
BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

Strategic Investment Public Equity Fund

FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 27, 2013

**British Columbia Investment Management Corporation
Strategic Investment Public Equity 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 Strategic Investment Public Equity Fund (Fund) for the period ended March 27, 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
April 4, 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 Strategic Investment Public Equity Fund:

We have audited the accompanying financial statements of the Strategic Investment Public Equity Fund, which comprise the statement of net assets and investments as at March 27, 2013 and the statements of operations and changes in net assets, and of cash flows for the period from January 1, 2013 to March 27, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

The Fund's Manager 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 the Manager 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 an audit to obtain reasonable assurance about whether the financial statements are free of 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 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall financial statement presentation.

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, these financial statements present fairly, in all material respects, the net assets and investments of the Strategic Investment Public Equity Fund as at March 27, 2013 and the results of their operations, the changes in their net assets, and their cash flows for the period from January 1, 2013 to March 27, 2013 in accordance with Canadian generally accepted accounting principles.

KPMG LLP

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a long, horizontal, slightly curved line that tapers at both ends, resembling a flourish or a signature line.

Chartered Accountants

April 4, 2014
Vancouver, Canada

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS

STRATEGIC INVESTMENT PUBLIC EQUITY FUND

Statement of Net Assets
as at March 27, 2013 and December 31, 2012
(in 000s except number of units outstanding)

	March 27, 2013	December 31, 2012
	<i>[Note 1]</i>	
Assets		
Investments, at fair value	\$ 960,970	\$ 954,753
Accrued investment income	3,056	2,318
	<u>964,026</u>	<u>957,071</u>
Liabilities		
Accounts payable	4	5
Custodial fees payable	1	2
bcIMC funds management fees payable <i>[note 3]</i>	1	33
	<u>6</u>	<u>40</u>
Net assets representing unitholders' equity	<u>\$ 964,020</u>	<u>\$ 957,031</u>
Number of units outstanding <i>[note 4]</i>	530.706	530.706
Net asset value per unit <i>[note 5]</i>	<u>\$ 1,816</u>	<u>\$ 1,803</u>

Statement of Operations
for the period ended March 27, 2013 and year ended December 31, 2012
(in 000s)

	March 27, 2013	Dec 31, 2012
	<i>[Note 1]</i>	
Investment income	\$ 6,223	\$ 24,778
Expenses <i>[note 3]</i>		
Commissions and stock exchange fees	129	279
bcIMC funds management fees	80	473
Custodial fees	2	12
Administrative and professional fees	3	10
	<u>214</u>	<u>774</u>
Net investment income	6,009	24,004
Realized and unrealized gains (losses):		
Net realized gain	9,199	46,158
Change in unrealized gain (loss)	(8,219)	56,893
	<u>980</u>	<u>103,051</u>
Increase in net assets from operations	<u>\$ 6,989</u>	<u>\$ 127,055</u>

[s] Doug Pearce

Doug Pearce
Chief Executive Officer
Chief Investment Officer

for the period ended March 27, 2013 and year ended December 31, 2012

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS

STRATEGIC INVESTMENT PUBLIC EQUITY FUND

Statement of Changes in Net Assets
for the period ended March 27, 2013 and year ended December 31, 2012
(in 000s)

	March 27, 2013 <i>[Note 1]</i>	Dec 31, 2012
Increase in net assets from operations	\$ 6,989	\$ 127,055
Distributions to unitholders:		
From net investment income	(6,092)	(24,283)
From realized gains	-	(8,008)
	<u>(6,092)</u>	<u>(32,291)</u>
Unit Transactions: <i>[note 4]</i>		
Proceeds from units issued	-	-
Reinvestment of distributions	6,092	32,291
Amounts paid for units redeemed	-	(209,930)
	<u>6,092</u>	<u>(177,639)</u>
Increase (decrease) in net assets	6,989	(82,875)
Net assets, beginning of period	<u>957,031</u>	<u>1,039,906</u>
Net assets, end of period	<u>\$ 964,020</u>	<u>\$ 957,031</u>

Statement of Cash Flows
for the period ended March 27, 2013 and year ended December 31, 2012
(in 000s)

	March 27, 2013	Dec 31, 2012
Cash flow provided by (used for):		
Cash flows from operating activities		
Net income from operations	\$ 6,989	\$ 127,055
Items not affecting cash:		
Net realized gain	(9,199)	(46,158)
Change in unrealized loss (gain)	8,219	(56,893)
	<u>6,009</u>	<u>24,004</u>
Changes in non-cash operating accounts:		
Accrued investment income	(738)	727
Accounts payable	(1)	-
Custodial fees payable	(1)	(1)
bcIMC funds management fees payable	(32)	(16)
	<u>5,237</u>	<u>24,714</u>
Cash flows from investing activities		
Proceeds from sale of investments	113,101	434,973
Amounts paid for purchase of investments	(118,338)	(249,757)
	<u>(5,237)</u>	<u>185,216</u>
Cash flows from financing activities		
Proceeds from units issued	-	-
Amounts paid for units redeemed	-	(209,930)
	<u>-</u>	<u>(209,930)</u>
Net increase (decrease) in cash	-	-
Cash, beginning of period	<u>-</u>	<u>-</u>
Cash, end of period	<u>\$ -</u>	<u>\$ -</u>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIOS

