



BCi

 **QuadReal**

Realpool Investment Fund Financial Statements

DECEMBER 31, 2019

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 following Pooled Investment Portfolio for the year ended December 31, 2019:

- Realpool Investment Fund

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, Ernst & Young LLP, have full and unrestricted access to the BCI and QuadReal Audit Committees and BCI and QuadReal management. Ernst & Young 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 Ernst & Young LLP in accordance with Canadian generally accepted auditing standards. Ernst & Young 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

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

[S] Dennis Lopez

Dennis Lopez
Chief Executive Officer, QuadReal

[S] Tamara Lawson

Tamara Lawson
Chief Financial Officer, QuadReal

April 3, 2020

Independent auditor's report

To the Unitholders of
Realpool Investment Fund

Opinion

We have audited the financial statements of **Realpool Investment Fund**, [the "Fund"], which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Fund as at December 31, 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards ["IFRSs"].

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 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 IFRSs, 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 these 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.

We 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.

Vancouver, Canada
April 3, 2020

Ernst & Young LLP

Chartered Professional Accountants



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Statement of Financial Position

December 31, 2019 with comparative information for 2018

| | Note | 2019 | 2018 |
|---|-------|----------------------|----------------------|
| Assets | | | |
| Cash | | \$ 13,077 | \$ 119,727 |
| Interest and other receivables | | 18,407 | 6 |
| Investments at fair value through profit or loss | 4 & 9 | 14,824,663 | 17,309,661 |
| Total assets | | 14,856,147 | 17,429,394 |
| Liabilities | | | |
| Payable for redemption of units | | - | 575,000 |
| Credit facility | 7 | 179,123 | - |
| Fund manager cost recoveries payable | 5 | 8,886 | 8,222 |
| Other accounts payable and accruals | | 1,997 | 415 |
| Total liabilities excluding net assets attributable to the holders of redeemable units | | 190,006 | 583,637 |
| Net assets attributable to holders of redeemable units | | \$ 14,666,141 | \$ 16,845,757 |
| Number of redeemable units outstanding | 6 | 1,318.012 | 1,629.940 |
| Net assets attributable to holders of redeemable units per unit | | \$ 11,127 | \$ 10,335 |

See accompanying notes to financial statements.

[S] Gordon J. Fyfe

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Statement of Comprehensive Income

Year ended December 31, 2019 with comparative information for 2018

| | Note | 2019 | 2018 |
|---|------|--------------|------------|
| Revenue: | | | |
| Investment income | | \$ 130,656 | \$ 86,081 |
| Income from money market funds | | - | 1,832 |
| Change in fair value of investments: | 9 | | |
| Net realized gain | | 1,423,647 | 292,074 |
| Net change in unrealized appreciation | | (271,302) | 683,127 |
| | | 1,283,001 | 1,063,114 |
| Expenses: | | | |
| Fund manager cost recoveries | 5 | 13,264 | 6,819 |
| Interest expense and other | | 3,989 | - |
| Administrative and professional fees | | 2,512 | 1,538 |
| Pursuit cost | | - | 7 |
| | | 19,765 | 8,364 |
| Increase in net assets attributable to holders of redeemable units from operations excluding distributions | | | |
| | | 1,263,236 | 1,054,750 |
| Distributions to holders of redeemable units | | | |
| | | (1,487,749) | (410,064) |
| (Decrease) increase in net assets attributable to holders of redeemable units | | | |
| | | \$ (224,513) | \$ 644,686 |

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units

Year ended December 31, 2019 with comparative information for 2018

| | 2019 | 2018 |
|---|---------------|---------------|
| Balance, beginning of year | \$ 16,845,757 | \$ 15,765,907 |
| (Decrease) increase in net assets attributable to holders of redeemable units | (224,513) | 644,686 |
| Redeemable unit transactions: | | |
| Proceeds from units issued | 275,521 | 700,100 |
| Reinvestment of distributions | 1,487,749 | 410,064 |
| Amounts paid for units redeemed | (3,718,373) | (675,000) |
| Net (decrease) increase from redeemable unit transactions | (1,955,103) | 435,164 |
| Balance, end of year | \$ 14,666,141 | \$ 16,845,757 |

