



**BCi**

# Fixed Income - Pooled Fund Financial Statements

DECEMBER 2018

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**BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION**

**FIXED INCOME - POOLED INVESTMENT PORTFOLIOS**

**GROUP OF FUNDS**

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Canadian Money Market Fund ST1  
Canadian Money Market Fund ST2  
U.S. Dollar Money Market Fund ST3  
CDOR 1 Floating Rate Fund  
CDOR 2 Floating Rate Fund  
LIBOR Floating Rate Fund  
Short Term Bond Fund  
Canadian Universe Bond Fund  
Canadian Real Return Bond Fund  
Corporate Bond Fund (formerly High Yield Bond Fund)

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**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED DECEMBER 31, 2018**

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**British Columbia Investment Management Corporation  
Pooled Investment Portfolios**

**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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. This report contains the financial statements for the following Pooled Investment Portfolios for the year ended December 31, 2018:

Canadian Money Market Fund ST1	LIBOR Floating Rate Fund
Canadian Money Market Fund ST2	Short Term Bond Fund
U.S. Dollar Money Market Fund ST3	Canadian Universe Bond Fund
CDOR 1 Floating Rate Fund	Canadian Real Return Bond Fund
CDOR 2 Floating Rate Fund	Corporate Bond Fund (formerly High Yield Bond Fund)

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

BCI's Board has established an Audit Committee. The Committee's mandate includes making recommendations on the appointment of the external auditor for the Pooled Investment Portfolios, reviewing the external audit plan; reviewing BCI's Service Organization Controls Report for the Investment System of British Columbia Investment Management Corporation, and reviewing the annual audited financial statements of the Pooled Investment Portfolios. The Committee reviews the recommendations of the internal and external auditors with respect to internal controls and the responses of management to those recommendations, and also meets with management and the internal and external auditors to review annual audit plans.

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

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

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer / Chief Investment Officer

[S] Lawrence E. Davis

Lawrence E. Davis  
Senior Vice President, Finance

Victoria, British Columbia  
April 4, 2019



KPMG LLP  
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## INDEPENDENT AUDITORS' REPORT

To the Unitholders of the following funds managed by British Columbia Investment Management Corporation (the Manager):

Canadian Money Market Fund ST1  
Canadian Money Market Fund ST2  
U.S. Dollar Money Market Fund ST3  
CDOR 1 Floating Rate Fund  
CDOR 2 Floating Rate Fund  
LIBOR Floating Rate Fund  
Short Term Bond Fund  
Canadian Universe Bond Fund  
Canadian Real Return Bond Fund  
Corporate Bond Fund (formerly High Yield Bond Fund)  
(collectively, the "Funds")

### ***Opinion***

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

- the statements of financial position as at December 31, 2018
- the statements of comprehensive income/(loss) for the year then ended (period from inception on October 11, 2018 to December 31, 2018 for the CDOR2 Floating Rate Fund only)
- the statements of changes in net assets attributable to holders of redeemable units for the year then ended (period from inception on October 11, 2018 to December 31, 2018 for the CDOR2 Floating Rate Fund only)
- the statements of cash flows for the year then ended (period from inception on October 11, 2018 to December 31, 2018 for the CDOR2 Floating Rate Fund only)
- and notes to the financial statements, including a summary of significant accounting policies.

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at December 31, 2018, and their financial performance and their cash flows for the year then ended (period from inception on October 11, 2018 to December 31, 2018 for the CDOR2 Floating Rate Fund only) in accordance with International Financial Reporting Standards (IFRS).



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

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

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

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

### ***Responsibilities of the Manager and Those Charged with Governance for the Financial Statements***

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

In preparing the financial statements, the Manager is responsible for assessing the Funds’ abilities to continue as going concerns, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

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

### ***Auditors’ Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.



We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' 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 Funds 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 audits.



Chartered Professional Accountants

Vancouver, Canada  
April 4, 2019

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST1

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Interest receivable		\$ 60	\$ -
Investments		<u>1,700,413</u>	<u>923,749</u>
		<u>1,700,473</u>	<u>923,749</u>
<b>Liabilities</b>			
BCI cost recoveries payable	4	738	668
Other accounts payable		<u>29</u>	<u>10</u>
		<u>767</u>	<u>678</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 1,699,706</u></u>	<u><u>\$ 923,071</u></u>
<i>Number of redeemable units outstanding</i>	5	441.765	243.342
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 3,848</u></u>	<u><u>\$ 3,793</u></u>

**Statement of Comprehensive Income/(Loss)**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 17,196	\$ 10,947
Securities lending income		-	2
Change in fair value of investments:			
Net realized (loss) gain		(2)	6
Net change in unrealized appreciation		74	(88)
<b>Total revenue</b>		<u>17,268</u>	<u>10,867</u>
<b>Expenses:</b>			
BCI cost recoveries	4	651	1,282
Administrative fees		<u>67</u>	<u>25</u>
<b>Total operating expenses</b>		<u>718</u>	<u>1,307</u>
<b>Increase in net assets attributable to holders of redeemable units from operations excluding distributions</b>		<u>16,550</u>	<u>9,560</u>
<b>Distributions to holders of redeemable units:</b>			
From net investment income		(15,859)	(10,262)
From net realized gain on investments		-	(6)
		<u>(15,859)</u>	<u>(10,268)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<u><u>\$ 691</u></u>	<u><u>\$ (708)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST1

<b>Statement of Changes in Net Assets Attributable to Holders of Redeemable Units</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 923,071	\$ 557,706
Increase (decrease) in net assets attributable to holders of redeemable units	691	(708)
Redeemable unit transactions:		
Proceeds from units issued	34,850,201	28,483,879
Reinvestment of distributions	15,859	10,268
Amounts paid for units redeemed	(34,090,116)	(28,128,074)
Net increase from redeemable unit transactions	775,944	366,073
<b>Balance, end of year</b>	<b>\$ 1,699,706</b>	<b>\$ 923,071</b>

<b>Statement of Cash Flows</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 691	\$ (708)
Adjustments for:		
Interest income	(17,196)	(10,947)
Net realized (gain) loss from investments	2	(6)
Net change in unrealized appreciation of investments	(74)	88
Amortization of premiums and discounts	(12,570)	(10,742)
Non cash distributions	15,859	10,268
Proceeds from sale of investments	175,292,120	208,129,119
Amounts paid for purchase of investments	(176,056,142)	(208,484,431)
BCI cost recoveries payable	70	597
Other accounts payable	19	10
Interest received	17,136	10,947
	(760,085)	(355,805)
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	34,850,201	28,483,879
Payments on redemption of redeemable units	(34,090,116)	(28,128,074)
	760,085	355,805
Net increase (decrease) in cash	-	-
Cash, beginning of year	-	-
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST1

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Money Market Investments:</b>				
Provincial Government	\$ 188,973	\$ 188,981	\$ 186,688	\$ 186,708
Municipal Government	280,744	280,753	361,783	361,823
Repurchase Agreements	1,230,696	1,230,696	375,278	375,309
<b>Total Investments</b>	<b>\$ 1,700,413</b>	<b>\$ 1,700,430</b>	<b>\$ 923,749</b>	<b>\$ 923,840</b>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN MONEY MARKET FUND ST1**

**Financial Risk Management Discussion  
as at December 31**

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

The Fund can hold the following securities:

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

The following restrictions apply to the Fund:

- The maximum term to maturity of the securities is 45 days.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the termination of any affected derivative transaction so as to maximize sale proceeds.

**Financial Risk Management Discussion (continued)  
as at December 31**

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

**Credit Risk**

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

INVESTMENTS  
BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 280,744	16.5 %	\$ 446,712	48.4 %
A	188,973	11.1 %	101,759	11.0 %
Repurchase agreements (not rated)	1,230,696	72.4 %	375,278	40.6 %
Total Money Market Investments	<u>\$ 1,700,413</u>	<u>100.0 %</u>	<u>\$ 923,749</u>	<u>100.0 %</u>

**Liquidity Risk**

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

**Interest Rate Risk**

As at December 31, 2018 and December 31, 2017, the Fund invested in fixed income instruments with terms to maturity within 45 days, and a weighted average effective yield of 1.69% (2017 - 1.17%).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$170,000 (2017 - \$277,000), representing 0.01% of the Fund's net assets (2017 - 0.03%). Actual trading results may differ from the above sensitivity analysis and the difference could be material.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN MONEY MARKET FUND ST1**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Currency Risk**

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

**Other Price Risk**

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

Management monitors the concentration of risk for debt securities based on sector and geographic location.

*Investments by Geographic Region*

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

**Fair Value Measurement Discussion  
as at December 31**

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

The table below analyzes 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 noted in the tables below are recurring.

	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Money Market Investments	\$ -	\$1,700,413	\$1,700,413
Total Investments	\$ -	\$1,700,413	\$1,700,413

	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Money Market Investments	\$ -	\$923,749	\$923,749
Total Investments	\$ -	\$923,749	\$923,749

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST2

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Interest receivable		3,309	1,926
Security lending revenue receivable		54	24
Investments		<u>2,345,975</u>	<u>5,271,546</u>
		<u>2,349,338</u>	<u>5,273,496</u>
<b>Liabilities</b>			
BCI cost recoveries payable	4	1,325	1,109
Other accounts payable		<u>23</u>	<u>12</u>
		<u>1,348</u>	<u>1,121</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 2,347,990</u></u>	<u><u>\$ 5,272,375</u></u>
<i>Number of redeemable units outstanding</i>	5	<i>569.392</i>	<i>1,300.295</i>
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 4,124</u></u>	<u><u>\$ 4,055</u></u>

**Statement of Comprehensive Income/(Loss)**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 78,963	\$ 41,342
Securities lending income		362	126
Change in fair value of investments:			
Net realized gain		844	830
Net change in unrealized appreciation		395	(357)
<b>Total revenue</b>		<u>80,564</u>	<u>41,941</u>
<b>Expenses:</b>			
BCI cost recoveries	4	3,751	3,231
Administrative fees		<u>57</u>	<u>28</u>
<b>Total operating expenses</b>		<u>3,808</u>	<u>3,259</u>
<b>Increase in net assets attributable to holders of redeemable units from operations excluding distributions</b>		<u>76,756</u>	<u>38,682</u>
<b>Distributions to holders of redeemable units:</b>			
From net investment income		(74,657)	(39,070)
From net realized gain on investments		<u>(844)</u>	<u>(830)</u>
		<u>(75,501)</u>	<u>(39,900)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<u><u>\$ 1,255</u></u>	<u><u>\$ (1,218)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST2

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
(all amounts in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 5,272,375	\$ 3,028,308
Increase (decrease) in net assets attributable to holders of redeemable units	1,255	(1,218)
Redeemable unit transactions:		
Proceeds from units issued	6,479,240	10,619,581
Reinvestment of distributions	75,501	39,900
Amounts paid for units redeemed	<u>(9,480,381)</u>	<u>(8,414,196)</u>
Net (decrease) increase from redeemable unit transactions	<u>(2,925,640)</u>	<u>2,245,285</u>
<b>Balance, end of year</b>	<b><u>\$ 2,347,990</u></b>	<b><u>\$ 5,272,375</u></b>

**Statement of Cash Flows**  
(all amounts in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 1,255	\$ (1,218)
Adjustments for:		
Interest income	(78,963)	(41,342)
Net realized gain from investments	(844)	(830)
Net change in unrealized appreciation of investments	(395)	357
Amortization of premiums and discounts	(49,291)	(22,118)
Non cash distributions	75,501	39,900
Proceeds from sale of investments	167,593,193	123,504,181
Amounts paid for purchase of investments	(164,617,092)	(125,601,336)
Security lending revenue receivable	(30)	(23)
Payable for purchase of investments	-	(124,408)
BCI cost recoveries payable	216	883
Other accounts payable	11	12
Interest received	77,580	40,553
	<u>3,001,141</u>	<u>(2,205,389)</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	6,479,240	10,619,581
Payments on redemption of redeemable units	<u>(9,480,381)</u>	<u>(8,414,196)</u>
	<u>(3,001,141)</u>	<u>2,205,385</u>
Net decrease in cash	-	(4)
Cash, beginning of year	<u>-</u>	<u>4</u>
<b>Cash, end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN MONEY MARKET FUND ST2

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	\$ 190,131	\$ 190,131	\$ 602,510	\$ 602,407
Provincial Government	100,560	100,489	15,116	15,114
Corporate	495,132	495,069	785,420	785,053
	<u>785,823</u>	<u>785,689</u>	<u>1,403,046</u>	<u>1,402,574</u>
<b>Money Market Investments:</b>				
Federal Government	370,660	370,219	1,491,048	1,491,052
Provincial Government	714,204	714,167	-	-
Municipal Government	-	-	19,972	19,974
Corporate	406,110	406,110	1,632,857	1,633,045
Repurchase Agreements	69,178	69,178	724,623	724,684
	<u>1,560,152</u>	<u>1,559,674</u>	<u>3,868,500</u>	<u>3,868,755</u>
<b>Total Investments</b>	<u><u>\$ 2,345,975</u></u>	<u><u>\$ 2,345,363</u></u>	<u><u>\$ 5,271,546</u></u>	<u><u>\$ 5,271,329</u></u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN MONEY MARKET FUND ST2**

**Financial Risk Management Discussion  
as at December 31**

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

The Fund can hold the following securities:

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

The following restrictions apply to the Fund:

- Not more than 10 percent of money market investments can be invested in one corporation with the exception that the Fund may hold up to 15 percent of the Fund's assets in any one Schedule One bank.
- Corporate and government short term debt securities issued by non-Canadian entities held by the Fund shall be rated A-1 (low) or better by Standard & Poor's or have an equivalent rating from another credit rating agency. Longer term corporate and foreign government issued debt investments must be rated A- or

**Financial Risk Management Discussion (continued)  
as at December 31**

better by Standard & Poor's or have an equivalent rating from another credit rating agency

- The maximum term to maturity of the securities (including callable bonds) is 15 months.
- Not more than 25% of the total Fund can be invested in corporate commercial paper rated A-1 (low).
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction so as to maximize sale proceeds.

