



FIXED INCOME

# Pooled Fund Financial Statements

DECEMBER 2020

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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

**FIXED INCOME - POOLED INVESTMENT PORTFOLIOS**

**GROUP OF FUNDS**

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Canadian Money Market Fund ST1  
Canadian Money Market Fund ST2  
U.S. Dollar Money Market Fund ST3  
CDOR 1 Floating Rate Fund  
CDOR 2 Floating Rate Fund  
CDOR 3 Floating Rate Fund  
CDOR 4 Floating Rate Fund  
Short Term Bond Fund  
Canadian Universe Bond Fund  
Corporate Bond Fund  
Leveraged Bond Fund

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

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## MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

British Columbia Investment Management Corporation (BCI) manages Pooled Investment Portfolios ("PIPs") on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. This report contains the financial statements for the following PIPs for the year ended December 31, 2020:

Canadian Money Market Fund ST1	CDOR 4 Floating Rate Fund
Canadian Money Market Fund ST2	Short Term Bond Fund
U.S. Dollar Money Market Fund ST3	Canadian Universe Bond Fund
CDOR 1 Floating Rate Fund	Corporate Bond Fund
CDOR 2 Floating Rate Fund	Leveraged Bond Fund
CDOR 3 Floating Rate Fund	

The financial statements of the PIPs have been prepared by management of BCI and approved by the 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 Committee's mandate includes making recommendations on the appointment of the external auditor for the PIPs, reviewing the external audit plan; reviewing BCI's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, and reviewing the annual audited financial statements of the PIPs. The 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 maintains systems 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 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 Board-approved PIP Policies and client-approved investment mandates. BCI's system of internal control is supported by external auditors who review and evaluate internal controls and report directly to the Audit Committee.

BCI's external auditors, KPMG LLP, have full and unrestricted access to the Audit Committee and BCI management. KPMG LLP discusses with management and the Committee the results of their audit of the PIPs' financial statements and related findings with respect to such audits. Each of the PIP financial statements is 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 PIP financial statements.

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

Gordon J. Fyfe  
Chief Executive Officer / Chief Investment Officer

***[S] Umar Malik***

Umar Malik  
Senior Vice President, Finance & CFO

Victoria, British Columbia  
April 12, 2021



KPMG LLP  
PO Box 10426 777 Dunsmuir Street  
Vancouver BC V7Y 1K3  
Canada  
Telephone (604) 691-3000  
Fax (604) 691-3031

## INDEPENDENT AUDITORS' REPORT

To the unitholders of the following Fixed Income - Pooled Investment Portfolios:

Canadian Money Market Fund ST1  
Canadian Money Market Fund ST2  
U.S. Dollar Money Market Fund ST3  
CDOR 1 Floating Rate Fund  
CDOR 2 Floating Rate Fund  
CDOR 3 Floating Rate Fund  
CDOR 4 Floating Rate Fund  
Short Term Bond Fund  
Canadian Universe Bond Fund  
Corporate Bond Fund  
Leveraged Bond Fund  
(collectively, the "Funds")

### ***Opinion***

We have audited the financial statements of the Funds, which comprise:

- the statements of financial position as at December 31, 2020
- the statements of comprehensive income (loss) for the year then ended
- the statements of changes in net assets attributable to holders of redeemable units for the year then ended
- the statements 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 Funds as at December 31, 2020, and their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").



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

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ report.

We are independent of the Funds in accordance with the ethical requirements that are relevant to our audits 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 the Manager and Those Charged with Governance for the Financial Statements***

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Manager 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, the Manager is responsible for assessing the Funds’ abilities to continue as going concerns, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds’ financial reporting process.

### ***Auditors’ 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 auditors’ 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 Manager's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager'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 Funds' abilities to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Funds to cease to continue as going concerns.
- 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 audits.

*KPMG LLP*

Chartered Professional Accountants

Vancouver, Canada  
April 12, 2021

**CANADIAN MONEY MARKET FUND ST1****Statement of Financial Position**

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ 36	\$ —
Interest receivable		12	45
Investments		1,910,903	1,127,406
<b>Total assets</b>		<b>1,910,951</b>	<b>1,127,451</b>
<b>Liabilities</b>			
Payable for redemption of units		36	—
BCI cost recoveries payable	4	886	844
Other accounts payable		30	30
<b>Total liabilities</b>		<b>952</b>	<b>874</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 1,909,999</b>	<b>\$ 1,126,577</b>
Number of redeemable units outstanding	5	485,915	288,023
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 3,931</b>	<b>\$ 3,911</b>

*Uncertainties related to COVID-19*

10

*Subsequent events*

11

**[S] Gordon J. Fyfe**

Gordon J. Fyfe

Chief Executive Officer

Chief Investment Officer

**CANADIAN MONEY MARKET FUND ST1****Statement of Comprehensive Income (Loss)**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income		\$ 9,774	\$ 18,979
Securities lending income		3	—
Change in fair value of investments:			
Net realized gain		1	—
Net change in unrealized appreciation		(2)	9
<b>Total revenue</b>		<b>9,776</b>	<b>18,988</b>
<b>Expenses</b>			
BCI cost recoveries	4	1,127	953
Administrative fees		60	53
<b>Total operating expenses</b>		<b>1,187</b>	<b>1,006</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		8,589	17,982
Distributions to holders of redeemable units:			
From net investment income		(8,592)	(17,973)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (3)</b>	<b>\$ 9</b>

See accompanying Notes to the Financial Statements



**CANADIAN MONEY MARKET FUND ST1****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 1,126,577	\$ 1,699,706
Increase (decrease) in net assets attributable to holders of redeemable units	(3)	9
Redeemable unit transactions:		
Proceeds from units issued	52,585,240	34,911,373
Reinvestment of distributions	8,592	17,973
Amounts paid for units redeemed	(51,810,407)	(35,502,484)
Net increase (decrease) from redeemable unit transactions	783,425	(573,138)
<b>Balance, end of year</b>	<b>\$ 1,909,999</b>	<b>\$ 1,126,577</b>

**CANADIAN MONEY MARKET FUND ST1****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (3)	\$ 9
Adjustments for:		
Interest income	(9,774)	(18,979)
Net realized gain from investments	(1)	—
Net change in unrealized appreciation of investments	2	(9)
Amortization of premiums and discounts	(1,434)	(3,756)
Non cash distributions	8,592	17,973
Proceeds from sale of investments	566,983,746	222,206,142
Amounts paid for purchase of investments	(567,765,810)	(221,629,370)
BCI cost recoveries payable	42	106
Other accounts payable	—	1
Interest received	9,807	18,994
	(774,833)	591,111
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	52,585,240	34,911,373
Payments on redemption of redeemable units	(51,810,371)	(35,502,484)
	774,869	(591,111)
Net increase in cash	36	—
Cash, beginning of year	—	—
<b>Cash, end of year</b>	<b>\$ 36</b>	<b>\$ —</b>

**CANADIAN MONEY MARKET FUND ST1****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Money Market Investments</b>				
Provincial Government	—	—	151,407	151,412
Municipal Government	—	—	59,915	59,918
	—	—	211,322	211,330
<b>Investment Related Receivables</b>				
Securities purchased under reverse repurchase agreements (note 4)	1,910,903	1,910,913	916,084	916,084
<b>Total Investments</b>	<b>\$ 1,910,903</b>	<b>\$ 1,910,913</b>	<b>\$ 1,127,406</b>	<b>\$ 1,127,414</b>

## CANADIAN MONEY MARKET FUND ST1

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The Canadian Money Market Fund ST1 (the "Fund") invests in very short-term debt securities that are issued, insured, or guaranteed by the Canadian government and repurchase agreement investments secured by Canadian government debt securities. The Fund assumes minimal risk. The investment objective of the Fund is to exceed the returns of the benchmark, the FTSE Canada 30 Day T-Bill Index, by 11 basis points per annum, net of all investment expenses incurred. The primary goals are to minimize market risk and maximize liquidity.

The Fund can hold the following securities:

- fixed income securities that are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government;
- repurchase agreement investments secured by fixed income securities which are issued, insured or guaranteed by the Government of Canada or a provincial government;
- exchange-traded and cleared over-the-counter derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management; and
- swapped deposits (fully hedged US - dollar denominated securities that meet investment guideline criteria).

The following restrictions apply to the Fund:

- the maximum term to maturity of the securities is 45 days;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the termination of any affected derivative transaction so as to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

#### Credit Risk

As at December 31, 2020, the Fund did not hold any fixed income instruments. As at December 31, 2019, the Fund invested in debt instruments with the following security or issuer credit ratings:

MONEY MARKET INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ —	— %	\$ 59,915	28.4 %
A	—	—	151,407	71.6
<b>Total</b>	<b>\$ —</b>	<b>— %</b>	<b>211,322</b>	<b>100.0 %</b>

#### Collateral Pledged and Received

Credit risk relating to securities purchased under reverse repurchase agreements is considered low due to the amount and quality of collateral, as well as high counterparty credit ratings. As at December 31, 2020, 100% of securities purchased under reverse repurchase agreements were concentrated among three issuers whose credit rating was at least A. As at December 31, 2019, 100% of securities purchased under reverse repurchase agreements were concentrated among two issuers whose credit rating was AAA.

#### Liquidity Risk

The Fund's liabilities are due within three months of the year-end of the Fund.

## CANADIAN MONEY MARKET FUND ST1

### Interest Rate Risk

As at December 31, 2020, the Fund did not hold any fixed income instruments and held securities purchased through reverse repurchase agreements, which have a short term to maturity and therefore not subject to significant interest rate risk. As at December 31, 2019, the Fund invested in fixed income instruments with terms to maturity within 45 days, and a weighted average effective yield of 1.82%.

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$191 (2019 - \$113), representing 0% of the Fund's net assets (2019 - 0%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## CANADIAN MONEY MARKET FUND ST1

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market investments	—	—	—	—	211,322	211,322
Securities purchased under reverse repurchase agreements	—	1,910,903	1,910,903	—	916,084	916,084
Total investments	—	1,910,903	1,910,903	—	1,127,406	1,127,406
<b>Total</b>	<b>\$ —</b>	<b>\$ 1,910,903</b>	<b>\$ 1,910,903</b>	<b>\$ —</b>	<b>\$ 1,127,406</b>	<b>\$ 1,127,406</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CANADIAN MONEY MARKET FUND ST2

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest receivable		965	5,630
Security lending revenue receivable		—	11
Investments		3,863,886	3,757,604
<b>Total assets</b>		<b>3,864,851</b>	<b>3,763,245</b>
<b>Liabilities</b>			
Payable for purchase of investments		59,990	35,949
BCI cost recoveries payable	4	1,418	1,396
Other accounts payable		21	23
<b>Total liabilities</b>		<b>61,429</b>	<b>37,368</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 3,803,422</b>	<b>\$ 3,725,877</b>
Number of redeemable units outstanding	5	895,487	887,296
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 4,247</b>	<b>\$ 4,199</b>
<i>Uncertainties related to COVID-19</i>	10		
<i>Subsequent events</i>	11		

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

## CANADIAN MONEY MARKET FUND ST2

### Statement of Comprehensive Loss

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

Revenue	NOTES	2020	2019
Interest income		\$ 28,209	\$ 55,395
Securities lending income		120	167
Other income		1	—
Change in fair value of investments:			
Net realized gain		8,425	1,432
Net change in unrealized appreciation		(2,829)	(1,216)
<b>Total revenue</b>		<b>33,926</b>	<b>55,778</b>
<b>Expenses</b>			
BCI cost recoveries	4	546	2,950
Administrative fees		45	56
<b>Total operating expenses</b>		<b>591</b>	<b>3,006</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		33,335	52,772
Distributions to holders of redeemable units:			
From net investment income		(36,164)	(52,556)
From net realized gains on investments		—	(1,433)
		(36,164)	(53,989)
<b>Decrease in net assets attributable to holders of redeemable units</b>		<b>\$ (2,829)</b>	<b>\$ (1,217)</b>



**CANADIAN MONEY MARKET FUND ST2****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 3,725,877	\$ 2,347,990
Decrease in net assets attributable to holders of redeemable units	(2,829)	(1,217)
Redeemable unit transactions:		
Proceeds from units issued	12,427,256	10,776,364
Reinvestment of distributions	36,164	53,989
Amounts paid for units redeemed	(12,383,046)	(9,451,249)
Net increase from redeemable unit transactions	80,374	1,379,104
<b>Balance, end of year</b>	<b>\$ 3,803,422</b>	<b>\$ 3,725,877</b>

**CANADIAN MONEY MARKET FUND ST2****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Decrease in net assets attributable to holders of redeemable units	\$ (2,829)	\$ (1,217)
Adjustments for:		
Interest income	(28,209)	(55,395)
Net realized gain from investments	(8,425)	(1,432)
Net change in unrealized appreciation of investments	2,829	1,216
Amortization of premiums and discounts	(10,761)	(26,362)
Non cash distributions	36,164	53,989
Proceeds from sale of investments	347,018,760	144,239,146
Amounts paid for purchase of investments	(347,084,644)	(145,588,248)
Security lending revenue receivable	11	43
BCI cost recoveries payable	22	71
Other accounts payable	(2)	—
Interest received	32,874	53,074
	(44,210)	(1,325,115)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	12,427,256	10,776,364
Payments on redemption of redeemable units	(12,383,046)	(9,451,249)
	44,210	1,325,115
Net increase in cash	—	—
<b>Cash, beginning and end of year</b>	<b>\$ —</b>	<b>\$ —</b>

**CANADIAN MONEY MARKET FUND ST2****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	—	—	798,894	799,336
Corporate	121,630	125,031	566,276	566,407
	121,630	125,031	1,365,170	1,365,743
<b>Money Market Investments</b>				
Federal Government	—	—	551,906	551,921
Provincial Government	—	—	374,959	374,954
Municipal Government	14,998	14,997	101,408	101,413
Corporate	488,281	488,290	893,318	893,334
	503,279	503,287	1,921,591	1,921,622
<b>Investment Related Receivables</b>				
Securities purchased under reverse repurchase agreements (note 4)	3,238,977	3,239,001	470,843	470,843
<b>Total Investments</b>	<b>\$ 3,863,886</b>	<b>\$ 3,867,319</b>	<b>\$ 3,757,604</b>	<b>\$ 3,758,208</b>

See accompanying Notes to the Financial Statements

## CANADIAN MONEY MARKET FUND ST2

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The Canadian Money Market Fund ST2 (the "Fund") invests in government and corporate debt securities, including commercial paper. The investment objective of the Fund is to exceed the returns of the benchmark, the FTSE Canada 91 Day T-Bill Index, by 11 basis points per annum, net of all investment expenses incurred.

The Fund can hold the following securities:

- fixed income securities that are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government;
- Canadian dollar denominated fixed income securities issued or guaranteed by a sovereign government;
- Canadian dollar denominated fixed income securities which are issued, insured, or guaranteed by supranational entities including, but not limited to, the World Bank, the International Bank for Reconstruction and Development, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, or the Inter-American Development bank;
- corporate bonds, issued in Canadian dollars;
- corporate commercial paper, issued in Canadian dollars;
- interest-bearing money market investments such as term deposits that meet investment guideline criteria;
- asset-backed securities, issued in Canadian dollars;
- unrated Canadian dollar denominated corporate paper (i.e. debt issued by credit unions) up to 1% of the Fund's assets;
- repurchase agreement investments secured by fixed income securities which are issued, insured or guaranteed by the Government of Canada or a provincial government;
- derivative instruments for the purpose of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management; and
- swapped deposits (fully hedged US - dollar denominated securities that meet investment guideline criteria).

