BCI

QuadReal

BCI QuadReal Real Estate Debt Pooled Fund Financial Statements

DECEMBER 31, 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 BCI QuadReal Real Estate Debt for the period from commencement of operations on November 26, 2020 to 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. These 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 Audit 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 Audit Committee and QuadReal Audit 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

July 12, 2022

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of the BCI QuadReal Real Estate Debt managed by the British Columbia Investment Management Corporation

Opinion

We have audited the financial statements of the BCI QuadReal Real Estate Debt (the "Fund"), which comprise:

- the statement of financial position as at December 31, 2021
- the statement of comprehensive income for the period from commencement of operations on November 26, 2020 to December 31, 2021
- the statement of changes in net assets attributable to holders of redeemable units for the period from commencement of operations on November 26, 2020 to December 31, 2021
- the statement of cash flows for the period from commencement of operations on November 26, 2020 to December 31, 2021
- 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 from commencement of operations on November 26, 2020 to December 31, 2021 in accordance with International Financial Reporting Standards ("IFRS").

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 the Manager and Those Charged with Governance for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the 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 the Manager 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 Manager's internal control.

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

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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
July 12, 2022

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
BCI QUADREAL REAL ESTATE DEBT

Statement of Financial Position

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

As at December 31, 2021

	Notes		2021
Assets			
Distributions receivable	4	$	7,465
Investments	4, 8 & 9		6,038,541
Total assets			6,046,006
Liabilities			
Credit facility	5		24,984
Other accounts payable			119
Total liabilities excluding net assets attributable to the holders of redeemable units			25,103
Net assets attributable to holders of redeemable units		$	6,020,903
Number of redeemable units outstanding	6		5,807.297
Net assets attributable to holders of redeemable units per unit		$	1,037
Unfunded committed capital	7		
Subsequent events	12		

See accompanying notes to financial statements.

[S] Gordon J. Fyfe

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
BCI QUADREAL REAL ESTATE DEBT

Statement of Comprehensive Income

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

For the period from inception on November 20, 2020 to December 31, 2021

	Notes		2021
Revenue:			
Investment income	4	$	225,265
Foreign exchange loss			(42)
Change in fair value of investments:			
Net realized gain			37,780
Net change in unrealized depreciation			(38,514)
			224,489
Expenses:			
Interest expense			1,639
Administrative and professional fees			226
			1,865
Increase in net assets attributable to holders of redeemable units from operations excluding distributions			222,624
Distribution to holders of redeemable units			(261,177)
Decrease in net assets attributable to holders of redeemable units		$	(38,553)

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
BCI QUADREAL REAL ESTATE DEBT

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

For the period from inception on November 20, 2020 to December 31, 2021

	Notes		2021
Balance, beginning of period		$	—
Decrease in net assets attributable to holders of redeemable units			(38,553)
Redeemable unit transactions:			
Proceeds from units issued			8,371,822
Reinvestment of distributions	6		261,177
Amounts paid for units redeemed			(2,573,543)
			6,059,456
Balance, end of period		$	6,020,903

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
BCI QUADREAL REAL ESTATE DEBT

Statement of Cash Flows

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

For the period from inception on November 20, 2020 to December 31, 2021

		2021
Cash flows provided by (used in):		
Operations:		
Decrease in net assets attributable to holders of redeemable units	$	(38,553)
Adjustments for:		
Foreign exchange loss		42
Net realized gain from investments		(37,780)
Net change in unrealized depreciation of investments		38,514
Investment income		(225,265)
Investment income received in cash		22,311
Non-cash distributions to holders of redeemable units		261,177
Interest expense		1,639
Proceeds from sale of investments		2,337,374
Amounts paid for purchase of investments		(2,051,258)
Other accounts payable		119
		308,320
Financing:		
Proceeds from credit facility		250,000
Repayment of credit facility		(225,000)
Interest paid		(1,655)
Proceeds from issuance of redeemable units		2,194,399
Payments on redemption of redeemable units		(2,526,022)
		(308,278)
Effect of exchange rate changes on cash		(42)
Net increase in cash during the year		—
Cash, beginning of period		—
Cash, end of period	$	—