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

**Credit Risk**

As at December 31 the Fund invested in debt instruments with the following credit ratings:

INVESTMENTS  
BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	1,106,395	47.2 %	3,010,644	57.2 %
A	1,070,452	45.6 %	1,536,279	29.1 %
BBB	99,950	4.3 %	-	- %
Not rated	69,178	2.9 %	724,623	13.7 %
Total Bonds and Money Market Investments	\$ 2,345,975	100.0 %	\$ 5,271,546	100.0 %

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN MONEY MARKET FUND ST2**

**Financial Risk Management Discussion  
as at December 31**

**Liquidity Risk**

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

**Interest Rate Risk**

As at December 31, 2018 and December 31, 2017, the Fund invested in fixed income instruments with terms to maturity within 15 months, and a weighted average effective yield of 1.83% (2017 - 1.19%).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$7,083,000 (2017 - \$20,142,000), representing 0.30% of the Fund's net assets (2017 - 0.38%). Actual trading results may differ from the above sensitivity analysis and the difference could be material.

**Currency Risk**

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

**Other Price Risk**

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

Management monitors the concentration of risk for debt securities based on sector and geographic location.

*Investments by Geographic Region*

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

**Financial Risk Management Discussion (continued)  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Bonds	\$ -	\$ 785,823	\$ 785,823
Money Market Investments	-	1,560,152	1,560,152
Total Investments	\$ -	\$ 2,345,975	\$ 2,345,975

	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Bonds	\$ -	\$ 1,403,046	\$ 1,403,046
Money Market Investments	-	3,868,500	3,868,500
Total Investments	\$ -	\$ 5,271,546	\$ 5,271,546

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**U.S. DOLLAR MONEY MARKET FUND ST3**

**Statement of Financial Position**

(all amounts in thousands of U.S. dollars *except number of units*)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Interest receivable		\$ 23	\$ -
Investments		<u>602,097</u>	<u>167,493</u>
		<u>602,120</u>	<u>167,493</u>
<b>Liabilities</b>			
BCI cost recoveries payable	4	115	96
Other accounts payable		<u>17</u>	<u>3</u>
		<u>132</u>	<u>99</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 601,988</u></u>	<u><u>\$ 167,394</u></u>
<i>Number of redeemable units outstanding</i>	5	268.426	76.011
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 2,243</u></u>	<u><u>\$ 2,202</u></u>

**Statement of Comprehensive Loss**

(all amounts in thousands of U.S. dollars)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 6,764	\$ 1,696
Foreign exchange gain		1	-
Change in fair value of investments:			
Net change in unrealized appreciation		<u>(1)</u>	<u>(16)</u>
Total revenue		<u>6,764</u>	<u>1,680</u>
<b>Expenses:</b>			
BCI cost recoveries	4	219	212
Administrative fees		<u>35</u>	<u>11</u>
Total operating expenses		<u>254</u>	<u>223</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>6,510</u>	<u>1,457</u>
Distributions to holders of redeemable units:			
From net investment income		<u>(6,430)</u>	<u>(1,497)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<u><u>\$ 80</u></u>	<u><u>\$ (40)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**U.S. DOLLAR MONEY MARKET FUND ST3**

<b>Statement of Changes in Net Assets Attributable to Holders of Redeemable Units</b> (all amounts in thousands of U.S. dollars)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 167,394	\$ 169,971
Increase (decrease) in net assets attributable to holders of redeemable units	80	(40)
Redeemable unit transactions:		
Proceeds from units issued	8,887,266	2,373,811
Reinvestment of distributions	6,430	1,497
Amounts paid for units redeemed	<u>(8,459,182)</u>	<u>(2,377,845)</u>
Net increase (decrease) from redeemable unit transactions	<u>434,514</u>	<u>(2,537)</u>
<b>Balance, end of year</b>	<b><u>\$ 601,988</u></b>	<b><u>\$ 167,394</u></b>

<b>Statement of Cash Flows</b> (all amounts in thousands of U.S. dollars)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 80	\$ (40)
Adjustments for:		
Interest income	(6,764)	(1,696)
Net change in unrealized appreciation of investments	1	16
Amortization of premiums and discounts	(5,947)	(1,695)
Non cash distributions	6,430	1,497
Proceeds from sale of investments	30,736,654	9,852,660
Amounts paid for purchase of investments	(31,165,312)	(9,848,779)
BCI cost recoveries payable	19	95
Other accounts payable	14	(2)
Interest received	6,741	1,696
	<u>(428,084)</u>	<u>3,752</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	8,887,266	2,373,811
Payments on redemption of redeemable units	<u>(8,459,182)</u>	<u>(2,377,845)</u>
	<u>428,084</u>	<u>(4,034)</u>
Net decrease in cash	-	(282)
Cash, beginning of year	<u>-</u>	<u>282</u>
<b>Cash, end of year</b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**U.S. DOLLAR MONEY MARKET FUND ST3**

**Schedule of Investments**

as at December 31

(all amounts in thousand of U.S. dollars)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Money Market Investments:</b>				
Federal Government	\$ 92,868	\$ 92,874	\$ 44,735	\$ 44,740
Provincial Government	-	-	74,950	74,956
Repurchase Agreements	359,307	359,307	47,808	47,813
U.S.T-Bills	149,922	149,933	-	-
<b>Total Investments</b>	<b>\$ 602,097</b>	<b>\$ 602,114</b>	<b>\$ 167,493</b>	<b>\$ 167,509</b>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**U.S. DOLLAR MONEY MARKET FUND ST3**

**Financial Risk Management Discussion  
as at December 31**

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

The Fund can hold the following securities:

- US dollar denominated securities which are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government,
- United States Treasury Bills,
- US dollar denominated corporate commercial paper, issued by a Canadian corporation, that is rated A-1 (low) or better by Standard & Poor's or has an equivalent rating from another credit rating agency,
- US dollar denominated asset-backed securities, issued by a Canadian corporation, that is rated A-1 (low) or better by Standard and Poor's or has an equivalent rating from another credit rating agency,
- unrated Canadian corporate paper (i.e., debt issued by credit unions) up to one percent of the Fund's assets,
- interest-bearing money market investments such as term deposits (that meet investment guideline criteria);
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management, and
- swapped deposits (fully hedged Canadian-pay securities of U.S. issuers that meet investment guideline criteria).

The following restrictions apply to the Fund:

- Not more than 10 percent of the market value of the Fund shall be invested in one corporation with the exception that the Fund can hold up to 15 percent of fund assets in any one Schedule One bank.
- Not more than 25 percent of the total portfolio can be invested in corporate commercial paper rated A-1 (low).
- The maximum term to maturity of the securities is 45 days.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

**Financial Risk Management Discussion (continued)  
as at December 31**

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

**Credit Risk**

As at December 31 the Fund invested in debt instruments with the following credit ratings:

INVESTMENTS

BY CREDIT RATING

(in 000s of U.S. dollars)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 602,097	100.0 %	\$ 77,523	46.3 %
A - or better	-	- %	89,970	53.7 %
Total Money Market Investments	\$ 602,097	100.0 %	\$ 167,493	100.0 %

**Liquidity Risk**

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

**Interest Rate Risk**

As at December 31, 2018 and 2017, the Fund invested in fixed income instruments with terms to maturity within 21 days, and a weighted average effective yield of 2.46% (2017 - 1.65%).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$102,000 (2017 - \$ 42,000 ), representing 0.02% of the Fund's net assets (2017 - 0.03%). Actual trading results may differ from the above sensitivity analysis and the difference could be material.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**U.S. DOLLAR MONEY MARKET FUND ST3**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Currency Risk**

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

**Other Price Risk**

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

Management monitors the concentration of risk for debt securities based on sector and geographic location.

*Investments by Geographic Region*

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

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

(in 000s of U.S. dollars)	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Money Market Investments	\$ -	\$ 602,097	\$ 602,097
Total Investments	\$ -	\$ 602,097	\$ 602,097

(in 000s of U.S. dollars)	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Money Market Investments	\$ -	\$ 167,493	\$ 167,493
Total Investments	\$ -	\$ 167,493	\$ 167,493

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CDOR 1 FLOATING RATE FUND**

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Cash		\$ 905	\$ 143
Receivable from issuance of redeemable units		185,906	-
Interest receivable		31,151	3,876
Derivative assets:			
Swaps		68	42
Investments		<u>12,832,849</u>	<u>3,008,641</u>
		<u>13,050,879</u>	<u>3,012,702</u>
<b>Liabilities</b>			
Payable for purchase of investments		130,977	25,121
Payable for redemption of units		33,912	-
BCI cost recoveries payable	4	139	216
Other accounts payable		14	3
Derivative liabilities:			
Swaps		<u>35,388</u>	<u>-</u>
		<u>200,430</u>	<u>25,340</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 12,850,449</u></u>	<u><u>\$ 2,987,362</u></u>
<i>Number of redeemable units outstanding</i>	5	<i>12,479.507</i>	<i>2,950.142</i>
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,030</u></u>	<u><u>\$ 1,013</u></u>

**Statement of Comprehensive (Loss)/Income**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Period Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 127,873	\$ 13,418
Change in fair value of investments and derivatives:			
Net realized gain		3,759	2,083
Net change in unrealized appreciation		<u>(9,327)</u>	<u>4,087</u>
Total revenue		<u>122,305</u>	<u>19,588</u>
<b>Expenses:</b>			
BCI cost recoveries	4	1,180	750
Administrative fees		<u>36</u>	<u>6</u>
Total operating expenses		<u>1,216</u>	<u>756</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>121,089</u>	<u>18,832</u>
Distributions to holders of redeemable units:			
From net investment income		(126,607)	(12,713)
From net realized gain on investments and derivatives		<u>(3,759)</u>	<u>(2,083)</u>
		<u>(130,366)</u>	<u>(14,796)</u>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>		<u><u>\$ (9,277)</u></u>	<u><u>\$ 4,036</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CDOR 1 FLOATING RATE FUND

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
(all amounts in thousands)

	Year Ended December 31, 2018	Period Ended December 31, 2017
Balance, beginning of period	\$ 2,987,362	\$ -
(Decrease) increase in net assets attributable to holders of redeemable units	(9,277)	4,036
Redeemable unit transactions:		
Proceeds from units issued	15,510,961	3,790,074
Reinvestment of distributions	130,366	14,796
Amounts paid for units redeemed	<u>(5,768,963)</u>	<u>(821,544)</u>
Net increase from redeemable unit transactions	<u>9,872,364</u>	<u>2,983,326</u>
<b>Balance, end of period</b>	<b><u>\$ 12,850,449</u></b>	<b><u>\$ 2,987,362</u></b>