STRATEGIC INVESTMENT PUBLIC EQUITY FUND

Statement of Investments
as at March 27, 2013 and December 31, 2012
(in 000s)

	March 27, 2013		December 31, 2012	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Equities:				
Publicly Traded	\$ 959,380	\$ 716,883	\$ 947,391	\$ 696,673
Money Market Investments:				
Units in bcIMC Pooled Investment Portfolio Fund ST2	<u>1,590</u>	<u>1,590</u>	<u>7,362</u>	<u>7,364</u>
Total Investments	<u>\$ 960,970</u>	<u>\$ 718,473</u>	<u>\$ 954,753</u>	<u>\$ 704,037</u>

See accompanying Notes to the Financial Statements.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

STRATEGIC INVESTMENT PUBLIC EQUITY FUND

**Financial Risk Management Discussion
as at March 27, 2013 and December 31, 2012**

The investment objective of the Strategic Investment Public Equity Fund (the Fund) is to provide exposure to strategic investments in public companies that have strong cash flows, high dividend yields, toll-type revenues with regulated rates of return, and/or strong balance sheets with a significant component of real estate. The Fund is managed internally by bcIMC using a longer term “buy and hold” strategy. The Fund is part of the overall Strategic Investments and Infrastructure Program which seeks to invest in tangible long-life assets with potential for strong cash flows and favourable risk-return characteristics.

The Fund invests in the following securities:

- publicly traded common stock or common stock equivalents including preferred shares, installment receipts, convertible securities, as well as rights and warrants received via corporate actions,
- private placements (defined as an off-exchange purchase of securities that have limited transferability) with CIO approval,
- units of bcIMC’s Pooled Investment Portfolios ST1 and ST2 and ST3.

The following restrictions apply to the Fund:

- The Fund’s investments must be eligible investments under the Pensions Benefits Standards Act.

The assets held by the Fund were transferred to the Thematic Public Equity Fund on March 28, 2013, and the Fund was wound-up on this date (see Note 1).

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 and its investments as at March 27, 2013 and December 31, 2012.

Credit Risk

The majority of the Fund’s financial assets and liabilities are held in securities that are not subject to credit risk.

Interest Rate Risk

The majority of the Fund’s financial assets and liabilities are non-interest bearing, accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing market interest rates.

**Financial Risk Management Discussion (continued)
as at March 27, 2013 and December 31, 2012**

Currency Risk

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

Other Price Risk

Equity by Industry Sector

Industry sectors to which the Fund had exposure as at March 27, 2013 and December 31, 2012 are as follows:

INDUSTRY SECTOR (in 000s)	March 27, 2013		December 31, 2012	
	Total	% of Total	Total	% of Total
Energy	\$ 381,286	39.8 %	\$ 390,995	41.3 %
Financial Services	328,385	34.2 %	219,837	23.2 %
Industrial Products	110,240	11.5 %	99,536	10.5 %
Materials and Processing	75,089	7.8 %	179,647	19.0 %
Utilities	64,380	6.7 %	57,376	6.0 %
Total Equities	\$ 959,380	100.0 %	\$ 947,391	100.0 %

The expected impact on the Net Assets of the Fund, assuming a 10 percent increase/decrease in the benchmark S&P/TSX Equity Index, would be an increase/decrease of \$95,938,000 (2012 - \$107,055,000), representing 10.0% of the Fund's net assets (2012 - 11.2%). Actual trading results may differ from the above sensitivity analysis and the difference could be material.

Equity by Geographic Region

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

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
POOLED INVESTMENT PORTFOLIO

STRATEGIC INVESTMENT PUBLIC EQUITY FUND

**Fair Value Measurement Discussion
as at March 27, 2013 and December 31, 2012**

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 following is a summary of the inputs used to value the Fund's financial instruments as at:

	March 27, 2013		
	Quoted Price in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Total
(in 000s)			
Money Market Investments	\$ -	\$ 1,590	\$ 1,590
Public Equities	959,380	-	959,380
Total Investments	<u>\$ 959,380</u>	<u>\$ 1,590</u>	<u>\$ 960,970</u>

During 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 March 27, 2013.

**Fair Value Measurement Discussion (continued)
as at March 27, 2013 and December 31, 2012**

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

	December 31, 2012		
	Quoted Price in Active Market (Level 1)	Significant Observable Inputs (Level 2)	Total
(in 000s)			
Money Market Investments	\$ -	\$ 7,362	\$ 7,362
Public Equities	947,391	-	947,391
Total Investments	<u>\$ 947,391</u>	<u>\$ 7,362</u>	<u>\$ 954,753</u>

During 2012, there were no significant transfers between Level 1 and Level 2. Significant other unobservable inputs (Level 3) were not used to value the Fund's financial instruments as at December 31, 2012.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
 STRATEGIC PUBLIC INVESTMENT EQUITY FUND
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

1. The Portfolios

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 Strategic Investment Public Equity Fund was established on January 1, 2004.

