
BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

All Weather Fund

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2013

**British Columbia Investment Management Corporation
All Weather Fund**

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

British Columbia Investment Management Corporation (bcIMC) 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 All Weather Fund (Fund) for the period ended December 31, 2013.

The financial statements of the Fund have been prepared by management of bcIMC and approved by the Chief Investment Officer/Chief Executive Officer. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies used in the preparation of these statements are disclosed in note 2 to the financial statements. The statements include certain amounts that are based on management's judgement and best estimates.

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

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

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

[s] Doug Pearce

Doug Pearce
Chief Executive Officer, Chief Investment Officer

[s] David Woodward

David Woodward
Senior Vice President, Finance

Victoria, British Columbia
June 26, 2014



KPMG LLP
PO Box 10426 777 Dunsmuir Street
Vancouver BC V7Y 1K3
Canada

Telephone (604) 691-3000
Fax (604) 691-3031
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Unitholders of the All Weather Fund

We have audited the accompanying financial statements of the All Weather Fund, which comprise the statements of net assets and investments as at December 31, 2013, the statements of operations, changes in net assets and cash flows for the period from September 1, 2013 to December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinion

In our opinion, the financial statements present fairly, in all material respects, the net assets and investments of the All Weather Fund as at December 31, 2013, and the results of its operations, the changes in its net assets and its cash flows for the period from September 1, 2013 to December 31, 2013 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants

June 26, 2014

Vancouver, Canada

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

ALL WEATHER FUND

**Statement of Net Assets
as at December 31
(in 000s except number of units outstanding)**

	<u>2013</u> <i>[Note 1]</i>
Assets	
Investments, at fair value	\$ 674,284
Unrealized gains on foreign currency contracts <i>[Schedule One]</i>	<u>2,166</u>
	<u>676,450</u>
Liabilities	
Unrealized losses on foreign currency contracts <i>[Schedule One]</i>	4,286
Accounts payable	2
bcIMC funds management fees payable <i>[note 4]</i>	<u>27</u>
	<u>4,315</u>
Net assets representing unitholders' equity	<u>\$ 672,135</u>
Number of units outstanding <i>[note 5]</i>	648,922
Net asset value per unit <i>[note 6]</i>	<u>\$ 1,036</u>

[s] Doug Pearce

Doug Pearce
Chief Executive Officer
Chief Investment Officer

**Statement of Operations
for the four months ended December 31
(in 000s)**

	<u>Dec 31, 2013</u> <i>[Note 1]</i>
Investment income	\$ 6
Foreign exchange gains	<u>162</u>
	<u>168</u>
Expenses <i>[note 4]</i>	
bcIMC funds management fees	69
Administrative and professional fees	<u>9</u>
	<u>78</u>
Net investment income	90
Realized and unrealized gains (losses):	
Net realized loss	(6,513) ¹
Change in unrealized gain	<u>6,849</u> ¹
	<u>336</u>
Increase in net assets from operations	<u>\$ 426</u>

¹ The net realized loss and change in unrealized gain include the following foreign exchange gain:

\$ 880

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

ALL WEATHER FUND

**Statement of Changes in Net Assets
for the four months ended December 31
(in 000s)**

	<u>Dec 31, 2013</u> <i>[Note 1]</i>
Increase in net assets from operations	\$ 426
Distributions to unitholders:	
From net investment income	-
From realized gains	-
	<u>-</u>
Unit Transactions: <i>[note 5]</i>	
Proceeds from units issued	671,709
Amounts paid for units redeemed	-
	<u>671,709</u>
Increase in net assets	672,135
Net assets, beginning of period	<u>-</u>
<i>Net assets, end of period</i>	<u><u>\$ 672,135</u></u>

**Statement of Cash Flows
for the four months ended December 31
(in 000s)**

	<u>Dec 31, 2013</u>
Cash flow provided by (used for):	
Cash flows from operating activities	
Net income from operations	\$ 426
Items not affecting cash:	
Net realized loss	6,513
Change in unrealized gain	<u>(6,849)</u>
	90
Changes in non-cash operating accounts:	
Accounts payable	2
beIMC funds management fees payable	<u>27</u>
	<u>119</u>
Cash flows from investing activities	
Proceeds from sale of investments	5,192
Settlement of foreign currency contracts	(6,513)
Amounts paid for purchase of investments	<u>(670,507)</u>
	<u>(671,828)</u>
Cash flows from financing activities	
Proceeds from units issued	671,709
Amounts paid for units redeemed	-
	<u>671,709</u>
<i>Net increase (decrease) in cash</i>	-
<i>Cash, beginning of period</i>	<u>-</u>
<i>Cash, end of period</i>	<u><u>\$ -</u></u>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
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ALL WEATHER FUND