**Statement of Cash Flows**  
(all amounts in thousands)

	Year Ended December 31, 2018	Period Ended December 31, 2017
<b>Operating activities:</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (9,277)	\$ 4,036
Adjustments for:		
Interest income	(127,873)	(13,418)
Net realized gain from investments and derivatives	(3,759)	(2,083)
Net change in unrealized appreciation of investments and derivatives	9,327	(4,087)
Amortization of premiums and discounts	7,516	2,130
Non cash distributions	130,366	14,796
Proceeds from sale of investments	12,940,506	2,259,465
Amounts paid for purchase of investments	(22,742,436)	(5,264,108)
Receivable from issuance of units	(185,906)	-
Payable for purchase of investments	105,856	25,121
Payable for redemption of units	33,912	-
BCI cost recoveries payable	(77)	216
Other accounts payable	11	3
Interest received	100,598	9,542
	<u>(9,741,236)</u>	<u>(2,968,387)</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	15,510,961	3,790,074
Payments on redemption of redeemable units	<u>(5,768,963)</u>	<u>(821,544)</u>
	<u>9,741,998</u>	<u>2,968,530</u>
Net increase in cash	762	143
Cash, beginning of period	<u>143</u>	<u>-</u>
<b>Cash, end of period</b>	<b><u>\$ 905</u></b>	<b><u>\$ 143</u></b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CDOR 1 FLOATING RATE FUND**

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>	\$	\$		
Federal Government	7,567,995	7,539,057	\$ 1,561,500	\$ 1,559,937
Provincial Government	1,054,381	1,054,341	392,799	391,851
Municipal Government	20,922	20,699	-	-
Corporate	3,769,774	3,768,688	1,028,403	1,026,837
	<u>12,413,072</u>	<u>12,382,785</u>	<u>2,982,702</u>	<u>2,978,625</u>
<b>Money Market Investments:</b>				
Corporate	219,486	219,515	-	-
Units in BCI Pooled Investment Portfolio :				
Fund ST1	<u>200,291</u>	<u>200,469</u>	<u>25,939</u>	<u>25,971</u>
	<u>419,777</u>	<u>419,984</u>	<u>25,939</u>	<u>25,971</u>
<b>Total Investments</b>	<u><u>\$ 12,832,849</u></u>	<u><u>\$ 12,802,769</u></u>	<u><u>\$ 3,008,641</u></u>	<u><u>\$ 3,004,596</u></u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CDOR 1 FLOATING RATE FUND

Derivative Assets and Liabilities
as at December 31
(all amounts in thousands)

	2018		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
OTC			
Swaps	\$ 5,175,000	\$ 68	\$ 35,388
<b>Total</b>	<b>\$ 5,175,000</b>	<b>\$ 68</b>	<b>\$ 35,388</b>

	2017		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
OTC			
Swaps	\$ 20,000	\$ 42	\$ -
<b>Total</b>	<b>\$ 20,000</b>	<b>\$ 42</b>	<b>\$ -</b>

Derivative Assets and Liabilities (continued)
as at December 31
(all amounts in thousands)

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

	December 31 2018	December 31 2017
3 to 12 months	\$ 1,150,000	\$ 20,000
Over 1 year	4,025,000	-
<b>Total</b>	<b>\$ 5,175,000</b>	<b>\$ 20,000</b>

Note A: Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.

Note B: The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 1 FLOATING RATE FUND**

**Financial Risk Management Discussion  
as at December 31**

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

The Fund can hold the following securities:

- ◆ Government and corporate debt securities with a minimum long-term credit rating of BBB- by Standard & Poor's, or a short term rating of A-1 (Low), or have an equivalent credit rating from another credit rating agency,
- ◆ Derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management, and
- ◆ Units in the Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- ◆ The maximum term to maturity of the securities is 5 years.
- ◆ At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- ◆ If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

**Financial Risk Management Discussion (continued)  
as at December 31**

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

**Credit Risk**

As at December 31 the Fund invested in debt instruments with the following credit ratings:

INVESTMENTS  
BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 8,899,548	70.5 %	\$ 1,968,549	66.0 %
A	3,517,721	27.8 %	1,014,153	34.0 %
BBB	215,289	1.7 %	-	- %
Total Bonds and Corporate Money Market Investments	<u>\$ 12,632,558</u>	<u>100.0 %</u>	<u>\$ 2,982,702</u>	<u>100.0 %</u>

**Collateral Pledged and Received**

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

COLLATERAL  
(in 000s)

	2018	2017
Collateral pledged	\$ 433,458	\$ -
Collateral received	24,686	68,287,000

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 1 FLOATING RATE FUND**

**Financial Risk Management Discussion  
as at December 31**

**Liquidity Risk**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2018			
	Carrying Value	3 to 12 months	Over 1 year	Total
Derivative assets	\$ 68	\$ 68	\$ -	\$ 68
Derivative liabilities (note C)	(35,388)	(1,962)	(33,426)	(35,388)
	<u>\$ (35,320)</u>	<u>\$ (1,894)</u>	<u>\$ (33,426)</u>	<u>\$ (35,320)</u>

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2017			
	Carrying Value	3 to 12 months		Total
Derivative assets	\$ 42	\$ 42	\$	42
Derivative liabilities (note C)	-	-	-	-
	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$</u>	<u>42</u>

Note C: Liabilities are presented in the earliest period in which the counterparty can request payment.

**Financial Risk Management Discussion (continued)  
as at December 31**

**Interest Rate Risk**

As at December 31, 2018 and 2017, the Fund invested in fixed income instruments with terms to maturity within 4 years, and a weighted average effective yield of 2.12% (2017 - 1.61%).

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

**BONDS BY MATURITY DATE  
(in 000s)**

	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 1,562,434	1.99 %	\$ 415,822	1.81 %
1 to 5 years	10,850,638	2.14 %	2,566,880	1.58 %
Total Bonds	<u>\$ 12,413,072</u>	<u>2.12 %</u>	<u>\$ 2,982,702</u>	<u>1.61 %</u>

**Currency Risk**

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

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 1 FLOATING RATE FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Other Price Risk**

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

*Investments by Geographic Region*

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

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Bonds	\$ -	\$ 12,413,072	\$ 12,413,072
Money Market Funds	419,777	-	419,777
Total Investments	\$ 419,777	\$ 12,413,072	\$ 12,832,849
Swaps, Net	-	(35,320)	(35,320)
Total	\$ 419,777	\$ 12,377,752	\$ 12,797,529

	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
(in 000s)			
Bonds	\$ -	\$ 2,982,702	\$ 2,982,702
Money Market Investments	25,939	-	25,939
Total Investments	\$ 25,939	\$ 2,982,702	\$ 3,008,641
Foreign Currency Contracts, Net	-	42	42
Total	\$ 25,939	\$ 2,982,744	\$ 3,008,683

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

During 2018 there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 1 FLOATING RATE FUND**

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2017 and 2018, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The table below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 1,699,706	\$ 200,291

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 923,691	\$ 25,939

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CDOR 2 FLOATING RATE FUND**

**Statement of Financial Position**

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

	Note	December 31, 2018 <i>(note 1)</i>
<b>Assets</b>		
Interest receivable		\$ 3,623
Investments		<u>3,383,944</u>
		<u>3,387,567</u>
<b>Liabilities</b>		
Other accounts payable	1	
Derivative liabilities:		
Swaps		<u>2,509</u>
		<u>2,510</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 3,385,057</u></u>
 <i>Number of redeemable units outstanding</i>	5	 3,372.289
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,004</u></u>

**Statement of Comprehensive Loss**

(all amounts in thousands)

	Note	Period Ended December 31, 2018 <i>(note 1)</i>
<b>Revenue:</b>		
Interest income		\$ 13,152
Change in fair value of investments and derivatives:		
Net realized gain		194
Unrealized appreciation		<u>(2,279)</u>
Total revenue		<u>11,067</u>
<b>Expenses:</b>		
BCI cost recoveries	4	7
Administrative fees		<u>3</u>
Total operating expenses		<u>10</u>
 Increase in net assets attributable to holders of redeemable units from operations excluding distributions		  <u>11,057</u>
 Distributions to holders of redeemable units:		
From net investment income		(13,142)
From net realized gain on investments and derivatives		<u>(194)</u>
		<u>(13,336)</u>
 <b>Decrease in net assets attributable to holders of redeemable units</b>		  <u><u>\$ (2,279)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CDOR 2 FLOATING RATE FUND

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
(all amounts in thousands)

	Period Ended December 31, 2018 <i>(note 1)</i>
Balance, beginning of period	\$ -
Decrease in net assets attributable to holders of redeemable units	(2,279)
Redeemable unit transactions:	
Proceeds from units issued	3,374,000
Reinvestment of distributions	13,336
Net increase from redeemable unit transactions	3,387,336
<b>Balance, end of period</b>	<b>\$ 3,385,057</b>

**Statement of Cash Flows**  
(all amounts in thousands)

	Period Ended December 31, 2018 <i>(note 1)</i>
<b>Operating activities:</b>	
Decrease in net assets attributable to holders of redeemable units	\$ (2,279)
Adjustments for:	
Interest income	(13,152)
Net realized gain from investments and derivatives	(194)
Unrealized appreciation of investments and derivatives	2,279
Amortization of premiums and discounts	(1,872)
Non cash distributions	13,336
Proceeds from sale of investments	274,146
Amounts paid for purchase of investments	(3,655,794)
Other accounts payable	1
Interest received	9,529
	<u>(3,374,000)</u>
<b>Financing activities:</b>	
Proceeds from issuance of redeemable units	3,374,000
	<u>3,374,000</u>
Net increase (decrease) in cash	-
<b>Cash, beginning and end of period</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CDOR 2 FLOATING RATE FUND**

**Schedule of Investments**

as at December 31  
(all amounts in thousands)

	2018	
	Fair Value	Cost
<b>Bonds:</b>		
Federal Government	\$ 995,593	\$ 994,136
Corporate	890,408	890,533
	<u>1,886,001</u>	<u>1,884,669</u>
<b>Money Market Investments:</b>		
Federal Government	49,274	49,190
Provincial Government	288,126	287,727
Units in BCI Pooled Investment Portfolio:		
Fund ST1	4,114	4,118
CDOR 1 Floating Rate Fund	<u>1,156,429</u>	<u>1,158,010</u>
	<u>1,497,943</u>	<u>1,499,045</u>
<b>Total Investments</b>	<u><u>\$ 3,383,944</u></u>	<u><u>\$ 3,383,714</u></u>

**Derivative Assets and Liabilities**

as at December 31  
(all amounts in thousands)

	2018		
	Notional Value (note A)	Assets (note B)	Liabilities
<b>Interest rate derivatives</b>			
<b>OTC</b>			
Swaps	<u>\$ 1,325,000</u>	<u>\$ -</u>	<u>\$ (2,509)</u>

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

	December 31 2018
3 to 12 months	<u>\$ 1,325,000</u>
<b>Total</b>	<u><u>\$ 1,325,000</u></u>

**Note A:** Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.

**Note B:** The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 2 FLOATING RATE FUND**

**Financial Risk Management Discussion  
as at December 31**

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

The Fund can hold the following securities:

- Government and corporate debt securities with a minimum long-term credit rating of BBB- by Standard & Poor's, or a short term rating of A-1 (Low), or have an equivalent credit rating from another credit rating agency,
- Derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management, and
- Units in BCI's Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- The maximum term to maturity of the securities is 5 years.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

**Financial Risk Management Discussion (continued)  
as at December 31**

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

**Credit Risk**

As at December 31 the Fund invested in debt instruments with the following credit ratings:

INVESTMENTS BY CREDIT RATING (in 000s)	2018	
	Total	% of Total
AAA/AA	\$ 1,241,846	55.9 %
A	981,555	44.1 %
Total Bonds and Money Market Investments	\$ 2,223,401	100.0 %

**Liquidity Risk**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2018		
	Carrying Value	3 to 12 months	Total
Derivative liabilities	\$ (2,509)	\$ (2,509)	\$ (2,509)

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 2 FLOATING RATE FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Interest Rate Risk**

As at December 31, 2018, the Fund invested in fixed income instruments with terms to maturity within 2 years, and a weighted average effective yield of 2.09%.

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

BONDS  
BY MATURITY DATE  
(in 000s)

	2018	
		Avg Effective Yield
	Total	
Within 1 year	\$ 1,685,402	2.91 %
1 to 2 years	200,599	2.00 %
Total Bonds	\$ 1,886,001	2.81 %

**Currency Risk**

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

**Financial Risk Management Discussion (continued)  
as at December 31**

**Other Price Risk**

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

*Investments by Geographic Region*

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

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CDOR 2 FLOATING RATE FUND**

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

	December 31, 2018		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
(in 000s)			
Bonds	\$ -	\$ 1,886,001	\$ 1,886,001
Money Market Investments	-	337,400	337,400
Money Market Funds	4,114	-	4,114
Floating Rate Funds	1,156,429	-	1,156,429
Total Investments	\$ 1,160,543	\$ 2,223,401	\$ 3,383,944
Swap	-	(2,509)	(2,509)
Total	\$ 1,160,543	\$ 2,220,892	\$ 3,381,435

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

During 2018 there were no significant transfers between the three levels in the hierarchy.