The following restrictions apply to the Fund:

- the maximum term to maturity of the securities (including callable bonds) is 15 months;
- no more than 10% of money market investments can be invested in one corporation, with the exception that the Fund may hold up to 15% of the Fund's assets in any one Schedule One bank;
- no more than 25% of the total portfolio can be invested in corporate commercial paper rated A-1 (low);
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- corporate and government short term debt securities issued by non-Canadian entities held by the Fund shall be rated A-1 (low) or better by Standard & Poor's or have an equivalent rating from another credit rating agency. Longer term corporate and foreign government issued debt investments must be rated A- or better by Standard & Poor's or have an equivalent rating from another credit rating agency;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction so as to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CANADIAN MONEY MARKET FUND ST2

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 80,908	12.9 %	\$ 1,210,151	36.8 %
A	394,001	63.1	1,604,645	48.8
Not rated	150,000	24.0	471,965	14.4
<b>Total</b>	<b>\$ 624,909</b>	<b>100.0 %</b>	<b>\$ 3,286,761</b>	<b>100.0 %</b>

### Collateral Pledged and Received

Credit risk relating to securities purchased under reverse repurchase agreements is considered low due to the amount and quality of collateral, as well as high counterparty credit ratings. As at December 31, 2020, 100% of securities purchased under reverse repurchase agreements were concentrated among two issuers whose credit rating was at least A. As at December 31, 2019, 100% of securities purchased under reverse repurchase agreements were concentrated among three issuers whose credit rating was AAA.

### Liquidity Risk

The Fund's liabilities are due within three months of the year-end of the Fund.

### Interest Rate Risk

As at December 31, the Fund invested in fixed income instruments with an effective term to maturity within 15 months, and a weighted average effective yield of 0.5% (2019 - 1.9%).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$3,864 (2019 - \$13,059), representing 0.1% of the Fund's net assets (2019 - 0.4%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

#### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## CANADIAN MONEY MARKET FUND ST2

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	—	—	—	—	1,921,591	1,921,591
Money market investments	—	503,279	503,279	—	—	—
Bonds	—	121,630	121,630	—	1,365,170	1,365,170
Securities purchased under reverse repurchase agreements	—	3,238,977	3,238,977	—	470,843	470,843
Total investments	—	3,863,886	3,863,886	—	3,757,604	3,757,604
<b>Total</b>	<b>\$ —</b>	<b>\$ 3,863,886</b>	<b>\$ 3,863,886</b>	<b>\$ —</b>	<b>\$ 3,757,604</b>	<b>\$ 3,757,604</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## U.S. DOLLAR MONEY MARKET FUND ST3

### Statement of Financial Position

(Expressed in thousands of U.S. dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest receivable		\$ 1	\$ 18
Other receivables		13	—
Investments		780,974	543,343
<b>Total assets</b>		<b>780,988</b>	<b>543,361</b>
<b>Liabilities</b>			
BCI cost recoveries payable	4	172	127
Other accounts payable		—	20
Forwards		324	—
<b>Total liabilities</b>		<b>496</b>	<b>147</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 780,492</b>	<b>\$ 543,214</b>
Number of redeemable units outstanding	5	339,560	237,179
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 2,299</b>	<b>\$ 2,290</b>
<i>Uncertainties related to COVID-19</i>	10		
<i>Subsequent events</i>	11		

**[S] Gordon J. Fyfe**

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Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

## U.S. DOLLAR MONEY MARKET FUND ST3

### Statement of Comprehensive Income

(Expressed in thousands of U.S. dollars)

Year ended December 31, 2020, with comparative information for 2019

Revenue	NOTES	2020	2019
Interest income		\$ 4,226	\$ 8,509
Other income		3	—
Foreign exchange loss		(578)	—
Change in fair value of investments and derivatives:			
Net realized gain (loss)		245	(2)
Net change in unrealized appreciation		340	20
<b>Total revenue</b>		<b>4,236</b>	<b>8,527</b>
<b>Expenses</b>			
BCI cost recoveries	4	139	270
Administrative fees		43	29
<b>Total operating expenses</b>		<b>182</b>	<b>299</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		4,054	8,228
Distributions to holders of redeemable units:			
From net investment income		(3,708)	(8,210)
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>\$ 346</b>	<b>\$ 18</b>



**U.S. DOLLAR MONEY MARKET FUND ST3****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of U.S. dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 543,214	\$ 601,988
Increase in net assets attributable to holders of redeemable units	346	18
Redeemable unit transactions:		
Proceeds from units issued	15,572,901	10,340,477
Reinvestment of distributions	3,708	8,210
Amounts paid for units redeemed	(15,339,677)	(10,407,479)
Net increase (decrease) from redeemable unit transactions	236,932	(58,792)
<b>Balance, end of year</b>	<b>\$ 780,492</b>	<b>\$ 543,214</b>

## U.S. DOLLAR MONEY MARKET FUND ST3

### Statement of Cash Flows

(Expressed in thousands of U.S. dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase in net assets attributable to holders of redeemable units	\$ 346	\$ 18
Adjustments for:		
Foreign exchange loss	578	—
Interest income	(4,226)	(8,509)
Net realized (gain)loss from investments and derivatives	(245)	2
Net change in unrealized appreciation of investments and derivatives	(340)	(20)
Amortization of premiums and discounts	(1,313)	(2,619)
Non cash distributions	3,708	8,210
Proceeds from sale of investments	242,304,616	75,178,086
Amounts paid for purchase of investments	(242,540,025)	(75,116,695)
Other receivables	(13)	—
BCI cost recoveries payable	45	12
Other accounts payable	(20)	3
Interest received	4,243	8,514
	(232,646)	67,002
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	15,572,901	10,340,477
Payments on redemption of redeemable units	(15,339,677)	(10,407,479)
	233,224	(67,002)
Net increase in cash	578	—
Effect of exchange rate changes on cash	(578)	—
<b>Cash, beginning and end of year</b>	<b>\$ —</b>	<b>\$ —</b>

**U.S. DOLLAR MONEY MARKET FUND ST3****Schedule of Investments**

(Expressed in thousands of U.S. dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Money Market Investments</b>				
Federal Government	89,245	88,855	—	—
Provincial Government	28,255	27,975	90,809	90,806
Corporate	53,477	53,477	192,534	192,534
	170,977	170,307	283,343	283,340
<b>Investment Related Receivables</b>				
Securities purchased under reverse repurchase agreements (note 4)	609,997	610,000	260,000	260,000
<b>Total Investments</b>	<b>\$ 780,974</b>	<b>\$ 780,307</b>	<b>\$ 543,343</b>	<b>\$ 543,340</b>

## U.S. DOLLAR MONEY MARKET FUND ST3

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Currency derivatives</b>						
<b>OTC</b>						
Forwards	\$ 67,183	\$ —	\$ (324)	\$ —	\$ —	\$ —
<b>Total</b>	<b>\$ 67,183</b>	<b>\$ —</b>	<b>\$ (324)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ 67,183	\$ —
<b>Total</b>	<b>\$ 67,183</b>	<b>\$ —</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## U.S. DOLLAR MONEY MARKET FUND ST3

### Financial Risk Management Discussion

(Expressed in thousands of U.S. dollars)

The U.S. Dollar Money Market Fund ST3 (the "Fund") invests in short term government and corporate debt securities, including commercial paper. The investment objective of the Fund is to exceed the returns of the benchmark, the Citigroup 30 Day Treasury Bill Index, by 11 basis points per annum net of all expenses incurred.

The Fund can hold the following securities:

- US dollar denominated securities which are issued, insured, or guaranteed by the Government of Canada or a provincial or municipal government;
- United States Treasury Bills (T-bills);
- US dollar denominated corporate commercial paper, issued by a Canadian corporation that is rated A-1 (low) or better by Standard & Poor's or has an equivalent rating from another credit rating agency;
- unrated Canadian corporate paper (i.e. debt issued by credit unions) up to 1% of the Fund's assets;
- interest-bearing money market investments such as term deposits that meet investment guideline criteria;
- repurchase agreement investments secured by fixed income securities which are issued, insured, or guaranteed by the United States Government;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management; and
- swapped deposits (fully hedged Canadian-dollar denominated securities that meet investment guideline criteria).

The following restrictions apply to the Fund:

- the maximum term to maturity of any one security is 45 days;
- no more than 10% of money market investments can be invested in one corporation, with the exception that the Fund may hold up to 15% of fund assets in any one Schedule One bank;
- no more than 25% of the total portfolio can be invested in corporate commercial paper rated A-1 (low);
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- 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 credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI will have discretion with respect to the sale of any affected security or the termination of any affected derivative transaction.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## U.S. DOLLAR MONEY MARKET FUND ST3

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

MONEY MARKET INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 50,000	29.2 %	\$ 63,498	22.4 %
A	120,977	70.8	219,845	77.6
<b>Total</b>	<b>\$ 170,977</b>	<b>100.0 %</b>	<b>\$ 283,343</b>	<b>100.0 %</b>

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 67,183	\$ —	\$ (324)	\$ —	\$ —	\$ —
<b>Total Derivatives</b>	<b>\$ 67,183</b>	<b>\$ —</b>	<b>\$ (324)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

### Collateral Pledged and Received

Credit risk relating to securities purchased under reverse repurchase agreements is considered low due to the amount and quality of collateral, as well as high counterparty credit ratings. As at December 31, 2020, 100% of securities purchased under reverse repurchase agreements were concentrated among three issuers whose credit rating was at least A. As at December 31, 2019, 100% of securities purchased under reverse repurchase agreements were concentrated among two issuers whose credit rating was AAA.

## U.S. DOLLAR MONEY MARKET FUND ST3

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

	2020					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total	
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	—
Derivative liabilities	(324)	(324)	—	—	(324)	(324)
	\$ (324)	\$ (324)	\$ —	\$ —	\$ (324)	(324)

### Interest Rate Risk

As at December 31, the Fund invested in fixed income instruments with terms to maturity within 45 days, and a weighted average effective yield of 0.10% (2019 - 1.56%).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$78 (2019 - \$82), representing 0% of the Fund's net assets (2019 - 0%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in U.S. dollars and the functional currency of the Fund is U.S. dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

#### *Investments by geographic region*

The Fund's investments are exposed to the Canadian market, as all of the investments are U.S. dollar denominated instruments issued by Canadian governments and corporations.

## U.S. DOLLAR MONEY MARKET FUND ST3

### Fair Value Measurement Discussion

(Expressed in thousands of U.S. dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market investments	—	170,977	170,977	—	283,343	283,343
Securities purchased under reverse repurchase agreements	—	609,997	609,997	—	260,000	260,000
Total investments	—	780,974	780,974	—	543,343	543,343
Forwards, net	—	(324)	(324)	—	—	—
Total derivatives	—	(324)	(324)	—	—	—
<b>Total</b>	<b>\$ —</b>	<b>\$ 780,650</b>	<b>\$ 780,650</b>	<b>\$ —</b>	<b>\$ 543,343</b>	<b>\$ 543,343</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.



## CDOR 1 FLOATING RATE FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ —	\$ 178
Receivable from issuance of units		30,036	13,438
Interest receivable		32,109	46,893
Security lending revenue receivable		—	1,523
Other receivables		10	—
Derivative assets			
Swaps		771	18,819
Forwards		1,049	16,537
Investments		14,626,485	20,653,940
<b>Total assets</b>		<b>14,690,460</b>	<b>20,751,328</b>
<b>Liabilities</b>			
Payable for purchase of investments		—	118,834
Payable for redemption of units		30,036	19,433
BCI cost recoveries payable	4	247	233
Other accounts payable		43	39
Derivative liabilities			
Swaps		106,549	32,155
Forwards		106	—
<b>Total liabilities</b>		<b>136,981</b>	<b>170,694</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 14,553,479</b>	<b>\$ 20,580,634</b>
Number of redeemable units outstanding	5	13,635.495	19,556.024
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 1,067</b>	<b>\$ 1,052</b>

*Uncertainties related to COVID-19*

10

*Subsequent events*

11

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

**CDOR 1 FLOATING RATE FUND****Statement of Comprehensive Income (Loss)**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income	\$	294,184	\$ 380,931
Dividend income		23,172	—
Securities lending income		11,715	13,357
Other income		1	—
Foreign exchange gain (loss)		12,660	(702)
Change in fair value of investments and derivatives:			
Net realized gain (loss)		(65,656)	9,696
Net change in unrealized appreciation		2,546	8,861
<b>Total revenue</b>		<b>278,622</b>	<b>412,143</b>
<b>Expenses</b>			
BCI cost recoveries	4	1,169	821
Administrative fees		102	108
Commissions and stock exchange fees		5	—
Other expenses		12	—
<b>Total operating expenses</b>		<b>1,288</b>	<b>929</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		277,334	411,214
Distributions to holders of redeemable units:			
From net investment income		(340,445)	(393,128)
From net realized gains on investments and derivatives		—	(9,223)
		(340,445)	(402,351)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (63,111)</b>	<b>\$ 8,863</b>

**CDOR 1 FLOATING RATE FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 20,580,634	\$ 12,850,449
Increase (decrease) in net assets attributable to holders of redeemable units	(63,111)	8,863
Redeemable unit transactions:		
Proceeds from units issued	15,331,388	23,289,978
Reinvestment of distributions	340,445	402,351
Amounts paid for units redeemed	(21,635,877)	(15,971,007)
Net increase (decrease) from redeemable unit transactions	(5,964,044)	7,721,322
<b>Balance, end of year</b>	<b>\$ 14,553,479</b>	<b>\$ 20,580,634</b>

**CDOR 1 FLOATING RATE FUND****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (63,111)	\$ 8,863
Adjustments for:		
Foreign exchange (gain) loss	(12,660)	702
Interest income	(294,184)	(380,931)
Dividend income	(23,172)	—
Net realized gain (loss) from investments	65,656	(9,696)
Net change in unrealized appreciation of investments	(2,546)	(8,861)
Amortization of premiums and discounts	29,862	8,477
Non cash distributions	340,445	402,351
Proceeds from sale of investments	52,035,407	38,894,626
Amounts paid for purchase of investments	(46,111,722)	(46,756,301)
Security lending revenue receivable	1,523	(1,523)
Other receivables	(10)	—
BCI cost recoveries payable	14	94
Other accounts payable	4	25
Interest received	308,968	365,189
Dividends received	23,172	—
	6,297,646	(7,476,985)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	15,314,790	23,462,446
Payments on redemption of redeemable units	(21,625,274)	(15,985,486)
	(6,310,484)	7,476,960
Net decrease in cash	(12,838)	(25)
Effect of exchange rate changes on cash	12,660	(702)
Cash, beginning of year	178	905
<b>Cash, end of year</b>	<b>\$ —</b>	<b>\$ 178</b>

**CDOR 1 FLOATING RATE FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	5,789,632	5,757,665	11,878,066	11,866,410
Provincial Government	3,078,591	3,034,072	1,784,519	1,786,026
Municipal Government	—	—	20,786	20,467
Corporate	2,941,265	2,900,214	2,653,036	2,642,553
Supranational and Sovereign	40,018	39,756	1,013,062	1,027,316
	11,849,506	11,731,707	17,349,469	17,342,772
<b>Money Market Investments</b>				
Federal Government	271,538	272,422	—	—
Municipal Government	45,974	45,994	—	—
Corporate	764,977	764,930	474,975	474,968
Units in BCI Pooled Investment Portfolio				
Fund ST1	248,022	248,023	414,128	414,507
	1,330,511	1,331,369	889,103	889,475
<b>Floating Rate Funds</b>				
Units in BCI Pooled Investment Portfolio				
CDOR 2 Floating Rate Fund	1,446,468	1,452,407	2,415,368	2,421,273
<b>Total Investments</b>	<b>\$ 14,626,485</b>	<b>\$ 14,515,483</b>	<b>\$ 20,653,940</b>	<b>\$ 20,653,520</b>

## CDOR 1 FLOATING RATE FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Currency derivatives</b>						
<b>OTC</b>						
Forwards	272,562	1,049	(106)	973,480	16,537	—
Swaps	104,958	771	(365)	—	—	—
<b>Interest rate derivatives</b>						
<b>OTC</b>						
Swaps	8,104,000	—	(106,184)	10,104,422	18,819	(32,155)
<b>Total</b>	<b>\$ 8,481,520</b>	<b>\$ 1,820</b>	<b>\$ (106,655)</b>	<b>\$ 11,077,902</b>	<b>\$ 35,356</b>	<b>\$ (32,155)</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ 1,303,392	\$ 3,112,072
1 to 2 years	5,285,000	3,825,830
Over 2 years	1,893,128	4,140,000
<b>Total</b>	<b>\$ 8,481,520</b>	<b>\$ 11,077,902</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## CDOR 1 FLOATING RATE FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The CDOR 1 Floating Rate Fund (the "Fund") allows participating BCI pooled Funds to earn a floating rate return that is linked to the benchmark reference rate, the Canadian Dollar Offered Rate. Ownership of the Fund is limited to BCI pooled funds and BCI clients through segregated investment accounts. The functional currency of the Fund is Canadian dollars.

