Parkpool

Financial Statements

December 2021

MANAGEMENT’S RESPONSIBILITY FOR FINANCIAL STATEMENTS

British Columbia Investment Management Corporation (BCI) manages Pooled Investment Portfolios on behalf of governing fiduciaries such as pension fund trustees and other public sector clients. QuadReal Property Group Limited Partnership and affiliates (“QuadReal”) manage the Mortgage and Real Estate programs pursuant to asset management agreements as agreed to between BCI and QuadReal. This report contains the financial statements for the Parkpool, Pooled Investment Portfolio for the year ended December 31, 2021.

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

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

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

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

[S] Gordon J. Fyfe

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

[S] Dennis Lopez

Dennis Lopez
Chief Executive Officer, QuadReal

[S] Tamara Lawson

Tamara Lawson
Chief Financial Officer, QuadReal

April 11, 2022

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Parkpool

Opinion

We have audited the financial statements of Parkpool (the "Fund"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Other Matter – Comparative Information

The financial statements for the year ended December 31, 2020 were audited by another auditor who expressed an unqualified opinion on those financial statements on April 12, 2021.

Basis for Opinion

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

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

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

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

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

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

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

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 Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

KPMG LLP

Chartered Professional Accountants

Vancouver, Canada
April 11, 2022

PARKPOOL

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

As at December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Assets			
Cash		$ 12,839	$ 13,817
Investments at fair value through profit or loss	4, 9	1,686,311	1,529,841
Total assets		1,699,150	1,543,658
Liabilities			
Fund manager cost recoveries payable	5	75	269
Other accounts payable and accruals		271	216
Total liabilities excluding net assets attributable to the holders of redeemable units		346	485
Net assets attributable to holders of redeemable units		$ 1,698,804	$ 1,543,173
Number of redeemable units outstanding	6	1,414.476	1,459.650
Net assets attributable to holders of redeemable units per unit		$ 1,201	$ 1,057

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See accompanying notes to financial statements.

[S] Gordon J. Fyfe

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

PARKPOOL

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

Year ended December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Revenue:			
Investment income		$ 50,767	$ 50,792
Change in fair value of investments:			
Net change in unrealized appreciation (depreciation)	9	156,470	(6,437)
		207,237	44,355
Expenses:			
Fund manager cost recoveries	5	1,159	1,291
Interest expense and other		313	-
Administrative and professional fees		134	186
		1,606	1,477
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		205,631	42,878
Distributions to holders of redeemable units		(49,161)	(49,315)
Increase (decrease) in net assets attributable to holders of redeemable units		$ 156,470	$ (6,437)

See accompanying notes to financial statements.

PARKPOOL

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

Year ended December 31, 2021, with comparative information for 2020

	Notes	2021	2020
Balance, beginning of year		$ 1,543,173	$ 1,508,395
Increase (decrease) in net assets attributable to holders of redeemable units		156,470	(6,437)
Redeemable unit transactions:	7		
Proceeds from units issued		14,406	56,767
Reinvestment of distributions		49,161	49,315
Amounts paid for units redeemed		(64,406)	(64,867)
Increase (decrease) from redeemable unit transactions		(839)	41,215
Balance, end of year		$ 1,698,804	$ 1,543,173

See accompanying notes to financial statements.

PARKPOOL

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

Year ended December 31, 2021, with comparative information for 2020

	2021	2020
Cash flows provided by (used in):		
Operations:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 156,470	$ (6,437)
Adjustments for:		
Net change in unrealized appreciation (depreciation)	(156,470)	6,437
Interest expense	313	-
Interest paid	(313)	-
Non-cash distributions	49,161	49,315
Amounts paid for purchase of investments	-	(32,000)
Increase (decrease) in fund manager cost recoveries payable	(194)	269
Increase in other accounts payable and accruals	55	130
	49,022	17,714
Financing:		
Proceeds from units issued	14,406	56,767
Payments on redemption of redeemable units	(64,406)	(64,867)
	(50,000)	(8,100)
Increase (decrease) in cash during the year	(978)	9,614
Cash, beginning of year	13,817	4,203
Cash, end of year	$ 12,839	$ 13,817

See accompanying notes to financial statements.

