

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION

# Realpool Global Fund Financial Statements

DECEMBER 2016



INVESTING RESPONSIBLY FOR RESULTS



**British Columbia Investment Management Corporation  
Realpool Global Fund**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

British Columbia Investment Management Corporation [bcIMC] manages the Realpool Global Fund [Fund] on behalf of governing fiduciaries such as pension fund trustees and other public sector clients.

The 2016 financial statements of the Fund have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. 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 notes 2 and 3 to the financial statements. The statements include certain amounts that are based on management's judgment and best estimates.

bcIMC's Board has established an Audit Committee. The Committee's mandate includes making recommendations on the appointment of the external auditor for the Fund, reviewing the external audit plan; reviewing bcIMC's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, and reviewing the annual audited financial statements of the Realpool Global Fund. 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.

bcIMC 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. bcIMC'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 Pooled Investment Portfolio Policies and client-approved investment mandates. bcIMC's systems of internal control is supported by external auditors who review and evaluate internal controls and report directly to the Audit Committee.

The Fund's external auditors, Ernst & Young LLP ["EY"], have full and unrestricted access to the Audit Committee and bcIMC management. EY discusses with management and the Committee the results of their audit of the Fund's financial statements and related findings with respect to such audit. The Fund's financial statements are audited by EY in accordance with Canadian generally accepted auditing standards. EY has performed such tests and other procedures as they considered necessary to express an opinion on the Fund's financial statements.

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer/Chief Investment Officer

[S] Lawrence Davis

Lawrence Davis  
Senior Vice President, Finance

# Independent auditors' report

To the Unitholders of  
**Realpool Global Fund**

We have audited the accompanying financial statements of **Realpool Global Fund**, which comprise the statement of financial position as at December 31, 2016, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's responsibility for the financial statements

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

## Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Realpool Global Fund** as at December 31, 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Vancouver, Canada  
August 18, 2017

*Ernst & Young LLP*

Chartered Professional Accountants



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND

**Statement of Financial Position**

(all amounts in thousands *except number of units*)

	Note	December 31, 2016	December 31, 2015
<b>Assets</b>			
Interest receivable		\$ -	\$ 1,228
Investments at fair value through profit or loss	4, 5, 7	<u>1,208,108</u>	<u>1,663,223</u>
		<u>1,208,108</u>	<u>1,664,451</u>
<b>Liabilities</b>			
bcIMC funds management fees payable	5	240	167
Accounts payable		<u>41</u>	<u>5</u>
		<u>281</u>	<u>172</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 1,207,827</u></u>	<u><u>\$ 1,664,279</u></u>
<i>Number of redeemable units outstanding</i>	6	822.907	1,140.828
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,468</u></u>	<u><u>\$ 1,459</u></u>

*Commitments and Contingencies* 12

[S] Gordon J. Fyfe

Gordon Fyfe  
Chief Executive Officer  
Chief Investment Officer

**Statement of Comprehensive Income**

(all amounts in thousands)

	Note	Year Ended December 31, 2016	Year Ended December 31, 2015
<b>Revenue:</b>			
Interest income		\$ 504	\$ 367
Income distributions from investments		22,810	10
Foreign exchange gain		<u>548</u>	<u>15</u>
		<u>23,862</u>	<u>392</u>
<b>Realized and Unrealized Gains (Losses):</b>	7		
Net realized gain		80,861	75,504
Net change in unrealized appreciation (depreciation)	5	<u>(101,726)</u>	<u>322,022</u>
		<u>(20,865)</u>	<u>397,526</u>
<b>Expenses:</b>			
bcIMC funds management fees	5	2,354	1,824
External management fees		-	117
Administrative and professional fees		882	771
Pursuit costs		<u>759</u>	<u>1,365</u>
		<u>3,995</u>	<u>4,077</u>
Increase (decrease) in net assets attributable to holders of redeemable units from operations excluding distributions		<u>(998)</u>	<u>393,841</u>
Distributions to holders of redeemable units		<u>(106,691)</u>	<u>(81,017)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<u><u>\$ (107,689)</u></u>	<u><u>\$ 312,824</u></u>

