number of units)

December 31, 2022, with comparative information for 2021

	Notes	2022	2021
<b>Assets</b>			
Cash		\$ 19	\$ 6
Investments at fair value through profit and loss	4, 7 & 8	220,278	234,050
Total assets		220,297	234,056
<b>Liabilities</b>			
Fund manager cost recoveries payable	5	14	—
Accounts payable		376	2,642
Total liabilities excluding net assets attributable to the holders of redeemable units		390	2,642
<b>Net assets</b> attributable to holders of redeemable units			
		\$ 219,907	\$ 231,414
<b>Number of redeemable units outstanding</b>			
	6	39.350	54.901
<b>Net assets</b> attributable to holders of redeemable units per unit			
		\$ 5,588	\$ 4,215
Commitments and contingencies	10		

See accompanying notes to financial statements.

### **[S] Gordon J. Fyfe**

Gordon J. Fyfe

Chief Executive Officer, BCI

Chief Investment Officer, BCI

# REALPOOL GLOBAL - MEXICO

Statement of Comprehensive Income (Loss)

(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information for 2021

	Notes	2022	2021
<b>Revenue:</b>			
Investment income	\$	51,691	\$ 9,697
Interest income		13	—
Foreign exchange gain		2,031	4
Change in fair value of investments:	8		
Net realized gain		235	7
Net change in unrealized appreciation		5,907	(1,995)
		59,877	7,713
<b>Expenses:</b>			
Fund manager cost recoveries	5	229	210
Management fees	5	994	2,856
Administrative and professional fees	10	560	(81)
		1,783	2,985
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		58,094	4,728
Distributions to holders of redeemable units		(50,811)	(8,071)
Increase (decrease) in net assets attributable to holders of redeemable units	\$	7,283	\$ (3,343)

See accompanying notes to financial statements.



# REALPOOL GLOBAL - MEXICO

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information for 2021

		2022	2021
Balance, beginning of year	\$	231,414	\$ 269,761
Increase (decrease) in net assets attributable to holders of redeemable units		7,283	(3,343)
Redeemable unit transactions:			
Proceeds from units issued		8,850	15,142
Reinvestment of distributions		50,811	8,071
Amounts paid for units redeemed		(78,451)	(58,217)
		(18,790)	(35,004)
Balance, end of year	\$	219,907	\$ 231,414

See accompanying notes to financial statements.

# REALPOOL GLOBAL - MEXICO

## Statement of Cash Flows

(Expressed in thousands of Canadian dollars, except number of units)

Year ended December 31, 2022, with comparative information for 2021

	2022	2021
Cash flows provided by (used in):		
Operations:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 7,283	\$ (3,343)
Adjustments for:		
Net realized gain from investments	(235)	(7)
Net change in unrealized appreciation of investments	(5,907)	1,995
Interest income	(13)	—
Interest received	13	—
Non-cash distributions	50,811	8,071
Proceeds from sale of investments	22,731	46,703
Amounts paid for purchase of investments	(2,817)	(12,001)
Fund manager cost recoveries payable	14	(295)
Accounts payable	(2,266)	1,952
	69,614	43,075
Financing:		
Proceeds from issuance of redeemable units	8,850	15,142
Payments on redemption of redeemable units	(78,451)	(58,217)
	(69,601)	(43,075)
Net increase in cash during the year	13	—
Cash, beginning of year	6	6
Cash, end of year	\$ 19	\$ 6

See accompanying notes to financial statements.

# REALPOOL GLOBAL - MEXICO

## Schedule of Investments

(Expressed in thousands of Canadian dollars, except number of units)

December 31, 2022, with comparative information for 2021

	December 31, 2022		December 31, 2021	
	Fair value	Cost	Fair value	Cost
Real estate investments	\$ 220,278	\$ 185,738	\$ 234,050	\$ 205,417
Total investments	\$ 220,278	\$ 185,738	\$ 234,050	\$ 205,417

See accompanying notes to financial statements.