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Statement of Cash Flows

Year ended December 31, 2019 with comparative information for 2018

| | 2019 | 2018 |
|---|--------------|-------------|
| Cash flows provided by (used in): | | |
| Operations: | | |
| (Decrease) increase in net assets attributable to holders of redeemable units | \$ (224,513) | \$ 644,686 |
| Adjustments for: | | |
| Net realized gain from investments | (1,423,647) | (292,074) |
| Net change in unrealized appreciation from investments | 271,302 | (683,127) |
| Non-cash distributions | 1,487,749 | 410,064 |
| Proceeds from sale of investments | 4,801,896 | 2,166,451 |
| Amounts paid for purchase of investments | (1,164,550) | (2,999,507) |
| Amortization of credit facility | 2,685 | - |
| Interest and other receivables | (18,400) | 695 |
| External management fees payable | - | (40) |
| Fund manager cost recoveries payable | 664 | (209) |
| Other accounts payable | 1,582 | (100) |
| | 3,734,768 | (753,161) |
| Financing: | | |
| Addition to credit facility | 1,176,434 | - |
| Repayments of credit facility | (1,000,000) | - |
| Addition to affiliate loans payable | 8,948 | - |
| Repayments of affiliate loans payable | (8,948) | - |
| Proceeds from units issued | 275,521 | 795,100 |
| Redemption of units | (3,718,373) | (675,000) |
| Decrease in payable for redemption of units | (575,000) | 575,000 |
| | (3,841,418) | 695,100 |
| Net decrease in cash | (106,650) | (58,061) |
| Cash, beginning of year | 119,727 | 177,788 |
| Cash, end of year | \$ 13,077 | \$ 119,727 |

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Schedule of Investments

December 31, 2019

| | 2019 | | 2018 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Fair value | Cost | Fair value | Cost |
| Real Estate Investments ¹ | \$14,824,663 | \$ 8,012,921 | \$16,660,165 | \$ 9,577,126 |
| Money Market Investments: | | | | |
| Units in BCI Pooled Investment Portfolios Fund ST1 | - | - | 649,496 | 649,996 |
| Total investments | \$14,824,663 | \$ 8,012,921 | \$17,309,661 | \$10,227,122 |

¹ Real estate investments are held through private corporations, trusts, and limited partnerships funded by a combination of equity and debt (note 4, note 8(a), and note 9(a)).

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

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 Investment Fund (“the Fund”) pursuant to an Asset Management Agreement between BCI and QuadReal. These financial statements have been prepared by QuadReal. In 2018, the financial statements were prepared by BCI.

Under the Public Sector Pensions Plans Act and the Pooled Investment Portfolios Regulation, B.C. Reg. 447/99, 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 (“Regulations”), 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 of BCI.

The Fund was established on July 31, 1991 and invests in diversified Canadian income-producing properties including institutional grade Canadian office, industrial, residential, retail, hospitality, and mixed-use properties, as well as publicly traded equities and money market instruments.

Effective January 27, 2020, the Fund’s legal name changed to BCI QuadReal Realty.

2. Basis of preparation:

(a) Statement of compliance:

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”). The financial statements were authorized for issue by the Chief Executive Officer/Chief Investment Officer on April 3, 2020.

(b) Basis of consolidation:

Real estate investments are held through subsidiaries of the Fund, which include private corporations, trusts, and limited partnerships funded by a combination of equity and debt. 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

2. Basis of preparation (continued):

(b) Basis of consolidation (continued):

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 its investments on a fair value basis.