See accompanying notes to the financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (all amounts in thousands)			Statement of Cash Flows (all amounts in thousands)			
	Note	Year Ended December 31, 2016	Year Ended December 31, 2015		Year Ended December 31, 2016	Year Ended December 31, 2015
Balance, beginning of year		\$ 1,664,279	\$ 929,011	Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units		(107,689)	312,824	Increase (decrease) in net assets attributable to holders of redeemable units	\$ (107,689)	\$ 312,824
Redeemable unit transactions:				Adjustments for:		
Proceeds from units issued		354,962	772,600	Interest income	(504)	(367)
Reinvestment of distributions		106,691	81,017	Net realized gain from investments	(80,861)	(75,504)
Amounts paid for units redeemed	5	(810,416)	(431,173)	Net change in unrealized (appreciation) depreciation from investments	101,726	(322,022)
Net increase (decrease) from redeemable unit transactions		(348,763)	422,444	Non cash distributions	106,691	81,017
Balance, end of year		\$ 1,207,827	\$ 1,664,279	Proceeds from sale of investments	1,439,089	816,317
				Amounts paid for purchase of investments	(1,004,839)	(1,153,985)
				bclMC funds management fees payable	73	75
				Other accounts payable	36	(2)
				Interest received	1,732	(861)
					455,454	(342,508)
				Financing activities:		
				Proceeds from issue of redeemable units	354,962	772,600
				Payments on redemption of redeemable units	(810,416)	(431,173)
					(455,454)	341,427
				Net decrease in cash	-	(1,081)
				Cash, beginning of year	-	1,081
				Cash, end of year	\$ -	\$ -

See accompanying notes to the financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND

<b>Schedule of Investments</b> (all amounts in thousands)				
	December 31, 2016		December 31, 2015	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
<b>Real estate investments <sup>1</sup>:</b>	\$ 1,185,073	\$ 832,062	\$ 1,663,039	\$ 1,208,305
<b>Money Market Investments:</b>				
Units in bcIMC pooled investment portfolios				
Fund ST2	17,261	17,261	173	173
Fund ST3	5,774	5,777	11	10
	<u>23,035</u>	<u>23,038</u>	<u>184</u>	<u>183</u>
<b>Total investments</b>	<u>\$ 1,208,108</u>	<u>\$ 855,100</u>	<u>\$ 1,663,223</u>	<u>\$ 1,208,488</u>

<sup>1</sup> Real estate investments are held through private corporations, limited partnerships, a pooled investment portfolio and a trust, and are funded by a combination of equity and debt [note 4 and 7].

See accompanying notes to the financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

## 1. THE PORTFOLIO

British Columbia Investment Management Corporation ["bcIMC"] 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 the bcIMC's registered office is at 300-2950 Jutland Road, Victoria, British Columbia Canada. These financial statements have been prepared by bcIMC and are the responsibility of bcIMC management.

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

The Realpool Global Fund was first established June 24, 2004 under the name of "2004 Realpool International Fund". On January 2, 2014, the 2004 Realpool International Fund was renamed to "Realpool Global Fund". Real estate investments previously held in 5 other real estate investment funds managed by bcIMC were acquired by or assigned to the Realpool Global Fund as outlined in Note 9.

## 2. BASIS OF PRESENTATION

### (a) Statement of compliance

The financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"). The financial statements were authorized for issue by the Chief Executive Officer / Chief Investment Officer on August 18, 2017.

### (b) Accounting for real estate investments

Real estate investments are held through subsidiaries of the Fund, which include private corporations, limited partnerships and a pooled investment portfolio funded by a combination of equity and debt. The Fund is an investment entity, and as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value.

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

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

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

### (c) Basis of measurement

The financial statements have been prepared on a historical cost basis except for investments held at fair value through profit or loss which are measured at fair value.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**2. BASIS OF PRESENTATION (continued)**

(d) Functional and presentation currency

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

(e) Use of estimates and 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, income and expenses. In determining the fair value of some of its investments, management reviews and assesses external managers' estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition and measurement

Financial instruments are required to be classified into one of the following categories: held-for-trading, fair value through profit or loss ("FVTPL"), available-for-sale, loans and receivables, assets held-to-maturity, and other financial liabilities. 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 held-for-trading or fair value through profit or loss in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities held for trading or at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of net assets only when the Fund has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

The Fund has not classified any financial instruments as available-for-sale or assets held to maturity.



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(a) Financial instruments (continued)

(ii) Held-for-trading and fair value through profit or loss

Financial instruments classified as held-for-trading or FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statement of Comprehensive Income in the period in which they occur. The Fund's derivative financial assets and derivative financial liabilities are classified as held-for-trading. The Fund's investments are designated as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The 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 Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, management determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Valuation techniques also 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 bclMC, 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) Other financial liabilities

Other financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost using the effective interest method. The Fund's other financial liabilities are comprised of bclMC funds management fees payable and accounts payable.

(iv) Cash

Cash comprised of cash balances and bank deposits with maturities of three months or less.