The Fund can hold the following securities:

- government and corporate fixed income securities;
- money market investments;
- repurchase agreement investments secured by fixed income securities which are issued, insured, or guaranteed by the Government of Canada or a Provincial Government;
- publicly traded common stock or Common Stock Equivalents of companies whose country is included in the Morgan Stanley Capital International All Country World Constituent Index, paired with derivative instruments;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management;
- agreements to finance other BCI pooled funds and accounts; and
- units in the Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- fixed income investments are limited to issuers or entities with a minimum long-term credit rating of BBB- by Standard & Poor's, or short-term credit rating of A- 1 (low), or have an equivalent credit rating from another credit rating agency;
- the maximum term to maturity of the securities is 5 years;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CDOR 1 FLOATING RATE FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 8,800,116	68.0 %	\$ 14,067,160	81.1 %
A	3,447,609	26.7	2,619,563	15.1
BBB	534,270	4.1	364,348	2.1
Not rated	150,000	1.2	298,398	1.7
<b>Total</b>	<b>\$ 12,931,995</b>	<b>100.0 %</b>	<b>\$ 17,349,469</b>	<b>100.0 %</b>

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 2,745,608	\$ 357	\$ (19,952)	\$ 2,446,485	\$ 4,779	\$ (2,869)
A	5,735,912	1,463	(86,703)	8,631,417	30,577	(29,286)
<b>Total Derivatives</b>	<b>\$ 8,481,520</b>	<b>\$ 1,820</b>	<b>\$ (106,655)</b>	<b>\$ 11,077,902</b>	<b>\$ 35,356</b>	<b>\$ (32,155)</b>

### Collateral Pledged and Received

BCI is party to derivative contracts that involve pledging and holding collateral, as outlined in Note 6 (b). The following table illustrates the fair value of such collateral:

COLLATERAL	2020	2019
Collateral received	—	2,000
Collateral pledged	100,731	7,458



## CDOR 1 FLOATING RATE FUND

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

2020					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative assets	\$ 1,820	\$ 1,820	\$ —	\$ —	1,820
Derivative liabilities	(106,655)	(14,699)	(74,468)	(17,488)	(106,655)
	<b>\$ (104,835)</b>	<b>\$ (12,879)</b>	<b>\$ (74,468)</b>	<b>\$ (17,488)</b>	<b>(104,835)</b>

2019					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative assets	\$ 35,356	\$ 17,968	\$ 5,611	\$ 11,777	35,356
Derivative liabilities	(32,155)	(4,791)	(14,839)	(12,525)	(32,155)
	<b>\$ 3,201</b>	<b>\$ 13,177</b>	<b>\$ (9,228)</b>	<b>\$ (748)</b>	<b>3,201</b>

### Interest Rate Risk

As at December 31, the Fund invested in fixed income instruments with terms to maturity within 3 years, and a weighted average effective yield of 0.3% (2019 - 1.7%).

The Fund is not exposed to significant interest rate risk as the securities held within the Fund are floating rate instruments.

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 2,950,957	0.29 %	\$ 6,100,362	1.51 %
1 to 2 years	6,355,744	0.26	6,535,127	1.86
2 to 5 years	2,542,805	0.39	4,713,980	1.86
<b>Total Bonds</b>	<b>\$ 11,849,506</b>	<b>0.30 %</b>	<b>\$ 17,349,469</b>	<b>1.74 %</b>

### Currency Risk

As at December 31, the carrying value of the Fund's net financial assets and financial liabilities held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows. The table includes foreign currency contracts.

2020				
	Net Investments and Investment-Related Receivables/ (Payables)	Net Foreign Currency Contracts Receivable/ (Payable)	Net Exposure	% of Total Net Assets
Japanese Yen	\$ 271,538	\$ (271,471)	\$ 67	— %
United States Dollar	104,851	(101,920)	2,931	0.02
<b>Net Foreign Exchange Exposure</b>	<b>\$ 376,389</b>	<b>\$ (373,391)</b>	<b>\$ 2,998</b>	<b>0.02 %</b>

**CDOR 1 FLOATING RATE FUND**

2019

	Net Investments and Investment- Related Receivables/ (Payables)		Net Foreign Currency Contracts Receivable		Net Exposure	% of Total Net Assets	
Japanese Yen	\$	—	\$	16,537	\$	16,537	0.10 %
United States Dollar		133				133	—
<b>Net Foreign Exchange Exposure</b>	\$	133	\$	16,537	\$	16,670	0.10 %

As at December 31, 2020, if the Canadian dollar had strengthened/weakened by 1 percent in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$30 (2019 - \$167), representing 0% (2019 - 0%) of the Fund's net assets. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

**Other Price Risk**

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

*Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## CDOR 1 FLOATING RATE FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	248,022	—	248,022	414,128	—	414,128
Floating rate funds	1,446,468	—	1,446,468	2,415,368	—	2,415,368
Money market investments	—	1,082,489	1,082,489	—	474,975	474,975
Bonds	—	11,849,506	11,849,506	—	17,349,469	17,349,469
Total investments	1,694,490	12,931,995	14,626,485	2,829,496	17,824,444	20,653,940
Swaps, net	—	(105,778)	(105,778)	—	(13,336)	(13,336)
Forwards, net	—	943	943	—	16,537	16,537
Total derivatives	—	(104,835)	(104,835)	—	3,201	3,201
<b>Total</b>	<b>\$ 1,694,490</b>	<b>\$ 12,827,160</b>	<b>\$ 14,521,650</b>	<b>\$ 2,829,496</b>	<b>\$ 17,827,645</b>	<b>\$ 20,657,141</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CDOR 1 FLOATING RATE FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 248,022	1	\$ 1,126,577	\$ 414,128
Investee floating rate funds administered by BCI	1	1,707,804	1,446,468	1	2,415,373	2,415,368

**CDOR 2 FLOATING RATE FUND****Statement of Financial Position**

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Dividends receivable		10,451	685
Derivative assets			
Swaps		43,914	31,003
Investments		1,663,022	2,415,248
<b>Total assets</b>		<b>1,717,387</b>	<b>2,446,936</b>
<b>Liabilities</b>			
Other accounts payable		12	10
Derivative liabilities			
Swaps		9,571	31,553
<b>Total liabilities</b>		<b>9,583</b>	<b>31,563</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 1,707,804</b>	<b>\$ 2,415,373</b>
Number of redeemable units outstanding	5	1,586,960	2,299,507
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 1,076</b>	<b>\$ 1,050</b>
<i>Uncertainties related to COVID-19</i>	10		
<i>Subsequent events</i>	11		

**[S] Gordon J. Fyfe**


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 Gordon J. Fyfe  
 Chief Executive Officer  
 Chief Investment Officer

**CDOR 2 FLOATING RATE FUND****Statement of Comprehensive Loss**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income		\$ 13	\$ 10,961
Dividend income		34,299	2,689
Securities lending income		21	13
Foreign exchange gain (loss)		4,754	(1,727)
Change in fair value of investments and derivatives:			
Net realized gain (loss)		(73,115)	12,367
Net change in unrealized appreciation		38,765	(2,858)
<b>Total revenue</b>		<b>4,737</b>	<b>21,445</b>
<b>Expenses</b>			
BCI cost recoveries	4	4	9
Administrative fees		20	13
Commissions and stock exchange fees		46	8
<b>Total operating expenses</b>		<b>70</b>	<b>30</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		4,667	21,415
Distributions to holders of redeemable units:			
From net investment income		(28,105)	(11,221)
From net realized gains on investments and derivatives		—	(12,455)
		(28,105)	(23,676)
<b>Decrease in net assets attributable to holders of redeemable units</b>		<b>\$ (23,438)</b>	<b>\$ (2,261)</b>

**CDOR 2 FLOATING RATE FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 2,415,373	\$ 3,385,057
Decrease in net assets attributable to holders of redeemable units	(23,438)	(2,261)
Redeemable unit transactions:		
Proceeds from units issued	3,198,329	2,670,884
Reinvestment of distributions	28,105	23,676
Amounts paid for units redeemed	(3,910,565)	(3,661,983)
Net decrease from redeemable unit transactions	(684,131)	(967,423)
<b>Balance, end of year</b>	<b>\$ 1,707,804</b>	<b>\$ 2,415,373</b>

## CDOR 2 FLOATING RATE FUND

### Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Decrease in net assets attributable to holders of redeemable units	\$ (23,438)	\$ (2,261)
Adjustments for:		
Foreign exchange (gain) loss	(4,754)	1,727
Interest income	(13)	(10,961)
Dividend income	(34,299)	(2,689)
Net realized (gain) loss from investments and derivatives	73,115	(12,367)
Net change in unrealized appreciation of investments and derivatives	(38,765)	2,858
Amortization of premiums and discounts	(2)	(1,495)
Non cash distributions	28,105	23,676
Proceeds from sale of investments	4,017,930	4,059,103
Amounts paid for purchase of investments	(3,334,945)	(3,081,362)
Other accounts payable	2	9
Interest received	13	14,584
Dividends received	24,533	2,004
	707,482	992,826
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	3,198,329	2,670,884
Payments on redemption of redeemable units	(3,910,565)	(3,661,983)
	(712,236)	(991,099)
Net increase (decrease) in cash	(4,754)	1,727
Effect of exchange rate changes on cash	4,754	(1,727)
<b>Cash, beginning and end of year</b>	<b>\$ —</b>	<b>\$ —</b>



**CDOR 2 FLOATING RATE FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Equity Investments</b>				
Publicly Traded	\$ 1,454,938	\$ 1,457,593	\$ 2,363,144	\$ 2,367,665
Exchange Traded Funds	201,247	199,302	—	—
	1,656,185	1,656,895	2,363,144	2,367,665
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio				
Fund ST1	6,684	6,684	51,965	52,027
Fund ST3	153	158	139	143
	6,837	6,842	52,104	52,170
<b>Total Investments</b>	<b>\$ 1,663,022</b>	<b>\$ 1,663,737</b>	<b>\$ 2,415,248</b>	<b>\$ 2,419,835</b>

## CDOR 2 FLOATING RATE FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Equity derivatives</b>						
<b>OTC</b>						
Swaps	1,700,239	43,914	(9,571)	2,643,961	31,003	(31,553)
<b>Total</b>	<b>\$ 1,700,239</b>	<b>\$ 43,914</b>	<b>\$ (9,571)</b>	<b>\$ 2,643,961</b>	<b>\$ 31,003</b>	<b>\$ (31,553)</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ 1,700,239	\$ 2,643,961
<b>Total</b>	<b>\$ 1,700,239</b>	<b>\$ 2,643,961</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## CDOR 2 FLOATING RATE FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The CDOR 2 Floating Rate Fund (the "Fund") allows participating BCI pooled Funds to earn a floating rate return that is linked to the benchmark reference rate, the Canadian Dollar Offered Rate ("CDOR"). Ownership of the Fund is limited to BCI pooled funds. The functional currency of the Fund is Canadian dollars.

The Fund can hold the following securities:

- government and corporate fixed income securities;
- money market investments;
- repurchase agreement investments secured by fixed income securities which are issued, insured, or guaranteed by the Government of Canada or a Provincial Government;
- publically traded common stock or Common Stock Equivalents or companies whose country is included in the Morgan Stanley Capital International All Country World Constituent Index, paired with derivative instruments;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management;
- agreements to finance other BCI pooled funds and accounts; and
- units in BCI's Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- fixed income investments are limited to issuers or entities with a minimum long-term credit rating of BBB- by Standard & Poor's, or short-term credit rating of A- 1 (low), or have an equivalent credit rating from another credit rating agency;
- the maximum term to maturity of the securities is 5 years;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CDOR 2 FLOATING RATE FUND

### Credit Risk

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 1,360,973	\$ 35,923	\$ (7,437)	\$ 1,440,307	\$ 15,971	\$ (15,883)
A	339,266	7,991	(2,134)	1,203,654	15,032	(15,670)
<b>Total Derivatives</b>	<b>\$ 1,700,239</b>	<b>\$ 43,914</b>	<b>\$ (9,571)</b>	<b>\$ 2,643,961</b>	<b>\$ 31,003</b>	<b>\$ (31,553)</b>

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

	2020					Total
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year		
Derivative assets	\$ 43,914	\$ 43,914	\$ —	\$ —		43,914
Derivative liabilities	(9,571)	(9,571)	—	—		(9,571)
	<b>\$ 34,343</b>	<b>\$ 34,343</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>34,343</b>

  

	2019					Total
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year		
Derivative assets	\$ 31,003	\$ 31,003	\$ —	\$ —		31,003
Derivative liabilities	(31,553)	(31,553)	—	—		(31,553)
	<b>\$ (550)</b>	<b>\$ (550)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>(550)</b>

## CDOR 2 FLOATING RATE FUND

### Interest Rate Risk

As at December 31, the Fund held no fixed income instruments. The current strategy of the Fund is to invest in publicly traded equity securities and enter into derivative contracts, whereby the total return of the publicly traded equity securities is swapped for a floating rate of return linked to CDOR.

The Fund is not exposed to significant interest rate risk as the securities held within the Fund are swapped for a floating rate of return linked to CDOR.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

Because of the Fund's current strategy, the Fund is generally not exposed to other price risk from the publicly traded public equity securities. As the Fund's financial assets and liabilities are not exposed to significant other price risk, industry and geographic concentration information is not provided.