Prior to October 30, 2019, Parkbridge Lifestyle Communities Inc. ("Parkbridge") was a wholly-owned subsidiary of the Fund. Effective October 30, 2019, Parkbridge was acquired by Parkpool, another pooled investment portfolio existing under the Pooled Investment Portfolios Regulation (British Columbia). BCI holds all of the assets of Parkpool in trust and the assets of Parkpool are also managed by QuadReal. As a result of this transaction, these combined financial statements reflect Parkbridge's results of operations for 2019 up to October 30, 2019, while the comparative 2018 year reflects the results of operations for the full fiscal year.

No significant judgements or assumptions were made in determining that the Fund meets the definition of an investment entity as defined in IFRS 10.

(c) Basis of measurement:

These financial statements have been prepared on a historical cost basis, except for investments held at fair value through profit or 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

2. Basis of preparation (continued):

(e) Use of estimates and judgement (continued):

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 measurements:

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 transactions 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.

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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurements (continued):

A financial asset 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 fair value through other comprehensive income ("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 and 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 meet 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 classified 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 fair value through profit or loss, 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(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.

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 and cash equivalents, receivable from issuance of redeemable units, interest receivable, payable for redemption of units, bank indebtedness, affiliate loans payable, fund manager cost recoveries payable, accrued interest and other 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 throughout the expected life of the financial asset or liability, or where appropriate, a shorter period.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

3. Significant accounting policies (continued):

(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. Accordingly, such units are classified as financial liabilities at FVTPL and measured at redemption amount Net Asset Value ("NAV"). 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 the Fund invests in another BCI 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.

(d) Income recognition:

Investment income is recognized on an accrual basis using the effective interest method. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments. 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. 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 net income of the Fund in the period incurred.

(e) Income taxes:

The Fund is established in accordance with the Pooled Investment Portfolios Regulation and its assets are held in trust by BCI; it is immune from taxation by virtue of BCI being a provincial Crown agent.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

4. Investments at fair value through profit and loss:

The Fund manages the following types of investments and determines fair value as follows:

(i) Real estate investments:

Real estate investments consist of equity and debt investments in 200 wholly-owned (2018 – 186) and 60 partially owned (2018 – 8) subsidiary entities which are corporations, limited partnerships and trusts (all established in Canada). These subsidiaries qualify as investments and are not consolidated in these financial statements but are instead reported at fair value.

The fair value of subsidiary entities (corporations, limited partnerships and trusts) is determined by the NAV of the entity, which is a sum of the fair value of the real estate properties and underlying entities, net of the fair value of issued mortgages and notes and the other short-term assets and liabilities. Fair value for the real estate properties and/or other entities held by the subsidiaries is primarily determined using discounted cash flows based on various factors such as operating income, discount rate and terminal capitalizations rates, or market comparatives.

(ii) Money market investments:

The Fund held units in BCI money market funds. The units of the money market funds were valued based on the sum of their value of the net assets of the Fund. The units were fully liquidated in the first quarter of 2019.

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 the Fund provides investment management services. The Fund had the following transactions with related parties during the year.

- The Fund incurred cost recoveries from BCI and QuadReal, including indirect costs initially paid by BCI and QuadReal. These costs were recovered from the Fund through cost recoveries charged by BCI and QuadReal. BCI and QuadReal cost recoveries and the corresponding payable are disclosed in the Fund's Statement of Comprehensive Income and Statement of Financial Position.
- In 2015, a subsidiary of the Fund entered into a joint venture arrangement (50% co-owner) for the construction of a new office development in Victoria, B.C. BCI entered into an arm's length lease to rent office space as the primary tenant of the building. The lease commenced on March 1, 2018, for an initial term of twenty years with 3 five-year renewal options. As at December 31, 2019, minimum lease revenue to be received by the joint venture is estimated at \$193,672 over nineteen years excluding GST and other non-contractual amounts.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

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 redeemable units outstanding during the year:

| | 2019 | 2018 |
|---|-----------------|-----------------|
| | Number of units | Number of units |
| Outstanding, beginning of year | 1,629.940 | 1,627.092 |
| Issued | 25.903 | 68.595 |
| Issued on reinvestment of distributions | 134.491 | 40.125 |
| Consolidation of units | (134.491) | (40.125) |
| Redeemed | (337.831) | (65.747) |
| Outstanding, end of year | 1,318.012 | 1,629.940 |

7. Credit facility:

In July 2019, the Fund established a new senior unsecured and uncommitted \$500,000 credit facility with an effective annual interest rate of 1.96% to support general funding requirements. As at December 31, 2019, there was \$179,123 outstanding under this facility (December 31, 2018 – nil).