(b) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. In accordance with the Regulations, the Fund is required to distribute to holders of the Fund's redeemable units, the taxable income and taxable capital gains of the Fund at least annually. Accordingly, such units are classified as financial liabilities at FVTPL and measured at the redemption amount. Distributions to holders of redeemable units are recognized in comprehensive income when they are authorized and no longer at the discretion of bclMC.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(c) Issue and redemption of units

Participation in the Fund is expressed in units. The initial value of a unit of the Fund on inception was \$1 million. 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 the Fund invests in another bcIMC Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

(d) Foreign exchange

The financial statements of the Fund are denominated in Canadian dollars. Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses are recognized in the Statement of Comprehensive Income.

(e) Income recognition

Interest income is recognized on an accrual basis using the effective interest method. Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments. The year-over-year change in the difference between the fair value and the cost of the investments and foreign currency contracts held at year end is recognized as a net change in unrealized appreciation (depreciation). 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 Fund in the period incurred.

(f) Income taxes

The Fund qualifies as an inter-vivos trust under the subsection 108(1) of the Income Tax Act (Canada). In accordance with the Regulations, all of the Fund's net income for tax purposes and net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record Canadian income taxes. The Fund may incur foreign taxes relating to its investing activity.

(g) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2016, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of the Fund, with the possible exception of IFRS 9, *Financial Instruments*.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

(g) Standards issued but not yet effective (continued)

IFRS 9 deals with recognition, de-recognition, classification and measurement, impairment and hedge accounting of financial instruments and its requirements represent a significant change from the existing requirements in IAS 39, *Financial Instruments: Recognition and Measurement*, in respect of financial assets. The standard contains two primary measurement categories for financial assets: amortized cost and fair value. A financial asset would be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be measured at fair value. The standard eliminates the existing IAS 39 categories of held-to-maturity, available-for-sale and loans and receivables.

The effective date of this standard is January 1, 2018, but early adoption is permitted. Management is currently in the process of evaluating the potential effect of this standard. The standard is not expected to have a significant impact on the financial statements since the Fund's financial assets are currently measured at fair value or amortized cost.

**4. INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS**

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

(a) Real estate investments

The private real estate investments consist of private corporations, limited partnerships, a trust, and a pooled investment portfolio.

The fair value of these entities is determined by the Net Asset Value of the entity.

(b) Money market investments

The Fund holds units in two bcIMC money market funds. The units of the money market funds are valued based on the sum of the fair value of the net assets of the funds.

**5. RELATED PARTY TRANSACTIONS**

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

(a) bcIMC fund management fees

Third party costs that are attributable to the Fund are charged directly to the Fund. Other costs initially borne by bcIMC are recovered from the Fund through management fees charged by bcIMC, which are calculated on a cost recovery basis. bcIMC management fees and the corresponding payable are disclosed in the Fund's Statement of Comprehensive Income and Statement of Financial Position.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**5. RELATED PARTY TRANSACTIONS (continued)**

(b) Transfer of investments to Realpool Global - Mexico Fund

On December 31, 2016, the beneficial and legal ownership of certain Mexican real estate investments held by the Fund were legally designated as held by bcIMC and allocated to the Realpool Global - Mexico Fund, another pooled investment portfolio, established and managed by bcIMC and proportionately owned by the same investors as those invested in this Fund. The Fund recorded a disposal of the Mexican investments at their cost of \$231 million and a redemption of 161.8 units for the same amount. The fair value of these investments was \$319 million and the transaction resulted in a loss of \$88 million which is recognized in the Net change in unrealized appreciation (depreciation). The Realpool Global - Mexico Fund recorded an acquisition of the Mexican investments at the cost of \$231 million and an issuance of 100.1 units at the same amount.

This arms length transaction is recorded at the exchange amount and the impact to net assets attributable to holders of redeemable units is summarized below:

	<b>Total (in 000's)</b>	<b>Total (in number of units)</b>
Redemptions	\$ (231,179)	161.886

**6. REDEEMABLE UNITS**

The Fund is authorized to issue an unlimited number of redeemable units. Redeemable units issued and outstanding represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. bcIMC manages the capital of the Fund in accordance with the Fund's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions. Clients may increase or decrease their participation in the Fund by purchasing or redeeming units on an opening date, which occurs the first business day of the calendar year. The CIO may, without notice, establish a purchase and/or redemption limit for a particular opening date. Unit issuances and redemptions occurring on dates other than the opening date are allocated on a proportional basis to the existing unitholders.