See accompanying notes to financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
BCI QUADREAL REAL ESTATE DEBT

Schedule of Investments

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

As at December 31, 2021

		December 31, 2021	
	Notes	Fair value	Cost
Investment in Mortgage Funds		$ 5,970,466	$ 5,801,989
Equity investments	4	68,075	71,582
Total investments		$ 6,038,541	$ 5,873,571

See accompanying notes to financial statements.

1. The portfolios

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

QuadReal Property Group Limited Partnership and affiliates (“QuadReal”) manages BCI QuadReal Real Estate Debt (the “Fund”) pursuant to an Asset Management Agreement as agreed to between BCI and QuadReal.

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

The Fund was established on November 26, 2020 and invests in a diversified portfolio of high quality privately negotiated mortgages, real estate debt and various related investments. The Fund did not engage in operational activities between November 26, 2020 and December 31, 2020. Therefore, these financial statements have been prepared for the period from inception to December 31, 2021 with no prior year comparative information.

On January 4, 2021, the mortgage program consisting of the Fixed Term Mortgage Fund, Construction Mortgage Fund, Mezzanine Mortgage Fund and the US Mortgage Opportunity Fund (collectively the “Mortgage Funds”) underwent a series of restructuring transactions to provide a more diversified solution to the holders of units of the Mortgage Funds. Pursuant to the restructuring transactions, the clients of BCI transferred their investments in the Mortgage Funds with total net asset value of $6,068,770 to the Fund, in exchange for units of the Fund. The transfer was completed on a non-cash basis. Consequently, the clients of BCI invested in the Mortgage Funds became direct holders of units of the Fund. In connection therewith, the Fund became the direct holder of units of the Mortgage Funds. As such, the clients now participate in the Mortgage Funds on an indirect basis via the Fund. As part of the reorganization, the Fund also transferred an investment with a carrying value of $147,700, which approximated fair value, to the US Mortgage Path Act Stoppers. The transfer was completed on a non-cash basis. In substance, the unitholders of the Fund redeemed units for payment in-kind, and then contributed the same assets to the US Mortgage Path Act Stoppers for units issued.

2. Basis of presentation

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

2. Basis of presentation (continued):

(a) Statement of compliance (continued):

The financial statements were authorized for issue by the BCI Chief Executive Officer/Chief Investment Officer on July 12, 2022.

(b) Accounting for investments

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 investors 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.

(c) Basis of measurement

These financial statements have been prepared on a historical cost basis except for investments and credit facility which are measured at fair value.

(d) Functional and presentation currency

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

(e) Use of estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. In determining the fair value of the Fund's investments, management reviews and assesses estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. The significant area of estimation in connection with the fair value of investments relates to the use of unobservable inputs in deriving fair value. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Refer to Note 9 for further discussion over the use of unobservable inputs. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

2. Basis of presentation (continued):

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

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 its operations, liquidity, capital resources and is 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.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected.

3. Significant accounting policies

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

(a) Financial instruments

(i) Recognition and measurements:

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.
Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Fund become a party to the contractual provisions of the instrument. 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 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 settles 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

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(i) Recognition and measurements (continued):

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortized cost or FVOCI as described above are measured at FVTPL. On initial recognition, the Fund irrevocably elects 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.

A financial liability is generally measured at amortized cost, with exceptions that may allow for classification as FVTPL. These exceptions include financial liabilities that are mandatorily measured at fair value through profit or loss, such as derivative financial liabilities. On initial recognition, the Fund irrevocably designates a financial liability as measured at FVTPL when doing so results in more relevant information.