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The table below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee funds administered by BCI	2	\$ 14,550,155	\$ 1,160,543

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**LIBOR FLOATING RATE FUND**

**Statement of Financial Position**

(all amounts in thousands of U.S. dollars *except number of units*)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Interest receivable		\$ 681	\$ 1,561
Derivative assets:			
Swaps		281	-
Investments		<u>191,435</u>	<u>661,501</u>
		<u>192,397</u>	<u>663,062</u>
<b>Liabilities</b>			
Payable for purchase of investments		-	10,019
BCI cost recoveries payable	4	117	107
Other accounts payable		6	1
Derivative liabilities:			
Swaps		-	13
		<u>123</u>	<u>10,140</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 192,274</u></u>	<u><u>\$ 652,922</u></u>
<i>Number of redeemable units outstanding</i>	5	184.498	639.442
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,042</u></u>	<u><u>\$ 1,021</u></u>

**Statement of Comprehensive Loss**

(all amounts in thousands of U.S. dollars)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 17,972	\$ 13,636
Change in fair value of investments and derivatives:			
Net realized (loss) gain		(1,053)	1,704
Net change in unrealized appreciation		<u>(463)</u>	<u>(635)</u>
Total revenue		<u>16,456</u>	<u>14,705</u>
<b>Expenses:</b>			
BCI cost recoveries	4	397	733
Administrative fees		19	9
Total operating expenses		<u>416</u>	<u>742</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>16,040</u>	<u>13,963</u>
Distributions to holders of redeemable units:			
From net investment income		(17,481)	(15,099)
From net realized gains on investments and derivatives		-	(1,704)
		<u>(17,481)</u>	<u>(16,803)</u>
<b>Decrease in net assets attributable to holders of redeemable units</b>		<u><u>\$ (1,441)</u></u>	<u><u>\$ (2,840)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**LIBOR FLOATING RATE FUND**

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

(all amounts in thousands of U.S. dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 652,922	\$ 1,140,796
Decrease in net assets attributable to holders of redeemable units	(1,441)	(2,840)
Redeemable unit transactions:		
Proceeds from units issued	854,314	449,032
Reinvestment of distributions	17,481	16,803
Amounts paid for units redeemed	(1,331,002)	(950,869)
Net decrease from redeemable unit transactions	(459,207)	(485,034)
<b>Balance, end of year</b>	<b>\$ 192,274</b>	<b>\$ 652,922</b>

**Statement of Cash Flows**

(all amounts in thousands of U.S. dollars)

	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Decrease in net assets attributable to holders of redeemable units	\$ (1,441)	\$ (2,840)
Adjustments for:		
Interest income	(17,972)	(13,636)
Net realized (gain) loss from investments and derivatives	1,053	(1,704)
Net change in unrealized appreciation of investments and derivatives	463	635
Amortization of premiums and discounts	(1,437)	(63)
Non cash distributions	17,481	16,803
Proceeds from sale of investments	2,467,994	3,689,605
Amounts paid for purchase of investments	(1,998,301)	(3,211,225)
Payable for purchase of investments	(10,019)	10,019
BCI cost recoveries payable	10	38
Other accounts payable	5	(1)
Interest received	18,852	14,206
	<u>476,688</u>	<u>501,837</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	854,314	449,032
Payments on redemption of redeemable units	(1,331,002)	(950,869)
	<u>(476,688)</u>	<u>(501,837)</u>
Net increase (decrease) in cash	-	-
<b>Cash, beginning and end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**LIBOR FLOATING RATE FUND**

**Schedule of Investments**

as at December 31

(all amounts in thousand of U.S. dollars)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	\$ 30,019	\$ 30,008	\$ 250,009	\$ 250,000
Provincial Government	74,797	74,726	86,006	85,935
Corporate	84,522	84,919	243,595	243,191
Supranational and Sovereign	-	-	71,285	71,316
	<u>189,338</u>	<u>189,653</u>	<u>650,895</u>	<u>650,442</u>
<b>Money Market Investments:</b>				
Units in BCI Pooled Investment Portfolio:				
Fund ST3	2,097	2,097	10,606	10,617
<b>Total Investments</b>	<u><u>\$ 191,435</u></u>	<u><u>\$ 191,750</u></u>	<u><u>\$ 661,501</u></u>	<u><u>\$ 661,059</u></u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

LIBOR FLOATING RATE FUND

Derivative Assets and Liabilities			
as at December 31			
(all amounts in thousands)			

	2018		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
OTC			
Swaps	\$ 85,000	\$ 281	\$ -

	2017		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
OTC			
Swaps	\$ 50,000	\$ -	\$ 13

Derivative Assets and Liabilities (continued)			
as at December 31			
(all amounts in thousands)			

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

	December 31 2018	December 31 2017
3 to 12 months	\$ 30,000	\$ 30,000
Over 1 year	55,000	20,000
<b>Total</b>	<b>\$ 85,000</b>	<b>\$ 50,000</b>

Note A: Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.

Note B: The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**LIBOR FLOATING RATE FUND**

**Financial Risk Management Discussion  
as at December 31**

The LIBOR Floating Rate Fund (the "Fund") allows participating BCI pooled Funds to earn a floating rate return that is linked to the benchmark reference rates, the US Dollar London Interbank Offered Rate and the Canadian Dollar Offered Rate. Ownership of the Fund is limited to BCI pooled funds. The functional currency of the Fund is U.S. dollars.

The Fund can hold the following securities:

- government and corporate debt securities with a minimum long-term credit rating of BBB- by Standard & Poor's, or a short term rating of A-1 (Low), or have an equivalent credit rating from another credit rating agency,
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management, and
- units in BCI's Canadian Money Market Fund (ST1), Canadian Money Market Fund (ST2), U.S. Dollar Money Market Fund (ST3), and other BCI short-term fixed income pooled funds for cash, currency hedging and collateral management purposes.

The following restrictions apply to the Fund:

- The maximum term to maturity of the securities is 5 years.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

**Financial Risk Management Discussion (continued)  
as at December 31**

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

**Credit Risk**

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

**BONDS**

**BY CREDIT RATING**

(in 000s of U.S. dollars)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 64,791	34.2 %	\$ 455,399	70.0 %
A + or better	124,547	65.8 %	\$ 195,496	30.0 %
Total Bonds	<u>\$ 189,338</u>	<u>100.0 %</u>	<u>\$ 650,895</u>	<u>100.0 %</u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**LIBOR FLOATING RATE FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Liquidity Risk**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2018			
	Carrying Value	3 to 12 months	Over 1 year	Total
Derivative assets	\$ 281	\$ -	\$ 281	\$ 281

  

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2017			
	Carrying Value	3 to 12 months	Over 1 year	Total
Derivative liabilities	\$ (13)	\$ (4)	\$ (9)	\$ (13)

**Financial Risk Management Discussion (continued)  
as at December 31**

**Interest Rate Risk**

As at December 31, 2018 and December 31, 2017, the Fund invested in fixed income instruments with terms to maturity within 3 years, and a weighted average effective yield of 2.86 % (2017 - 1.57 %).

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

BONDS BY MATURITY DATE (in 000s)	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 55,620	2.75 %	\$ 100,572	1.57 %
1 to 3 years	133,718	2.91 %	550,323	1.57 %
Total Bonds	\$ 189,338	2.86 %	\$ 650,895	1.57 %

**Currency Risk**

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

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**LIBOR FLOATING RATE FUND**

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**Financial Risk Management Discussion (continued)**  
**as at December 31**

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**Other Price Risk**

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

*Investments by Geographic Region*

The Fund's fixed income securities consist of U.S. dollar denominated securities issued by Canadian governments and corporations.

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**Fair Value Measurement Discussion**  
**as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

	December 31, 2018		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
(in 000s of U.S. dollars)			
Bonds	\$ -	\$ 189,338	\$ 189,338
Money Market Funds	2,097	-	2,097
Total Investments	\$ 2,097	\$ 189,338	\$ 191,435
Swaps, Net	-	281	281
Total	\$ 2,097	\$ 189,619	\$ 191,716

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**LIBOR FLOATING RATE FUND**

**Fair Value Measurement Discussion (continued)  
as at December 31**

	December 31, 2017		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
(in 000s of U.S. dollars)			
Bonds	\$ -	\$ 650,895	\$ 650,895
Money Market Funds	10,606	-	10,606
Total Investments	\$ 10,606	\$ 650,895	\$ 661,501
Swaps, Net	-	(13)	(13)
Total	\$ 10,606	\$ 650,882	\$ 661,488

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018 and 2017, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 601,988	\$ 2,097

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 167,394	\$ 10,606

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**SHORT TERM BOND FUND**

**Statement of Financial Position**

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

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Receivable from issuance of units		\$ 400	\$ -
Interest receivable		8,159	5,136
Security lending revenue receivable		21	21
Investments		<u>1,689,766</u>	<u>1,263,537</u>
		<u>1,698,346</u>	<u>1,268,694</u>
<b>Liabilities</b>			
Payable for redemption of units		400	-
BCI cost recoveries payable	4	819	586
Other accounts payable		<u>8</u>	<u>3</u>
		<u>1,227</u>	<u>589</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><b>\$ 1,697,119</b></u>	<u><b>\$ 1,268,105</b></u>
<i>Number of redeemable units outstanding</i>	5	<i>637.308</i>	<i>484.922</i>
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><b>\$ 2,663</b></u>	<u><b>\$ 2,615</b></u>

**Statement of Comprehensive Income/(Loss)**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 30,157	\$ 21,592
Securities lending income		262	298
Change in fair value of investments:			
Net realized loss		(12,632)	(7,765)
Net change in unrealized appreciation		<u>15,527</u>	<u>2,579</u>
Total revenue		<u>33,314</u>	<u>16,704</u>
<b>Expenses:</b>			
BCI cost recoveries	4	1,676	1,525
Administrative fees		<u>24</u>	<u>9</u>
Total operating expenses		<u>1,700</u>	<u>1,534</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>31,614</u>	<u>15,170</u>
Distributions to holders of redeemable units:			
From net investment income		<u>(28,155)</u>	<u>(20,921)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		<u><b>\$ 3,459</b></u>	<u><b>\$ (5,751)</b></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**SHORT TERM BOND FUND**

<b>Statement of Changes in Net Assets Attributable to Holders of Redeemable Units</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 1,268,105	\$ 3,478,591
Increase (decrease) in net assets attributable to holders of redeemable units	3,459	(5,751)
Redeemable unit transactions:		
Proceeds from units issued	1,243,535	623,860
Reinvestment of distributions	28,155	20,921
Amounts paid for units redeemed	(846,135)	(2,849,516)
Net increase (decrease) from redeemable unit transactions	425,555	(2,204,735)
<b>Balance, end of year</b>	<b>\$ 1,697,119</b>	<b>\$ 1,268,105</b>

<b>Statement of Cash Flows</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 3,459	\$ (5,751)
Adjustments for:		
Interest income	(30,157)	(21,592)
Net realized loss from investments	12,632	7,765
Net change in unrealized appreciation of investments	(15,527)	(2,579)
Amortization of premiums and discounts	10,946	28,431
Non cash distributions	28,155	20,921
Proceeds from sale of investments	3,737,604	3,804,462
Amounts paid for purchase of investments	(4,171,884)	(1,635,490)
Security lending revenue receivable	-	11
BCI cost recoveries payable	233	385
Other accounts payable	5	(4)
Interest received	27,134	28,744
	<u>(397,400)</u>	<u>2,225,303</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	1,243,135	623,860
Payments on redemption of redeemable units	(845,735)	(2,849,516)
	<u>397,400</u>	<u>(2,225,656)</u>
Net decrease in cash	-	(353)
Cash, beginning of year	-	353
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**SHORT TERM BOND FUND**

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	\$ 787,645	\$ 785,442	\$ 946,481	\$ 955,196
Provincial Government	792,973	791,294	277,114	279,956
Municipal Government	89,056	89,020	35,055	35,109
	<u>1,669,674</u>	<u>1,665,756</u>	<u>1,258,650</u>	<u>1,270,261</u>
<b>Money Market Investments:</b>				
Units in BCI Pooled Investment Portfolio:				
Fund ST1	<u>20,092</u>	<u>20,098</u>	<u>4,887</u>	<u>4,891</u>
<b>Total Investments</b>	<u><u>\$ 1,689,766</u></u>	<u><u>\$ 1,685,854</u></u>	<u><u>\$ 1,263,537</u></u>	<u><u>\$ 1,275,152</u></u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**SHORT TERM BOND FUND**

**Financial Risk Management Discussion  
as at December 31**

The investment objective of the Short Term Bond Fund (the "Fund") is to exceed the return of the benchmark, the FTSE Canada Short Term Government Bond Index (net of cost of passive implementation), by 16 basis points per annum, net of all investment expenses. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

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

The Fund invests in the following securities:

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

The following restrictions apply to the holding of securities in the Fund:

- The maximum term to maturity is five years (including callable bonds).
- Debt securities issued by non-Canadian entities must be rated BBB- or better by Standard & Poor's or have an equivalent rating from another credit rating agency.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.