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

	<b>2016 (in number of units)</b>	<b>2015 (in number of units)</b>
Outstanding, beginning of year	1,140.828	826.835
Issued	261.624	691.116
Issued on reinvestment of distributions	73.218	55.529
Consolidation of units	(73.218)	(55.529)
Redeemed (note 5)	(579.545)	(377.123)
Outstanding, end of year	<b>822.907</b>	<b>1,140.828</b>

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**7. FINANCIAL RISK MANAGEMENT**

(a) Risk management framework

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

The Fund may hold the following assets:

- Real estate properties;
- Real estate-related securities, including trust units, partnership interests, shares, debt instruments, and units in externally managed pooled investment portfolios;
- Derivative instruments for the purposes of synthetic indexing, risk control, lowering transactions costs, and/or liquidity management;
- Foreign exchange contracts for currency conversions and/or currency hedging;
- Units in the Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), US Dollar Money Market Fund (ST3), government debt securities with a maximum term to maturity of 1 year, and other bcIMC short-term fixed income pooled funds, for cash management.

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

- Debt financing may be used in a prudent manner. No debt will be assumed or created if, as a result, the debt to market value ratio of the Fund would exceed 55 percent;
- The Fund may not sell a security, other than a derivative instrument, which it does not own (i.e. a short sale), borrow securities, or purchase securities using a margin account;
- Real estate investments must be eligible investments for pension plans under the *Pension Benefits Standards Act*, (B.C.).

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**7. FINANCIAL RISK MANAGEMENT (continued)**

(a) Risk management framework (continued)

The Fund's activities expose it to a variety of financial risks. For purposes of describing the financial risks of the Fund, the composition of the net assets held by the underlying corporations, limited partnerships, and money market funds and their investing activities have been considered. As of December 31, 2016 and December 31, 2015, the private corporations, limited partnerships, pooled investment portfolio and trust hold the following underlying net assets:

	December 31, 2016		December 31, 2015	
	Total	% of	Total	% of
	(in 000s)	Total	(in 000s)	Total
Direct private debt	\$ -	-	\$ 32,247	1.9
Direct private equity	229,484	19.4	446,142	26.8
Unlisted real estate investee funds	899,517	75.9	1,168,778	70.3
Real estate investments	1,129,001	95.3	1,647,167	99.0
bclMC money market funds	34,216	2.9	8,239	0.5
Cash	10,980	0.9	7,638	0.5
Net investment-related receivables	10,876	0.9	(3)	-
Foreign exchange contracts	-	-	(2)	-
Total net assets of entities	<u>\$ 1,185,073</u>	<u>100.0</u>	<u>\$ 1,663,039</u>	<u>100.0</u>

b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables due to the Fund. Due to the nature of the direct private debt, it is not subject to rating by a rating agency. The carrying value of these financial instruments as recorded in the Statements of Financial Position reflects the Fund's maximum exposure to credit risk.

The Fund's activities may also give rise to settlement risk. Settlement risk is the risk of loss due to failure of an entity to honor its obligations to deliver cash, securities, or other assets as contractually agreed. The risk of settlement is considered minimal since the Fund's private corporations, limited partnerships and pooled investment portfolios hold real estate and typically have a diversified tenant base. External managers conduct financial reviews to assess potential tenants' ability to meet future lease obligations.

(c) Liquidity risk

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**7. FINANCIAL RISK MANAGEMENT (continued)**

(c) Liquidity risk (continued)

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

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

The Fund's remaining non-derivative liabilities, including management fees payable and accounts payable, are due within three months of the year end of the Fund.

(d) Market risk

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

(i) Interest rate risk

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

Most of the Fund's financial assets and liabilities are non-interest bearing or have a short term to maturity and changes in value for the private debt due to interest rate fluctuations would result in equal and offsetting changes in the value of a related equity investment. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

(ii) Currency risk

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

The Fund 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**7. FINANCIAL RISK MANAGEMENT (continued)**

(d) Market risk (continued)

(ii) Currency risk

At the reporting dates, the carrying value of the Fund's net financial assets and financial liabilities held by the Fund's private corporations, limited partnerships, trust, pooled investment portfolio in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows:

	December 31, 2016		December 31, 2015	
	Total	% of Total	Total	% of Total
	(in Cdn 000s)	Net Assets	(in Cdn 000s)	Net Assets
British Pound Sterling	\$ 140,084	11.6	\$ 113,166	6.8
Danish Krone	29	-	48	-
Euro	56,173	4.7	204,674	12.3
Japanese Yen	8,177	0.7	-	-
United States Dollar	907,931	75.2	1,337,866	80.4
Canadian Dollar	72,679	6.0	7,285	0.4
Total real estate investments	<u>\$ 1,185,073</u>	<u>98.2</u>	<u>\$ 1,663,039</u>	<u>99.9</u>

At the reporting dates, if the Canadian dollar had strengthened/weakened by 1.0% in relation to all other currencies, holding all other variables constant, net assets would have decreased/increased by \$11,124 (2015 - \$16,558), representing 0.9% of the Fund's net assets (2015 - 1.0%).