(ii) Fair value through profit or loss:

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Fund’s investments, redeemable units and credit facility are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3. Significant accounting policies (continued):

(a) Financial instruments (continued):

(ii) Fair value through profit or 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 on the basis of the most recently reported information of a similar financial asset or liability.

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.

(iii) Amortized cost:

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

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

(b) Redeemable units

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. In accordance with the Regulations, the Fund is required to distribute to unitholders 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. Distributions to holders of redeemable units are recognized in the statement of 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. All unit transactions are recorded on a trade date basis. The Fund is an open participation fund where eligible clients may increase or reduce their proportionate ownership annually or on special opening dates.

3. Significant accounting policies (continued):

(d) Foreign exchange

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

(e) Revenue recognition

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

(f) Income taxes

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

4. Related party transactions

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

(a) BCI and QuadReal cost recoveries

Third party costs that are attributable to the Fund are charged to the Fund indirectly through the wholly owned Mortgage Funds. Costs initially borne by BCI and QuadReal are recovered from the Fund on a cost recovery basis with such recoveries and corresponding payables being recognized in the underlying Mortgage Funds' and are accordingly reflected in the net asset values of the Mortgage Funds in which the Fund invests.

4. Related party transactions (continued):

(b) Investment in Mortgage Funds

In 2021, the mortgage program underwent a series of restructuring transactions and as a result, the Fund became the direct holder of units of the Mortgage Funds. As at December 31, the investment in the Mortgage Funds had a value amounting to $5,970,466 and during the period, the Fund recognized investment income of $203,483 from the Mortgage Funds. A net change in unrealized depreciation of $35,007 was recognized in the current year from the Mortgage Funds.

(c) Investment in QuadReal

In 2019, the mortgage program acquired an interest in QuadReal, its manager, through a receivable of units from bcIMC Realty management Investment Trust, the sole limited partner of QuadReal, at a value equivalent to 10.66% of the outstanding interest of the manager. The receivable was settled in Q1 2021 immediately following the restructuring transactions by way of the issuance of the said units to the Fund. As at December 31, the investment in QuadReal had a value amounting to $68,075 and during the period, the Fund recognized investment income of $21,781. A net change in unrealized depreciation of $3,507 was recognized in the current year from the investment in QuadReal.

(d) Distributions receivable

In December 2021, the Board of Directors of QuadReal approved and declared a cash distribution, of which 10.66% of the value amounting to $7,465 is payable to the Fund through bcIMC Realty Management Investment Trust. The settlement of such distribution occurred in Q1 2022.

(e) Related party loans

The Fund extended credit to QuadReal Finance Inc., a wholly owned entity by British Columbia Investment Management Corporation, through the US Mortgage Opportunity Fund in the form of two revolving loans – one variable rate loan in the aggregate principal amount of up to US$2,580,000 with a maturity date of March 26, 2023, and one participating loan in the aggregate principal amount of up to US$1,720,000 with a maturity date of March 26, 2028, for the purpose of financing the origination and acquisition by QuadReal Finance Inc. of U.S. mortgage loan investments. As of December 31, 2021, the market value of the variable rate loan outstanding was $1,462,538 (US$1,157,850) and the participating loan outstanding was $919,373 (US$727,842).

The interest on the variable rate loan is based on LIBOR plus 3.75% and the interest on the participating loan is based on the lesser of 95% of the net profit of QuadReal Finance Inc. over the average outstanding principal amount of the loan during the interest period or 12% per annum. During the year, the US Mortgage Opportunity Fund recognized $55,100 (US$43,838) interest income from the variable rate loan and $19,514 (US$15,448) interest income from the participating loan.

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

5. Credit facility

In May 2021, the Fund established a three-year $250,000 revolving unsecured committed credit facility with the Toronto-Dominion Bank (“TD Credit Facility”) to support general funding requirements. Draws on the credit facility are available in the forms of BA instruments, Canadian Prime Rate advances, U.S. Base Rate advances and LIBOR Rate advances bearing respective benchmark interest rates plus a margin. A standby fee is charged on the unused commitment of the credit facility. During 2021, all advances have been made in the form of BA instruments, bearing an interest rate of CDOR plus 70 basis points.