The Fund also maintained a \$200,000 committed overdraft facility and established a \$150,000 uncommitted facility in April 2019, which support the issuance of letters of credit. As at December 31, 2019, a total of \$140,573 of letters of credit had been issued under these facilities to support of operations and development (2018 - \$97,593).

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

Notes to Financial Statements

Year ended December 31, 2019

8. Financial risk management:

(a) Risk management framework:

The investment objective of the Fund is to provide clients with exposure to a portfolio of Canadian real estate and real estate-related investments. The Fund's holdings are highly diversified by property type, geographic locations, investment size, and investment risk. The Fund primarily concentrates on high-quality income-producing Canadian office, industrial, residential, retail, hospitality and mixed-use properties located in geographic regions that have strong and growing economies. The Fund'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 a ten-year horizon.

The Fund can invest in the following assets:

- eligible real estate investments for pension plans under the Pension Benefits Standard Act (B.C.);
- real estate-related investments, including trust units, partnership interests, shares and debt;
- units in external real estate managers' pooled funds provided such holdings are permissible investments for the Fund;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management; and
- BCI Canadian Money Market Funds ST1 and ST2; and/or government debt securities with a maximum term to maturity of one year, for cash management purposes.

The following restrictions apply to the Fund's use of debt financing:

- it may only be used in a prudent manner for real estate and real estate-related investment; and
- it may not be created if, as a result, the loan-to-market ratio of the Fund would exceed 35 percent.

As of December 31, 2019, the loan-to-market value ratio of the overall real estate portfolio, including Fund level debt, was 23.98% (2018 – 20.62%).

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

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REALPOOL INVESTMENT FUND

(Expressed in thousands except number of units)

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Year ended December 31, 2019

8. Financial risk management (continued):

(a) Risk management framework (continued):

| | 2019 | | 2018 | |
|------------------------|--------------|------------|--------------|------------|
| | Total | % of total | Total | % of total |
| Real estate properties | \$17,941,784 | 121.0 | \$20,473,282 | 122.9 |
| Equity investments | 642,086 | 4.3 | 344,000 | 2.1 |
| Mortgages | (1,457,728) | (9.8) | (1,949,535) | (11.7) |
| Notes payable | (1,843,368) | (12.4) | (2,337,928) | (14.0) |
| Commercial paper | (846,445) | (5.7) | - | - |
| Other net assets | 388,334 | 2.6 | 130,346 | 0.8 |
| | \$14,824,663 | 100% | \$16,660,165 | 100% |

(b) Credit risk:

Credit risk arises from the possibility that tenants may experience financial difficulty and be unable to meet their obligations to the Fund's subsidiary entities. The Fund's credit risk is limited to the recorded amount of these obligations. To mitigate this risk, the Fund has a diverse set of tenants in a variety of industries, and the Fund performs ongoing credit evaluations of its customers and establishes allowances for potential losses.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will be unable to generate sufficient cash in a timely manner or at a reasonable price to meet commitments as they come due. 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 Chief Investment Officer (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.

In December 2018, the Fund established a \$1,000,000 unsecured commercial paper program at bclMC Realty Corporation ("BRC"). DBRS Limited assigned the commercial paper program a credit rating of 'R-1 (mid)' with a stable outlook. The commercial paper program is used to provide short-term funding at interest rates of less than 2 percent and for less than one year in duration.

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8. Financial risk management (continued):

(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 on interest-bearing investments will fluctuate due to changes in market interest rates. The variable interest rate notes and fixed rate notes of the Fund are receivable from the underlying corporations, limited partnerships and trusts, so the Fund is not subject to interest rate risk on these financial instruments.