# REALPOOL GLOBAL - MEXICO

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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## 1. The portfolio

British Columbia Investment Management Corporation (“BCI”) was established under the Public Sector Pension Plans Act as a trust company authorized to carry on trust business and investment management services. The address of BCI’s registered office is at 750 Pandora Avenue, Victoria, British Columbia, Canada.

QuadReal Property Group Limited Partnership (“QuadReal”) and affiliates manage Realpool Global - Mexico (“the Fund”) pursuant to an Asset Management Agreement between BCI and QuadReal. These financial statements have been prepared by QuadReal.

Under the Public Sector Pension Plans Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99 (the “Regulations”), BCI may establish and operate pooled investment portfolios “.... in which money from trust funds, special funds or other funds, other public money and the money of government bodies and designated institutions may be combined in common for the purpose of investment by means of investment units of participation in a pooled investment portfolio.” In addition, pooled investment portfolios previously established under the Financial Administration Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 84/86, were continued under the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99, to be held in trust by BCI and invested by the Chief Investment Officer (“CIO”) of BCI.

The Fund was established on August 26, 2016.

## 2. Basis of presentation

### (a) Statement of compliance

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). These financial statements were authorized for issue by the BCI Chief Executive Officer / Chief Investment Officer on June 23, 2023.

### (b) Basis of consolidation

Real estate investments are directly held by the Fund. The Fund is an investment entity, and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified at fair value through profit and loss, and measured at fair value.

The Fund qualifies as an investment entity as it meets the following definition of an investment entity outlined in IFRS 10, Consolidated Financial Statements (“IFRS 10”):

- obtains funds from one or more investors for the purpose of providing those investor(s) with investment management services;
- commits to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measures and evaluates the performance of substantially all of its investments on a fair value basis.

# REALPOOL GLOBAL - MEXICO

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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(c) Basis of measurement

These financial statements have been prepared on a cost basis except for investments held at fair value through profit and loss (“FVTPL”), which are measured at fair value.

(d) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Fund’s functional currency.

(e) Use of estimates and judgement

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. In determining the fair value of some of its investments, management reviews and assesses the estimates and assumptions provided by external managers regarding investment industry performance and prospects, as well as general business and economic conditions that prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment within the next fiscal year is included in note 8 and relate to the determination of fair value of investments with significant unobservable inputs.

### 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) Recognition and measurement:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income (“FVOCI”) or FVTPL. 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 assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

# REALPOOL GLOBAL - MEXICO

## Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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Financial assets and liabilities are offset and the net amount presented in the Statement of Financial Position only when the Fund 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.

A financial asset that is a debt instrument is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and sell financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably elect to measure financial assets that otherwise meets the requirements to be measured at amortized cost or at FVOCI as at FVTPL when doing so results in more relevant information.

Financial assets are not reclassified subsequent to their initial recognition, unless the Fund changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Fund has not classified any of its financial assets as FVOCI.

Financial liabilities are generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at FVTPL, such as derivative financial liabilities. The Fund may, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit and loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statement of Comprehensive Income in the period in which they occur. The Fund's investments and redeemable units are designated 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 Fund'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.

# REALPOOL GLOBAL - MEXICO

## Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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In an active market, fair value is best evidenced by an independent quoted price. In the absence of an active market, fair value is determined by valuation techniques that maximize the use of inputs observed from markets. See note 8 for more details about the determination of fair value.

The fair value of financial assets and liabilities that are not traded in an active market, is determined using valuation techniques. Valuation techniques 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 management, be inaccurate, unreliable or not readily available, the fair value is estimated based on the most recently reported information of a similar financial asset or liability.

(iii) Amortized cost:

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus or minus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Fund classifies cash, Fund manager cost recoveries payable, and accounts payable as amortized cost.

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.

(b) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. In accordance with the Regulations, the Fund is required to distribute, to holders of the Fund's redeemable units, the taxable income and taxable capital gains of the Fund at least annually. The units are classified as financial liabilities at FVTPL and measured at the redemption amount. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized.