As at December 31, 2021, $25,000 of borrowings were drawn on the credit facility with no outstanding letters of credit. The commitment amount of the credit facility was increased subsequent to December 31, 2021 (see note 12).

	2021	
	Fair value	Amount drawn
Credit facility	$ 24,984	$ 25,000

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. QuadReal 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.

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

	2021
Outstanding, beginning of period	—
Issued in exchange for units of the Mortgage Funds	6,142.379
Issued for cash	2,056.445
Issued on reinvestment of distributions	206.526
Consolidation of units	(206.526)
Redeemed	(2,391.527)
Outstanding, end of period	5,807.297

7. Unfunded committed capital

Unfunded capital commitments relating to mortgage investments represent total commitments minus net contributions outstanding as of the reporting date. Net contributions equal contributions less any recallable capital distributions. Recallable capital are distributions or previously contributed capital that has been returned, that may be recalled at some future date. Thus, due to changes in recallable capital, unfunded commitments may change at different reporting dates.

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7. Unfunded committed capital (continued):

Commitments on mortgage investments are made through the underlying holding entities. Although commitments can be made in Canadian or US dollars, they are reported in Canadian dollars. Unfunded commitments are translated at the spot rate and net contributions are translated at historical exchange rates. Therefore, due to foreign exchange movements, unfunded commitments will vary on the reporting date.

As at December 31, 2021, the Fund indirectly through the holding entities has $2,595,773 contractual undiscounted cash commitments.

8. Financial risk management

(a) Risk management framework

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

The Fund, through the Mortgage Funds, invests in a diversified portfolio of high quality privately negotiated mortgages, real estate debt, and various related investments on a direct or indirect basis. Investments will include mortgages providing stabilized fixed term as well as construction and mezzanine financing for real estate properties comprising multi-family residential, office, retail, student housing, hospitality, industrial, seniors housing, self-storage, data centres, life sciences, land lease communities, development land and income-producing land (e.g. agricultural land, parking facilities). The Fund does not provide mortgages for single-family homes; however, it may provide financing on single-family land subdivisions as well as condominium inventory mortgages. Any of these mortgages may be shared loans with other investors directly or within fund investments. In addition to mortgage investments and other real estate-related debt or debt-like investments, the Fund may invest in equity securities, structured securities, and an equity interest in QuadReal.

8. Financial risk management (continued):

(a) Risk management framework (continued)

Mortgages and other debt are diversified by property type, geography, investment size and mortgage type. The manager assesses risk levels of individual investment opportunities. The risk factors that are evaluated include, but are not limited to: location, asset quality, tenant quality, green building features, borrower and covenantor's financial strength, loan to value ratio, loan to cost ratio, debt servicing ability and borrower's experience. This information is used to determine the risk premium for each investment. In addition to risk mitigation practices applicable to all real estate debt, for construction loans the manager also mitigates risk by providing financing to only experienced developers, obtaining cost consultant evaluations, requiring conservative loan-to-cost metrics and sufficient profit margin levels, as well as obtaining additional security provisions from borrowers where applicable. To reduce the potential for loss in the event of default, mortgage and other debt agreements may also include additional security provisions such as pre-sales requirements, personal guarantees, corporate guarantees, completion guarantees, environmental indemnities, letters of credit and the pledge of additional collateral.

The Fund may deploy leverage to support overall portfolio growth and enhance projected returns. The Fund manages leverage risk by limiting the use of debt financing to a long-term target of 30 percent of the gross asset value of the Fund, with a 40 percent maximum. The use of leverage will focus on maintaining flexibility on investment decisions, while ensuring the lowest cost funding across the program is achieved.