The mortgages of the underlying non-consolidated subsidiary corporations, trusts and limited partnerships bear interest rates up to 6.96% (2018 – 6.96%) with weighted average rates of 2.24% (2018 – 2.28%). They are due at various dates to 2043. Principal repayments on the mortgages are due as follows:

| | Principal repayments |
|---------------------|----------------------|
| 2020 | \$ 914,202 |
| 2021 | 244,820 |
| 2022 | 43,155 |
| 2023 | 6,503 |
| 2024 and thereafter | 259,861 |
| | \$ 1,468,541 |

The notes payable of the underlying non-consolidated corporations consist of unsecured series notes payable and a secured promissory note which has the following terms and fixed interest rates, respectively:

| | Maturity date | Interest rate | 2019 Fair value | 2018 Fair value |
|-------------------|-------------------|---------------|--------------------|--------------------|
| Series 8 | March 7, 2019 | 2.96% | \$ - | \$ 500,870 |
| Series 10 | June 29, 2022 | 3.51% | 253,509 | 256,121 |
| Series 12 | June 3, 2021 | 2.10% | 345,394 | 345,428 |
| Series 13 | June 3, 2025 | 2.84% | 450,570 | 495,548 |
| Series A | August 11, 2022 | 2.15% | 240,393 | 244,628 |
| Series B | March 31, 2027 | 3.00% | 516,996 | 495,333 |
| 4800 Yonge Street | December 31, 2029 | 0.01% | 36,506 | - |
| | | | \$ 1,843,368 | \$ 2,337,928 |

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Year ended December 31, 2019

8. Financial risk management (continued):

(d) Market risk (continued):

(i) Interest rate risk (continued):

The Fund maintains a three-year \$1,500,000 senior unsecured revolving committed bank credit facility at BRC with a maturity date of July 30, 2022. As at December 31, 2019, there was no amount outstanding under this facility (2018 – \$500,000).

In December 2018, the Fund established a \$1,000,000 unsecured commercial paper program. DBRS Limited assigned the commercial paper program a credit rating of 'R-1 (mid)' with a stable outlook. The commercial paper program is used to provide short-term funding at interest rates of less than 2 percent and for less than one year in duration. As at December 31, 2019, there was \$847,500 of commercial paper outstanding (2018 – nil).

(ii) Real estate risk:

The Fund has identified the following risks associated with the real estate portfolio:

- The Fund's subsidiaries may undertake development activity to acquire properties that are not otherwise available in the marketplace or to enhance returns by accepting more manageable risk. Typical risks include the developer being unable to complete the project, the project is not completed on time or the project is not completed on budget. The Fund's subsidiaries generally use developers with strong expertise and reputation. The near-term focus for the Fund is to grow the portfolio through a combination of acquisitions and developments, which may result in higher development risk in the near term that will decline as projects are completed.
- The exposure of the fair values of the Fund to market and occupier fundamentals.

(iii) Other valuation risk:

As at December 31, underlying real estate investment properties held by the Fund were diversified across the following property sectors:

| Real estate properties | 2019 | | 2018 | |
|------------------------|---------------|------------|---------------|------------|
| | Total | % of total | Total | % of total |
| Retail | \$ 1,771,503 | 9.9 | \$ 1,948,098 | 9.6 |
| Office | 7,414,415 | 41.3 | 8,402,370 | 41.0 |
| Industrial | 2,272,010 | 12.7 | 2,184,335 | 10.7 |
| Residential | 3,050,620 | 17.0 | 3,413,900 | 16.7 |
| Retirement homes | 289,800 | 1.6 | 273,200 | 1.3 |
| Land lease communities | - | 0.0 | 1,419,506 | 6.9 |
| Development property | 2,754,236 | 15.3 | 2,831,873 | 13.8 |
| Property held for sale | 389,200 | 2.2 | - | - |
| | \$ 17,941,784 | 100% | \$ 20,473,282 | 100% |