## CDOR 2 FLOATING RATE FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Public equities	\$ 1,454,938	\$ —	\$ 1,454,938	\$ 2,363,144	\$ —	\$ 2,363,144
Exchange traded funds	201,247	—	201,247	—	—	—
Money market funds	6,837	—	6,837	52,104	—	52,104
Total investments	1,663,022	—	1,663,022	2,415,248	—	2,415,248
Swaps, net	—	34,343	34,343	—	(550)	(550)
Total derivatives	—	34,343	34,343	—	(550)	(550)
<b>Total</b>	<b>\$ 1,663,022</b>	<b>\$ 34,343</b>	<b>\$ 1,697,365</b>	<b>\$ 2,415,248</b>	<b>\$ (550)</b>	<b>\$ 2,414,698</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CDOR 2 FLOATING RATE FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	2	\$ 2,904,346	\$ 6,837	2	\$ 1,669,791	\$ 52,104

## CDOR 3 FLOATING RATE FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ —	\$ 23
Interest receivable		8,655	12,588
Security lending revenue receivable		—	2
Derivative assets			
Swaps		—	5,258
Investments		4,025,629	5,539,222
<b>Total assets</b>		<b>4,034,284</b>	<b>5,557,093</b>
<b>Liabilities</b>			
Payable for purchase of investments		39,993	—
Other accounts payable		23	15
Derivative liabilities			
Swaps		24,209	—
<b>Total liabilities</b>		<b>64,225</b>	<b>15</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 3,970,059</b>	<b>\$ 5,557,078</b>
Number of redeemable units outstanding	5	3,903.478	5,530.254
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 1,017</b>	<b>\$ 1,005</b>

*Uncertainties related to COVID-19*

10

*Subsequent events*

11

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer



**CDOR 3 FLOATING RATE FUND****Statement of Comprehensive Income (Loss)**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income		\$ 69,421	\$ 18,212
Dividend income		8	94
Securities lending income		1,315	154
Foreign exchange gain		3	—
Change in fair value of investments and derivatives:			
Net realized gain (loss)		(11,197)	1,377
Net change in unrealized appreciation		(4,562)	3,137
<b>Total revenue</b>		<b>54,988</b>	<b>22,974</b>
<b>Expenses</b>			
BCI cost recoveries	4	47	26
Administrative fees		26	22
Commissions and stock exchange fees		5	—
<b>Total operating expenses</b>		<b>78</b>	<b>48</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		54,910	22,926
Distributions to holders of redeemable units:			
From net investment income		(70,669)	(18,408)
From net realized gains on investments and derivatives		—	(1,412)
		(70,669)	(19,820)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ (15,759)</b>	<b>\$ 3,106</b>

**CDOR 3 FLOATING RATE FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 5,557,078	\$ —
Increase (decrease) in net assets attributable to holders of redeemable units	(15,759)	3,106
Redeemable unit transactions:		
Proceeds from units issued	1,795,996	5,556,652
Reinvestment of distributions	70,669	19,820
Amounts paid for units redeemed	(3,437,925)	(22,500)
Net increase (decrease) from redeemable unit transactions	(1,571,260)	5,553,972
<b>Balance, end of period</b>	<b>\$ 3,970,059</b>	<b>\$ 5,557,078</b>

**CDOR 3 FLOATING RATE FUND****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (15,759)	\$ 3,106
Adjustments for:		
Foreign exchange gain	(3)	—
Interest income	(69,421)	(18,212)
Dividend income	(8)	—
Net realized (gain) loss from investments and derivatives	11,197	(1,377)
Net change in unrealized appreciation of investments and derivatives	4,562	(3,137)
Amortization of premiums and discounts	13,378	3,278
Non cash distributions	70,669	19,820
Proceeds from sale of investments	10,170,344	3,800,913
Amounts paid for purchase of investments	(8,616,428)	(9,344,157)
Security lending revenue receivable	2	(2)
Other accounts payable	8	15
Interest received	73,354	5,624
Dividends received	8	—
	1,641,903	(5,534,129)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	1,795,996	5,556,652
Payments on redemption of redeemable units	(3,437,925)	(22,500)
	(1,641,929)	5,534,152
Net increase (decrease) in cash	(26)	23
Effect of exchange rate changes on cash	3	—
Cash, beginning of year	23	—
<b>Cash, end of year</b>	<b>\$ —</b>	<b>\$ 23</b>

**CDOR 3 FLOATING RATE FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	1,707,664	1,703,358	2,650,339	2,650,454
Provincial Government	875,967	865,022	765,972	767,354
Corporate	949,596	942,097	662,768	662,499
	3,533,227	3,510,477	4,079,079	4,080,307
<b>Money Market Investments</b>				
Corporate	241,960	241,925	100,000	100,000
Units in BCI Pooled Investment Portfolio				
Fund ST1	250,442	250,443	47,112	47,111
	492,402	492,368	147,112	147,111
<b>Floating Rate Funds</b>				
Units in BCI Pooled Investment Portfolio				
CDOR 1 Floating Rate Fund	—	—	1,313,031	1,313,925
<b>Total Investments</b>	<b>\$ 4,025,629</b>	<b>\$ 4,002,845</b>	<b>\$ 5,539,222</b>	<b>\$ 5,541,343</b>

## CDOR 3 FLOATING RATE FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Interest rate derivatives</b>						
<b>OTC</b>						
Swaps	2,100,000	—	(24,209)	2,530,000	5,258	—
<b>Total</b>	<b>\$ 2,100,000</b>	<b>\$ —</b>	<b>\$ (24,209)</b>	<b>\$ 2,530,000</b>	<b>\$ 5,258</b>	<b>\$ —</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ 300,000	\$ 690,000
1 to 2 years	1,090,000	940,000
Over 2 years	710,000	900,000
<b>Total</b>	<b>\$ 2,100,000</b>	<b>\$ 2,530,000</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## CDOR 3 FLOATING RATE FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The CDOR 3 Floating Rate Fund (the "Fund") allows participating BCI pooled Funds to earn a floating rate return that is linked to the benchmark reference rate, the Canadian Dollar Offered Rate ("CDOR"). Ownership of the Fund is limited to BCI pooled funds and BCI clients through segregated investment accounts. The functional currency of the Fund is Canadian dollars.

The Fund can hold the following securities:

- government and corporate fixed income securities;
- money market investments;
- repurchase agreement investments secured by fixed income securities which are issued, insured, or guaranteed by the Government of Canada or a Provincial Government;
- publicly traded common stock or Common Stock Equivalents of companies whose country is included in the Morgan Stanley Capital International All Country World Constituent Index, paired with derivative instruments;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management;
- agreements to finance other BCI pooled funds and accounts; and
- units in the Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- fixed income investments are limited to issuers or entities with a minimum long-term credit rating of BBB- by Standard & Poor's, or short-term credit rating of A- 1 (low), or have an equivalent credit rating from another credit rating agency;
- the maximum term to maturity of the securities is 5 years;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CDOR 3 FLOATING RATE FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 2,214,986	58.7 %	\$ 3,228,695	79.2 %
A	1,412,966	37.4	913,358	19.9
BBB	147,235	3.9	37,026	0.9
<b>Total</b>	<b>\$ 3,775,187</b>	<b>100.0 %</b>	<b>\$ 4,179,079</b>	<b>100.0 %</b>

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 970,000	\$ —	\$ (2,625)	\$ 1,390,000	\$ 2,722	\$ —
A	1,130,000	—	(21,584)	1,140,000	2,536	—
<b>Total Derivatives</b>	<b>\$ 2,100,000</b>	<b>\$ —</b>	<b>\$ (24,209)</b>	<b>\$ 2,530,000</b>	<b>\$ 5,258</b>	<b>\$ —</b>

## CDOR 3 FLOATING RATE FUND

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

2020					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative liabilities	\$ (24,209)	\$ (3,776)	\$ (14,833)	\$ (5,600)	\$ (24,209)
	<b>\$ (24,209)</b>	<b>\$ (3,776)</b>	<b>\$ (14,833)</b>	<b>\$ (5,600)</b>	<b>\$ (24,209)</b>

2019					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative assets	\$ 5,258	\$ 1,139	\$ 1,673	\$ 2,446	\$ 5,258
	<b>\$ 5,258</b>	<b>\$ 1,139</b>	<b>\$ 1,673</b>	<b>\$ 2,446</b>	<b>\$ 5,258</b>

### Interest Rate Risk

The current strategy of the Fund is to invest largely in fixed income securities and enter into derivative contracts whereby the fixed interest rate returns of the fixed income securities are swapped for a floating rate of return linked to CDOR. Therefore, the Fund is generally not exposed to interest rate risk from the fixed income securities held within the Fund.

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 1,063,639	0.3 %	\$ 965,260	1.8 %
1 to 2 years	1,612,723	0.3	1,985,455	1.9
2 to 5 years	856,865	0.4	1,128,364	1.9
<b>Total Bonds</b>	<b>\$ 3,533,227</b>	<b>0.3 %</b>	<b>\$ 4,079,079</b>	<b>1.9 %</b>

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

#### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.



## CDOR 3 FLOATING RATE FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	250,442	—	250,442	47,112	—	47,112
Floating rate funds	—	—	—	1,313,031	—	1,313,031
Money market investments	—	241,960	241,960	—	100,000	100,000
Bonds	—	3,533,227	3,533,227	—	4,079,079	4,079,079
Total investments	250,442	3,775,187	4,025,629	1,360,143	4,179,079	5,539,222
Swaps, net	—	(24,209)	(24,209)	—	5,258	5,258
Total derivatives	—	(24,209)	(24,209)	—	5,258	5,258
<b>Total</b>	<b>\$ 250,442</b>	<b>\$ 3,750,978</b>	<b>\$ 4,001,420</b>	<b>\$ 1,360,143</b>	<b>\$ 4,184,337</b>	<b>\$ 5,544,480</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CDOR 3 FLOATING RATE FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 250,442	1	\$ 1,126,577	\$ 47,112
Investee floating rate funds administered by BCI	—	—	—	1	20,580,634	1,313,031

**CDOR 4 FLOATING RATE FUND****Statement of Financial Position**

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest receivable		\$ 251	\$ 76
Investments		306,417	58,317
<b>Total assets</b>		<b>306,668</b>	<b>58,393</b>
<b>Liabilities</b>			
BCI cost recoveries payable	4	1	2
Other accounts payable		10	9
Derivative liabilities			
Swaps		180	—
<b>Total liabilities</b>		<b>191</b>	<b>11</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 306,477</b>	<b>\$ 58,382</b>
Number of redeemable units outstanding	5	302.175	58.148
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 1,014</b>	<b>\$ 1,004</b>
<i>Uncertainties related to COVID-19</i>	10		
<i>Subsequent events</i>	11		

**[S] Gordon J. Fyfe**


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 Gordon J. Fyfe  
 Chief Executive Officer  
 Chief Investment Officer

**CDOR 4 FLOATING RATE FUND****Statement of Comprehensive Income**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income		\$ 674	\$ 185
Change in fair value of investments and derivatives:			
Net realized gain		1,622	1
Net change in unrealized appreciation		214	41
<b>Total revenue</b>		<b>2,510</b>	<b>227</b>
<b>Expenses</b>			
BCI cost recoveries	4	5	—
Administrative fees		16	13
<b>Total operating expenses</b>		<b>21</b>	<b>13</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		2,489	214
Distributions to holders of redeemable units:			
From net investment income		(653)	(172)
From net realized gains on investments and derivatives		(1,622)	(1)
		(2,275)	(173)
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>\$ 214</b>	<b>\$ 41</b>

**CDOR 4 FLOATING RATE FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 58,382	\$ —
Increase in net assets attributable to holders of redeemable units	214	41
Redeemable unit transactions:		
Proceeds from units issued	900,878	59,668
Reinvestment of distributions	2,275	173
Amounts paid for units redeemed	(655,272)	(1,500)
Net increase from redeemable unit transactions	247,881	58,341
<b>Balance, end of period</b>	<b>\$ 306,477</b>	<b>\$ 58,382</b>

**CDOR 4 FLOATING RATE FUND****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase in net assets attributable to holders of redeemable units	\$ 214	\$ 41
Adjustments for:		
Interest income	(674)	(185)
Net realized gain from investments and derivatives	(1,622)	(1)
Net change in unrealized appreciation of investments and derivatives	(214)	(41)
Amortization of premiums and discounts	3,168	22
Non cash distributions	2,275	173
Proceeds from sale of investments	1,099,395	13,207
Amounts paid for purchase of investments	(1,348,647)	(71,504)
BCI cost recoveries payable	(1)	2
Other accounts payable	1	9
Interest received	499	109
	(245,606)	(58,168)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	900,878	59,668
Payments on redemption of redeemable units	(655,272)	(1,500)
	245,606	58,168
Net increase in cash	—	—
<b>Cash, beginning and end of year</b>	<b>\$ —</b>	<b>\$ —</b>

**CDOR 4 FLOATING RATE FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	246,211	245,858	20,127	20,116
Provincial Government	52,047	51,965	37,711	37,681
	298,258	297,823	57,838	57,797
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio Fund ST1	8,159	8,159	479	479
<b>Total Investments</b>	<b>\$ 306,417</b>	<b>\$ 305,982</b>	<b>\$ 58,317</b>	<b>\$ 58,276</b>

## CDOR 4 FLOATING RATE FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Interest rate derivatives</b>						
<b>OTC</b>						
Swaps	200,000	—	(180)	—	—	—
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ —</b>	<b>\$ (180)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
1 to 2 years	175,000	—
Over 2 years	25,000	—
<b>Total</b>	<b>\$ 200,000</b>	<b>\$ —</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.



## CDOR 4 FLOATING RATE FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The CDOR 4 Floating Rate Fund (the "Fund") allows participating BCI pooled funds to earn a floating rate return that is linked to the benchmark reference rate, the Canadian Dollar Offered Rate. Ownership of the Fund is limited to BCI pooled funds and BCI clients through segregated investment accounts. The functional currency of the Fund is Canadian dollars.

The Fund can hold the following securities:

- government and corporate fixed income securities;
- money market investments;
- repurchase agreement investments secured by fixed income securities which are issued, insured, or guaranteed by the Government of Canada or a Provincial Government;
- publicly traded common stock or Common Stock Equivalents of companies whose country is included in the Morgan Stanley Capital International All Country World Constituent Index, paired with derivative instruments;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management;
- agreements to finance other BCI pooled funds and accounts; and
- units in the Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- fixed income investments are limited to issuers or entities with a minimum long-term credit rating of BBB- by Standard & Poor's, or short-term credit rating of A- 1 (low), or have an equivalent credit rating from another credit rating agency;
- the maximum term to maturity of the securities is 5 years;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CDOR 4 FLOATING RATE FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 246,211	82.5 %	\$ 20,127	34.8 %
A	52,047	17.5	37,711	65.2
<b>Total</b>	<b>\$ 298,258</b>	<b>100.0 %</b>	<b>\$ 57,838</b>	<b>100.0 %</b>

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 100,000	\$ —	\$ (92)	\$ —	\$ —	\$ —
A	100,000	—	(88)	—	—	—
<b>Total Derivatives</b>	<b>\$ 200,000</b>	<b>\$ —</b>	<b>\$ (180)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

## CDOR 4 FLOATING RATE FUND

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

	2020				Total
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	
Derivative liabilities	(180)	—	(148)	(32)	(180)
	<b>\$ (180)</b>	<b>\$ —</b>	<b>\$ (148)</b>	<b>\$ (32)</b>	<b>(180)</b>

### Interest Rate Risk

The Fund is not exposed to significant interest rate risk as the securities held within the Fund are floating rate instruments.