(c) Issuance and redemption of units

Participation in the Fund is expressed in units. The initial value of a unit on inception was \$1,000. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the Fund by the total number of units outstanding. Where one Fund invests in another Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis. The Fund is an open participation fund where eligible clients may increase or reduce their proportionate ownership annually or on special opening dates.

# REALPOOL GLOBAL - MEXICO

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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(d) Foreign exchange

These financial statements are denominated in Canadian dollars. 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 currency gains and losses are recognized in the Statement of Comprehensive Income.

(e) Income recognition

Investment income is recognized on an accrual basis using the effective interest method. Portfolio transactions are recorded on the trade date. Dividend income is recognized on the date that the right to receive payment is established. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments. The year-over-year change in the difference between the fair value and the cost of the investments held at year-end is recognized as a net change in unrealized appreciation (depreciation) of investments. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal on an investment are expensed as incurred. Pursuit costs are charged to expenses of the Fund in the period incurred.

(f) Income taxes

The Fund qualifies as an inter-vivos trust under section 108(1) of the Income Tax Act (Canada). All of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Income taxes associated with any of the Fund's underlying investments are accounted for in determining the fair value of the respective investments.

#### 4. Investments at fair value through profit and loss

The real estate investments consist of direct real estate private equity investments that hold real estate properties. The fair value of the direct real estate private equity investments is determined by the sum of the fair value of the net assets of the entities.

#### 5. Related party transactions

The Fund's related parties include QuadReal, BCI, the Province of British Columbia and related entities, investments where the Fund has a controlling interest or significant influence, entities with common ownership, and other related entities for which BCI and QuadReal provides investment management services. The Fund had the following transactions with related parties during the year.

(a) Fund manager cost recoveries

The Fund is charged cost recoveries from BCI and QuadReal for fund management costs paid by BCI and QuadReal. BCI and QuadReal cost recoveries and the related payable are disclosed as Fund manager cost recoveries in the Fund's Statement of Comprehensive Income and Statement of Financial Position, respectively.



# REALPOOL GLOBAL - MEXICO

Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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## (b) Management fees

The Fund is charged investment management services by QuadReal. The expense is disclosed in the Fund's Statement of Comprehensive Income.

## 6. Redeemable units

The Fund is authorized to issue an unlimited number of redeemable units. Redeemable units issued and outstanding represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The capital of the Fund is managed in accordance with the Fund's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions.

The following is a summary of the changes in the number of redeemable units outstanding during the year:

	2022	2021
	# of units	# of units
Outstanding, beginning of year	54.901	66.119
Issued	1.932	6.249
Issued on reinvestment of distributions	9.092	1.915
Consolidation of units	(9.092)	(1.915)
Redeemed	(17.483)	(17.467)
Outstanding, end of year	39.350	54.901

## 7. Financial risk management

### (a) Risk management framework

The Fund is a member of the Realpool Program (the "Program") which provides clients with exposure to a portfolio of domestic and global real estate and real estate-related investments. The Program's holdings are highly diversified by property type, geographic location, investment size, and investment risk. The Program primarily concentrates on high quality income producing office, industrial, residential, retail, hospitality and mixed-use properties located in geographic regions that have strong and growing economies. The Program's investment strategy is to be well diversified and to hold quality properties that will perform well across multiple economic cycles. Real estate investments are only made when there is a reasonable expectation that return objectives can be achieved over the longer term.

The Program may hold the following assets:

- Real estate properties;
- Real estate-related securities, including trust units, partnership interests, shares, debt instruments, and units in externally managed pooled investment portfolios;
- Derivative instruments for the purposes of synthetic indexing, risk control, lowering transactions costs, and / or liquidity management;

# REALPOOL GLOBAL - MEXICO

## Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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- Foreign exchange contracts for currency conversions and / or currency hedging; and
  - Units in BCI's Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), US Dollar Money Market Fund (ST3), government debt securities with a maximum term to maturity of 1 year, and other BCI short-term fixed income pooled funds, for cash management.