Statement of Investments
as at December 31
(in 000s)

	2013	
	<u>Fair Value</u>	<u>Cost</u>
Investment Fund Investments:	\$ 674,136	\$ 665,167
Money Market Investments:		
Fund ST1	<u>148</u>	<u>148</u>
Total Investments	<u>\$ 674,284</u>	<u>\$ 665,315</u>

Schedule One - Foreign Currency Contracts (all amounts reported in Canadian dollars)
as at December 31

Date	Number of Contracts	Expiry Date	Buy (Sell) US Dollars Contract Value (in 000s)	Buy (Sell) Canadian Dollars Contract Value (in 000s)	Unrealized Gain (Loss) (in 000s)
2013	3	January 2014	\$ (685,035)	\$ 682,984	\$ (2,051)
2013	4	January 2014	685,035	(687,270)	(2,235)
			\$ -	\$ (4,286)	\$ (4,286)
2013	3	February 2014	\$ (678,503)	\$ 680,669	\$ 2,166

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
ALL WEATHER FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED DECEMBER 31, 2013

1. The Portfolio

British Columbia Investment Management Corporation ("bcIMC") was established under the *Public Sector Pension Plans Act* as a trust company authorized to carry on trust business and investment management services. These financial statements have been prepared by bcIMC and are the responsibility of bcIMC management.

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

The All Weather Fund was established on September 1, 2013. The Fund provides investment in a long term strategic allocation fund that attempts to balance its risk exposure across fundamental economic environments. The Fund holds shares of All Weather Portfolio Limited, whose assets are externally managed by Bridgewater Associates, LLC with oversight from bcIMC. Investments made by All Weather Portfolio Limited are made based on their risk profile to create a risk balanced portfolio weighted between various fundamental economic environments, in order to provide higher long term risk adjusted returns regardless of economic conditions. The external manager passively manages the assets, utilizing risk parity and diversifying assets by asset type, geographic location, investment size, and investment risk.

The benchmark of the Fund is a nominal rate of return of 6.5% in Canadian dollar terms. The objective of the Fund is to meet or exceed the benchmark return, net of all investment expenses incurred over the longer term.

The Fund can hold the following securities:

- Class B non-voting participating shares of All Weather Limited or other similar assets managed by Bridgewater or its affiliates,
- units of bcIMC's Pooled Investment Portfolios ST1, ST2 and ST3, and
- forward contracts for currency conversions and/or currency hedging.

2. Significant Accounting Policies

a) Basis of Presentation

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

b) Valuation

Investments and investment-related receivables and liabilities are stated at fair value. Fair value is an estimate of the amount of consideration that would be agreed upon in an arm's length transaction between knowledgeable, willing parties under no compulsion to act.

Fair value is determined as follows:

- (i) Securities not listed on any stock exchange are valued based on fair value amounts provided by the fund manager.
- (ii) Private equity securities are valued by the external manager and the Fund Administrator using accepted industry valuation methods for the underlying investments.
- (iii) Foreign currency contracts are valued at prevailing spot and forward exchange rates on the valuation date.

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2. Significant Accounting Policies (continued)

c) Income Recognition

Investment transactions are accounted for on a trade date basis. Dividend income is recognized on the ex-dividend date and interest income on the accrual basis.

Gains and losses on the settlement of foreign currency contracts and on the sale of investments are recorded as net realized gains and losses. Gain and losses on the sale of investments are calculated as the difference between the sales proceeds and cost. Translation gains and losses on foreign currency denominated monetary balances are recorded as foreign exchange gains and losses. The year-over-year change in the difference between the fair value and the cost of investments and foreign currency contracts held at year end is recognized as unrealized gains or losses. The cost used for the calculation of realized gains and losses and change in unrealized gains and losses is based on historical cost for foreign exchange contracts, average cost for equities, and amortized cost for money market securities, bonds and mortgages. The amortized cost is the cost of acquisition adjusted by amortization of discounts and premiums on a true constant yield basis over the terms of the investments.

d) Issue and Redemption of Units

Participation in the Fund is expressed in units. The initial value of a unit of the Fund on inception is \$1 million. For each subsequent unit issuance and redemption, the unit value is determined by dividing the fair value of the net assets of the portfolio by the total number of units outstanding. All unit transactions are recorded on a trade date basis. The Funds was open-ended throughout the year, where the number of units available for issue was unlimited and the proportion of units issued or redeemed by each client on a particular valuation date depended on changes to their desired asset allocation.