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
1 to 2 years	273,251	0.2	20,127	1.8
2 to 5 years	25,007	0.2	37,711	1.9
<b>Total Bonds</b>	<b>\$ 298,258</b>	<b>0.2 %</b>	<b>\$ 57,838</b>	<b>1.9 %</b>

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

#### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## CDOR 4 FLOATING RATE FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	8,159	—	8,159	479	—	479
Bonds	—	298,258	298,258	—	57,838	57,838
Total investments	8,159	298,258	306,417	479	57,838	58,317
Swaps, net	—	(180)	(180)	—	—	—
Total derivatives	—	(180)	(180)	—	—	—
<b>Total</b>	<b>\$ 8,159</b>	<b>\$ 298,078</b>	<b>\$ 306,237</b>	<b>\$ 479</b>	<b>\$ 57,838</b>	<b>\$ 58,317</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CDOR 4 FLOATING RATE FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 8,159	1	\$ 1,126,577	\$ 479

## SHORT TERM BOND FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Receivable from issuance of units		—	3,000
Interest receivable		2,616	5,421
Security lending revenue receivable		—	45
Investments		976,421	2,016,466
<b>Total assets</b>		<b>979,037</b>	<b>2,024,932</b>
<b>Liabilities</b>			
Payable for redemption of units		—	3,000
BCI cost recoveries payable	4	1,031	1,033
Other accounts payable		13	12
<b>Total liabilities</b>		<b>1,044</b>	<b>4,045</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 977,993</b>	<b>\$ 2,020,887</b>
Number of redeemable units outstanding	5	342,744	741,096
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 2,853</b>	<b>\$ 2,727</b>
<i>Uncertainties related to COVID-19</i>	10		
<i>Subsequent events</i>	11		

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

## SHORT TERM BOND FUND

### Statement of Comprehensive Income

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

Revenue	NOTES	2020	2019
Interest income		\$ 18,084	\$ 40,023
Securities lending income		259	418
Change in fair value of investments:			
Net realized gain		48,407	7,360
Net change in unrealized appreciation		9,199	(1,446)
Total revenue		75,949	46,355
<b>Expenses</b>			
BCI cost recoveries	4	1,631	2,551
Administrative fees		25	36
Total operating expenses		1,656	2,587
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		74,293	43,768
Distributions to holders of redeemable units:			
From net investment income		(16,687)	(37,854)
From net realized gains on investments		(35,368)	—
		(52,055)	(37,854)
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>\$ 22,238</b>	<b>\$ 5,914</b>

**SHORT TERM BOND FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 2,020,887	\$ 1,697,119
Increase in net assets attributable to holders of redeemable units	22,238	5,914
Redeemable unit transactions:		
Proceeds from units issued	3,256	663,246
Reinvestment of distributions	52,055	37,854
Amounts paid for units redeemed	(1,120,443)	(383,246)
Net increase (decrease) from redeemable unit transactions	(1,065,132)	317,854
<b>Balance, end of year</b>	<b>\$ 977,993</b>	<b>\$ 2,020,887</b>



## SHORT TERM BOND FUND

### Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase in net assets attributable to holders of redeemable units	\$ 22,238	\$ 5,914
Adjustments for:		
Interest income	(18,084)	(40,023)
Net realized gain from investments	(48,407)	(7,360)
Net change in unrealized appreciation of investments	(9,199)	1,446
Amortization of premiums and discounts	9,951	11,608
Non cash distributions	52,055	37,854
Proceeds from sale of investments	4,200,052	3,374,022
Amounts paid for purchase of investments	(3,112,352)	(3,706,416)
Security lending revenue receivable	45	(24)
BCI cost recoveries payable	(2)	214
Other accounts payable	1	4
Interest received	20,889	42,761
	1,117,187	(280,000)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	6,256	660,646
Payments on redemption of redeemable units	(1,123,443)	(380,646)
	(1,117,187)	280,000
Net increase in cash	—	—
<b>Cash, beginning and end of year</b>	<b>\$ —</b>	<b>\$ —</b>

**SHORT TERM BOND FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	715,554	707,833	1,149,498	1,150,251
Provincial Government	247,460	243,642	764,695	761,874
Municipal Government	3,106	2,980	84,834	84,426
	966,120	954,455	1,999,027	1,996,551
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio Fund ST1	10,301	10,301	17,439	17,449
<b>Total Investments</b>	<b>\$ 976,421</b>	<b>\$ 964,756</b>	<b>\$ 2,016,466</b>	<b>\$ 2,014,000</b>

## SHORT TERM BOND FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The investment objective of the Short Term Bond Fund (the "Fund") is to exceed the return of the benchmark, the FTSE Canada Short Term Government Bond Index, by 15 basis points per annum, net of all investment expenses incurred. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

- anticipating yield curve changes;
- anticipating credit spread changes;
- quality swaps; and
- yield pickups.

The Fund can hold the following securities:

- fixed income securities which are issued or guaranteed by the Government of Canada or a provincial or municipal government;
- Canadian dollar denominated fixed income securities which are issued, insured or guaranteed by sovereign governments or supranational entities, including, but not limited to, the World Bank, the International Bank for Reconstruction and Development, the Asian Development Bank, the European bank for Reconstruction and Development, the European Investment Bank, or the Inter- American Development Bank;
- swapped deposits, defined as only fully hedged US-dollar denominated securities that meet investment guideline criteria;
- units in BCI's Canadian Money Market Fund ST1 for cash management purposes;
- exchange-traded and cleared over-the-counter derivative instruments for the purposes of synthetic indexing risk control, lowering transaction costs, and/or liquidity management; and
- units in BCI's Floating Rate Funds.

The following restrictions apply to the Fund:

- debt securities issued by non-Canadian entities must be rated BBB- or better by Standard & Poor's or have an equivalent rating from another credit rating agency;
- the maximum term to maturity is five years (including callable bonds);
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency;
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## SHORT TERM BOND FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

BONDS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 783,160	81.1 %	\$ 1,337,188	66.9 %
A	182,960	18.9	637,247	31.9
Not rated	—	—	24,592	1.2
<b>Total</b>	<b>\$ 966,120</b>	<b>100.0 %</b>	<b>\$ 1,999,027</b>	<b>100.0 %</b>

### Liquidity Risk

The Fund's liabilities are due within three months of the year-end of the Fund.

### Interest Rate Risk

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ —	0.0 %	\$ 23,519	1.8 %
1 to 2 years	289,245	0.2	589,373	1.8
2 to 5 years	676,875	0.4	1,386,135	1.9
<b>Total Bonds</b>	<b>\$ 966,120</b>	<b>0.34 %</b>	<b>\$ 1,999,027</b>	<b>1.87 %</b>

The duration is to be managed within  $\pm 20$  percent of the benchmark duration, which was 2.83 years as at December 31, 2020 (2019 - 2.71 years). As at December 31, 2020, the Fund had an average duration of 2.84 years (2019 - 2.64 years).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$27,631 (2019 - \$53,234), representing 2.8% of the Fund's net assets (2019 - 2.6%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

## SHORT TERM BOND FUND

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## SHORT TERM BOND FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	10,301	—	10,301	17,439	—	17,439
Bonds	—	966,120	966,120	—	1,999,027	1,999,027
Total investments	10,301	966,120	976,421	17,439	1,999,027	2,016,466
<b>Total</b>	<b>\$ 10,301</b>	<b>\$ 966,120</b>	<b>\$ 976,421</b>	<b>\$ 17,439</b>	<b>\$ 1,999,027</b>	<b>\$ 2,016,466</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## SHORT TERM BOND FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 10,301	1	\$ 1,126,577	\$ 17,439

## CANADIAN UNIVERSE BOND FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ —	\$ 19
Receivable from sale of investments		160,581	15,522
Receivable from issuance of units		—	339,600
Interest receivable		68,109	73,975
Security lending revenue receivable		—	178
Investments		20,822,066	19,039,316
<b>Total assets</b>		<b>21,050,756</b>	<b>19,468,610</b>
<b>Liabilities</b>			
Payable for purchase of investments		111,987	15,407
Payable for redemption of units		—	339,600
BCI cost recoveries payable	4	8,684	8,354
Other accounts payable		43	44
<b>Total liabilities</b>		<b>120,714</b>	<b>363,405</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 20,930,042</b>	<b>\$ 19,105,205</b>
Number of redeemable units outstanding	5	9,815.212	9,794.239
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 2,132</b>	<b>\$ 1,951</b>

*Uncertainties related to COVID-19*

10

*Subsequent events*

11

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer



## CANADIAN UNIVERSE BOND FUND

### Statement of Comprehensive Income

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

Revenue	NOTES	2020	2019
Interest income		\$ 405,783	\$ 474,540
Securities lending income		2,782	1,884
Other income		74	—
Foreign exchange gain		13	—
Change in fair value of investments and derivatives:			
Net realized gain		689,730	466,151
Net change in unrealized appreciation		693,365	374,427
<b>Total revenue</b>		<b>1,791,747</b>	<b>1,317,002</b>
<b>Expenses</b>			
BCI cost recoveries	4	13,732	16,864
Administrative fees		113	192
<b>Total operating expenses</b>		<b>13,845</b>	<b>17,086</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		1,777,902	1,299,916
Distributions to holders of redeemable units:			
From net investment income		(394,808)	(459,338)
From net realized gains on investments and derivatives		(684,613)	(280,899)
		(1,079,421)	(740,237)
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>\$ 698,481</b>	<b>\$ 559,679</b>

**CANADIAN UNIVERSE BOND FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 19,105,205	\$ 17,028,697
Increase in net assets attributable to holders of redeemable units	698,481	559,679
Redeemable unit transactions:		
Proceeds from units issued	4,930,187	5,322,022
Reinvestment of distributions	1,079,421	740,237
Amounts paid for units redeemed	(4,883,252)	(4,545,430)
Net increase from redeemable unit transactions	1,126,356	1,516,829
<b>Balance, end of year</b>	<b>\$ 20,930,042</b>	<b>\$ 19,105,205</b>

**CANADIAN UNIVERSE BOND FUND****Statement of Cash Flows**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase in net assets attributable to holders of redeemable units	\$ 698,481	\$ 559,679
Adjustments for:		
Foreign exchange gain	(13)	—
Interest income	(405,783)	(474,540)
Net realized gain from investments and derivatives	(689,730)	(466,151)
Net change in unrealized appreciation of investments and derivatives	(693,365)	(374,427)
Amortization of premiums and discounts	50,760	7,885
Non cash distributions	1,079,421	740,237
Proceeds from sale of investments	79,129,384	83,949,772
Amounts paid for purchase of investments	(79,628,278)	(85,190,709)
Security lending revenue receivable	178	(42)
BCI cost recoveries payable	330	2,162
Other accounts payable	(1)	6
Interest received	411,649	469,555
Dividends received	—	—
	(46,967)	(776,573)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	5,269,787	5,492,922
Payments on redemption of redeemable units	(5,222,852)	(4,716,330)
	46,935	776,592
Net increase (decrease) in cash	(32)	19
Effect of exchange rate changes on cash	13	—
Cash, beginning of year	19	—
<b>Cash, end of year</b>	<b>\$ —</b>	<b>\$ 19</b>

**CANADIAN UNIVERSE BOND FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	6,591,087	6,575,390	6,008,761	6,013,972
Provincial Government	8,089,503	7,384,194	7,194,311	6,917,528
Municipal Government	252,320	221,506	436,547	416,950
Mortgage-Backed Securities	184,357	183,518	—	—
Corporate	5,539,327	5,215,995	5,386,242	5,294,777
	20,656,594	19,580,603	19,025,861	18,643,227
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio				
Fund ST1	165,472	165,472	13,455	13,463
<b>Total Investments</b>	<b>\$ 20,822,066</b>	<b>\$ 19,746,075</b>	<b>\$ 19,039,316</b>	<b>\$ 18,656,690</b>

## CANADIAN UNIVERSE BOND FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Interest rate derivatives</b>						
<b>Listed</b>						
Futures	—	—	—	—	—	—
<b>Total</b>	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ —	\$ —
<b>Total</b>	\$ —	\$ —

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## CANADIAN UNIVERSE BOND FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The Canadian Universe Bond Fund (the "Fund") invests in both government and investment-grade corporate debt securities, denominated in Canadian dollars. The investment objective of the Fund is to exceed the return of the Fund's benchmark, the FTSE Canada Universe Bond Index, by 22 basis points per annum, net of all investment expenses. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

- anticipating yield curve changes;
- anticipating credit spread changes;
- quality swaps;
- yield pickups; and
- sector strategies.

The Fund can hold the following securities:

- fixed income securities that are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government;
- Canadian dollar denominated fixed income securities issued or guaranteed by a sovereign government;
- Canadian dollar denominated fixed income securities issued by supranational entities including, but not limited to, the World Bank, the International Bank for Reconstruction and Development, the Asian Development Bank, the European Bank for Reconstruction and Development, the European Investment Bank, or the Inter-American Development Bank;
- Canadian dollar denominated fixed income securities issued by corporations, trusts, income trusts, limited partnerships, and non-profit entities;
- units in BCI's Canadian Money Market Fund ST1 and Canadian Money Market Fund ST2;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management; and
- units in BCI's Floating Rate Funds.

The following restrictions apply to the Fund:

- corporate and government debt securities issued by non-Canadian entities held by the Fund shall be rated BBB- or better by Standard & Poor's, or have an equivalent rating from another credit rating agency;
- not more than 10% of the market value of the Fund shall be invested in the debt of any one company;
- the Fund's allocation to corporate bonds shall not exceed 10 percentage points above the weighting of corporate bonds within the Index;
- the Fund's weighting of BBB bonds shall not exceed 5 percentage points above the weighting of BBB bonds within the Index;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- the Fund may not borrow money or use derivatives to create leverage;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency;
- if any issue is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction so as to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

## CANADIAN UNIVERSE BOND FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 11,521,209	55.8 %	\$ 11,189,261	58.8 %
A	6,262,284	30.3	5,775,865	30.4
BBB	2,873,101	13.9	2,060,735	10.8
<b>Total</b>	<b>\$ 20,656,594</b>	<b>100.0 %</b>	<b>\$ 19,025,861</b>	<b>100.0 %</b>

### Liquidity Risk

The Fund's liabilities are due within three months of the year-end of the Fund.

### Interest Rate Risk

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 209,813	0.5 %	\$ 50,779	1.9 %
1 to 2 years	831,159	0.4	417,751	1.9
2 to 5 years	6,935,622	0.5	5,737,008	2.1
5 to 10 years	5,478,328	1.1	6,739,542	2.2
10 to 20 years	2,835,717	1.8	2,543,641	2.6
20 to 30 years	3,375,955	2.2	2,619,621	2.5
Over 30 years	990,000	1.6	917,519	2.6
<b>Total Bonds</b>	<b>\$ 20,656,594</b>	<b>1.2 %</b>	<b>\$ 19,025,861</b>	<b>2.3 %</b>

The duration is to be managed within  $\pm 20$  percent of the benchmark duration, which was 8.49 years as at December 31, 2020 (2019 - 7.99 years). As at December 31, 2020, the Fund had an average duration of 8.58 years (2019 - 8.42 years). At December 31, the longest term to maturity for a debt instrument within the Fund is 39 years (2019 - 59 years).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,784,730 (2019 - \$1,603,119), representing 8.5% of the Fund's net assets (2019 - 8.4%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

## CANADIAN UNIVERSE BOND FUND

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

#### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	165,472	—	165,472	13,455	—	13,455
Bonds	—	20,656,594	20,656,594	—	19,025,861	19,025,861
Total investments	165,472	20,656,594	20,822,066	13,455	19,025,861	19,039,316
<b>Total</b>	<b>\$ 165,472</b>	<b>\$ 20,656,594</b>	<b>\$ 20,822,066</b>	<b>\$ 13,455</b>	<b>\$ 19,025,861</b>	<b>\$ 19,039,316</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.