The following restrictions apply to the Program's investing activities:

- Debt financing may be used in a prudent manner. No debt will be assumed or created if, as a result, the debt to market value ratio of BCI's combined real estate program would exceed 55 percent;
- When entering into a new derivatives transaction, external counterparties must be financial institutions rated "A-" or higher by Standard & Poor's or have an equivalent rating from another credit rating agency; and
- Real estate investments must be eligible investments for pension plans under the Pension Benefits Standards Act, (B.C.).

BCI, as trustee of the Fund, has the power to vary the investments and assets of the Program and reinvest proceeds realized from the investments of the Program all within the bounds of the investment policies, rules and restrictions established for and governing the Program.

The Fund's activities expose it to a variety of financial risks, as discussed below.

### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from cash and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the Statement of Financial Position reflects the Fund's maximum exposure to credit risk.

To avoid undue credit risk, the Fund has established specific investment criteria, such as minimum credit ratings for investees and counterparties.

The Fund's activities may also give rise to settlement risk. Settlement risk is the risk of loss due to failure of an entity to honor its obligations to deliver cash, securities, or other assets prior to the settlement of the transaction as contractually agreed. The risk of default is considered minimal since the Fund holds real state and typically has a diversified tenant base. External managers conduct financial reviews to assess potential tenants' ability to meet future lease obligations.

### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or other assets as contractually agreed. QuadReal's approach to managing liquidity risk is to ensure, as far as possible, that the Fund has sufficient liquidity to meet its liabilities when due.

# REALPOOL GLOBAL - MEXICO

## Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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The Fund is exposed to the liquidity risk associated with the requirement to redeem units. Redeemable units of the Fund may only be acquired by eligible clients or client groups in accordance with the Fund's purchasing limits that may be established by the CIO. In order to protect the interest of all clients, the CIO may also establish redemption limits for the Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

The Fund's financial assets include direct real estate private equity investments, which are generally illiquid. As a result, the Fund may not be able to liquidate some of its investments in these instruments in time to meet obligations when they become due. However, the CIO may obtain funding from the unitholders of the Fund through additional unit issuances to meet the Fund's ongoing liquidity requirements.

The Fund's remaining liabilities, including Fund manager cost recoveries payable and accounts payable, are due within three months of the year end of the Fund.

### (d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Fund's income or the fair value of its holdings of financial instruments.

#### (i) Interest rate risk:

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments and loans will fluctuate due to changes in market interest rates.

Most of the Fund's financial assets and liabilities are non-interest bearing or have a short term-to-maturity. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

#### (ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates.

The Fund is exposed to currency risk through the holding of investments in US dollars. The Fund may use foreign currency contracts to hedge some foreign currency exposure on investment-related receivables and liabilities and engage in the buying and selling of currencies through the spot market, forward contracts, futures contracts, and / or options in order to achieve the desired currency exposure. There were no foreign currency contracts at December 31, 2022 and December 31, 2021.

The Fund holds net financial assets denominated in US currency totaling \$220,278 CAD which represents 100.2% of the net asset value of the Fund (December 31, 2021 – \$234,050 CAD which represented 101.1% of the net asset value of the Fund). As at the reporting dates, if the Canadian dollar had strengthened / weakened by 1.0% in relation to all other currencies, holding all other variables constant, net assets would have decreased / increased by \$2,203 (2021 – \$2,341).

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Notes to the Financial Statements

(Amounts expressed in thousands of Canadian dollars, except number of units or where indicated)

Year ended December 31, 2022

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## (iii) Other price risk

Other price risk is the risk that the fair value of the financial instrument 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 or its issuer or factors affecting all instruments traded in the market.