PARKPOOL

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

Year ended December 31, 2021, with comparative information for 2020

	2021		2020	
	Fair value	Cost	Fair value	Cost
Real Estate Investments[1]	$ 1,686,311	$ 1,525,469	$ 1,529,841	$ 1,525,469
Total investments	$ 1,686,311	$ 1,525,469	$ 1,529,841	$ 1,525,469

[1] Real estate investments are held through a private corporation, a trust, and a limited partnership funded by a combination of equity and debt (note 4, note 8(a), and note 9(a)).

See accompanying notes to financial statements.

1. The portfolio:

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

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

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

Parkpool was established on October 11, 2019, and holds an investment in Parkbridge Lifestyle Communities Inc. (“Parkbridge”).

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 11, 2022.

(b) Basis of consolidation:

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

2. Basis of presentation (continued):

(b) Basis of consolidation (continued):

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

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

(c) Basis of measurement:

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

(d) Functional and presentation currency:

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

(e) Use of estimates and judgement:

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

On March 11, 2020, the outbreak of the novel strain of the coronavirus ("COVID-19") 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 Fund continues to monitor their operations, liquidity, capital resources and are actively working to minimize the current and future impact of COVID-19. 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 Fund in future periods.

2. Basis of presentation (continued):

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

The valuation of investment properties incorporates significant estimates and assumptions that have been impacted by COVID-19.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Information about assumptions and estimation uncertainties that have significant risk of resulting in a material adjustment within the next fiscal year is included in note 9 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:

All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments, except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

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

A financial asset 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.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(*i*) Recognition and measurement (continued):

A financial asset is measured at fair value through other comprehensive income ("FVOCI") if it meets both of the following conditions:

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

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

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

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

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

(*ii*) Fair value through profit and loss:

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(*ii*) Fair value through profit and loss (continued):

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and others commonly used by market participants and which make the maximum use of observable inputs. Should the value of the financial asset or liability, in the opinion of management, be inaccurate, unreliable or not readily available, the fair value is estimated based on the most recently reported information of a similar financial asset or liability.

(*iii*) Amortized cost:

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

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that discounts estimated future cash payments throughout the expected life of the financial asset or liability, or where appropriate, a shorter period.

(b) Redeemable units:

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

(c) Issuance and redemption of units:

Participation in the Fund is expressed in units. The initial value of a unit on inception was $1,000. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the Fund by the total number of units outstanding. Where the Fund invests in another BCI fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis.

3. Significant accounting policies (continued):

(d) Income recognition:

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

(e) Income taxes:

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

4. Investments at fair value through profit and loss:

Real estate investments consist of equity investments in a corporation, a trust, and a partially owned limited partnership, established in Canada ("subsidiary entities"). These subsidiaries qualify as investments and are not consolidated in these financial statements but are instead reported at fair value.

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

5. Related party transactions:

The Fund's related parties include QuadReal, BCI, the Province of British Columbia, BCI QuadReal Realty ('BQR') and related entities.

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

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

6. Redeemable units:

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

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

	2021	2020
	Number of units	Number of units
Outstanding, beginning of year	1,459.650	1,467.527
Issued	13.630	55.403
Issued on reinvestment of distributions	43.076	47.842
Consolidation of units	(43.076)	(47.842)
Redeemed	(58.804)	(63.280)
Outstanding, end of year	1,414.476	1,459.650

7. Credit Facility:

In June 2021, the Fund established a two-year $100,000 senior unsecured committed credit facility to support general corporate purposes. BQR has provided an unconditional and irrevocable guarantee to the Fund. As at December 31, 2021, there were no amounts outstanding under this facility. Interest rates on the credit facility are based on CDOR or BA rates plus a margin.