(iii) Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment or its issuer or factors affecting all instruments traded in the market.

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. The Fund may not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital. There are established investment criteria for the Fund related to diversification of investment mandates for external managers to avoid undue market risk.

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



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**7. FINANCIAL RISK MANAGEMENT (continued)**

(d) Market risk (continued)

(iii) Other price risk (continued)

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

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

Country/Region Risk

The Fund's foreign investments may be subject to potential volatility due to political, social, and financial instability with its local region. To mitigate country/region risk, the Fund diversifies investments amongst countries and seeks investments in other countries with stable legal, political, and financial systems. At the reporting dates, real estate investment properties held by the Fund's corporations, limited partnerships, pooled investment portfolio and trust were diversified across the following geographic regions:

	December 31, 2016		December 31, 2015	
	Total	% of	Total	% of
	(in 000's)	Total	(in 000's)	Total
North America	\$ 873,115	73.7	\$ 1,184,976	71.3
Europe	197,203	16.6	318,143	19.1
Asia	65,942	5.6	111,927	6.7
South America	48,813	4.1	47,993	2.9
Total real estate investments	<u>\$ 1,185,073</u>	<u>100.0</u>	<u>\$ 1,663,039</u>	<u>100.0</u>

As at December 31, 2016, had the fair value of the investments increased or decreased by 10% , with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$120,811 (2015 - \$166,322) or 10 percent of net assets attributable to redeemable units. Actual trading results may differ from above sensitivity analysis and the difference could be material.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**8. FAIR VALUE MEASUREMENT**

(a) Fair value hierarchy

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

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

The Funds measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

Level 1: Quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly unobservable.

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

Type of investment [in 000s]	December 31, 2016				December 31, 2015			
	Quoted prices in active markets [Level 1]	Significant observable inputs [Level 2]	Significant unobservable inputs [Level 3]	Total	Quoted prices in active markets [Level 1]	Significant observable inputs [Level 2]	Significant unobservable inputs [Level 3]	Total
Real estate investments	\$ -	\$ -	\$ 1,185,073	\$ 1,185,073	\$ -	\$ -	\$ 1,663,039	\$ 1,663,039
Money market investments	-	23,035	-	23,035	-	184	-	184
Total Investments	\$ -	\$ 23,035	\$ 1,185,073	\$ 1,208,108	\$ -	\$ 184	\$ 1,663,039	\$ 1,663,223

During 2016 and 2015, there were no transfers between Levels 1, 2 or 3.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**8. FAIR VALUE MEASUREMENT (continued)**

(a) Fair value hierarchy (continued)

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

The following tables show a reconciliation from the beginning balances to the ending balances for fair value measurements in the Level 3 of the fair value hierarchy.

	<u>2016</u>		<u>2015</u>
	Total		Total
	(in 000s)		(in 000s)
Opening balance, January 1, 2016	\$ 1,663,039	Opening balance, January 1, 2015	\$ 927,344
Total gains recognized in profit or loss	81,294	Total gains recognized in profit or loss	76,167
Purchases	379,019	Purchases	948,911
Sales (note 5)	(836,555)	Sales	(611,404)
Total unrealized gains for the period included in the profit or loss (note 5)	<u>(101,724)</u>	Total unrealized gains for the period included in the profit or loss	<u>322,021</u>
Closing balance, December 31, 2016	<u>\$ 1,185,073</u>	Closing balance, December 31, 2015	<u>\$ 1,663,039</u>

(b) Valuation models

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

The Fund uses widely recognized valuation methods for determining the fair value of common and more simple financial instruments such as 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 equity securities. 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**8. FAIR VALUE MEASUREMENT (continued)**

(b) Valuation models (continued)

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

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

(c) Valuation framework

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

In addition, bcIMC applies the following specific controls in relation to the determination of fair values:

- verification of observable pricing inputs;
- analysis and investigation of significant valuation movements; and
- review of unobservable inputs and valuation adjustments.

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

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**8. FAIR VALUE MEASUREMENT (continued)**

(d) Significant unobservable inputs used in measuring fair value

The tables below set out information about significant unobservable inputs used at year end in measuring the fair value of real estate investments categorized as Level 3 in the fair value hierarchy as at December 31:

December 31, 2016					
Investments	Fair Value (in 000s)	Valuation Technique	Unobservable Input	Amount/Range	Sensitivity to Change in Significant Unobservable Input
Real estate investments	\$1,185,073	Unadjusted Net Asset Value	Net Asset Value	\$1,185,073	The estimated fair value would increase (decrease) if the fair value of the real estate investments as provided by the third party managers were higher (lower).