The Fund may hold or transact in:

- First, second, and third mortgages, structured financing and/or equity participation investments on properties or land held for development;
- First mortgage bonds;
- Syndicated interests and/or other direct or indirect partial interests in mortgage loans, including
    - A/B Notes providing noteholders with a pro-rata interest in a first mortgage loan or loans, with the security in favour of holders of B Notes subordinated to the security in favour of corresponding A Notes; and
    - Any other partial interests in mortgage loans that may be subordinated to the interests of other partial interest holders;
- Real estate-related debt, preferred equity, and/or debt funds;
- Equity securities of any kind in entities that invest in, own, operate, manage and/or otherwise provide services in connection with mortgage or real estate-related investments (collectively, "Equity Investments");
- Structured securities, including CLOs, Commercial Mortgage Backed Securities (CMBS) and K-Series mortgage securities (collectively, "Structured Securities");

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

8. Financial risk management (continued):

(a) Risk management framework (continued)

- Derivatives instruments for the purpose of risk control, lowering Transaction Costs, and/or liquidity management;
- Units in pooled funds of external managers provided the holdings of such pooled funds are themselves permissible investments of the Fund;
- Units in the BCI Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), US Dollar Money Market Fund (ST3), and/or Canadian or US Government fixed income securities with a maximum term to maturity of 1 year, for cash management purpose; and
- Units in the Floating Rate Funds.

BCI, as trustee and QuadReal, as manager of the Fund, have 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 primarily holds its investments through the Mortgage Funds which in turn hold investments through underlying private corporations, a limited partnership and related party loans. As at December 31, the Fund's total investments comprise of the following net assets directly and indirectly held by the Fund:

	2021	
	Total	% of Total
Fixed rate mortgages	$ 1,801,204	29.8
Variable rate mortgages	3,983,328	66.0
Other mortgage investments[1]	38,631	0.7
Cash	126,594	2.1
Other net payables	(3,204)	(0.1)
Net investment-related receivables	23,913	0.4
Investment in mortgage funds	5,970,466	98.9
Equity investment	68,075	1.1
Total investments	$ 6,038,541	100.0

[1] Consist of unlisted mortgage investee funds.

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 underlying investments held through the Mortgage Funds have been considered.

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

8. Financial risk management (continued):

(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 mortgages and other debt security investments held, cash and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the statement of financial position reflects the Fund's maximum exposure to credit risk.

The majority of the Fund's holdings are in uninsured first mortgages where the possibility of a borrower defaulting on payment obligations exists. To avoid undue credit risk, the Fund has established specific investment criteria, such as minimum credit ratings for investees and counterparties. The Fund's investments have conservative Loan to Value Ratios and include adequate collateral and guarantees from borrowers, guarantors and/or other covenantors. The Fund also invests in leveraged properties where the possibility of a borrower defaulting on payment obligations is higher than conventional mortgages. In exchange for the higher levels of risk associated with investments of this nature, the Fund requires additional compensation and/or additional security provisions. Management frequently monitors the credit rating of its counterparties as determined by credit rating agencies and assesses mortgage investments for impairment, including significant changes in credit risk.

In addition, macroeconomic and financial conditions of the industry sector in which a borrower operates in will impact its financial performance and ability to fulfill payment obligations. To mitigate this risk, the Fund diversifies its investments across various industry sectors. The following table presents exposure of underlying fixed and variable rate mortgages to different sectors as at December 31:

	2021		
	Total	Investment count	% of exposure
Retail	$ 1,067,426	11	18.4
Office	978,222	22	17.0
Industrial	372,400	12	6.5
Residential	2,628,878	42	45.4
Alternatives	706,310	18	12.2
Various Property Types	31,296	1	0.5
Total fixed and variable rate mortgages	$ 5,784,532	106	100.0

(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 another financial asset. QuadReal's approach to managing liquidity risk is to ensure, as far as possible, that the Fund has sufficient liquidity to meet its liabilities when due.