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8. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other valuation risk (continued):

As at December 31, real estate investment properties held by the Fund were diversified across the following geographic regions in Canada:

| Real estate properties | 2019 | | 2018 | |
|------------------------|---------------|------------|---------------|------------|
| | Total | % of total | Total | % of total |
| British Columbia | \$ 5,394,276 | 30.1 | \$ 5,878,491 | 28.7 |
| Alberta | 4,104,689 | 22.9 | 5,163,380 | 25.2 |
| Saskatchewan | 30,410 | 0.2 | 36,700 | 0.2 |
| Manitoba | 292,949 | 1.6 | 269,890 | 1.3 |
| Ontario | 7,359,855 | 41.0 | 8,195,658 | 40.0 |
| Quebec | 370,405 | 2.1 | 659,493 | 3.2 |
| Nova Scotia | 389,200 | 2.2 | 257,690 | 1.3 |
| New Brunswick | - | 0.0 | 11,980 | 0.1 |
| | \$ 17,941,784 | 100% | \$ 20,473,282 | 100% |

9. Fair value measurement:

(a) Fair value hierarchy:

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

The Funds measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making 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 directly or indirectly unobservable.

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9. Fair value measurement (continued):

(a) Fair value hierarchy (continued):

The table below shows investments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. All fair value measurements are recurring.

| Type of investment | December 31, 2019 | | | Total |
|--------------------------|--|--|--|----------------------|
| | Level 1 Quoted Price-in active market | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Money market funds | \$ - | \$ - | \$ - | \$ - |
| Real estate investments | - | - | 14,824,663 | 14,824,663 |
| Total investments | \$ - | \$ - | \$ 14,824,663 | \$ 14,824,663 |

| Type of investment | December 31, 2018 | | | Total |
|--------------------------|--|--|--|----------------------|
| | Level 1 Quoted Price-in active market | Level 2 Significant observable inputs | Level 3 Significant unobservable inputs | |
| Money market funds | \$ - | \$ 649,496 | \$ - | \$ 649,496 |
| Real estate investments | - | - | 16,660,165 | 16,660,165 |
| Total investments | \$ - | \$ 649,496 | \$ 16,660,165 | \$ 17,309,661 |

During 2019 and 2018, there were no transfers between Levels 1, 2, or 3.

| Real estate investments | 2019 | 2018 |
|--|----------------------|----------------------|
| Opening balance, January 1, 2019 | \$ 16,660,165 | \$ 15,334,800 |
| Total gains recognized in profit or loss | 1,423,370 | 292,193 |
| Purchases | 1,114,526 | 1,931,596 |
| Sales | (4,102,096) | (1,581,927) |
| Total unrealized gains for the year included in profit and loss | (271,302) | 683,503 |
| Closing balance, December 31, 2019 | \$ 14,824,663 | \$ 16,660,165 |

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9. Fair value measurement (continued):

(b) Valuation models:

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation methods for determining the fair value of common and simpler financial instruments that use only observable market data which requires little management judgment and estimation. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates and money market prices.

Observable prices and model inputs are usually available in the market for equities. The availability of observable market prices and model input reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

For more complex instruments, such as equity investments and debt, the Fund uses proprietary valuation models, which are usually developed from recognized valuation models. Some or all of the significant inputs into these models may not be observable in the market and are derived from market prices or rates or are estimated based on assumptions. Valuation models that employ significant unobservable inputs require a higher degree of management judgment and estimation in the determination of fair value. Management judgment and estimation are usually required for the selection of the appropriate valuation model to be used, determination of expected future cash flows on the financial instruments being valued, determination of the probability of counterparty default and prepayments and selection of appropriate discount rates.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Fund believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparties where appropriate.

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9. Fair value measurement (continued):

(c) Valuation framework:

The Fund has an established framework with respect to the measurement of fair values and applies the following specific controls in relation to the determination of fair values:

- verification of observable pricing inputs;
- appraisal of domestic real estate properties generally annually, but no less frequently than every 18 months by accredited independent appraisers;
- analysis and investigation of significant valuation movements for real estate investments; and
- review of unobservable inputs and valuation adjustments for real estate investments.