December 31, 2015					
Investments	Fair Value (in 000s)	Valuation Technique	Unobservable Input	Amount/Range	Sensitivity to Change in Significant Unobservable Input
Real estate investments	\$1,666,039	Unadjusted Net Asset Value	Net Asset Value	\$1,666,039	The estimated fair value would increase (decrease) if the fair value of the real estate investments as provided by the third party managers were higher (lower).

Significant unobservable inputs are developed as follows:

(i) Net Asset Value:

Represents the net asset value of the real estate investments. bcIMC management values these investments primarily based on the latest available financial information. Furthermore, such real estate investee funds are subject to redemption restrictions and accordingly the Fund is unable to dispose of the investee until the maturity or wind up and liquidation of the respective investee. In such cases, it is the Fund's policy to categorize the investee as level 3 within the fair value hierarchy.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**8. FAIR VALUE MEASUREMENT (continued)**

(e) Effects of unobservable inputs on fair value measurement

The fair value of the private debt and equity and unlisted real estate investee funds fluctuates in response to changes in specific assumptions for that particular investee as determined by the external manager. Although the Fund believes its estimates of fair value in Level 3 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value and net assets attributable to holders of redeemable units. The following table shows how the net assets attributable to holders of redeemable units would change if the valuation of the private equity and private debt investments were calculated by adjusting the respective net assets and debt by 10%.

	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Favorable	\$ 118,507	\$ 166,304
Unfavorable	\$ (118,507)	\$ (166,304)

(f) Other financial instruments

The carrying value of interest receivable, bclMC funds management fees payable, and 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.

**9. ACQUISITIONS AND ASSIGNMENT AGREEMENT**

(a) Acquisition of investments

On January 2, 2014 the real estate investments of Realpool International Fund 1999; 2001 Realpool International Fund; 2006A Realpool International Fund; and 2007 Realpool International Fund, were acquired by the Realpool Global Fund. The acquisition was funded through the issuance of additional units of the Fund. The 2005 Realpool International Fund was assigned to Realpool Global Fund via an assignment agreement as outlined in (b) below.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**9. ACQUISITIONS AND ASSIGNMENT AGREEMENT (continued)**

(b) Assignment agreement

On January 2, 2014 the Fund entered into an assignment agreement with the 2005 Realpool International Fund (2005 Fund) which, on a revocable basis, assigned to the Fund distributions receivable from the 2005 Fund. This agreement does not operate as a transfer of ownership or a disposition of the 2005 Fund and each of the Plans shall, at any time and from time to time, be entitled to exercise any and all rights associated with the 2005 Fund units and each shall remain registered legal and beneficial owners of the 2005 Fund units. In consideration for the assignment of the 2005 Fund receipts, bclMC, as trustee for the Fund issued to various pension plans additional units of the Fund with a fair market value equal to the value of the 2005 Fund units. This agreement shall continue until such time as the Plans, or any one of them, determine to revoke such assignment pursuant to the terms of the agreement.

The following tables show the net assets and Statement of Comprehensive Income figures applicable to the 2005 Fund that are included in the Statement of Financial Position and Statement of Comprehensive Income figures:

Statement of Financial Position (in 000s)		
	As at December 31, 2016	As at December 31, 2015
Real estate investments	\$ 73,327	\$ 223,894
Money market investments	15	15
Other assets and liabilities	-	-
Net assets attributable to holders of redeemable units	<u>\$ 73,342</u>	<u>\$ 223,909</u>

Statement of Comprehensive Income (in 000s)		
	Year ended December 31, 2016	Year ended December 31, 2015
Investment income (loss)	\$ -	\$ 14
Net realized gain (loss)	(12)	(7,291)
Net change in unrealized gain (loss)	974	53,877
Decrease in net assets	<u>\$ 962</u>	<u>\$ 46,600</u>

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**10. INVOLVEMENT WITH STRUCTURED ENTITIES**

The Fund's investments are held primarily through 1 pooled fund portfolio (as per assignment agreement outlined in note 9), 11 intermediary holding corporations, 1 limited partnership with 100% ownership interest, 1 limited partnership with an 80% ownership interest and 1 trust with an 80.9% ownership, all of which are structured entities. Structured entities are entities that have been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. These structured entities have been set up by bcIMC to manage tax and other risks that may arise in the course of administering the underlying investments. The carrying amount of these entities, approximately \$1,182,614 (2015 - \$1,340,196), is shown under Real Estate Investments in the Statement of Investments.