8. Financial risk management (continued):

(c) Liquidity risk (continued):

The Fund is exposed to the liquidity risk associated with the requirement to redeem units. 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 cash position is monitored on a regular basis. QuadReal management utilizes appropriate measures and controls to monitor liquidity risk in order to ensure that there is sufficient liquidity to meet financial obligations as they come due. The Fund's liquidity position is monitored daily by taking into consideration future forecasted cash flows. This attempts to ensure that sufficient cash reserves are available to meet forecasted cash outflows.

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

In May 2021, the Fund established a three-year $250,000 revolving unsecured committed credit facility with the Toronto-Dominion Bank to support general funding requirements. As at December 31, 2021, $25,000 was drawn under this facility.

The Fund's other financial liabilities 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. The Fund's strategy for the management of market risk is driven by the Fund's investment objective.

(i) Interest rate risk:

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

The fixed rate mortgage investments are subject to interest rate risk. Lending rates for fixed rate mortgages are determined based on the current yield of Government of Canada debt securities with a similar term to maturity plus a risk and liquidity premium. The Fund may invest in mortgages with maturities ranging from 1 to 15 years and has established duration bands based on their relevant benchmarks to manage undue active interest rate risk. The Fund's fixed rate mortgages have a weighted average term to maturity of 2.7 years and weighted average duration of 2.4 years.

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

8. Financial risk management (continued):

(d) Market risk (continued):

(i) Interest rate risk (continued):

Lending rates for floating rate mortgages are determined based on bank prime lending rates plus a risk and liquidity premium. Therefore, the floating rate mortgages do not have significant exposure to interest rate risk.

As at December 31, the Fund invested in direct mortgages with the following terms to maturity. The fixed rate mortgages account for 31.1% of the Fund's direct mortgage investments with an average effective yield of 2.5%.

	2021	
	Total	Average effective yield %
Fixed rate mortgages:		
Within 1 year	$ 513,572	2.2
1 to 5 years	1,126,515	2.6
5 to 10 years	161,117	2.6
Variable rate mortgages:		
Within 1 year	623,042	n/a
1 to 5 years	3,126,226	n/a
5 to 10 years	234,060	n/a
Total fixed and variable rate mortgages	$ 5,784,532	2.5

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, the carrying value of the fixed rate mortgages would have decreased or increased by approximately $43,018, representing 0.7% of the Fund's net assets. In practice, the actual results may differ from the above sensitivity analysis and the difference could be material.

(ii) Currency risk:

Currency risk is the risk that the fair value of financial instruments denominated in currencies other than the functional currency of the Fund will fluctuate due to changes in foreign exchange rates.
As at December 31, the Fund through the US Mortgage Opportunity Fund holds net financial assets denominated in U.S. dollars totaling CAD$2,381,911, which represents 39.6% of the net asset value of the Fund. If the Canadian dollar had strengthened or weakened by 1.0% (100 bps) in relation to all other currencies, holding all other variables constant, net assets would have decreased or increased, respectively, by approximately CAD$23,819, representing 0.4% of the Fund's net assets. In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

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

8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

As at December 31, the Fund had additional exposure to currency risk through future unfunded commitments to its US mortgage investments totaling CAD$1,396,752. If the Canadian dollar had strengthened or weakened by 1.0% (100 bps) in relation to all other currencies, holding all other variables constant, future unfunded commitments would have decreased or increased, respectively, by approximately CAD$13,968. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(iii) Other price risk:

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

All financial instruments are subject to other price risk and a potential loss of capital. The maximum risk is determined by the market value of the financial instruments. There are established investment criteria for the Fund related to diversification of investments and investment mandates for external managers to avoid undue market risk.

Country 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 risk, the Fund diversifies investments amongst countries and seeks investments in countries with stable legal, political, and financial systems.