When third party information, such as broker quotes or pricing services, is used to measure fair value, then QuadReal management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations are appropriate. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair values has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

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9. Fair value measurement (continued):

(d) Significant unobservable inputs used in measuring value:

| 2019 | | | | |
|-------------------------|--------------|----------------------------|--|--|
| | Fair Value | Valuation Technique | Unobservable Input | Sensitivity to Change in significant Unobservable Input |
| Real estate investments | \$14,824,663 | Unadjusted Net Asset Value | Net Asset Value is compiled by the investment managers based on various unobservable inputs as applicable to each underlying investment. | The estimated fair value would increase (decrease) if the following changes were made to valuations of the underlying investments in the investees and unlisted private equity investee funds: <ul style="list-style-type: none"> – the discount rates were lower (higher); – the EV/EBITDA multiples were higher (lower); or – a change in the annual revenue growth rate is accompanied by a directionally similar change in the EBITDA margin. |

| 2018 | | | | |
|-------------------------|--------------|----------------------------|--|--|
| | Fair Value | Valuation Technique | Unobservable Input | Sensitivity to Change in significant Unobservable Input |
| Real estate investments | \$16,660,165 | Unadjusted Net Asset Value | Net Asset Value is compiled by the investment managers based on various unobservable inputs as applicable to each underlying investment. | The estimated fair value would increase (decrease) if the following changes were made to valuations of the underlying investments in the investees and unlisted private equity investee funds: <ul style="list-style-type: none"> – the discount rates were lower (higher); – the EV/EBITDA multiples were higher (lower); or – a change in the annual revenue growth rate is accompanied by a directionally similar change in the EBITDA margin. |

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9. Fair value measurement (continued):

(d) Significant unobservable inputs used in measuring value (continued):

(i) Enterprise Value (“EV”) and earnings before interest, tax, depreciation, and amortization (“EBITDA”) multiples:

Represent amounts that market participants would use when pricing the investments. QuadReal management assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee operates to determine the discount rate. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective underlying real estate property or investment.

(ii) Discount rate:

Represents the discount rate applied to the expected future cash flows of each underlying real estate investment property or investment. QuadReal management assesses both the risk premium and the appropriate risk-free rate based on the economic environment in which the investee operates to determine the discount rate. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. Cash flows used in the discounted cash flow model are based on projected cash flows or earnings of the respective underlying real estate property or investment.

(e) Effects of unobservable input on fair value measurement:

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 and debt by 10%.

| Real estate investments | 2019 | 2018 |
|-------------------------|--------------|--------------|
| Favourable | \$ 1,482,466 | \$ 1,666,017 |
| Unfavourable | (1,482,466) | (1,666,017) |

(f) Other financial instruments:

The carrying value of cash, interest and other receivables, payable for the redemption of units, fund manager cost recoveries payable and other accounts payable and accruals, approximates their fair value given their short-term nature.

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10. Involvement with subsidiaries and associates:

The Fund's investments are held primarily through 200 wholly owned and 60 partially owned subsidiary entities, all of which constitute structured entities. Structured entities are entities that have been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. These structured entities have been set up by BCI and QuadReal to manage credit and other risks that may arise in the course of administering the underlying investments.

During 2019 and 2018, the Fund provided financial support to subsidiaries or associates for investment and operation activities and has committed to providing financial support under loan arrangements or shareholders' resolutions as needed.