In addition, the Fund holds interests in other structured entities, both directly and indirectly (i.e. through the intermediary holding corporations, limited partnerships, trust and pooled investment portfolios). The other structured entities are comprised of directly held investee money market funds organized as unit trusts and indirectly held investee funds organized as limited partnerships. All of these investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issuance of units to investors or capital contributions made by the investors. Accordingly, the Fund's interest in these entities is reflected through the holding of trust units, partnership units or a partnership interest.

The tables below set out the direct and indirect interests held by the Fund in these other structured entities:

	December 31, 2016			December 31, 2015		
	Number of Entities	Total Net Assets of Entities (in 000s)	Fair value held by the Fund as at (in 000s)	Number of Entities as at	Total Net Assets of Entities (in 000s)	Fair value held by the Fund (in 000s)
Investee money market funds administered by bcIMC	2	\$ 3,256,248	\$ 23,035	2	\$ 5,599,226	\$ 184
Unlisted real estate investee funds administered by third party managers	11	\$ 5,110,522	\$ 521,370	11	\$ 7,592,184	\$ 592,216

The carrying amount of the investments held in these underlying funds represents the Fund's maximum exposure to loss.



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**11. INVOLVEMENT WITH SUBSIDIARIES AND ASSOCIATES**

The Fund also holds through intermediary holding entities the following investments in which it has a controlling position or a position where it could otherwise exert significant influence on the operations of the investee. The tables below set out interests held by the Fund in these unconsolidated subsidiaries and associates:

December 31, 2016								
Entity	Nature and purpose of entity	Interest held	Relationship	Principal place of business	Country of incorporation / registration	Ownership interest %	Voting rights %	Fair value included in investment in the Statement of Financial Position (in 000s)
BlackRock Europe Property Fund II (Alberta) LP	Real estate related assets	Limited partnership interest	Associate	Europe	Canada	33.2	33.2	\$ 413
BlackRock Europe Property Fund II LP	Real estate related assets	Limited partnership interest	Associate	Europe	Bermuda	33.2	33.2	695
Brookfield Fairfield US Multifamily Value Add Fund II LP & Brookfield Fairfield Multifamily Value Add Fund II PF LP	Multifamily apartment buildings	Limited partnership interest	Associate	U.S.	U.S.	29.8	29.8	297,350
Europe Property Fund IV Feeder S.A. SICAV-SIF	Real estate Assets	Common shares	Associate	Europe	Luxembourg	47.6	47.6	28,226
22 Bishopsgate LP	Real estate development	Limited partnership interest	Associate	UK	UK	20.0	20.0	140,084
GreenOak Asia II, LP	Real estate assets	Limited partnership interest	Subsidiary	Asia	Cayman Islands	83.5	83.5	8,177
Virginia Street Development LLC	Real estate development	Common shares	Subsidiary	U.S.	U.S.	80.0	80.0	35,476
North Block Spring Street LLC	Real estate development	Common shares	Subsidiary	U.S.	U.S.	80.0	80.0	19,772
Asia Property Fund IV Feeder S.A. S.a.r.l. SICAF-SIF	Real estate assets	Common shares	Associate	Asia	Luxembourg	30.3	30.3	27,449
Realstar European Capital Fund I LP	Real estate assets	Limited partnership interest	Associate	Europe	England	26.7	26.7	11,573
LaSalle German Retail Venture LP	Retail real estate	Limited partnership interest	Subsidiary	Germany	England	77.6	77.6	4,265
Corporacion Comercial Inmobiliaria, S. de R.L. de C.V.	Real estate assets	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	-
QuadReal Property Group LP	Investment advisory and real estate services	Limited partnership interest - global units	Subsidiary	Canada	Canada	80.9	80.9	34,151
		Limited partnership interest - domestic units				-	-	-
Investments involving subsidiaries and associates								\$ 607,631
Other investments								521,370
Total real estate investments held through intermediary entities								\$ 1,129,001

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**11. INVOLVEMENT WITH SUBSIDIARIES AND ASSOCIATES (Continued)**