**Financial Risk Management Discussion (continued)  
as at December 31**

- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

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

**Credit Risk**

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

**BONDS**

BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 1,063,120	63.7 %	\$ 1,068,902	84.9 %
A	606,554	36.3 %	189,748	15.1 %
Total Bonds	\$ 1,669,674	100.0 %	\$ 1,258,650	100.0 %

**Liquidity Risk**

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

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**SHORT TERM BOND FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Interest Rate Risk**

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

**BONDS**

BY MATURITY DATE  
(in 000s)

	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 44,798	1.80 %	\$ 82,926	1.53 %
1 to 5 years	1,624,876	2.75 %	1,175,724	1.89 %
Total Bonds	<u>\$ 1,669,674</u>	<u>2.72 %</u>	<u>\$ 1,258,650</u>	<u>1.87 %</u>

The duration is to be managed within  $\pm 20$  percent of the benchmark duration, which was 2.72 years as at December 31, 2018 (2017 - 2.76 years). As at December 31, 2018, the Fund had a duration of 3 years (2017 - 3 years). The maximum term to maturity is 4 years (2017 - 4 years).

If prevailing interest rates increased or decreased by 1% (100 bps), with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$40,156,000 (2017 - \$34,865,000), representing 2.4% of the Fund's net assets (2017 - 2.7%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Currency Risk**

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

**Financial Risk Management Discussion (continued)  
as at December 31**

**Other Price Risk**

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

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

*Bonds by Geographic Region*

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**SHORT TERM BOND FUND**

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

(in 000s)	December 31, 2018		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Bonds	\$ -	\$ 1,669,674	\$ 1,669,674
Money Market Funds	20,092	-	20,092
Total Investments	\$ 20,092	\$ 1,669,674	\$ 1,689,766

(in 000s)	December 31, 2017		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
Bonds	\$ -	\$ 1,258,650	\$ 1,258,650
Money Market Funds	4,887	-	4,887
Total Investments	\$ 4,887	\$ 1,258,650	\$ 1,263,537

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018 and 2017, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 1,699,706	\$ 20,092

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 923,071	\$ 4,887

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN UNIVERSE BOND FUND

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Cash		\$ -	\$ 344
Receivable from issuance of units		510,500	800
Interest receivable		68,990	63,557
Security lending revenue receivable		136	147
Derivative assets:			
Futures		-	270
Investments		16,965,801	17,886,694
		<u>17,545,427</u>	<u>17,951,812</u>
<b>Liabilities</b>			
Payable for purchase of investments		-	55,813
Payable for redemption of units		510,500	800
BCI cost recoveries payable	4	6,192	4,603
Other accounts payable		38	25
		<u>516,730</u>	<u>61,241</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><b>\$ 17,028,697</b></u>	<u><b>\$ 17,890,571</b></u>
<i>Number of redeemable units outstanding</i>	5	<i>9,344.048</i>	<i>9,966.020</i>
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><b>\$ 1,822</b></u>	<u><b>\$ 1,795</b></u>

**Statement of Comprehensive (Loss)/Income**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 509,867	\$ 355,820
Securities lending income		1,576	1,013
Change in fair value of investments and derivatives:			
Net realized (loss) gain		(185,115)	12,943
Net change in unrealized appreciation		<u>(63,243)</u>	<u>39,107</u>
Total revenue		<u>263,085</u>	<u>408,883</u>
<b>Expenses:</b>			
BCI cost recoveries	4	13,000	12,664
Administrative fees		128	41
Commissions and stock exchange fees		81	46
Total operating expenses		<u>13,209</u>	<u>12,751</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>249,876</u>	<u>396,132</u>
Distributions to holders of redeemable units:			
From net investment income		(494,206)	(348,108)
From net realized gains on investments and derivatives		-	(12,943)
		<u>(494,206)</u>	<u>(361,051)</u>
<b>(Decrease) increase in net assets attributable to holders of redeemable units</b>		<u><b>\$ (244,330)</b></u>	<u><b>\$ 35,081</b></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN UNIVERSE BOND FUND

<b>Statement of Changes in Net Assets Attributable to Holders of Redeemable Units</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 17,890,571	\$ 12,826,099
(Decrease) increase in net assets attributable to holders of redeemable units	(244,330)	35,081
Redeemable unit transactions:		
Proceeds from units issued	3,004,851	5,716,632
Reinvestment of distributions	494,206	361,051
Amounts paid for units redeemed	(4,116,601)	(1,048,292)
Net increase (decrease) from redeemable unit transactions	(617,544)	5,029,391
<b>Balance, end of year</b>	<b>\$ 17,028,697</b>	<b>\$ 17,890,571</b>

<b>Statement of Cash Flows</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (244,330)	\$ 35,081
Adjustments for:		
Interest income	(509,867)	(355,820)
Net realized (gain) loss from investments and derivatives	185,115	(12,943)
Net change in unrealized appreciation of investments and derivatives	63,243	(39,107)
Amortization of premiums and discounts	(41,047)	11,262
Non cash distributions	494,206	361,051
Proceeds from sale of investments	75,239,604	50,198,647
Amounts paid for purchase of investments	(74,525,752)	(55,313,740)
Receivable from sale of investments	-	80,250
Security lending revenue receivable	11	(74)
Payable for purchase of investments	(55,813)	26,700
BCI cost recoveries payable	1,589	3,713
Other accounts payable	13	(1)
Interest received	504,434	335,645
	<u>1,111,406</u>	<u>(4,669,336)</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	2,495,151	5,724,965
Payments on redemption of redeemable units	(3,606,901)	(1,056,625)
	<u>(1,111,750)</u>	<u>4,668,340</u>
Net decrease in cash	(344)	(996)
Cash, beginning of year	<u>344</u>	<u>1,340</u>
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ 344</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN UNIVERSE BOND FUND

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	\$ 5,994,418	\$ 5,943,068	\$ 4,693,098	\$ 4,724,564
Provincial Government	5,165,199	5,159,477	7,720,704	7,651,819
Municipal Government	393,953	385,991	240,052	232,905
Corporate	4,770,851	4,814,371	4,427,615	4,396,558
Supranational and Sovereign	619,598	632,897	738,398	742,512
	<u>16,944,019</u>	<u>16,935,804</u>	<u>17,819,867</u>	<u>17,748,358</u>
<b>Money Market Investments:</b>				
Units in BCI Pooled Investment Portfolio:				
Fund ST1	<u>21,782</u>	<u>21,798</u>	<u>66,827</u>	<u>66,894</u>
<b>Total Investments</b>	<b><u>\$ 16,965,801</u></b>	<b><u>\$ 16,957,602</u></b>	<b><u>\$ 17,886,694</u></b>	<b><u>\$ 17,815,252</u></b>

*See accompanying Notes to the Financial Statements.*



# CANADIAN UNIVERSE BOND FUND

Derivative Assets and Liabilities		
as at December 31		
(all amounts in thousands)		

	2018		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
Listed			
Futures	\$ -	\$ -	\$ -

	2017		
	Fair Value		
	Notional Value (note A)	Assets (note B)	Liabilities
Interest rate derivatives			
Listed			
Futures	\$ 202,170	\$ 270	\$ -

Note A: Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.

Note B: The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.

Derivative Assets and Liabilities (continued)		
as at December 31		
(all amounts in thousands)		

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

	December 31 2018	December 31 2017
Less than 3 months	\$ -	\$ 202,170

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN UNIVERSE BOND FUND**

**Financial Risk Management Discussion  
as at December 31**

The Canadian Universe Bond Fund (the "Fund") invests in both government and investment-grade corporate debt securities, denominated in Canadian dollars. The investment objective of the Fund is to exceed the return of the Fund's benchmark, the FTSE Canada Universe Bond Index (net of cost of passive implementation), by 30 basis points per annum, net of all investment expenses. The Fund is actively managed. The portfolio manager attempts to increase the returns relative to the Fund's benchmark by employing the following strategies:

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

The Fund invests in the following securities:

- fixed income securities that are issued, insured or guaranteed by the Government of Canada or a provincial or municipal government,
- Canadian dollar denominated fixed income securities issued or guaranteed by a sovereign government or supranational entity,
- Canadian dollar denominated fixed income securities issued by corporations, trusts, income trusts, limited partnerships and non-profit entities such as airports, universities and pension funds,
- units in BCI's Canadian Money Market Fund ST1 and Canadian Money Market Fund ST2 for cash management purposes,
- derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and/or liquidity management, and
- units in BCI's Floating Rate Funds.

The following restrictions apply to the holding of securities in the Fund:

- Corporate and government debt securities issued by non-Canadian entities held by the Fund shall be rated BBB- or better by Standard & Poor's, or have an equivalent rating from another credit rating agency.
- Not more than 10 percent of the market value of the Fund shall be invested in the debt of any one company.
- The Fund's allocation to corporate bonds shall not exceed 10 percentage points above the weighting of corporate bonds within the Index.
- The Fund's weighting of BBB bonds shall not exceed 5 percentage points above the weighting of BBB bonds within the Index.

**Financial Risk Management Discussion (continued)  
as at December 31**

- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any issue is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction so as to maximize sale proceeds.

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

**Credit Risk**

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

**BONDS BY CREDIT RATING  
(in 000s)**

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 10,461,506	61.7 %	\$ 9,509,844	53.4 %
A	4,684,639	27.6 %	6,669,313	37.4 %
BBB	1,797,874	10.6 %	1,640,710	9.2 %
Total Bonds	<u>\$ 16,944,019</u>	<u>100.0 %</u>	<u>\$ 17,819,867</u>	<u>100.0 %</u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN UNIVERSE BOND FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

**Liquidity Risk**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2018		
	Carrying Value	Less than 3 months	Total
Derivative assets	\$ -	\$ -	\$ -

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2017		
	Carrying Value	Less than 3 months	Total
Derivative assets	\$ 270	\$ 270	270

**Interest Rate Risk**

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

BONDS BY MATURITY DATE (in 000s)	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ 12,584	2.90 %	\$ 47,148	1.81 %
1 to 5 years	7,717,356	2.38 %	8,287,809	2.18 %
5 to 10 years	4,170,644	2.97 %	3,905,790	2.90 %
Over 10 years	5,043,435	3.25 %	5,579,120	3.01 %
Total Bonds	\$ 16,944,019	2.78 %	\$ 17,819,867	2.60 %

**Financial Risk Management Discussion (continued)  
as at December 31**

**Interest Rate Risk (continued)**

The duration is to be managed within  $\pm 20$  percent of the benchmark duration, which was 7.46 years as at December 31, 2018 (2017 - 7.59 years). As at December 31, 2018, the Fund had a duration of 8 years (2017 - 8 years). The maximum term to maturity is 27 years (2017 - 28 years).