11. Involvement with structured entities:

In addition to the entities described in note 10, the Fund holds interests in other structured entities which are comprised of two directly held trusts. These entities are organized as unit trusts. The entities have been constituted to manage assets on behalf of third-party investors and are financed through the issuance of units to investors. In 2018, the Fund held interests in a directly held investee money market fund the table below sets out the interests held by the Fund in these other structured entities:

In addition to the entities described in note 10, the Fund holds interests in other structured entities which are comprised of two directly held trusts. These entities are organized as unit trusts. The entities have been constituted to manage assets on behalf of third-party investors and are financed through the issuance of units to investors. In 2018, the Fund held interests in a directly held investee money market fund the table below sets out the interests held by the Fund in these other structured entities:

| Entity | 2019 | | | 2018 | | |
|--|--------------------|------------------------------|-----------------|--------------------|------------------------------|-----------------|
| | Number of entities | Total net assets of entities | Carrying amount | Number of entities | Total net assets of entities | Carrying amount |
| Investment in trusts | 2 | \$ 496,754 | \$ 496,754 | 3 | \$ 368,997 | \$ 368,997 |
| Investee in money market funds administered by BCI | - | - | - | 1 | 1,699,706 | 649,496 |
| | | \$ 496,754 | \$ 496,754 | | \$ 2,068,703 | \$ 1,018,493 |

The carrying amount of the investments held in these underlying funds represents the Fund's maximum exposure to loss. The Fund has commitments to provide financial support to wholly owned subsidiaries to fund day-to-day operations and investment activity. During 2019, the Fund provided \$68,897 (2018 \$27,347) in financial support to the structured entities for investment activities.

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12. Commitments and contingencies:

As at December 31, 2019, the Fund had the following outstanding commitments and contingencies:

- (a) The Fund, its wholly owned corporations, limited partnerships and trusts have property purchase and development commitments of \$2,158,971 (2018 \$329,132) and have issued irrevocable standby letters of credit totaling \$140,573 (2018 \$97,593) in support of projects and operations. Certain investments of the Fund may, in the normal course of business activities, be involved in disputes with third parties. QuadReal management assesses the likelihood of loss relating to any disputes and has determined that such disputes would not have a material impact on the NAV of the Fund.
- (b) In the fourth quarter of 2019, the Fund established a credit enhancement program whereby the Fund would provide financial guarantees to its subsidiaries and international affiliates to secure lower financing costs in support of construction and other investment activities. As at December 31, 2019, the Fund had issued an irrevocable guarantee in support of an international affiliate's construction financing and the Fund's potential financial exposure was \$34,352 (December 31, 2018 – nil).

13. Subsequent events:

- (a) The Fund entered into a Purchase and Sale agreement December 10, 2019 for the sale of a residential portfolio consisting of eight investment properties in Halifax, Nova Scotia. The sale was completed on February 10, 2020 for cash consideration of \$391,000.
- (b) On February 25, 2020, the Fund entered into a joint venture arrangement acquiring a 57% interest in a \$169,953 property held for development.
- (c) In February and March 2020, respectively, the Fund established a three-year \$2,000,000 senior unsecured revolving credit facility and a \$1,500,000 commercial paper program for general corporate purposes. DBRS Limited assigned the Fund's commercial paper program a credit rating of 'R-1 (low)' with a stable outlook.
- (d) In February 2020, the senior unsecured revolving credit facility at BRC was reduced from \$1,500,000 to \$1,000,000.
- (e) In February 2020, as part of the Fund's credit enhancement program, the Fund issued two irrevocable guarantees in support of domestic and international debt financing for investment and development activities. The Fund's potential financial exposure related to these guarantees amounted to \$160,002 as at the respective transaction dates.

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13. Subsequent events (continued):

- (f) In February 2020, a US\$50,000 credit facility was established between the Fund and an international affiliate in support of investments in the United States. The credit facility will be used for general corporate purposes and construction financing. The advances related to this credit facility were approximately \$555 at the transaction date.
- (g) In February 2020, the Fund provided a guarantee on an uncommitted revolving \$25,000 demand credit facility for QuadReal, to be used for corporate cash management requirements.
- (h) Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. COVID-19 and its negative impact on the global economy has resulted in a decline in the global financial market and significantly increased volatility. Given the extent of the crisis, it is difficult to estimate the duration of the increased volatility or the ultimate impact on the investment performance of the Fund.