December 31, 2015								
Entity	Nature and purpose of entity	Interest held	Relationship	Principal place of business	Country of incorporation / registration	Ownership interest %	Voting rights %	Fair value included in investment in the Statement of Financial Position (in 000s)
BlackRock Europe Property Fund II (Alberta) LP	Real estate related assets	Limited partnership interest	Associate	Europe	Canada	33.2	33.2	\$ 434
BlackRock Europe Property Fund II LP	Real estate related assets	Limited partnership interest	Associate	Europe	Bermuda	33.2	33.2	1,220
Brookfield Fairfield US Multifamily Value Add Fund II LP & Brookfield Fairfield Multifamily Value Add Fund II PF LP	Multifamily apartment buildings	Limited partnership interest	Associate	U.S.	U.S.	27.4	27.4	274,987
Build-to-Core Industrial Partnership I LP	Industrial real estate	Limited partnership interest	Associate	U.S.	U.S.	39.2	39.2	104,443
22 Bishopsgate LP	Real estate development	Limited partnership interest	Associate	U.K.	U.K.	20.0	20.0	113,166
Parques Logísticos del Centro, S. de R.L. de C.V.	Industrial real estate	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	70,812
Corporación Industrial Juárez, S. de R.L. de C.V.	Industrial real estate	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	11,467
Corporación Industrial Juárez, S. de R.L. de C.V.	Industrial real estate	Shareholder loan	Subsidiary	Mexico	Mexico	80.0	80.0	33,475
Asia Property Fund IV S.a.r.l. SICAF-SIF	Real estate assets	Class A common shares	Associate	Asia	Luxembourg	36.9	36.9	(302)
Realstar European Capital Fund I LP	Real estate assets	Limited partnership interest	Associate	Europe	England	26.7	26.7	21,884
LaSalle German Retail Venture LP	Retail real estate	Limited partnership interest	Subsidiary	Germany	England	77.6	77.6	162,430
Operadora de Centros Comerciales Opcion, S.A. de C.V.	Industrial real estate	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	168,943
Monterrey San Jerónimo, S. de R.L. de C.V.	Office real estate	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	31,564
Centro de Acopio Tepotzotlán, S.A. de C.V.	Industrial real estate	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	7,810
Corporación Comercial Inmobiliaria, S. de R.L. de C.V.	Real estate assets	Limited partnership interest	Subsidiary	Mexico	Mexico	80.0	80.0	-
bciMC (USA) Realty, Inc.	Real estate assets	Common shares	Subsidiary	U.S.	U.S.	80.0	80.0	53,847
Investments involving subsidiaries and associates								\$ 1,056,180
Other investments								590,987
Total real estate investments held through intermediary entities								\$ 1,647,167

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
REALPOOL GLOBAL FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**12. COMMITMENTS AND CONTINGENCIES**

The Fund has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at December 31, 2016 the commitments totalled \$1,097.2 million (2015 - \$1,458.5 million).

Certain investments of the Fund may, in the normal course of business activities, be involved in disputes with third parties. The Fund was not involved in any disputes as at December 31, 2016.

As a crown agent and pursuant to its enabling legislation, bcIMC is immune from taxation, including in respect of assets it holds in pooled investment portfolios. The Government of Canada has contested bcIMC's immunity from the imposition of goods and services tax or harmonized sales tax ("GST"/"HST"), in respect of costs recovered by bcIMC from assets it holds in its pooled investment portfolios. In November 2015 the Minister of National Revenue issued GST/HST re-assessments for the period July 1, 2010 to March 31, 2013. bcIMC has filed a Notice of Objection to this re-assessment. In September 2016, the BC Supreme Court issued a ruling on a petition filed by bcIMC holding that the pools were entitled to Crown Immunity and therefore immune from GST/HST with respect to costs recovered by bcIMC, but also that bcIMC was bound by the provisions of the Reciprocal Tax Agreement and the Comprehensive Integrated Tax Coordination Agreement (jointly "Agreements") entered into between the Province of British Columbia and Canada. The decision has been appealed by the federal government with respect to crown immunity and cross appealed by bcIMC with respect to whether bcIMC is bound by the Agreements. Management is of the opinion that the Court will not deny bcIMC the ability to rely on its statutory crown immunity and that, as a consequence, ultimately no net GST/HST liability will arise. Consequently, management has not accrued any liability for such tax. However, if the Court determines that GST/HST applies to bcIMC in respect of costs recovered by it from assets held in pooled investment portfolios, management estimates that the maximum cumulative GST/HST owing at \$1,119 or 6.6 basis points (2015 - \$585 or 3.5 basis points).

**13. SUBSEQUENT EVENTS**

On January 31, 2017, investment management services transferred from bcIMC to Quadreal Property Group Limited Partnership (Quadreal), an investment held by the Fund.



**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

300 – 2950 JUTLAND ROAD, VICTORIA, BC V8T 5K2

TEL: 778.410.7310 | [communication@bcimc.com](mailto:communication@bcimc.com) | [www.bcimc.com](http://www.bcimc.com)

*Photographs provided by: Shutterstock.*

bcIMC is the investment agent for many institutional clients. The views and opinions expressed in this document are those of bcIMC. Produced by bcIMC Investment Accounting. All rights reserved. Contents copyright ©2017. May not be reprinted without permission.