If prevailing interest rates increased or decreased by 1% (100 bps), with all others variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,337,053,000 (2017 - \$1,417,036,000), representing 7.9% of the Fund's net assets (2017 - 7.9%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Currency Risk**

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

**Other Price Risk**

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

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

*Bonds by Geographic Region*

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

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN UNIVERSE BOND FUND**

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

(in 000s)	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Bonds	\$ -	\$ 16,944,019	\$ 16,944,019
Money Market Funds	21,782	-	21,782
Total Investments	\$ 21,782	\$ 16,944,019	\$ 16,965,801

(in 000s)	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Bonds	\$ -	\$ 17,819,867	\$ 17,819,867
Money Market Funds	66,827	-	66,827
Total Investments	\$ 66,827	\$ 17,819,867	\$ 17,886,694
Futures Contracts, Net	270	-	270
Total	\$ 67,097	\$ 17,819,867	\$ 17,886,964

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018 and 2017, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 1,699,706	\$ 21,782

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 923,071	\$ 66,827

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN REAL RETURN BOND FUND

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Interest receivable		\$ 1,769	\$ 2,654
Security lending revenue receivable		-	1
Investments		<u>1,280,322</u>	<u>1,498,700</u>
		<u>1,282,091</u>	<u>1,501,355</u>
<b>Liabilities</b>			
BCI cost recoveries payable	4	1,162	929
Other accounts payable		<u>8</u>	<u>3</u>
		<u>1,170</u>	<u>932</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 1,280,921</u></u>	<u><u>\$ 1,500,423</u></u>
<i>Number of redeemable units outstanding</i>	5, 11	<i>946,413</i>	<i>1,107,392</i>
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,353</u></u>	<u><u>\$ 1,355</u></u>

**Statement of Comprehensive Loss**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 51,439	\$ 35,968
Securities lending income		4	8
Change in fair value of investments:			
Net realized (loss) gain		(11,298)	51,985
Net change in unrealized appreciation		<u>(41,523)</u>	<u>(93,310)</u>
Total loss		<u>(1,378)</u>	<u>(5,349)</u>
<b>Expenses:</b>			
BCI cost recoveries	4	1,500	1,785
Administrative fees		<u>24</u>	<u>11</u>
Total operating expenses		<u>1,524</u>	<u>1,796</u>
Decrease in net assets attributable to holders of redeemable units from operations excluding distributions		<u>(2,902)</u>	<u>(7,145)</u>
Distributions to holders of redeemable units:			
From net investment income		(49,010)	(35,090)
From net realized gains on investments		<u>-</u>	<u>(52,273)</u>
		<u>(49,010)</u>	<u>(87,363)</u>
<b>Decrease in net assets attributable to holders of redeemable units</b>		<u><u>\$ (51,912)</u></u>	<u><u>\$ (94,508)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

CANADIAN REAL RETURN BOND FUND

<b>Statement of Changes in Net Assets Attributable to Holders of Redeemable Units</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 1,500,423	\$ 3,023,627
Decrease in net assets attributable to holders of redeemable units	(51,912)	(94,508)
Redeemable unit transactions:		
Proceeds from units issued	-	440,380
Reinvestment of distributions	49,010	87,363
Amounts paid for units redeemed	(216,600)	(1,956,439)
Net decrease from redeemable unit transactions	(167,590)	(1,428,696)
<b>Balance, end of year</b>	<b>\$ 1,280,921</b>	<b>\$ 1,500,423</b>

<b>Statement of Cash Flows</b> (all amounts in thousands)		
	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Decrease in net assets attributable to holders of redeemable units	\$ (51,912)	\$ (94,508)
Adjustments for:		
Interest income	(51,439)	(35,968)
Net realized (gain) loss from investments	11,298	(51,985)
Net change in unrealized appreciation of investments	41,523	93,310
Amortization of premiums and discounts	15,599	14,470
Non cash distributions	49,010	87,363
Proceeds from sale of investments	819,661	4,154,986
Amounts paid for purchase of investments	(669,703)	(2,730,185)
Receivable from sale of investments	-	39,117
Security lending revenue receivable	1	6
BCI cost recoveries payable	233	733
Other accounts payable	5	(3)
Interest received	52,324	38,719
	<u>216,600</u>	<u>1,516,055</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	-	440,380
Payments on redemption of redeemable units	(216,600)	(1,956,439)
	<u>(216,600)</u>	<u>(1,516,059)</u>
Net decrease in cash	-	(4)
Cash, beginning of year	-	4
<b>Cash, end of year</b>	<b>\$ -</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CANADIAN REAL RETURN BOND FUND**

**Schedule of Investments**

as at December 31

(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
<b>Bonds:</b>				
Federal Government	\$ 889,473	\$ 907,213	\$ 1,240,488	\$ 1,225,425
Provincial Government	224,277	213,993	253,070	234,093
	<u>1,113,750</u>	<u>1,121,206</u>	<u>1,493,558</u>	<u>1,459,518</u>
<b>Money Market Investments:</b>				
Units in BCI Pooled Investment Portfolio:				
Fund ST1	<u>166,572</u>	<u>166,603</u>	<u>5,142</u>	<u>5,146</u>
<b>Total Investments</b>	<u><u>\$ 1,280,322</u></u>	<u><u>\$ 1,287,809</u></u>	<u><u>\$ 1,498,700</u></u>	<u><u>\$ 1,464,664</u></u>

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN REAL RETURN BOND FUND**

**Financial Risk Management Discussion  
as at December 31**

The investment objective of the Canadian Real Return Bond Fund (the "Fund") is to exceed the return of the Fund's benchmark, the FTSE Canada Real Return Bond Index (net of cost of passive implementation), by 34 basis points per annum, net of all investment expenses incurred, with federal/provincial relative weightings managed close to those of the benchmark. The portfolio manager's objective is to ensure that the Fund's characteristics are close to those of the benchmark, including modified duration, convexity, yield curve exposures, liquidity and sector composition.

The Fund invests in the following securities:

- real return debt securities issued, insured or guaranteed by the Government of Canada, a provincial or municipal government,
- nominal bonds issued, insured or guaranteed by the Government of Canada,
- exchange-traded and cleared over-the-counter derivative instruments for the purposes of synthetic indexing, risk control, lowering transaction costs, and /or liquidity management,
- units of BCI's Canadian Money Market Fund ST1, and
- units in BCI's Floating Rate Funds.

The following restrictions apply to the holding of securities in the Fund:

- Nominal bonds may only be held for cash and liquidity management purposes and may not exceed 10% of the market value of the pool.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.
- If any counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the termination of any affected derivative transaction to maximize sale proceeds.

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

**Financial Risk Management Discussion (continued)  
as at December 31**

**Credit Risk**

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

BONDS  
BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 889,473	79.9 %	\$ 1,249,026	83.6 %
A	224,277	20.1 %	244,532	16.4 %
Total Bonds	\$ 1,113,750	100.0 %	\$ 1,493,558	100.0 %

**Liquidity Risk**

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

**Interest Rate Risk**

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

BONDS  
BY MATURITY DATE  
(in 000s)

	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
Within 1 year	\$ -	- %	\$ 6,163	0.48 %
1 to 5 years	9,453	0.68 %	189,063	0.24 %
5 to 10 years	27,021	0.61 %	114,433	0.36 %
Over 10 years	1,077,276	0.89 %	1,183,899	0.68 %
Total Bonds	\$ 1,113,750	0.88 %	\$ 1,493,558	0.60 %

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN REAL RETURN BOND FUND**

**Financial Risk Management Discussion (continued)  
as at December 31**

The duration is to be managed within  $\pm 10$  percent of the benchmark duration, which was 14.68 years as at December 31, 2018 (2017 - 15.14 years). As at December 31, 2018, the Fund had a duration of 15 years (2017 - 15 years). The maximum term to maturity is 30 years (2017 - 30 years).

If prevailing interest rates increased or decreased by 1% (100 bps) with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$187,856,000 (2017 - \$226,976,000), representing 14.7% of the Fund's net assets (2017 - 15.1%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

**Currency Risk**

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

**Other Price Risk**

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

Management monitors the concentration of risk for debt securities based on counterparties and geographic location. The Fund's debt investments are issued by the Canadian federal and provincial governments.

*Bonds by Geographic Region*

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

**Fair Value Measurement Discussion  
as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

(in 000s)	December 31, 2018		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Bonds	\$ -	\$ 1,113,750	\$ 1,113,750
Money Market Funds	166,572	-	166,572
Total Investments	\$ 166,572	\$ 1,113,750	\$ 1,280,322

(in 000s)	December 31, 2017		
	Level 1	Level 2	Total
	(Quoted Price in Active Market)	(Significant Observable Inputs)	
Bonds	\$ -	\$ 1,493,558	\$ 1,493,558
Money Market Funds	5,142	-	5,142
Total Investments	\$ 5,142	\$ 1,493,558	\$ 1,498,700

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

During 2018 and 2017, there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CANADIAN REAL RETURN BOND FUND**

**Involvement with Structured Entities  
as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018 and 2017, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 1,699,706	\$ 166,572

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	1	\$ 923,071	\$ 5,142

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Statement of Financial Position**

(all amounts in thousands except number of units)

	Note	December 31, 2018	December 31, 2017
<b>Assets</b>			
Cash		\$ 5,578	\$ -
Receivable from sale of investments		2,364	-
Interest receivable		35,824	10,939
Security lending revenue receivable		2	-
Derivative assets:			
Futures		429	-
Foreign currency contracts		302	408
Investments		2,960,802	937,308
		<u>3,005,301</u>	<u>948,655</u>
<b>Liabilities</b>			
Payable for purchase of investments		7,197	-
BCI cost recoveries payable	4	1,479	478
Other accounts payable		17	3
Derivative liabilities:			
Futures		51	-
Foreign currency contracts		78,744	1,244
		<u>87,488</u>	<u>1,725</u>
<b>Net assets attributable to holders of redeemable units</b>		<u><u>\$ 2,917,813</u></u>	<u><u>\$ 946,930</u></u>
<i>Number of redeemable units outstanding</i>	5	2,694.986	889.509
<b>Net assets attributable to holders of redeemable units per unit</b>		<u><u>\$ 1,083</u></u>	<u><u>\$ 1,065</u></u>

**Statement of Comprehensive Loss**

(all amounts in thousands)

	Note	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Revenue:</b>			
Interest income		\$ 102,355	\$ 39,971
Dividend income		337	3,793
Securities lending income		24	440
Futures loss		(10,677)	-
Foreign exchange loss		(923)	(1,347)
Change in fair value of investments and derivatives:			
Net realized (loss) gain		(53,322)	13,711
Net change in unrealized appreciation		(19,813)	(44,487)
Total revenue		<u>17,981</u>	<u>12,081</u>
<b>Expenses:</b>			
BCI cost recoveries	4	4,732	2,712
Administrative fees		84	27
Commissions and stock exchange fees		70	100
Total operating expenses		<u>4,886</u>	<u>2,839</u>
Increase in net assets attributable to holders of redeemable units from operations excluding distributions		<u>13,095</u>	<u>9,242</u>
Distributions to holders of redeemable units:			
From net investment income		(86,007)	(40,367)
From net realized gains on investments and derivatives		-	(13,578)
		<u>(86,007)</u>	<u>(53,945)</u>
<b>Decrease in net assets attributable to holders of redeemable units</b>		<u><u>\$ (72,912)</u></u>	<u><u>\$ (44,703)</u></u>

[S] Gordon J. Fyfe

Gordon J. Fyfe  
Chief Executive Officer  
Chief Investment Officer

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units**  
(all amounts in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
Balance, beginning of year	\$ 946,930	\$ 862,688
Decrease in net assets attributable to holders of redeemable units	(72,912)	(44,703)
Redeemable unit transactions:		
Proceeds from units issued	2,400,788	109,200
Reinvestment of distributions	86,007	53,945
Amounts paid for units redeemed	(443,000)	(34,200)
Net increase from redeemable unit transactions	2,043,795	128,945
<b>Balance, end of year</b>	<b>\$ 2,917,813</b>	<b>\$ 946,930</b>

**Statement of Cash Flows**  
(all amounts in thousands)

	Year Ended December 31, 2018	Year Ended December 31, 2017
<b>Operating activities:</b>		
Decrease in net assets attributable to holders of redeemable units	\$ (72,912)	\$ (44,703)
Adjustments for:		
Effect of exchange rate changes on cash	923	1,347
Interest income	(102,355)	(39,971)
Dividend income	(337)	(3,793)
Net realized (gain) loss from investments and derivatives	53,322	(13,711)
Net change in unrealized appreciation of investments and derivatives	19,813	44,487
Amortization of premiums and discounts	896	751
Non cash distributions	86,007	53,945
Proceeds from sale of investments	9,391,813	1,828,965
Amounts paid for purchase of investments	(11,411,732)	(1,949,895)
Receivable from sale of investments	(2,364)	-
Net receivable for variation on futures	(429)	-
Net payable for variation on futures	51	-
Security lending revenue receivable	(2)	58
Payable for purchase of investments	7,197	-
BCI cost recoveries payable	1,001	340
Other accounts payable	14	2
Interest received	77,470	38,284
Dividends received	337	3,793
	<u>(1,951,287)</u>	<u>(80,101)</u>
<b>Financing activities:</b>		
Proceeds from issuance of redeemable units	2,400,788	109,200
Payments on redemption of redeemable units	(443,000)	(34,200)
	<u>1,957,788</u>	<u>75,000</u>
Net increase (decrease) in cash	6,501	(5,101)
Effect of exchange rate changes on cash	(923)	(1,347)
Cash, beginning of year	-	6,448
<b>Cash, end of year</b>	<b>\$ 5,578</b>	<b>\$ -</b>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Schedule of Investments**  
as at December 31  
(all amounts in thousands)