Other market price risk arises from the Fund's investments in direct real estate private equity investments, whose valuation is based on the valuation of underlying entities. The Fund invests in such financial assets in order to take advantage of their long-term growth opportunities. All investments present a risk of loss of capital. QuadReal management moderates this risk through careful selection of the investee funds within specified limits. All of the investee funds and their underlying investments are subject to the risks inherent in their industries. Moreover, established markets do not exist for these holdings, and they are therefore considered illiquid.

The Fund makes commitments to a diversified portfolio of private equity managed by managers with a strong track record. The Fund diversifies its portfolio of investee funds across managers, underlying industries, countries and investment stages.

QuadReal management follows a rigorous investment due diligence process prior to making any investment decisions. QuadReal management considers both qualitative and quantitative criteria in the areas of financial performance, business strategy, tax and legal compliance, such as financial information obtained through the underlying manager of the investee funds through on-site visits, interviews and questionnaires together with information gathered from external sources. Prior to entering into an investment agreement, gathered information is confirmed through reference checks or through QuadReal's standing data and experience.

## Region Risk

The Fund's foreign investments may be subject to potential volatility due to political, social, and financial instability within its local region. At the reporting dates, real estate investments were invested in Mexico.

As at December 31, 2022, had the fair value of the investments increased or decreased by 10.0%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively by approximately \$22,028 (2021 – \$23,405). Actual trading results may differ from the above sensitivity analysis and the difference could be material.

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## 8. Fair value measurement

### (a) Fair value hierarchy

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

As at December 31, 2022, total investments of \$220,278 (December 31, 2021 – \$234,050) are classified as Level 3.

During 2022 and 2021, there were no transfers between Levels 1, 2, or 3.

The following table shows a reconciliation from the beginning balances to the ending balances for level 3 real estate investments of the fair value hierarchy.

		2022		2021
Balance, beginning of year	\$	234,050	\$	270,740
Total realized gains recognized in profit and loss		235		7
Purchases		2,817		12,001
Sales		(22,731)		(46,703)
Total unrealized gains (losses) for the year, included in profit and loss		5,907		(1,995)
Balance, end of year	\$	220,278	\$	234,050

### (b) Valuation framework

The Fund has an established framework with respect to the measurement of fair values. Where possible, for direct real estate private equity investments held by the Fund, external independent valuation specialists are engaged annually to assist in the determination of fair value. In those circumstances where the Fund is reliant on a third-party manager for the determination of fair value, QuadReal reviews the appropriateness of such valuations using audited financial statements of the underlying investments, where available, and other information from the underlying third-party manager or other sources. QuadReal will make adjustments to these valuations when deemed appropriate.

# REALPOOL GLOBAL - MEXICO

## Notes to the Financial Statements

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Year ended December 31, 2022

### (c) Significant unobservable inputs used in measuring fair value

The following table sets out information about significant unobservable inputs used at period-end in measuring the fair value of real estate investments categorized as Level 3 in the fair value hierarchy:

December 31, 2022					
Investments	Fair value	Valuation sources	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Real estate investments	\$ 220,278	Unadjusted net asset value	Net asset value	\$ 220,278	The estimated fair value would increase (decrease) if the net asset value of the real estate investments as provided by the third-party manager were higher (lower).

  

December 31, 2021					
Investments	Fair value	Valuation sources	Unobservable input	Amount	Sensitivity to change in significant unobservable input
Real estate investments	\$ 234,050	Unadjusted net asset value	Net asset value	\$ 234,050	The estimated fair value would increase (decrease) if the net asset value of the real estate investments as provided by the third-party manager were higher (lower).

Significant unobservable inputs are developed as follows:

Net asset value:

Represents the net asset value of the direct real estate private equity investments. QuadReal management values these investments primarily based on the latest available financial information provided by their general partners.

### (d) Effects of unobservable inputs on fair value measurement

The fair value of real estate fluctuates in response to changes in specific assumptions for that particular investee as determined by the external manager. Although the Fund believes its estimates of fair value in Level 3 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value and net assets attributable to holders of redeemable units.