8. Financial risk management:

(a) Risk management framework:

The investment objective of the Fund is to provide clients with exposure to a portfolio of Canadian real estate and real estate-related investments. The Fund's holdings are diversified by property type, geographic locations, investment size, and investment risk. The Fund's investment strategy is to be well diversified and to hold quality properties that will perform well across multiple economic cycles. Real estate investments are only made when there is a reasonable expectation that return objectives can be achieved over a 10-year horizon.

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

8. Financial risk management (continued):

(a) Risk management framework (continued):

The Fund can invest in the following assets:

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

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

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

As of December 31, 2021, the loan-to-market value ratio of the overall real estate portfolio was 0.00% (2020 - 0.31%).

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

The Fund's activities expose it to a variety of financial risks. For the purposes of describing the financial risks of the Fund, the underlying corporation, trust, and limited partnership hold the following underlying net assets which make up the real estate assets of the Fund:

	2021		2020	
	Total	% of total	Total	% of total
Real estate properties	$ 1,889,940	112	$ 1,665,158	108
Mortgages	(16)	-	(5,237)	-
Other liabilities	(203,613)	(12)	(130,080)	(8)
	$ 1,686,311	100	$ 1,529,841	100

8. Financial risk management (continued):

(b) Credit risk

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

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will be unable to generate sufficient cash in a timely manner or at a reasonable price to meet commitments as they come due. The Fund is exposed to the liquidity risk associated with the requirement to redeem units. Redeemable units of the Fund may only be acquired by eligible clients or client groups in accordance with the Fund's purchasing limits that may be established by the Chief Investment Officer ("CIO"). In order to protect the interest of all clients, the CIO may also establish redemption limits for the Fund. The purchase and redemption limits may vary depending on market circumstances, client demand, and the liquidity of the underlying investments.

To support general funding requirements, the Fund established in June 2021 a two-year $100,000 senior unsecured committed credit facility.

(d) Market risk:

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

(*i*) Interest rate risk:

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

As at December 31, 2021, the Fund, through its underlying investments, have de minimus debt balances outstanding.

(*ii*) Real estate risk:

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

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

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

8. Financial risk management(continued):

(d) Market risk (continued):

(iii) Other valuation risk:

As at December 31, 2021, real estate investment properties held by the Fund were diversified across the following geographic regions in Canada:

	2021		2020	
Real estate properties	Total	% of total	Total	% of total
British Columbia	$ 357,620	19	$ 253,168	15
Alberta	407,550	22	406,979	24
Ontario	1,004,670	53	890,804	54
Quebec	85,950	5	82,843	5
New Brunswick	13,410	1	11,586	1
Nova Scotia	20,740	1	19,778	1
	$ 1,889,940	100	$ 1,665,158	100

9. Fair value of financial instrument:

(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 value using other valuation techniques.

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

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

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

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

9. Fair value of financial instrument (continued):

(a) Fair value hierarchy (continued):

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

	December 31, 2021			
Type of investment	Level 1 Quoted price-in active market	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Real estate investments	$ -	$ -	$ 1,686,311	$ 1,686,311
Total investments	$ -	$ -	$ 1,686,311	$ 1,686,311

	December 31, 2020			
Type of investment	Level 1 Quoted price-in active market	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Real estate investments	$ -	$ -	$ 1,529,841	$ 1,529,841
Total investments	$ -	$ -	$ 1,529,841	$ 1,529,841

During 2021 and 2020, there were no transfers between Levels 1, 2, or 3.

(b) Valuation models:

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

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

9. Fair value of financial instrument (continued):

(b) Valuation models (continued):

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

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

Real estate fair value is determined using recognized valuation techniques, including the income approach (direct capitalization) and direct comparison approach.

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

(c) Valuation framework:

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

- verification of observable pricing inputs;
- appraisal of domestic real estate properties annually by accredited independent appraisers;
- analysis and investigation of significant valuation movements for real estate investments; and
- review of unobservable inputs and valuation adjustments for real estate investments. Unobservable inputs include estimated future cash flows from assets and capitalization rates applicable to those assets and recent real estate transactions with similar characteristics.