	2018		2017	
	Fair Value	Cost	Fair Value	Cost
Investment Fund Investment <sup>1</sup>	\$ -	\$ -	\$ 137,009	\$ 138,299
<b>Bonds:</b>				
Corporate	2,895,228	2,847,301	782,126	789,482
<b>Money Market Investments:</b>				
Units in BCI Pooled Investment Portfolio:				
Fund ST1	15,996	16,004	2,498	2,501
Fund ST3	49,578	48,682	15,675	16,004
	65,574	64,686	18,173	18,505
<b>Total Investments</b>	<b>\$ 2,960,802</b>	<b>\$ 2,911,987</b>	<b>\$ 937,308</b>	<b>\$ 946,286</b>

<sup>1</sup> The investment fund investment ("Investment Fund") is held through a private corporation.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Derivative Assets and Liabilities**  
as at December 31  
(all amounts in thousands)

	<b>2018</b>		
	<b>Fair Value</b>		
	Notional Value (note A)	Assets (note B)	Liabilities
<b>Currency derivatives</b>			
<b>OTC</b>			
Forwards	\$ 2,533,280	\$ 302	\$ (78,744)
<b>Interest rate derivatives</b>			
Futures	252,480	429	(51)
<b>Total</b>	<u>\$ 2,785,760</u>	<u>\$ 731</u>	<u>\$ (78,795)</u>

	<b>2017</b>		
	<b>Fair Value</b>		
	Notional Value (note A)	Assets (note B)	Liabilities
<b>Currency derivatives</b>			
<b>OTC</b>			
Forwards	\$ 137,150	\$ 408	\$ (1,244)
<b>Total</b>	<u>\$ 137,150</u>	<u>\$ 408</u>	<u>\$ (1,244)</u>

**Derivative Assets and Liabilities (continued)**  
as at December 31  
(all amounts in thousands)

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

	December 31 2018	December 31 2017
Less than 3 months	\$ 2,757,218	\$ 130,910
3 to 12 months	<u>28,542</u>	<u>6,240</u>
<b>Total</b>	<u>\$ 2,785,760</u>	<u>\$ 137,150</u>

Note A: Notional value represents the contractual amount to which a rate or price is applied in order to calculate the exchange of cash flows and is therefore not recorded in the financial statements. Notional amounts do not necessarily indicate the amounts of future cash flows or the current fair value of the derivative contracts and, therefore do not necessarily indicate the Fund's exposure to credit or market risk.

Note B: The fair value of derivative contracts recorded as an asset represents the credit risk or the loss to which the Fund is potentially exposed should counterparties fail to perform under the derivative contract.

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Financial Risk Management Discussion**  
**as at December 31**

The investment objective of the Corporate Bond Fund (formerly the High Yield Bond Fund) (the "Fund") is to provide a diversified portfolio of fixed income securities, while exceeding the return of the Fund's benchmarks, the Bank of America Merrill Lynch US Corporate Index (CAD Hedged) and the Bank of America Merrill Lynch BB-B US Cash Pay High Yield Constrained Index (CAD Hedged), by 62 basis points per annum, net of all investment expenses incurred.

The Fund can hold the following securities:

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

The following restrictions apply to the Fund:

- Not more than 15% of the market value of the Fund can be invested in the securities of one company.
- Not more than 20% of the market value of the Pool can be invested in equity securities (including preferred shares, but excluding fixed income Exchange Traded Funds).
- Not more than 70% of the market value of the Pool can be invested in the aggregate of i) debt securities rated at or below "BB+" by Standard & Poor's or an equivalent rating from another credit rating agency, ii) preferred shares rated at or below "P-4" by Standard & Poor's or an equivalent rating from another credit rating agency, and (iii) unrated debt securities.
- Not more than 10% of the market value of the Pool can be invested in the aggregate of (i) debt securities rated at or below "CCC+" by Standard & Poor's or an equivalent rating from another credit rating agency, and (ii) unrated debt securities.
- At inception, counterparties to all derivative contracts are restricted to financial institutions that are rated A- or higher by Standard & Poor's or have an equivalent credit rating from another credit rating agency.

**Financial Risk Management Discussion (continued)**  
**as at December 31**

- If any security or counterparty is downgraded below the approved credit standard, BCI has the discretion to determine the appropriate timing of the sale of any affected security or the termination of any affected derivative transaction to maximize sale proceeds.

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

**Credit Risk**

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

BONDS  
BY CREDIT RATING  
(in 000s)

	2018		2017	
	Total	% of Total	Total	% of Total
AAA/AA	\$ 4,631	0.2 %	\$ -	- %
A	391,628	13.5 %	24,470	3.1 %
BBB	881,284	30.4 %	56,610	7.2 %
BB	1,511,980	52.3 %	533,364	68.2 %
B	15,040	0.5 %	159,602	20.4 %
Unrated	90,665	3.1 %	8,080	1.0 %
Total Bonds	\$ 2,895,228	100.0 %	\$ 782,126	100.0 %

The Fund also had indirect exposure to credit risk through its investment in the Investment Fund, whose underlying investments are susceptible to credit risk, until its liquidation in April 2018. Such indirect exposure was managed by the external manager in conjunction with investment level decisions.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Financial Risk Management Discussion (continued)**  
**as at December 31**

**Liquidity Risk**

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

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

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2018			
	Carrying Value	Less than 3 months	3 to 12 months	Total
Derivative assets	\$ 731	\$ 731	\$ -	\$ 731
Derivative liabilities	(78,795)	(77,960)	(835)	(78,795)
	<u>\$ (78,064)</u>	<u>\$ (77,229)</u>	<u>\$ (835)</u>	<u>\$ (78,064)</u>

DERIVATIVE FINANCIAL INSTRUMENTS (in 000s)	2017			
	Carrying Value	Less than 3 months	3 to 12 months	Total
Derivative assets	\$ 408	\$ 280	\$ 128	\$ 408
Derivative liabilities	(1,244)	(1,244)	-	(1,244)
	<u>\$ (836)</u>	<u>\$ (964)</u>	<u>\$ 128</u>	<u>\$ (836)</u>

**Financial Risk Management Discussion (continued)**  
**as at December 31**

**Interest Rate Risk**

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

BONDS BY MATURITY DATE (in 000s)	2018		2017	
	Total	Avg Effective Yield	Total	Avg Effective Yield
1 to 5 years	\$ 1,123,149	6.69 %	\$ 352,297	5.30 %
5 to 10 years	1,144,435	5.83 %	374,239	5.62 %
Over 10 years	627,644	5.38 %	55,590	5.52 %
Total Bonds	<u>\$ 2,895,228</u>	<u>6.07 %</u>	<u>\$ 782,126</u>	<u>5.47 %</u>

If prevailing interest rates increased or decreased by 1% (100 bps), with all others variables held constant, net assets would have decreased or increased, respectively, by approximately \$218,850,000 (2017 - \$39,435,000), representing 7.5% of the Fund's net assets (2017 -4.2%). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

The Fund also has indirect exposure to interest rate risk through its investment in the Investment Fund, whose underlying investments are susceptible to interest rate risk. The indirect exposure is managed by the external manager in conjunction with their investment level decisions, including the ability to use interest rate derivatives.

*See accompanying Notes to the Financial Statements.*



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

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**Financial Risk Management Discussion (continued)**  
**as at December 31**

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**Currency Risk**

The Fund holds net assets, including foreign currency contracts, denominated in U.S. and U.K. currency totalling \$972,000 CAD which represents 0.03% of the net asset value of the Fund (2017 - \$ 943,735,000 CAD which represented 99.7 % of the net asset value of the Fund). As at December 31, 2018, if the Canadian dollar had strengthened/weakened by 1 percent in relation to the U.S. currency, holding all other variables constant, net assets would have decreased/increased, respectively, by \$9,700 CAD (2017 - \$ 9,437,000 CAD). In practice, the actual trading results may differ from the above sensitivity analysis and the difference could be material.

The Fund also has indirect exposure to currency risk through its investment in the Investment Fund, whose underlying investments are susceptible to currency risk. Such indirect exposure is managed by the external manager in conjunction with their investment level decisions, including the use of foreign currency hedging.

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**Financial Risk Management Discussion (continued)**  
**as at December 31**

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**Other Price Risk**

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

Exchange traded funds and an investment fund held as investments were exposed to other price risk. The exchange traded funds are based upon high yield bond indices, and match the movement of the market. Up to April 2018 when the Fund liquidated its investment in the investment fund, the Investment Fund manager had an investment committee that reviewed and managed these exposures with a view to achieving an appropriate balance between risks and returns.

As at December 31, 2018 and 2017, had the value of the exchange traded funds and Investment Fund increased or decreased by 10%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively by approximately \$nil (2017 - \$13,701,000) or nil% (2017 -1.4%) of net assets attributable to redeemable units.

Actual trading results may differ from the above sensitivity analysis and the difference could be material.

**Other Price Risk (continued)**

*Bonds by Geographic Region*

The Fund's debt securities and investment fund were exposed to the U.S. market. The fund had indirect exposure to other regions through the underlying investments of the Investment Fund until April 2018 when the Fund liquidated its investment in the Investment Fund.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Fair Value Measurement Discussion**  
**as at December 31**

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

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

All fair value measurements noted in the tables below are recurring.

	December 31, 2018		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
(in 000s)			
Bonds	-	2,895,228	2,895,228
Money Market Funds	65,574	-	65,574
Total Investments	\$ 65,574	\$ 2,895,228	\$ 2,960,802
Futures Contracts, Net	378	-	378
Foreign Currency Contracts, Net	-	(78,442)	(78,442)
Total	\$ 65,952	\$ 2,816,786	\$ 2,882,738

	December 31, 2017		
	Level 1 (Quoted Price in Active Market)	Level 2 (Significant Observable Inputs)	Total
(in 000s)			
Investment Fund Investment	\$ -	\$ 137,009	\$ 137,009
Bonds	-	782,126	782,126
Money Market Funds	18,173	-	18,173
Total Investments	\$ 18,173	\$ 919,135	\$ 937,308
Foreign Currency Contracts, Net	-	(836)	(836)
Total	\$ 18,173	\$ 918,299	\$ 936,472

**Fair Value Measurement Discussion (continued)**  
**as at December 31**

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

During 2018 and 2017 there were no significant transfers between the three levels in the hierarchy.

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIO

**CORPORATE BOND FUND**  
**(formerly High Yield Bond Fund)**

**Involvement with Structured Entities**  
**as at December 31**

A structured entity is an entity that has been designed so that voting or other similar rights are not the dominant factor in determining who controls the entity. The Fund holds interests in structured entities. These structured entities are comprised of investee funds organized as unit trusts. These investee funds have been constituted to manage assets on behalf of third party investors and are financed through the issue of units to these investors. Accordingly, the Fund's interests in these entities is reflected through the holdings of units issued by the investee funds. During 2018 and 2017, the Fund did not provide additional financial or other support to these structured entities, other than through its investment in units of these entities. Furthermore, these structured units are not subject to restrictions over operations or redemptions, other than certain investment related restrictions in accordance with maintaining their investment objectives. The tables below sets out the interests held by the Fund in these structured entities:

Entity	December 31, 2018		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	2	\$ 2,521,901	\$ 65,574

Entity	December 31, 2017		
	Number of Investee Funds	Total Net Assets of Investee Funds (in 000s)	Carrying amount included in Investments in the Statement of Financial Position (in 000s)
Investee money market funds administered by BCI	2	\$ 1,132,807	\$ 18,173
Investee funds administered by external manager	1	137,009	137,009

*See accompanying Notes to the Financial Statements.*

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**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 750 Pandora Avenue, Victoria, British Columbia, Canada. These financial statements have been prepared by BCI and are the responsibility of BCI management.

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

The Funds were established on the following dates:

Pooled Investment Portfolios	Dates Established
Canadian Money Market Fund ST1	April 21, 1986
Canadian Money Market Fund ST2	September 19, 1986
U.S. Dollar Money Market Fund ST3	August 1, 1990
CDOR 1 Floating Rate Fund	March 13, 2017
CDOR 2 Floating Rate Fund	October 11, 2018
LIBOR Floating Rate Fund	February 26, 2016
Short Term Bond Fund	November 1, 1995
Canadian Universe Bond Fund	April 20, 2006
Canadian Real Return Bond Fund	April 9, 2010
Corporate Bond Fund (formerly High Yield Bond Fund)	January 8, 2016

The CDOR 2 Floating Rate Fund was established in 2018, therefore no comparative information has been presented in the respective financial statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**2. Basis of preparation**

(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 4, 2019.