e) Foreign Currency Translation

The financial statements of the Fund are presented in Canadian dollars. Assets, liabilities and commitments in foreign currencies are translated into Canadian dollars at the current exchange rate on December 31. Investment income and expenses, and purchases and sales of investments are translated at the rate prevailing on the respective dates of such transactions. Realized gains (losses) and changes in unrealized gains (losses) include foreign currency translation gains (losses) on investments and foreign currency contracts, which have been footnoted and disclosed in the Statement of Operations and Changes in Net Assets.

f) Income Taxes

As the Funds represent assets held by bcIMC, as trustee, and as bcIMC is an agent of the Crown, the Fund, which is a trust, is not subject to tax on income and gains realized from such assets. All income and net capital gains realized by the Fund are distributed or made payable by regulation to unitholders of the Fund prior to the end of each calendar year.

g) Use of Estimates

Financial statements prepared in accordance with Canadian generally accepted accounting principles require management to make certain estimates and assumptions that can affect the reported balances. In determining the fair value of some of its investments, management relies on external managers' estimates and assumptions regarding investment industry performance and prospects, as well as general business and economic conditions that prevail or are expected to prevail. By nature, these asset valuations are subjective and do not necessarily result in precise determinations. Financial results as determined by actual events could differ from those estimates and assumptions, and the difference could be material.

3. Future Accounting Changes

The Accounting Standards Board extended the deferral of the mandatory IFRS changeover date for investment entities to fiscal years beginning on or after January 1, 2014. The Fund will adopt IFRS commencing January 1, 2014. In order to prepare for the transition to IFRS, management has performed an assessment of the impact of significant accounting differences between IFRS and pre-changeover Canadian GAAP including the impact to business processes and systems. Currently, management does not expect any significant impact to net assets from the changeover to IFRS with the main impact of IFRS on the Fund's financial statements being additional disclosures in the financial statements including a potential change in the presentation of unit-holders' equity. However, this present determination is subject to change resulting from the issuance of new standards or new interpretations of existing standards.

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4. Expenses

Third party costs that are attributable to the Fund are charged to the Fund. Other costs initially borne by bcIMC are recovered from various Funds by bcIMC charging management fees, which are calculated on a cost recovery basis.

5. Units Outstanding

Units issued and outstanding represent the capital of the Fund. The Fund is not permitted to issue debt as part of its capital structure. bcIMC manages the capital of the Fund in accordance with the Fund's investment objectives, including managing liquidity in order to meet redemptions as discussed under liquidity risk in note 6. The Statement of Changes in Net Assets identifies changes in the Fund's capital during the period. The following is a summary of the changes in units outstanding during the period:

	ALL WEATHER FUND
	Dec 31, 2013
Outstanding, beginning of period	-
Issued for cash	648.922
Issued on reinvestment of distributions	-
Redeemed	-
Consolidation of units	-
	-
Outstanding, end of period	648.922

6. Financial Risk Management

The 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, the Fund is exposed to financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk and other price risk).

a) Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment it has entered into, resulting in a financial loss to the Fund. The market value of derivatives involves assessing the credit worthiness of the issuer, and represents the maximum credit risk exposure for a Fund. To avoid undue credit risk, the Fund has specific investment criteria, such as minimum credit ratings for investees and counterparties, and maximum concentrations with given counterparties. All investment transactions are settled or paid upon delivery with the external manager. The trade fails if either party fails to meet its obligations.

The Fund does not invest directly in securities that are subject to credit risk. The Fund had indirect exposure to credit risk through its investment in shares of All Weather Portfolio Limited, whose underlying investments are susceptible to credit risk. Such indirect exposure is managed by the external manager in conjunction with their investment level decisions. The Fund did not have significant direct exposure to credit risk at December 31, 2013.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
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6. Financial Risk Management (continued)

b) Liquidity Risk

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

c) Interest Rate Risk

Interest rate risk is the risk that the market value or cash flows of interest-bearing investments will fluctuate due to changes in market interest rates. The Fund does not invest directly in securities that are subject to interest rate risk. The Fund had indirect exposure to interest rate risk through its investment in shares of All Weather Portfolio Limited, whose underlying investments are susceptible to interest rate risk. Such indirect exposure is managed by the external manager in conjunction with their investment level decisions. The Fund did not have significant direct exposure to interest rate risk at December 31, 2013.

d) Currency Risk

Currency risk is the risk that the value of investments denominated in foreign currencies will fluctuate due to changes in foreign exchange rates. The Fund is exposed to currency risk through holding of investments, and investment-related receivables, and liabilities, in US dollars. The Fund uses foreign currency contracts to hedge foreign currency exposure on investment-related receivables and liabilities, and engage in the buying and selling of currencies through the spot market and forward contracts.

bcIMC hedges the investment in All Weather shares held within the Fund. The Fund holds net assets, including foreign currency contracts, denominated in U.S. currency totalling \$(4,367,000) Cdn which represents 0.6% of the net asset value of the Fund. As at December 31, 2013, 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 \$44,000. 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 shares of All Weather Portfolio Limited, whose underlying investments are susceptible to currency risk. Such indirect exposure is managed by the external manager in conjunction with their investment level decisions.

e) Other Price Risk

Market risk is the risk that the value of an investment will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). These changes can be caused by factors specific to the individual investments, or class of investment, or by factors affecting all investments. 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, except for options and futures contracts. There are established investment criteria for the Fund related to allowable investments.