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

9. Fair value of financial instrument (continued):

(d) Significant unobservable inputs used in measuring value:

December 31, 2021					
	Fair Value	Valuation Technique	Unobservable Input	Range	Sensitivity to Change in Significant Unobservable Input
Real estate investments	$1,686,311	Direct capitalization	Overall Capitalization rate	4.00% - 8.50%	The estimated fair value would increase (decrease) if the capitalization rate lower (higher)

December 31, 2020					
	Fair Value	Valuation Technique	Unobservable Input		Sensitivity to Change in Significant Unobservable Input
Real estate investments	$1,529,841	Direct capitalization	Overall Capitalization rate	4.50% - 8.50%	The estimated fair value would increase (decrease) if the capitalization rate lower (higher)

(e) Effects of net asset value on fair value measurement:

Net asset value represents the net asset value of the direct real estate investments. QuadReal values these investments primarily based on the latest available financial information of the underlying assets and liabilities.

Although the Fund believes its estimates of fair value in Level 3 are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value and net assets attributable to holders of redeemable units. The following table shows how the net assets attributable to holders of redeemable units would change if the valuation of the real estate investments were calculated by adjusting the respective net assets and debt by 10%.

Real estate investments	2021	2020
Favourable	$ 168,631	$ 152,984
Unfavourable	(168,631)	(152,984)

(f) Other financial instruments:

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

10. Commitments and contingencies:

As of December 31, 2021, the Fund had:

(a) The Fund has provided unconditional and irrevocable guarantees in support of BQR funding transactions including:

(i) $1,500,000 in bonds issued under BQR's medium-term note program, with maturities ranging from March 2024 to July 2030;

(ii) $2,000,000 senior unsecured credit facility which was undrawn at December 31, 2021 (2020 - nil);

(iii) $2,000,000 BQR commercial paper program which carried a balance of nil at December 31, 2021 (2020 - $469,814);

(iv) $500,000 2-year senior unsecured syndicated facility which was undrawn at December 31, 2021 (2020 – nil); and

(v) $500,000 newly established 2-year senior unsecured syndicated facility which was nil at December 31, 2021 (2020 - nil).

(b) The Fund's wholly-owned subsidiary, Parkbridge, is party to various legal actions resulting from its operating activities, and these actions are routine litigation and administrative proceedings arising in the ordinary course of business that are not expected to have a material adverse effect on the combined financial condition, results of operations or cash flows.

11. Subsequent events:

Subsequent to December 31, 2021, the Fund completed the following transaction:

(a) On January 28, 2022, BQR issued a Series 5 green bond offering of $400,000 under its medium term note program. The green bonds have a maturity date of June 24, 2026 and bear interest at a rate of 2.55%. As part of this green bond issuance, the Fund has provided an unconditional and irrevocable guarantee to BQR.

(b) In February 2022, BQR consolidated its $2,000,000 senior unsecured committed credit facility and its $500,000 senior unsecured committed syndicated sidecar credit facility into a single $2,500,000 senior unsecured committed syndicated facility with a maturity of February 2026. The Fund has historically provided an unconditional and irrevocable guarantee on these separate facilities and this transaction has not resulted in any new guarantee exposure by the Fund.

12. Comparative information:

Certain of the comparative information has been reclassified to conform to the financial statement presentation adopted for the current year:

(a) The change in net assets attributable to holders of redeemable units is presented gross of both the distributions to holders of redeemable units and the reinvestment of distributions on the Statement of Comprehensive Income, the Statement of Changes in Net Asset Attributable to Holders of Redeemable Units, and the Statement of Cash Flows. The comparative figures have been restated to conform with this presentation.

(b) Comparative information in Note 8, *Financial Risk Management*, has been reclassified to conform to the presentation used in the current year of the underlying real estate investment financial information.

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