As at December 31, the Fund's mortgage investments are concentrated in the following geographic regions:

	2021	
	Total	% of Total
Canada	$ 3,562,118	61.2
United States	2,261,045	38.8
Total	$ 5,823,163	100.0

If the prevailing fair value of total mortgage investments increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately $583,120. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

9. Fair value of financial instruments

(a) Fair value hierarchy

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

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

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

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

(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. 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 foreign currency exchange rates in estimating valuations of foreign currency contracts.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

(c) Valuation framework

When third-party information, such as audited financial statements or external valuations, is used to measure fair value, management assesses and documents the evidence obtained from third-parties to support the conclusion that such valuations are appropriate and meet the requirements of IFRS.

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

9. Fair value of financial instruments (continued):

(c) Valuation framework (continued):

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

2021	Level 1 Quoted prices in active markets	Level 2 Significant observable inputs	Level 3 Significant unobservable inputs	Total
Fixed rate mortgages	$ —	$ —	$ 1,801,204	$ 1,801,204
Variable rate mortgages	—	—	3,983,328	3,983,328
Other mortgage investments[1]	—	—	38,631	38,631
Equity investment	—	—	68,075	68,075
Cash	—	126,594	—	126,594
Net investment-related receivables	—	23,913	—	23,913
Other net payables	—	(3,204)	—	(3,204)
Total investments	—	147,303	5,891,238	6,038,541
Credit facility	—	(24,984)	—	(24,984)
Total financial instruments	$ —	$ 122,319	$ 5,891,238	$ 6,013,557

[1] Consist of unlisted mortgage investee funds.

The carrying amount of the Fund's redeemable units also approximate fair value as they are measured at redemption amount and is classified as Level 2 in the fair value hierarchy.

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

Fair value of financial instruments (continued):

(c) Valuation framework (continued):

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy as at December 31:

2021	Fixed rate mortgages	Variable rate mortgages	Equity Investment	Other mortgage investments[1]	Total
Balance, beginning of period	$ —	$ —	$ —	$ —	$ —
Purchases	2,423,337	6,731,883	71,582	43,889	9,270,691
Sales	(609,889)	(2,740,960)	—	(2,279)	(3,353,128)
Total losses recognized in profit or loss	(12,244)	(7,595)	(3,507)	(2,979)	(26,325)
Balance, end of period	$ 1,801,204	$ 3,983,328	$ 68,075	$ 38,631	$ 5,891,238
Total unrealized losses for the year, included in profit or loss	$ (12,707)	$ (7,945)	$ (3,507)	$ (2,979)	$ (27,138)

1 Consist of unlisted mortgage investee funds.

(i) Significant Unobservable Inputs Used in Measuring Fair Value

The following table sets out information about significant unobservable inputs used at the reporting date in measuring the fair value of investments categorized as Level 3 in the fair value hierarchy as at December 31:

2021 Investments	Fair value	Valuation technique	Unobservable input	Amount/Range	Weighted average	Sensitivity to change in significant unobservable input
Fixed rate mortgages	$ 1,801,204	Discounted cash flow	Discount rate	1.3% - 5.5%	2.5 %	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
Variable rate mortgages	$ 3,983,328	Discounted cash flow	Discount rate	2.8% - 9.5%	4.5 %	The estimated fair value would increase (decrease) if the discount rate was lower (higher)
Equity investment	$ 68,075	Enterprise value	Enterprise value	$ 68,075	n/a	The estimated fair value would increase (decrease) if the enterprise value was higher (lower)
Other mortgage investments	$ 34,775	Net asset value	Net asset value	$ 34,775	n/a	The estimated fair value would increase (decrease) if the net asset value was higher (lower)
Other mortgage investments	$ 3,856	Discounted cash flow	Discount rate	16.0% - 20.0%	16.8 %	The estimated fair value would increase (decrease) if the discount rate was lower (higher)

Fair value of financial instruments (continued):

(c) Valuation framework (continued):

(i) Significant Unobservable Inputs Used in Measuring Fair Value (continued):

Significant unobservable inputs are developed as follows:

Discount rate

Represents the discount rate applied to the expected future cash flows. For the discount rates used, management assesses both the risk premium and the appropriate risk free rate based on the economic environment in which the mortgage investments are subject to. The discount rate is adjusted for such matters as liquidity differences, credit and market factors. The estimated future cash flows are then discounted using the discount rate determined. Cash flows used in the discounted cash flow model are based on projected cash flows of the respective investment.