The Fund is subject to other price risk through its investment in shares of All Weather Portfolio Limited. The external manager utilizes risk parity and asset diversification to moderate this risk. The expected impact on the net assets of the Fund of a 10.0 percent increase/decrease in the value of the All Weather Portfolio Limited over the next year, would be an increase/decrease, respectively, of \$67,414,000, representing 10.0 percent of the Fund's Net Assets. This forecast is based on the Fund's actual holdings as at December 31, 2013 and assuming all other variables are held constant. Actual trading results may differ from the above sensitivity analysis and the difference could be material.

f) Fair Value of Investment-Related Assets and Liabilities

The pooled investment portfolio's investments and derivatives are carried at fair value. In the opinion of bcIMC, the fair values of the investment-related assets and liabilities approximate their carrying values given their short-term nature.

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7. Fair Value Hierarchy

Financial instruments are categorized into a hierarchy based on the inputs used to calculate the financial instrument's fair value. The hierarchy contains three levels of fair value inputs as follows:

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability (i.e. quoted prices of similar securities, Bank of Canada rates, commercial credit spreads).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (i.e. budgeted or forecast revenue or net income, weighted average cost of capital).

Changes in valuation methods may result in transfers of investments between levels.

The following is a summary of the inputs used to value the Fund's financial instruments as at December 31, 2013:

	December 31, 2013		
	Quoted Price in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Total
(in 000s)			
Money Market Investments	\$ -	\$ 148	\$ 148
Investment Fund Investments	-	674,136	674,136
Total Investments	\$ -	\$ 674,284	\$ 674,284
Foreign Currency Contracts, Net	-	(2,120)	(2,120)
Total	\$ -	\$ 672,164	\$ 672,164

During the four months ended December 31, 2013, there were no significant transfers between Level 1 and Level 2. Significant unobservable inputs (Level 3) were not used to value the Fund's financial instruments as at December 31, 2013.

8. Derivatives

Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indexes, interest rates or currency exchange rates. Derivative transactions are conducted either in the over-the-counter market directly between the two counterparties or on regulated exchange markets. The Fund uses derivative financial instruments, when appropriate, to assist in the management of financial risks, including currency risk. The financial derivative contracts entered into by the Fund during the year included foreign currency contracts.

Foreign currency contracts are agreements to exchange on a specified date in the future a specified amount of one currency to another currency at a specific price. In the case of foreign currency contracts, the notional value represents the amount to be exchanged on the future contract date. The fair value of the foreign currency contracts at a point in time is calculated as the difference between the amount to be exchanged on the future contract date and the amount that would be exchanged using the prevailing forward foreign currency rates. The unrealized gains (losses) on unexpired foreign currency contracts as at December 31 are included in Unrealized Gain (Loss) on Foreign Currency Contracts on the Statements of Net Assets and included in the Change in Unrealized Gain (Loss) on the Statements of Operations and Changes in Net Assets. The notional amount, number of contracts and expiry periods for the foreign currency contracts are shown, as appropriate, in Schedule One - Foreign Currency Contracts of the Statement of Investments.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
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9. Contingent Liability

As a crown agent pursuant to its enabling legislation, bcIMC is immune from taxation under the *Excise Tax Act*, in respect of supplies to its pooled investment portfolios. In 2009, bcIMC was advised that Canada was in discussions with the Province regarding the application of goods and services tax and/or harmonized sales tax (“HST/GST”) to costs recovered by bcIMC from assets held by bcIMC in pooled investment portfolios. That discussion has been ongoing for the past five years with minimal progress. As a consequence, in December 2013 bcIMC filed a petition in the Supreme Court of British Columbia seeking a declaration confirming its crown immunity in respect of HST/GST relating to costs recovered from assets held in pooled investment portfolios. Management is of the opinion that the Court will not deny bcIMC the ability to rely on its statutory crown immunity. However, if the Supreme Court determines that supplies to bcIMC’s pooled investment portfolios are taxable under the *Excise Tax Act*, bcIMC estimates the cumulative HST/GST owing would not be material to the pooled investment portfolio financial statements and has therefore not accrued any liability for tax. Management estimates the maximum cumulative HST/GST owing at less than 1 basis point for the All Weather Fund.