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**3. Significant accounting policies**

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

(a) Financial instruments

(i) Recognition and measurement

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL"). All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument. Transaction costs are included in the initial carrying amount of financial instruments except for financial instruments classified as FVTPL in which case transaction costs are expensed as incurred.

Financial assets and financial liabilities are recognized initially on the trade date, which is the date on which the Funds become a party to the contractual provisions of the instrument. The Funds derecognize a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position only when the Funds have a legal right to offset the amounts and 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.

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

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

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

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

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**3. Significant accounting policies (continued)**

(a) Financial instruments (continued)

(ii) Fair value through profit and loss

Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the statement of comprehensive income in the period in which they occur. The Funds' investments, derivative financial instruments and redeemable units are classified as FVTPL.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Funds' policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

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

(iii) Amortized Cost

Financial assets and liabilities classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. Subsequent measurement is at amortized cost using the effective interest method, less any impairment losses. The Funds classify cash, accounts receivable, receivable from sale of investments, receivable from issue of units, dividend receivable, interest receivable, other receivables, accounts payable, other accounts payable, payable for purchase of investments, payable for redemption of units, external management fees payable, interest payable and BCI cost recoveries payable, as amortized cost.

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**3. Significant accounting policies (continued)**

**(b) Redeemable units**

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

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

Participation in each Fund is expressed in units. The initial value of a unit on inception is \$1 million (\$U.S. 1 million for the U.S. Dollar Money Market Fund ST3 and the LIBOR Floating Rate Fund). For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio by the total number of units outstanding. Where one Fund invests in another Fund, the unit issuances and redemptions are transacted on the same basis as client transactions. All unit transactions are recorded on a trade date basis. All of the Funds were open-ended Funds throughout the year where the number of units available for issue was unlimited and the proportion of units issued or redeemed by each client on a particular valuation date depended on changes to their desired asset allocation.

**(d) Foreign exchange**

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



BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
POOLED INVESTMENT PORTFOLIOS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2018

**3. Significant accounting policies (continued)**

(e) Revenue recognition

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

(f) Securities lending

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

(g) Income taxes

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION  
 POOLED INVESTMENT PORTFOLIOS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

**3. Significant accounting policies (continued)**

(h) Change in accounting policy:

The Funds have adopted IFRS 9 *Financial Instruments* ("IFRS 9") with a date of initial application of January 1, 2018, except for CDOR 2 Floating Rate Fund which was established on October 11, 2018. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39"). IFRS 9 specifies the accounting for financial instruments, including: classification and measurement, impairment, and hedge accounting. The adoption of IFRS 9 has been applied retrospectively. The nature and effects of the key changes to the Funds' accounting policy are summarized below.

(i) Classification and measurement of financial assets and liabilities:

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The Funds may also, at initial recognition, irrevocably designate a financial asset as measured at FVTPL when doing so results in more relevant information. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale.

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 derivatives liabilities. The Funds may also, at initial recognition, irrevocably designate a financial liability as measured at FVTPL when doing so results in more relevant information.

The adoption of IFRS 9 did not result in any measurement or classification differences in the Funds' financial assets and liabilities as at the transition date. The following table shows the original classification and measurement categories under IAS 39 and the new classification and measurement categories under IFRS 9 for each class of the Funds' financial assets and financial liabilities as at January 1, 2018.

	Original Classification under IAS 39	New Classification under IFRS 9
<b>Financial assets</b>		
Cash	Loans and receivables	Amortized cost
Accounts receivable	Loans and receivables	Amortized cost
Receivable from sale of investments	Loans and receivables	Amortized cost
Receivable from issuance of units	Loans and receivables	Amortized cost
Interest receivable	Loans and receivables	Amortized cost
Securities lending revenue receivable	Loans and receivables	Amortized cost
Derivative assets	FVTPL	FVTPL
Investments	FVTPL	FVTPL
<b>Financial liabilities</b>		
Payable for purchase of investments	Other financial liabilities	Amortized cost
Payable for redemption of units	Other financial liabilities	Amortized cost
BCI cost recoveries payable	Other financial liabilities	Amortized cost
Other accounts payable	Other financial liabilities	Amortized cost
Derivative liabilities	FVTPL	FVTPL
Redeemable units	FVTPL	FVTPL

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**3. Significant accounting policies (continued)**

(h) Change in accounting policy (continued):

(ii) Impairment of financial assets:

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Funds measure their financial assets at FVTPL and hold only short-term financial assets at amortized cost, the impairment requirements under the new standard do not impact these financial statements.

(iii) Hedge accounting

As permitted by IFRS 9, an election is available to continue to apply the hedge accounting requirements of IAS 39. However, the Funds have not applied hedge accounting under either standard. Therefore, the hedge accounting requirements under the new standard do not impact these financial statements.

(i) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations as listed below are not yet effective for the year ended December 31, 2018, and have not been applied in preparing these financial statements. None of these will have a significant effect on the financial statements of the Funds.

Effective on January 1, 2019:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Tax Treatments
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)
- Annual Improvements to IFRS Standards 2015-2017 Cycle - various standards

Effective on January 1, 2020:

- Amendments to References to Conceptual Framework in IFRS Standards

Effective on January 1, 2021:

- IFRS 17 Insurance Contracts

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**4. Related party transactions**

Third party costs that are attributable to a specific Fund are charged to that Fund. Other costs initially borne by BCI are recovered from the various Funds. BCI cost recoveries and the corresponding payable are disclosed in each Fund's statement of comprehensive income and statement of financial position, respectively.

The Investment Fund held in the Corporate Bond Fund is managed by an entity controlled by BCI's 2016 Private Placement Fund, an entity managed by BCI, and is thus related to the Fund. The Fund enters into investment transactions with such related parties in the normal course of its business on the same terms as unrelated investors.

**5. Redeemable units**

The Funds are authorized to issue an unlimited number of units. Units issued and outstanding represent the capital of each Fund. The Funds are not subject to any internally or externally imposed restrictions on their capital. BCI manages the capital of each Fund in accordance with the respective Fund's investment objectives, including managing the redeemable units to ensure a stable base to maximize returns to all investors, and managing liquidity in order to meet redemptions. The following is a summary of the changes in redeemable units outstanding during the period ended:

	CANADIAN MONEY MARKET FUND ST1		CANADIAN MONEY MARKET FUND ST2		U.S. DOLLAR MONEY MARKET FUND ST3		CDOR 1 FLOATING RATE FUND	
	2018	2017	2018	2017	2018	2017	2018	2017
Outstanding, beginning of period	243.342	147.972	1,300.295	753.903	76.011	77.828	2,950.142	-
Issued for cash	9,123.217	7,533.774	1,585.490	2,633.869	3,995.518	1,081.778	15,156.390	3,762.964
Issued on reinvestment of distributions	4.147	2.714	18.463	9.877	2.886	0.708	127.283	14.651
Consolidation of units	(4.147)	(2.714)	(18.463)	(9.877)	(2.886)	(0.708)	(127.283)	(14.651)
Redeemed	(8,924.794)	(7,438.404)	(2,316.393)	(2,087.477)	(3,803.103)	(1,083.595)	(5,627.025)	(812.822)
Outstanding, end of period	441.765	243.342	569.392	1,300.295	268.426	76.011	12,479.507	2,950.142

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**5. Redeemable units (continued)**

	CDOR 2 FLOATING RATE FUND	LIBOR FLOATING RATE FUND		SHORT TERM BOND FUND		CANADIAN UNIVERSE BOND FUND	
	2018	2018	2017	2018	2017	2018	2017
	(note 1)						
Outstanding, beginning of period	-	639.442	1,132.254	484.922	1,326.724	9,966.020	7,348.694
Issued for cash	3,372.289	829.913	442.363	474.299	239.071	1,671.662	3,209.399
Issued on reinvestment of distributions	13.297	16.911	14.451	10.709	7.959	252.626	196.317
Consolidation of units	(13.297)	(16.911)	(14.451)	(10.709)	(7.959)	(252.626)	(196.317)
Redeemed	-	(1,284.857)	(935.175)	(321.913)	(1,080.873)	(2,293.634)	(592.073)
Outstanding, end of period	<u>3,372.289</u>	<u>184.498</u>	<u>639.442</u>	<u>637.308</u>	<u>484.922</u>	<u>9,344.048</u>	<u>9,966.020</u>

  

	CANADIAN REAL RETURN BOND FUND		CORPORATE BOND FUND	
	2018	2017	2018	2017
Outstanding, beginning of period	1,107.392	2,248.818	889.509	819.625
Issued for cash	-	327.726	2,210.780	101.751
Issued on reinvestment of distributions	35.612	51.311	78.885	49.191
Consolidation of units	(35.612)	(51.311)	(78.885)	(49.191)
Redeemed	<u>(160.979)</u>	<u>(1,469.152)</u>	<u>(405.303)</u>	<u>(31.867)</u>
Outstanding, end of period	<u>946.413</u>	<u>1,107.392</u>	<u>2,694.986</u>	<u>889.509</u>

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**6. Financial risk management**

**(a) Risk management framework**

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

**(b) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, and also from derivative financial assets, which include foreign currency contracts, cash and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the statements of financial position reflects the Fund's maximum exposure to credit risk.

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

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

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

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

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**6. Financial risk management (continued)**

**(b) Credit risk (continued)**

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

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

**(c) Liquidity risk**

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

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

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

**(d) Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Funds' income or the fair value of its holdings of financial instruments. Each Fund's strategy for the management of market risk is driven by the Fund's investment objective. Investment objectives for the Funds are outlined in the notes specific to each Fund.

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**6. Financial risk management (continued)**

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Funds' income or the fair value of its holdings of financial instruments. Each Fund's strategy for the management of market risk is driven by the Fund's investment objective. Investment objectives for the Funds are outlined in the notes specific to each Fund.

(i) Interest rate risk

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

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

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

(ii) Currency risk

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

Some Funds are exposed to currency risk through holding of investments, investment receivables and investment liabilities in various currencies. The Funds may use foreign currency contracts to hedge some foreign currency exposure on investment-related receivables and liabilities and engage in the buying and selling of currencies through the spot market, forward contracts, futures contracts, and/or options in order to achieve the desired currency exposure.

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

(iii) Other price risk

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

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

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



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**7. Fair value of financial instruments**

**(a) Fair value hierarchy**

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

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

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

Level 1 inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3 inputs that are unobservable.

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

**(b) Valuation models**

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

The Funds use widely recognized valuation methods for determining the fair value of common and more simple financial instruments such as foreign currency contracts and money market instruments that use only observable market data which requires little management judgment and estimation. Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exists and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other factors used in estimating discount rates, money market prices, and foreign currency exchange rates in estimating valuations of foreign currency contracts.

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

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**7. Fair value of financial instruments (continued)**

(c) Valuation framework

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

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

(d) Financial instruments not measured at fair value

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

**8. Taxes**

Net cumulative capital losses and non-capital losses for each Fund having such losses are as follows:

Pooled Investment Portfolios (in \$000s)	As of December 31, 2018	
	Net Capital Losses	Non-capital Losses
Short Term Bond Fund	10,199	-
Canadian Universe Bond Fund	92,439	-
Canadian Real Return Bond Fund	5,649	-
Corporate Bond Fund	26,686	-
LIBOR Floating Rate Fund	527	-

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

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**10. Securities subject to lending arrangements**

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

Pooled Investment Portfolios	Fair Value of Securities on Loan (in \$000s)		Percentage of securities on loan	
	2018	2017	2018	2017
Canadian Money Market Fund ST2	213,841	215,927	9.1 %	4.1 %
Short Term Bond Fund	720,674	407,983	43.2 %	32.4 %
CDOR 1 Floating Rate Fund	661,451	-	5.2 %	- %
Canadian Universe Bond Fund	1,639,741	2,852,761	9.7 %	16.0 %
Canadian Real Return Bond Fund	73,181	6,647	6.6 %	0.4 %
Corporate Bond Fund	14,728	320	0.5 %	- %

**11. Subsequent event**

BCI commenced the liquidation of the Canadian Real Return Bond Fund on December 11, 2018. It is anticipated that unitholders will redeem all outstanding units in 2019.