Enterprise value

Represents the enterprise value of QuadReal. An external valuator develops an enterprise value of QuadReal based on the appropriate discount rates and terminal rates applicable to its projected cash flows. The enterprise value is then adjusted for QuadReal's working capital to arrive at the net asset value. Inputs to the valuation are using information obtained from QuadReal management in addition to review of general market and industry data, including specific peer comparables with respect to transactions and trading multiples analysis when available.

Net asset value

Represents the net asset value of unlisted mortgage investee funds. Management values unlisted mortgage investee funds primarily based on the net asset value presented in the audited financial statements provided by their general partners.

(ii) Effects of Unobservable Input on Fair Value Measurement

The fair value of the Fund's investments would fluctuate in response to changes in specific assumptions for determining each of the unobservable inputs. Although the Fund believes that 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 the holders of redeemable units.

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

Fair value of financial instruments (continued):

(c) Valuation framework (continued):

(ii) Effects of Unobservable Input on Fair Value Measurement (continued):

The following table shows how net assets attributable to holders of redeemable units would change if the unobservable inputs used in measuring the fair value of the respective investments were to change by the following:

	2021			
	Unobservable input	Sensitivity	Favourable	Unfavourable
Fixed rate mortgages	Discount rate	1 %	$ 43,018	$ (43,018)
Variable rate mortgages	Discount rate	1 %	50,715	(50,097)
Equity investment	Enterprise value	10 %	6,808	(6,808)
Other mortgage investments	Net asset value	10 %	3,478	(3,478)
Other mortgage investments	Discount rate	1 %	87	(84)

(d) Financial instruments not measured at fair value:

The carrying value of cash, distributions receivable and other accounts payable approximate 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.

10. Income taxes

The Fund distributes taxable income and net taxable capital gains to the holders of redeemable units at each year-end. Non-capital losses and net capital losses may be carried forward to reduce future distributions of taxable income and net taxable capital gains, respectively. As at December 31, 2021, the Fund did not have any losses available to carry forward.

11. Involvement with structured entities

The Fund's investments are held primarily through the Mortgage Funds, which in turn hold investments through holding corporations and a limited partnership, all of which constitute structured entities. Structured entities are entities that have been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. Structured entities have been set up to manage legal, tax and other risks that may arise in the course of administering the underlying investments.

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

11. Involvement with structured entities (continued):

	2021		
	Number of pooled funds	Total net assets of pooled funds	Carrying amount representing the Fund's interest
Mortgage Funds	4	$ 5,970,466	$ 5,970,466

In addition, the Mortgage Funds hold interests in other structured entities indirectly through intermediary investment entities. The other structured entities are indirectly held investee funds administered by third party managers which are organized as limited partnerships, co-investments and equity participation investments. 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 table below sets out the indirect interests held by the Fund in the other structured entities:

	2021		
	Number of investee funds	Total net assets of investee funds	Carrying amount representing the Fund's interest
Unlisted mortgage investee funds administered by third party managers	6	$ 216,563	$ 38,631

The carrying amount of the investments held in these underlying funds represents the Fund's maximum exposure to loss. During 2021, the Fund did not provide financial support to these structured entities and has no intention of providing financial or other support.

12. Subsequent events

On February 3, 2022, the Fund increased the commitment amount of the TD Credit Facility to $500,000 through an amendment to the original credit agreement. As part of the amendment, the option of LIBOR Rate advances has been replaced with SOFR advances, bearing interest at the benchmark rate plus an applicable margin.

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