## CANADIAN UNIVERSE BOND FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 165,472	1	\$ 1,126,577	\$ 13,455

## CORPORATE BOND FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ 14,252	\$ 11,284
Receivable from sale of investments		61,266	22,546
Receivable from issuance of units		—	250,000
Interest receivable		80,694	60,264
Security lending revenue receivable		—	14
Other receivables		1,526	493
Derivative assets			
Forwards		292,693	91,732
Investments		7,546,786	5,042,529
<b>Total assets</b>		<b>7,997,217</b>	<b>5,478,862</b>
<b>Liabilities</b>			
Payable for purchase of investments		79,773	17,014
Payable for redemption of units		—	250,000
Payable to BCI segregated fund	4	—	126,681
BCI cost recoveries payable	4	2,273	2,113
Other accounts payable		1,808	27
Derivative liabilities			
Forwards		1,292	3,780
<b>Total liabilities</b>		<b>85,146</b>	<b>399,615</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 7,912,071</b>	<b>\$ 5,079,247</b>
Number of redeemable units outstanding	5	5,803.828	4,116.489
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 1,363</b>	<b>\$ 1,234</b>

*Uncertainties related to COVID-19*

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*Subsequent events*

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**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

## CORPORATE BOND FUND

### Statement of Comprehensive Income

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

Revenue	NOTES	2020	2019
Interest income		\$ 312,069	\$ 190,079
Securities lending income		469	189
Other income		74	—
Foreign exchange gain (loss)		(14,833)	2,605
Change in fair value of investments and derivatives:			
Net realized gain		173,514	168,894
Net change in unrealized appreciation		175,533	152,243
<b>Total revenue</b>		<b>646,826</b>	<b>514,010</b>
<b>Expenses</b>			
BCI cost recoveries	4	9,422	7,753
Administrative fees		(26)	82
Commissions and stock exchange fees		236	141
<b>Total operating expenses</b>		<b>9,632</b>	<b>7,976</b>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		637,194	506,034
Distributions to holders of redeemable units:			
From net investment income		(288,100)	(183,466)
From net realized gains on investments and derivatives		(169,185)	(121,107)
		(457,285)	(304,573)
<b>Increase in net assets attributable to holders of redeemable units</b>		<b>\$ 179,909</b>	<b>\$ 201,461</b>

**CORPORATE BOND FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of year	\$ 5,079,247	\$ 2,917,813
Increase in net assets attributable to holders of redeemable units	179,909	201,461
Redeemable unit transactions:		
Proceeds from units issued	2,660,865	2,668,400
Reinvestment of distributions	457,285	304,573
Amounts paid for units redeemed	(465,235)	(1,013,000)
Net increase from redeemable unit transactions	2,652,915	1,959,973
<b>Balance, end of year</b>	<b>\$ 7,912,071</b>	<b>\$ 5,079,247</b>

## CORPORATE BOND FUND

### Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase in net assets attributable to holders of redeemable units	\$ 179,909	\$ 201,461
Adjustments for:		
Foreign exchange (gain) loss	14,833	(2,605)
Interest income	(312,069)	(190,079)
Net realized gain from investments and derivatives	(173,514)	(170,326)
Net change in unrealized appreciation of investments and derivatives	(175,533)	(152,243)
Amortization of premiums and discounts	(45,603)	4,045
Non cash distributions	457,285	304,573
Proceeds from sale of investments	45,660,857	26,131,830
Amounts paid for purchase of investments	(48,076,555)	(27,945,111)
Security lending revenue receivable	14	(12)
Other receivables	(1,033)	(115)
BCI cost recoveries payable	160	634
Other accounts payable	1,781	10
Interest received	291,639	165,639
	(2,177,829)	(1,652,299)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	2,910,865	2,418,400
Payments on redemption of redeemable units	(715,235)	(763,000)
	2,195,630	1,655,400
Net increase in cash	17,801	3,101
Effect of exchange rate changes on cash	(14,833)	2,605
Cash, beginning of year	11,284	5,578
<b>Cash, end of year</b>	<b>\$ 14,252</b>	<b>\$ 11,284</b>

**CORPORATE BOND FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Federal Government	415,295	422,301	—	—
Corporate	6,764,170	6,750,111	4,936,746	4,901,534
	7,179,465	7,172,412	4,936,746	4,901,534
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio				
Fund ST1	293,570	293,570	75,118	75,158
Fund ST3	73,751	74,056	30,665	31,173
	367,321	367,626	105,783	106,331
<b>Total Investments</b>	<b>\$ 7,546,786</b>	<b>\$ 7,540,038</b>	<b>\$ 5,042,529</b>	<b>\$ 5,007,865</b>

## CORPORATE BOND FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Currency derivatives</b>						
<b>OTC</b>						
Forwards	\$ 6,455,668	\$ 292,693	\$ (1,292)	\$ 4,399,951	\$ 91,732	\$ (3,780)
<b>Interest rate derivatives</b>						
<b>Listed</b>						
Futures	795,807	—	—	148,082	—	—
<b>Total</b>	<b>\$ 7,251,475</b>	<b>\$ 292,693</b>	<b>\$ (1,292)</b>	<b>\$ 4,548,033</b>	<b>\$ 91,732</b>	<b>\$ (3,780)</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ 7,251,475	\$ 4,548,033
<b>Total</b>	<b>\$ 7,251,475</b>	<b>\$ 4,548,033</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## CORPORATE BOND FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The investment objective of the Corporate Bond Fund (the "Fund") is to provide a diversified portfolio of fixed income securities. The Fund primarily invests in corporate investment grade and high yield securities issued in the United States and Canada. The Fund's benchmarks are the Bank of America Merrill Lynch US Corporate Index (CAD Hedged) and the Bank of America Merrill Lynch BB-B US Cash Pay High Yield Constrained Index (CAD Hedged; collectively, "the Indexes"). The objective of the Fund is to exceed the benchmark return of the Fund's Indexes by 57 basis points per annum, net of all investment expenses incurred.

The Fund can hold the following securities:

- fixed income securities;
- equity securities;
- exchange traded funds;
- derivatives for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management;
- units of BCI's Canadian Money Market Fund ST1, Canadian Money Market Fund ST2, U.S. Dollar Money Market Fund ST3, and other BCI short-term fixed income pooled funds; and
- units in BCI's Floating Rate Funds.

The following restrictions apply to the Fund:

- no more than 15% of the market value of the Fund can be invested in the securities of one company;
- no more than 70% of the market value of the Fund can be invested in the aggregate of (i) debt securities rated at or below "BB+" by Standard & Poor's or an equivalent rating from another credit rating agency, (ii) preferred shares rated at or below "P-4" by Standard & Poor's or an equivalent rating from another credit rating agency, and (iii) unrated debt securities;
- no more than 10% of the market value of the Fund can be invested in the aggregate of (i) debt securities rated at or below "CCC+" by Standard & Poor's or an equivalent rating from another credit rating agency, and (ii) unrated debt securities;
- not more than 20% of the market value of the Fund can be invested in equity securities (including preferred shares, but excluding fixed income exchange traded funds);
- the Fund may not borrow money or use derivatives to create leverage;
- the Fund may not sell a security which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.



## CORPORATE BOND FUND

### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

BONDS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 415,295	5.8 %	\$ 349,547	7.1 %
A	616,418	8.6	745,167	15.1
BBB	1,976,565	27.5	1,110,613	22.5
BB	2,498,025	34.8	1,936,197	39.2
B	1,163,768	16.2	795,222	16.1
CCC	509,394	7.1	—	—
<b>Total</b>	<b>\$ 7,179,465</b>	<b>100.0 %</b>	<b>\$ 4,936,746</b>	<b>100.0 %</b>

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
AAA/AA	\$ 1,553,875	\$ 70,062	\$ —	\$ 1,360,800	\$ 31,302	\$ —
A	4,901,793	222,631	(1,292)	3,039,151	60,430	(3,780)
<b>Total Derivatives</b>	<b>\$ 6,455,668</b>	<b>\$ 292,693</b>	<b>\$ (1,292)</b>	<b>\$ 4,399,951</b>	<b>\$ 91,732</b>	<b>\$ (3,780)</b>

### Collateral Pledged and Received

BCI is party to derivative contracts that involve pledging and holding collateral, as outlined in Note 6 (b). The following table illustrates the fair value of such collateral:

COLLATERAL	2020	2019
Collateral pledged	27,041	—

## CORPORATE BOND FUND

### Liquidity Risk

The Fund's non-derivative liabilities are due within three months of the year-end of the Fund.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

2020					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative assets	\$ 292,693	\$ 292,693	\$ —	\$ —	292,693
Derivative liabilities	(1,292)	(1,292)	—	—	(1,292)
	<b>\$ 291,401</b>	<b>\$ 291,401</b>	<b>\$ —</b>	<b>\$ —</b>	<b>291,401</b>

2019					
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year	Total
Derivative assets	\$ 91,732	\$ 91,732	\$ —	\$ —	91,732
Derivative liabilities	\$ (3,780)	\$ (3,780)	\$ —	\$ —	(3,780)
	<b>\$ 87,952</b>	<b>\$ 87,952</b>	<b>\$ —</b>	<b>\$ —</b>	<b>87,952</b>

### Interest Rate Risk

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ —	0.0 %	\$ 81,556	5.3 %
1 to 2 years	229,458	6.7	69,120	5.6
2 to 5 years	1,756,478	5.2	1,269,813	4.9
5 to 10 years	3,040,879	3.9	2,403,591	4.1
10 to 20 years	1,012,441	2.0	424,841	3.9
20 to 30 years	686,497	2.2	542,413	3.1
Over 30 years	453,712	2.2	145,412	5.6
<b>Total Bonds</b>	<b>\$ 7,179,465</b>	<b>3.8 %</b>	<b>\$ 4,936,746</b>	<b>4.2 %</b>

As at December 31, 2020, the Fund had an average duration of 8.09 years (2019 - 6.84 years). As at December 31, the Fund invested in fixed income instruments with the longest term to maturity of 75 years (2019 - 76 years).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$635,383 (2019 - \$337,525), representing 8.0% of the Fund's net assets (2019 - 6.6%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

## CORPORATE BOND FUND

### Currency Risk

The Fund holds net assets, including foreign currency contracts, denominated in U.S. and U.K. currency, amounting to \$330,112 CAD and \$6,878 CAD, respectively, which in total represents 4.3% of the net asset value of the Fund (2019 - net assets, including foreign currency contracts, denominated in U.S. and net liabilities denominated in U.K. currency, amounting to \$2,533 CAD and \$106,982 CAD, respectively, which in total represented 2.2% of the net asset value of the Fund).

As at December 31, 2020, if the Canadian dollar had strengthened/weakened by 1% in relation to the U.S. and U.K. currency, holding all other variables constant, net assets would have decreased/increased, respectively, by \$3,370 CAD (2019 - \$1,095 CAD). In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

### Other Price Risk

The Fund's fixed income instruments are not exposed to significant other price risk. Management monitors the concentration of risk for debt securities based on counterparties and geographic location.

### *Investments by geographic region*

As at December 31, the Fund's debt securities are concentrated in the following geographical regions:

GEOGRAPHIC REGION	2020		2019	
	Total	% of Total	Total	% of Total
Australia	\$ 48,175	0.7	\$ —	—
Canada	1,487,045	20.7	1,025,518	20.8
Cayman Islands	119,630	1.7	—	—
France	50,521	0.7	—	—
Luxembourg	63,881	0.9	—	—
Netherlands	—	—	11,916	0.2
Sweden	16,523	0.2	—	—
United Kingdom	209,009	2.9	117,194	2.4
United States	5,184,681	72.2	3,782,118	76.6
<b>Total Bonds</b>	<b>\$ 7,179,465</b>	<b>100.0 %</b>	<b>\$ 4,936,746</b>	<b>100.0 %</b>

## CORPORATE BOND FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	367,321	—	367,321	105,783	—	105,783
Floating rate funds	—	—	—	—	—	—
Money market investments	—	—	—	—	—	—
Bonds	—	7,179,465	7,179,465	—	4,936,746	4,936,746
Securities purchased under reverse repurchase agreements	—	—	—	—	—	—
Investment fund investment	—	—	—	—	—	—
Total investments	367,321	7,179,465	7,546,786	105,783	4,936,746	5,042,529
Futures, net	—	—	—	—	—	—
Swaps, net	—	—	—	—	—	—
Options, net	—	—	—	—	—	—
Forwards, net	—	291,401	291,401	—	87,952	87,952
Total derivatives	—	291,401	291,401	—	87,952	87,952
Amounts payable under repurchase agreements	—	—	—	—	—	—
<b>Total</b>	<b>\$ 367,321</b>	<b>\$ 7,470,866</b>	<b>\$ 7,838,187</b>	<b>\$ 105,783</b>	<b>\$ 5,024,698</b>	<b>\$ 5,130,481</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## CORPORATE BOND FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	2	\$ 2,904,346	\$ 367,321	2	\$ 1,830,925	\$ 105,783

## LEVERAGED BOND FUND

### Statement of Financial Position

(Expressed in thousands of dollars, except numbers of units)

As at December 31, 2020, with comparative information for 2019

<b>Assets</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Cash		\$ 146	\$ 24,079
Receivable from sale of investments		—	68,442
Interest receivable		25,300	23,790
Investments		14,056,278	6,031,447
<b>Total assets</b>		<b>14,081,724</b>	<b>6,147,758</b>
<b>Liabilities</b>			
BCI cost recoveries payable	4	380	274
Interest payable		10,707	—
Amounts payable under repurchase agreements		13,151,989	5,888,032
Other accounts payable		39	147
Derivative liabilities			
Swaps		—	75
<b>Total liabilities</b>		<b>13,163,115</b>	<b>5,888,528</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>\$ 918,609</b>	<b>\$ 259,230</b>
Number of redeemable units outstanding	5	349.135	290.835
<b>Net assets attributable to holders of redeemable units per unit</b>		<b>\$ 2,631</b>	<b>\$ 891</b>

*Uncertainties related to COVID-19*

10

*Subsequent events*

11

**[S] Gordon J. Fyfe**

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

**LEVERAGED BOND FUND****Statement of Comprehensive Income (Loss)**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Revenue</b>	<b>NOTES</b>	<b>2020</b>	<b>2019</b>
Interest income		\$ 159,997	\$ 11,957
Securities lending income		2	—
Other income		64	
Change in fair value of investments and derivatives:			
Net realized gain		171,246	2,468
Net change in unrealized appreciation		421,259	(68,983)
<b>Total revenue</b>		<b>752,568</b>	<b>(54,558)</b>
<b>Expenses</b>			
BCI cost recoveries	4	4,926	640
Administrative fees		91	41
Interest expense		65,371	10,801
Commissions and stock exchange fees		17	—
Pursuit costs		5	—
<b>Total operating expenses</b>		<b>70,410</b>	<b>11,482</b>
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		682,158	(66,040)
Distributions to holders of redeemable units:			
From net investment income		(89,648)	(244)
From net realized gains on investments and derivatives		(171,246)	(2,588)
		(260,894)	(2,832)
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<b>\$ 421,264</b>	<b>\$ (68,872)</b>

**LEVERAGED BOND FUND****Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

	<b>2020</b>	<b>2019</b>
Balance, beginning of period	\$ 259,230	\$ —
Increase (decrease) in net assets attributable to holders of redeemable units	421,264	(69,102)
Redeemable unit transactions:		
Proceeds from units issued	583,484	495,500
Reinvestment of distributions	260,894	2,832
Amounts paid for units redeemed	(606,263)	(170,000)
Net increase from redeemable unit transactions	238,115	328,332
<b>Balance, end of period</b>	<b>\$ 918,609</b>	<b>\$ 259,230</b>



## LEVERAGED BOND FUND

### Statement of Cash Flows

(Expressed in thousands of dollars)

Year ended December 31, 2020, with comparative information for the period ended December 31, 2019

<b>Operating activities</b>	<b>2020</b>	<b>2019</b>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 421,264	\$ (69,102)
Adjustments for:		
Interest income	(159,997)	(11,957)
Interest expense	65,371	10,801
Net realized gain from investments and derivatives	(171,246)	(2,468)
Net change in unrealized appreciation of investments and derivatives	(421,259)	68,983
Amortization of premiums and discounts	66,954	2,734
Non cash distributions	260,894	2,832
Proceeds from sale of investments	20,623,449	676,493
Amounts paid for purchase of investments	(28,052,794)	(6,845,556)
BCI cost recoveries payable	106	274
Other accounts payable	(108)	147
Interest received	158,487	—
Interest paid	(54,664)	(22,634)
	(7,263,543)	(6,189,453)
<b>Financing activities</b>		
Proceeds from issuance of redeemable units	583,484	495,500
Payments on redemption of redeemable units	(606,263)	(170,000)
Net proceeds and repayments from borrowings	7,262,389	5,888,032
	7,239,610	6,213,532
Net increase (decrease) in cash	(23,933)	24,079
Cash, beginning of period	24,079	—
<b>Cash, end of period</b>	<b>\$ 146</b>	<b>\$ 24,079</b>

**LEVERAGED BOND FUND****Schedule of Investments**

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020		2019	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds</b>				
Pledged financial assets at FVTPL				
Federal Government	7,438,247	7,315,508	3,402,248	3,435,644
Provincial Government	5,734,777	5,508,999	2,387,686	2,415,362
Non-pledged financial assets at FVTPL				
Federal Government	682,212	680,720	97,048	99,064
Provincial Government	138,184	134,349	143,804	149,623
	13,993,420	13,639,576	6,030,786	6,099,693
<b>Money Market Investments</b>				
Units in BCI Pooled Investment Portfolio				
Fund ST1	62,858	62,858	661	662
<b>Total Investments</b>	<b>\$ 14,056,278</b>	<b>\$ 13,702,434</b>	<b>\$ 6,031,447</b>	<b>\$ 6,100,355</b>

## LEVERAGED BOND FUND

### Derivative Assets and Liabilities

(Expressed in thousands of dollars)

As at December 31, 2020, with comparative information for 2019

	2020			2019		
	Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>		Notional Value <sup>(a)</sup>	Fair Value <sup>(c)</sup>	
Derivative Assets <sup>(b)</sup>		Derivative Liabilities	Derivative Assets <sup>(b)</sup>		Derivative Liabilities	
<b>Interest rate derivatives</b>						
<b>Listed</b>						
Futures	\$ —	\$ —	\$ —	120,290	\$ —	\$ —
<b>OTC</b>						
Swaps	—	—	—	527,000	—	(75)
<b>Total</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>647,290</b>	<b>\$ —</b>	<b>(75)</b>

The terms to maturity based on notional value for the derivatives were as follows at December 31:

	2020	2019
Less than 1 year	\$ —	647,290
<b>Total</b>	<b>\$ —</b>	<b>647,290</b>

- (a) Notional value represents the absolute value of the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.
- (b) The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.
- (c) As futures derivative contracts are fair valued through profit and loss and settled daily, the gain or loss recognized on December 31 is recorded in other receivables or other accounts payable on the statement of financial position.