The following table shows how the net assets attributable to holders of redeemable units would change if the valuation of the real estate investments were calculated by adjusting the respective net assets by 10%.

Real estate investments	2022		2021	
Favorable	\$	22,028	\$	23,405
Unfavorable	\$	(22,028)	\$	(23,405)

### (e) Financial instruments not measured at fair value

The carrying value of cash, Fund manager cost recoveries payable, and accounts payable approximates their fair value given their short-term nature.

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Year ended December 31, 2022

## 9. Involvement with subsidiaries

The Fund holds the following investments in which it has a controlling position where it could otherwise exert significant influence on the operations of the investee. The Fund measures these investments at FVTPL.

The table below sets out interests held by the Fund in these unconsolidated subsidiaries:

December 31, 2022						
Entity	Nature and purpose of entity	Interest held	Relationship	Principal place of business	Country of Incorporation / registration	Ownership interest %
Operadora de Centros Comerciales Opcion, S.A. de C.V.	Industrial real estate	Shareholder interest	Subsidiary	Mexico	Mexico	83.3
Parques Logistico del Centro, S. de R.L. de C.V.	Industrial real estate	Shareholder interest	Subsidiary	Mexico	Mexico	83.3
Centro de Acopio Tepozotlan, S.A. de C.V.	Industrial retail real estate	Shareholder interest	Subsidiary	Mexico	Mexico	83.3
Monterrey San Jeronimo, S. de R.L. de C.V.	Office real estate	Shareholder interest	Subsidiary	Mexico	Mexico	83.3
Corporacion Industrial Juarez, S. de R.L. de C.V.	Industrial retail real estate	Shareholder interest	Subsidiary	Mexico	Mexico	83.3

December 31, 2021						
Entity	Nature and purpose of entity	Interest held	Relationship	Principal place of business	Country of Incorporation / registration	Ownership interest %
Operadora de Centros Comerciales Opcion, S.A. de C.V.	Industrial real estate	Shareholder interest	Subsidiary	Mexico	Mexico	84.3
Parques Logistico del Centro, S. de R.L. de C.V.	Industrial real estate	Shareholder interest	Subsidiary	Mexico	Mexico	84.3
Centro de Acopio Tepozotlan, S.A. de C.V.	Industrial retail real estate	Shareholder interest	Subsidiary	Mexico	Mexico	84.3
Monterrey San Jeronimo, S. de R.L. de C.V.	Office real estate	Shareholder interest	Subsidiary	Mexico	Mexico	84.3
Corporacion Industrial Juarez, S. de R.L. de C.V.	Industrial retail real estate	Shareholder interest	Subsidiary	Mexico	Mexico	84.3

During 2022 and 2021, the Fund did not provide financial support to subsidiaries. Furthermore, the subsidiaries listed in the table above are not subject to any significant restrictions on their ability to transfer funds to the Fund.

## 10. Commitments and contingencies

### (a) Commitments and contingencies

The Fund has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at December 31, 2022 the unfunded commitments for the Fund totaled \$2,979 (December 31, 2021 – \$2,808).

Certain investments of the Fund may, in the normal course of business activities, be involved in disputes with third parties. The Fund was not involved in any material disputes as at December 31, 2022.

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Notes to the Financial Statements

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## (b) Reciprocal Tax Agreement

On March 10, 2021, the BC Ministry of Finance and the Department of Finance Canada agreed to amend Schedule A of the Reciprocal Tax Agreement (“RTA”) to explicitly acknowledge the Pooled Investment Portfolio (“PIPs”) entitlement to a rebate of the amounts paid under the RTA. Furthermore, Finance Canada confirmed that prior year GST assessments will be vacated by the Canada Revenue Agency and no further GST assessments will be issued against BCI for past filing periods in respect of costs recovered from the PIPs.

Therefore, the RTA accrued liability of \$596 was reversed into administrative and professional fees in the Statement of Comprehensive Income on March 2021.