## LEVERAGED BOND FUND

### Financial Risk Management Discussion

(Expressed in thousands of dollars)

The investment objective of the Leveraged Bond Fund (the "Fund") is to provide leveraged investment in publicly traded liquid bonds. The Fund's benchmark is the FTSE Canada Universe All Government Bond Index (the "Index") and realized cost of financing.

The Fund can hold the following securities:

- fixed income securities issued or guaranteed by the Government of Canada or its provinces or the Government of the United States;
- money market instruments, including repurchase agreements;
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, liquidity management, and/or leverage; and
- units of BCI's Canadian Money Market Fund ST1 and other BCI pooled funds that meet the Pool's Investment Policies criteria.

The following restrictions apply to the Fund:

- the value of Fund liabilities will not exceed the value of Fund assets by more than 35%;
- the Fund may not sell a security which it does not own (i.e. short sale), and
- at inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or high by Standard & Poor's or have an equivalent rating from another credit rating agency; and
- if any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction as to maximize sale proceeds.

Note 6 of the financial statements provides information on various types of financial risks associated with investing. The following information pertains specifically to this Fund.

#### Credit Risk

As at December 31, the Fund invested in debt instruments with the following security or issuer credit ratings:

INVESTMENTS BY CREDIT RATING	2020		2019	
	Total	% of Total	Total	% Total
AAA/AA	\$ 9,410,877	67.3 %	\$ 3,643,100	60.4 %
A	4,582,543	32.7	2,387,686	39.6
<b>Total</b>	<b>\$ 13,993,420</b>	<b>100.0 %</b>	<b>\$ 6,030,786</b>	<b>100.0 %</b>

## LEVERAGED BOND FUND

The Fund invests in derivative contracts, which inherently have counterparty risk. Futures derivative contracts are not exposed to counterparty risk as they are settled daily. The credit risk of each counterparty is monitored through an evaluation of the credit quality of each counterparty that transacts with the Fund. Collateral management is centralized by BCI and collateral is held and pledged on a net basis with the counterparty generally at a value equal to the underlying derivative financial instrument. The credit risk exposure of derivative instruments, by credit rating category, without taking account of any collateral held at December 31 is as follows:

DERIVATIVES BY CREDIT RATING	2020			2019		
	Notional Value	Fair Value		Notional Value	Fair Value	
		Derivative Assets	Derivative Liabilities		Derivative Assets	Derivative Liabilities
A	—	—	—	527,000	—	(75)
<b>Total Derivatives</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 527,000</b>	<b>\$ —</b>	<b>(75)</b>

### Collateral Pledged and Received

The Fund is party to repurchase and sell buy back agreements, which involve pledging and holding collateral. The following table illustrates the fair values of such collateral and the securities under these agreements at:

COLLATERAL	2020	2019
Amounts payable under repurchase agreements	\$ 13,151,989	\$ 5,888,032
Collateral pledged	—	5,789,934

### Liquidity Risk

The Fund's non-derivative liabilities and amounts payable under repurchase agreements are due within three months and one year of the year-end of the Fund, respectively.

The following were the contractual maturities of derivative financial assets and derivative financial liabilities as at December 31:

	2020					Total
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year		
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	—
Derivative liabilities	—	—	—	—	—	—
	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>—</b>

  

	2019					Total
	Carrying value	Less than 1 year	1 to 2 years	Over 2 year		
Derivative assets	\$ —	\$ —	\$ —	\$ —	\$ —	—
Derivative liabilities	(75)	(75)	—	—	—	(75)
	<b>\$ (75)</b>	<b>\$ (75)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>(75)</b>

## LEVERAGED BOND FUND

### Interest Rate Risk

The Fund's investment objective results in the Fund being exposed to leveraged interest rate risk. The Fund finances bond purchases with repurchase agreements which are generally of shorter duration than the bond investments, resulting in significant interest rate risk. The Fund's investment in bonds is approximately 15 times the net asset value of the fund, resulting in significantly greater interest rate risk than an unleveraged bond investment.

As at December 31, the Fund invested in debt instruments with the following terms to maturity and average effective yield:

BONDS BY MATURITY DATE	2020		2019	
	Total	Avg Effective Yield	Total	Avg Effective Yield
1 to 2 years	\$ 648,778	0.2 %	\$ —	0.0 %
2 to 5 years	4,831,550	0.4	2,322,968	1.9
5 to 10 years	3,486,214	0.9	1,448,733	2.1
10 to 20 years	1,600,171	1.5	1,321,482	2.2
20 to 30 years	2,464,306	1.9	287,916	1.8
Over 30 years	962,401	1.8	649,687	2.5
<b>Total Bonds</b>	<b>\$ 13,993,420</b>	<b>1.0 %</b>	<b>\$ 6,030,786</b>	<b>2.1 %</b>

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,276,200 (2019 - \$533,121), representing 138.9% of the Fund's net assets (2019 - 205.7%). In practice, actual trading results may differ from this sensitivity analysis and the difference could be material.

### Currency Risk

The Fund is not exposed to significant currency risk since the Fund's assets and liabilities are denominated in Canadian dollars.

### Other Price Risk

The Fund's financial assets and liabilities are not exposed to significant other price risk since the Fund's assets and liabilities are fixed income instruments.

Management monitors the concentration of risk for debt securities based on counterparties, sector and geographic location. The Fund's debt investments are issued or guaranteed by the Government of Canada, provincial governments, municipal governments, sovereign governments, and corporate entities.

#### *Investments by geographic region*

All of the Fund's investments are exposed to the Canadian market.

## LEVERAGED BOND FUND

### Fair Value Measurement Discussion

(Expressed in thousands of dollars)

As described in note 7 of the financial statements, a three-tier hierarchy is used as a framework for disclosing fair value based on inputs used to value the Fund's financial instruments.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, all fair value measurements noted in the tables below are recurring.

	2020			2019		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Money market funds	62,858	—	62,858	661	—	661
Bonds	—	13,993,420	13,993,420	—	6,030,786	6,030,786
Total investments	62,858	13,993,420	14,056,278	661	6,030,786	6,031,447
Swaps, net	—	—	—	—	(75)	(75)
Amounts payable under repurchase agreements	—	(13,151,989)	(13,151,989)	—	(5,888,032)	(5,888,032)
<b>Total</b>	<b>\$ 62,858</b>	<b>\$ 841,431</b>	<b>\$ 904,289</b>	<b>\$ 661</b>	<b>\$ 142,679</b>	<b>\$ 143,340</b>

The carrying amount of the Fund's net assets attributable to holders of redeemable units also approximates fair value as they are measured at redemption amount and are classified as Level 2 in the fair value hierarchy.

During 2020 and 2019 there were no significant transfers between the three levels in the hierarchy.

## LEVERAGED BOND FUND

### Involvement with Structured Entities

(Expressed in thousands of dollars, except number of investee funds)

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2020 and 2019, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below set out the interests held by the Fund in these structured entities:

Entity	2020			2019		
	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position	Number of Investee Funds	Total Net Assets of Investee Funds	Carrying amount included in Investments in the Statement of Financial Position
Investee money market funds administered by BCI	1	\$ 1,909,999	\$ 62,858	1	\$ 1,126,577	\$ 661



## 1. THE PORTFOLIOS

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. These financial statements have been prepared by BCI and are the responsibility of BCI management.

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 (the "Funds") 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 Funds were established on the following dates:

Pooled Investment Portfolios	Dates Established
Canadian Money Market Fund ST1	April 21, 1986
Canadian Money Market Fund ST2	September 19, 1986
U.S. Dollar Money Market Fund ST3	August 1, 1990
CDOR 1 Floating Rate Fund	March 13, 2017
CDOR 2 Floating Rate Fund	October 11, 2018
CDOR 3 Floating Rate Fund	October 10, 2019
CDOR 4 Floating Rate Fund	October 16, 2019
Short Term Bond Fund	November 1, 1995
Canadian Universe Bond Fund	April 20, 2006
Corporate Bond Fund	January 8, 2016
Leveraged Bond Fund	September 19, 2019

## 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 Chief Executive Officer / Chief Investment Officer on April 12, 2021.

### (b) Basis of measurement

These financial statements have been prepared on a historical cost basis except for investments, derivative financial instruments, and redeemable units which are measured at fair value.

### (c) Functional and presentation currency

These financial statements are presented in Canadian dollars which is the Funds' functional currency, except for U.S. Dollar Money Market Fund ST3, which is presented in U.S. dollars and whose functional currency is U.S. dollars.

#### (d) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. 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.

### 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 fair value through profit or loss ("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 Funds become a party to the contractual provisions of the instrument. The Funds derecognize 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 Funds have a legal right to offset the amounts and intend either to settle on a net basis or to realize the asset and settle the liability simultaneously.

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 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 Funds 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 reclassified subsequent to their initial recognition, unless the Funds change their business models 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 Funds have not classified any of its financial assets as FVOCI.

A financial liability is 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. On initial recognition the Funds irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

**(ii) Fair value through profit or 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 Funds' investments, derivative financial instruments, amounts payable under repurchase agreements, and redeemable units are classified 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 fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds' 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, including non-publicly traded derivative financial instruments, 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 BCI, be inaccurate, unreliable or not readily available, the fair value is estimated on the basis of 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 any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Funds' classify cash, receivable from sale of investments, receivable from issuance of units, dividend receivable, interest receivable, other receivables, security lending revenue receivable, other accounts payable, payable for purchase of investments, payable for redemption of units, and BCI cost recoveries 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) Receivables and payables under repurchase agreements**

BCI is party to repurchase agreements and reverse repurchase agreements. These agreements involve the sale of securities by one counterparty with a simultaneous agreement to repurchase such securities at a specified price and at a specified future date.

When the Funds purchase a financial asset and simultaneously enter into an agreement to resell the same or a substantially similar asset at a fixed price on a future date (reverse repurchase agreement), the arrangement is recognized in the Statement of Financial Position as securities purchased under reverse repurchase agreement, and the underlying asset is not recognized in the Funds' financial statements as the counterparty retains the risks and rewards of ownership of the underlying asset.

When the Funds sell a financial asset and simultaneously enter into an agreement to repurchase the same or a similar asset at a fixed price on a future date (repurchase agreement), the Funds retain substantially all of the risks and rewards of ownership of the asset. Therefore, the arrangement is accounted for as a borrowing and is recognized in the Statement of Financial Position as amounts payable under repurchase agreement and the underlying asset is not derecognized.

**(c) Redeemable units**

The Funds classify 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, each Fund is required to distribute, to unitholders of the respective 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. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of BCI.

**(d) Issue and redemption of units**

Participation in each Fund is expressed in units. The initial value of a unit on inception is \$1 million (\$U.S. 1 million for the U.S. Dollar Money Market Fund ST3). For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio 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. All of the Funds were open-ended Funds throughout the year where the number of units available for issue was unlimited and the proportion of units issued or redeemed by each client on a particular valuation date depended on changes to their desired asset allocation.

**(e) Foreign exchange**

These financial statements are denominated in Canadian dollars except for the U.S. Dollar Money Market Fund ST3. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars (U.S. dollars for the U.S. Dollar Money Market Fund ST3) 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.

**(f) Revenue recognition**

Interest income is recognized on an accrual basis using the effective interest method. Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined using the average cost basis of the respective investments. Commissions, stock exchange fees and other identifiable transaction costs that are directly attributable to the acquisition or disposal of an investment are expensed as incurred. Pursuit costs are charged to net income of the respective Funds in the period incurred.

**(g) Securities lending**

Securities lending contracts are entered into for the temporary delivery of securities to a borrower in exchange for different securities having a higher market value (collateral), with an obligation for the borrower to redeliver the same quantity of the original securities lent at a future date. The lender receives a fee from the borrower, and retains the rights to receive equivalent interest payments or dividends from the loaned securities. The Funds continue to recognize the securities in their entirety in the statement of financial position as the Funds retain all of the risks and rewards of ownership. Securities lending income is recognized over the term of the arrangement. The credit risk related to securities lending transactions is limited by the fact that the value of securities held as collateral by the Funds is at least 105% of the market value of the securities loaned.

**(h) Income taxes**

The Funds qualify as inter-vivos trusts under section 108(1) of the *Income Tax Act (Canada)*. All of a 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 Funds do not record income taxes. Income taxes associated with any of the Funds' underlying investments are accounted for in determining the fair value of the respective investments.

**(i) New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations as listed below are not yet effective for the year ended December 31, 2020, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Funds.

Effective on January 1, 2021:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)

Effective on January 1, 2023 :

- IFRS 17 Insurance Contracts

#### **4. RELATED PARTY TRANSACTIONS**

Third party costs that are attributable to a specific Fund are charged to that Fund. Other costs initially borne by BCI are recovered from the various Funds on a cost recovery basis. BCI cost recoveries and corresponding payable are disclosed in each Fund's Statement of Comprehensive Income and Statement of Financial Position, respectively.

Where one Fund invests in another Fund, the unit issuances and redemptions are transacted on a basis equivalent to those in an arm's length transaction.

##### **Receivables and payables under repurchase agreements**

The Leveraged Bond Fund, the Canadian Money Market Fund ST1, and the Canadian Money Market Fund ST2, which are Funds managed by BCI and thus related parties, entered into repurchase and reverse repurchase agreements during the year, where the Leveraged Bond Fund agreed to sell securities to the Canadian Money Market Fund ST1 and Canadian Money Market Fund ST2 with simultaneous agreements to repurchase such securities at a specified price and date. The cumulative value of the repurchase and reverse repurchase agreements between the Leveraged Bond Fund and Canadian Money Market Fund ST1 and the Leveraged Bond Fund and Canadian Money Market Fund ST2 during 2020 was \$15.7 billion and \$2.1 billion, respectively, none of which was outstanding as at December 31, 2020.

The cumulative value of the repurchase and reverse repurchase agreements between the Leveraged Bond Fund and Canadian Money Market Fund ST1 and the Leveraged Bond Fund and the Canadian Money Market Fund ST2 during 2019 was \$19.7 billion and \$14.1 billion, respectively, of which \$646.6 million and \$231.3 million were outstanding as at December 31, 2019.

The terms of the repurchase and reverse repurchase agreements were equivalent to those prevailing in an arm's length transaction, with each Funds' interests represented by different BCI personnel.

##### **Payable to BCI Funds**

In July 2019, the Corporate Bond Fund entered into an agreement with a segregated client account whereby the Corporate Bond Fund received funding from the segregated client account to purchase and hold securities on its behalf. As the segregated client account was also managed by BCI, it was classified as a related party. At maturity of the agreement in September 2020, the Corporate Bond Fund provided the required return to the segregated client account. Neither party earned or paid the counterparty any fees or interest in connection with this transaction. As at December 31, 2019, the fair value of the payable to the segregated client account was \$126.7 million.

## 5. REDEEMABLE UNITS

The Funds are authorized to issue an unlimited number of units. Units issued and outstanding represent the capital of each Fund. The Funds are not subject to any internally or externally imposed restrictions on their capital. BCI manages the capital of each Fund in accordance with the respective 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 period ended December 31:

	CANADIAN MONEY MARKET FUND ST1		CANADIAN MONEY MARKET FUND ST2		U.S. DOLLAR MONEY MARKET FUND ST3	
	2020	2019	2020	2019	2020	2019
Outstanding, beginning of period	288.023	441.765	887.296	569.392	237.179	268.426
Issued for cash	13,393.955	9,002.339	2,934.907	2,587.826	6,779.193	4,556.933
Issued on reinvestment of distributions	2.191	4.636	8.563	12.957	1.616	3.617
Consolidation of units	(2.191)	(4.636)	(8.563)	(12.957)	(1.616)	(3.617)
Redeemed	(13,196.063)	(9,156.081)	(2,926.716)	(2,269.922)	(6,676.812)	(4,588.180)
<b>Outstanding, end of period</b>	<b>485.915</b>	<b>288.023</b>	<b>895.487</b>	<b>887.296</b>	<b>339.560</b>	<b>237.179</b>

	CDOR 1 FLOATING RATE FUND		CDOR 2 FLOATING RATE FUND		CDOR 3 FLOATING RATE FUND	
	2020	2019	2020	2019	2020	2019
Outstanding, beginning of period	19,556.024	12,479.507	2,299.507	3,372.289	5,530.254	—
Issued for cash	14,493.078	22,388.307	2,990.989	2,555.412	1,779.150	5,552.683
Issued on reinvestment of distributions	321.266	388.774	26.435	22.457	69.905	19.749
Consolidation of units	(321.266)	(388.774)	(26.435)	(22.457)	(69.905)	(19.749)
Redeemed	(20,413.607)	(15,311.790)	(3,703.536)	(3,628.194)	(3,405.926)	(22.429)
<b>Outstanding, end of period</b>	<b>13,635.495</b>	<b>19,556.024</b>	<b>1,586.960</b>	<b>2,299.507</b>	<b>3,903.478</b>	<b>5,530.254</b>

	CDOR 4 FLOATING RATE FUND		SHORT TERM BOND FUND		CANADIAN UNIVERSE BOND FUND	
	2020	2019	2020	2019	2020	2019
Outstanding, beginning of period	58.148	—	741.096	637.308	9,794.239	9,344.048
Issued for cash	891.209	59.643	1.179	245.782	2,402.917	2,781.326
Issued on reinvestment of distributions	2.255	0.173	18.658	13.931	528.784	382.171
Consolidation of units	(2.255)	(0.173)	(18.658)	(13.931)	(528.784)	(382.171)
Redeemed	(647.182)	(1.495)	(399.531)	(141.994)	(2,381.944)	(2,331.135)
<b>Outstanding, end of period</b>	<b>302.175</b>	<b>58.148</b>	<b>342.744</b>	<b>741.096</b>	<b>9,815.212</b>	<b>9,794.239</b>

	CORPORATE BOND FUND		LEVERAGED BOND FUND	
	2020	2019	2020	2019
Outstanding, beginning of period	4,116.489	2,694.986	290.835	—
Issued for cash	2,045.002	2,267.514	294.308	474.893
Issued on reinvestment of distributions	352.181	252.493	148.137	3.291
Consolidation of units	(352.181)	(252.493)	(148.137)	(3.291)
Redeemed	(357.663)	(846.011)	(236.008)	(184.058)
<b>Outstanding, end of period</b>	<b>5,803.828</b>	<b>4,116.489</b>	<b>349.135</b>	<b>290.835</b>

## 6. FINANCIAL RISK MANAGEMENT

### (a) Risk management framework

Each Fund has its own investment objectives. The Funds' overall risk management program seeks to minimize the potentially adverse effect of risk on the Funds' financial performance in a manner consistent with the Funds' investment objectives. In the normal course of business, each Fund is exposed to financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk and other price risk). The level of risk varies depending on the investment objective of the Fund and the type of investments it holds.

See additional discussion in the Financial Risk Management Discussion in the notes specific to each Fund.

### (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 Funds, resulting in a financial loss to the Funds. It arises principally from debt securities held, and also from derivative financial assets, which include foreign currency contracts, receivables from reverse repurchase agreements, 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 Funds' maximum exposure to credit risk.

BCI management monitors credit risk through an internal credit manager program detailing the credit rating of all credit-sensitive financial securities held in money market and bond pooled funds. Credit risk monitoring entails an evaluation of the credit quality of each issuer and counterparty that transacts with the Funds. To perform this evaluation, BCI management relies on ratings from three recognized credit rating agencies for very short term exposure to counterparties such as brokers. For direct holdings of issuer debt in the long and short term Funds, BCI conducts its own independent credit reviews. Credit reviews are monitored on a quarterly basis through an established credit committee.

To avoid undue credit risk, the Funds have established specific investment criteria, such as minimum credit ratings required to transact with counterparties and to invest in investees. Counterparty risk represents the credit risk from current and potential future exposure related to transactions involving derivative contracts and securities lending. For certain investments and derivative contracts, counterparties are required to provide adequate collateral and meet minimum credit rating requirements. BCI management frequently monitors the credit rating of its counterparties as determined by recognized credit rating agencies. With respect to derivative contracts, BCI has the ability to terminate all trades with counterparties whose credit rating is downgraded below its requirements, which may be below the credit rating required for entering into new transactions.

For OTC derivatives, BCI's policy also requires the use of the International Swaps and Derivative Association (ISDA) Master Agreement with all counterparties to derivative contracts. The ISDA Master Agreement provides the contractual framework within which dealing activities across a full range of OTC products are conducted. In the case of OTC-cleared derivatives, trading activities are regulated between parties under terms that are customary to such transactions.

As a credit mitigation technique, the ISDA Master Agreement contractually binds counterparties to close-out netting provisions in the case of default by one of the counterparties. Additionally, the Credit Support Annex (CSA) to the ISDA Master Agreement enables BCI to realize any collateral placed with it in the case of default of the counterparty. The CSA also requires BCI to contribute further collateral when requested. All collateral transactions under the CSA are high-quality debt instruments or securities. The CSA also regulates the exchange of collateral when the credit exposure to a counterparty exceeds a predetermined threshold. BCI and its counterparties are generally not authorized to sell, repledge or otherwise use collateral held with respect to derivative contracts.

For repurchase and reverse repurchase agreements, BCI requires the use of the Global Master Repurchase Agreement (GMRA) with all counterparties, which provides a contractual framework for transacting

repurchase agreements. These transactions are conducted under terms that are usual and customary to repurchase transactions. Collateral requirements are in place to mitigate counterparty risk for repurchase agreements. Eligible collateral is limited to full-recourse high-quality government bonds. The Funds and counterparties are authorized to sell, re-pledge, or otherwise use collateral held.

The Funds' activities may also give rise to settlement risk. Settlement risk is the risk of loss due to failure of an entity to honour its obligations to deliver cash, securities, or other assets prior to the settlement of the transaction as contractually agreed. All investment transactions are settled or paid upon delivery with approved brokers. The risk of default is mitigated since the delivery of securities sold is made simultaneously with the broker receiving payment. Payment is made on a purchase once the securities have been received by the broker. The trade fails if either party fails to meet its obligations.

See additional discussion of credit risk in the Financial Risk Management Discussion in the notes specific to each Fund.

**(c) Liquidity risk**

Liquidity risk is the risk that the Funds will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. BCI's approach to managing liquidity risk is to ensure, as far as possible, that each Fund has sufficient liquidity to meet its liabilities when due. Each Fund is exposed to the liquidity risk associated with the requirement to redeem units. Units of a Fund may only be acquired by eligible clients or client groups in accordance with the respective 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 each Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

The Funds' cash position is monitored on a daily basis. In general, investments in cash and BCI Money Market Funds are expected to be highly liquid. BCI management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. The Funds' liquidity position is monitored daily by taking into consideration future forecasted cash flows. This helps to ensure that sufficient cash reserves are available to meet forecasted cash outflows.

See additional discussion of liquidity risk in the Financial Risk Management Discussion in the notes specific to each 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 Funds' income or the fair value of its holdings of financial instruments. Each Fund's strategy for the management of market risk is driven by the Fund's investment objective. Investment objectives for the Funds are outlined in the notes specific to each Fund.

**(i) Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates.

Money market investments and bonds are subject to interest rate risk. The Funds that hold these investments have established duration bands based on their relevant benchmarks to avoid undue active interest rate risk. Money market funds invest in short-term investments and have low interest rate risk.

See additional discussion of interest rate risk in the Financial Risk Management Discussion in the notes specific to each Fund.

**(ii) Currency risk**

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



Some Funds are exposed to currency risk through holding of investments, investment receivables and investment liabilities in various currencies. The Funds 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.

See additional discussion of currency risk in the Financial Risk Management Discussion in the notes specific to each Fund.

### **(iii) Other price risk**

Other price risk is the risk that the fair value of a 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.

All financial instruments are subject to other price risk and a potential loss of capital. The maximum risk is determined by the market value of the financial instruments. There are established investment criteria for each Fund related to diversification of investments and investment mandates for external managers to avoid undue market risk. BCI management monitors active price risk on a monthly basis. Tracking error and beta statistics for all equity Funds are compiled to review that the level of risk is consistent with each Fund's objective.

See additional discussion of other price risk in the Financial Risk Management Discussion in the notes specific to each Fund.

As a result of the COVID-19 pandemic, there continues to be significant volatility and uncertainty in securities markets. The duration and impact of the COVID-19 pandemic remains uncertain at this time, and accordingly the pandemic may continue to affect the Funds' investment portfolio.

## **7. FAIR VALUE OF FINANCIAL INSTRUMENTS**

### **(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 Funds determine 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 Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2 inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 inputs that are unobservable.

See additional discussion on the three-tier hierarchy in the Fair Value Measurement Discussion in the notes specific to each Fund.

### **(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 Funds use widely recognized valuation methods for determining the fair value of common and more simple financial instruments such as foreign currency contracts and money market 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 exists 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, money market prices, and foreign currency exchange rates in estimating valuations of foreign currency contracts.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives and simple OTC derivatives. The availability of observable market prices and model inputs 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.

**(c) Valuation framework**

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

- verifying that the broker or pricing service is approved by the Funds for use in pricing the relevant type of financial instrument;
- understanding how the fair value 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.

**(d) Financial instruments not measured at fair value**

The carrying value of cash, receivable from sale of investments, receivable from issuance of units, dividends receivable, interest receivable, payable for purchase of investments, payable for redemption of units, BCI cost recoveries payable, and other accounts payable approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because while prices are available, there is no active market for these instruments.

**8. TAXES**

Net cumulative capital losses and non-capital losses for each Fund are as follows as of December 31, 2020:

<b>Pooled Investment Portfolios</b>	<b>Net Capital Losses</b>	<b>Non Capital Losses</b>
CDOR 1 Floating Rate Fund	66,737	—
CDOR 2 Floating Rate Fund	73,162	—
CDOR 3 Floating Rate Fund	11,232	—

Net capital losses are available to be carried forward indefinitely and applied against future net realized capital gains. Non-capital losses may be carried forward up to 20 years to reduce future taxable income.

## 9. SECURITIES SUBJECT TO LENDING ARRANGEMENTS

The fair value of securities on loan at December 31 and percentage of securities on loan for the Funds was as follows:

Pooled Investment Portfolios	Fair Value of Securities on Loan		Percentage of securities on loan	
	2020	2019	2020	2019
Canadian Money Market Fund ST2	\$ 20,668	\$ 257,480	3.3 %	7.8 %
CDOR 1 Floating Rate Fund	5,169,506	9,098,580	40.0	51.0
CDOR 2 Floating Rate Fund	397,328	1,515	24.0	0.1
CDOR 3 Floating Rate Fund	1,385,003	798,900	36.7	19.1
Short Term Bond Fund	465,563	380,201	48.2	19.0
Canadian Universe Bond Fund	2,149,651	4,920,665	10.4	25.9
Corporate Bond Fund	372,641	368,871	5.2	7.5

## 10. UNCERTAINTIES RELATED TO COVID-19

On March 11, 2020, the outbreak of the novel strain of the coronavirus (“COVID-19”) outbreak was declared a pandemic by the World Health Organization (“WHO”) prompting many national, regional, and local governments to implement preventative or protective measures. As a result, COVID-19 and the related restrictive measures have had a significant financial and market impact including significant volatility in equity prices, interest rates, bond yields, and foreign exchange rates. The situation is dynamic with various cities and countries around the world responding in different ways to address the outbreak. Government and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. BCI is closely monitoring its operations, liquidity and capital resources and is actively working to minimize the current and future impact of this unprecedented situation. The duration and impact of COVID-19 is unknown at this time; as such, it is not reasonably possible to evaluate the impact of the pandemic on the Funds in future periods.

## 11. SUBSEQUENT EVENT

Subsequent to the Supreme Court of Canada decision of December 13, 2019, it was unclear whether the PIPs would be entitled to a rebate of amounts paid in lieu of the goods and services tax (GST) under the Reciprocal Tax Agreement (RTA) between the B.C. and federal governments. As such, the RTA liability for the years ended December 31, 2017 to 2020 was recorded with no offsetting receivable in respect of a rebate.

However, on March 10, 2021, the BC Ministry of Finance and the Department of Finance Canada agreed to amend Schedule A of the RTA to more explicitly acknowledge the PIPs’ entitlement to a rebate of the amounts paid under the RTA. Furthermore, Finance Canada has 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 at December 31, 2020 will be reversed by April 2021.

The RTA liability for each Fund is as follows as of December 31, 2020.

<b>Pooled Investment Portfolios</b>	<b>RTA liability</b>
Canadian Money Market Fund ST1	\$ 853
Canadian Money Market Fund ST2	1,375
U.S. Dollar Money Market Fund ST3	168
CDOR 1 Floating Rate Fund	217
CDOR 2 Floating Rate Fund	1
CDOR 3 Floating Rate Fund	1
CDOR 4 Floating Rate Fund	1
Short Term Bond Fund	940
Canadian Universe Bond Fund	8,226
Corporate Bond Fund	1,992
Leveraged Bond Fund	271



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

750 Pandora Ave, Victoria BC V8W 0E4 CANADA / [BCI.ca](http://BCI.ca)

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