In 2013 the assets held by the Strategic Investment Public Equity Fund were transferred at fair market value to the Thematic Public Equity Fund. The details of the transfers are as follows:

Date of Transfer	Fair Market Value (\$000s)	Units Redeemed
March 28, 2013	970,819	530.706

The financial statements for the Strategic Investment Public Equity Fund have been prepared as at March 27, 2013, immediately prior to the transfer of the investments to the Thematic Public Equity Fund.

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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
STRATEGIC PUBLIC INVESTMENT EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

2. Significant Accounting Policies (continued)

Fair value is determined as follows:

- (i) Public equities (including exchange traded funds) are valued at bid prices on the valuation date. Securities not traded on that date are valued at the mean price between the latest bid and asked quotations. Securities not listed on any stock exchange, or which are traded over-the-counter, are valued in the same manner based on available public quotes from recognized data suppliers in the securities industry or at the price estimated by the fund manager to be the fair value.

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. Income on foreign investments is reported net of withholding tax expense. 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 operations of the respective Funds in the period incurred.

Gains and losses 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. The cost used for the calculation of realized gains and losses and change in unrealized gains and losses is based on average cost for equities. 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 each Fund is expressed in units. The initial value of a unit of a 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. 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.

e) Foreign Currency Translation

The financial statements of the Funds are presented in Canadian dollars. All assets, liabilities and commitments are in Canadian dollars on the financial statement date.

f) Income Taxes

As the Funds represent assets held by bcIMC, as trustee, and as bcIMC is an agent of the Crown, the Funds, which are trusts, are not subject to tax on income and gains realized from such assets. All income and net capital gains realized by the Funds are distributed or made payable by regulation to unitholders of the Funds prior to the end of each calendar year. Most intermediate holding companies held by Funds are exempt from Canadian income tax under paragraph 149(1)(o.2) of the Income Tax Act (Canada). Taxable intermediate holding companies account for eligible corporate income taxes.

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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
 STRATEGIC PUBLIC INVESTMENT EQUITY FUND
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

3. Expenses

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

4. 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 7. The Statement of Changes in Net Assets identifies changes in each Fund's capital during the period. The following is a summary of the changes in units outstanding during the period:

	STRATEGIC INVESTMENT PUBLIC EQUITY FUND	
	2013	2012
Outstanding, beginning of period	530.706	656.036
Issued for cash	-	-
Issued on reinvestment of distributions	0.006	0.033
Redeemed	-	(125.330)
Consolidation of units	(0.006)	(0.033)
Outstanding, end of period	<u>530.706</u>	<u>530.706</u>

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
 STRATEGIC PUBLIC INVESTMENT EQUITY FUND
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

5. Reconciliation of Net Asset Value

The calculation of net assets of the Fund for financial reporting purposes (GAAP NAV) requires investments to be valued using the bid price where securities are traded in an active market. To be consistent with the investment funds industry and the Rules and Policies implemented by the Canadian Securities Administrators, the Fund determines NAV for purposes of transacting purchases and redemptions of units of the Fund (Transactional NAV) based upon either last sale price or the midpoint between bid and asked quotations. Reconciliation between the Transactional NAV and GAAP NAV for the Strategic Investment Public Equity Fund as at March 27, 2013 follows:

Fund	Net Asset Values			Net Asset Values		
	Transactional NAV (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV (\$000s)	Transactional NAV per Unit (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV per Unit (\$000s)
Strategic Investment Public Equity Fund	964,234	(214)	964,020	1,817	(1)	1,816

Reconciliations between the Transactional NAV and GAAP NAV as at December 31, 2012 follow:

Fund	Net Asset Values			Net Asset Values		
	Transactional NAV (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV (\$000s)	Transactional NAV per Unit (\$000s)	Bid Pricing Impact (\$000s)	GAAP NAV per Unit (\$000s)
Strategic Investment Public Equity Fund	959,127	(2,096)	957,031	1,807	(4)	1,803

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
STRATEGIC PUBLIC INVESTMENT EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

6. Financial Risk Management

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

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 fixed income instruments and 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 established 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 approved brokers. The risk of default is considered minimal since the delivery of securities sold is only made after the broker has received 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 following the Fund's financial statements.

b) Liquidity Risk

Liquidity risk is the risk that the Fund will be unable to generate sufficient cash in a timely manner or at a reasonable price to meet commitments as they come due. The Fund is exposed to the liquidity risk associated with the requirement to redeem units. 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 hold investments in securities exposed to interest rate risk. See additional discussion of interest rate risk in the Financial Risk Management Discussion following the Fund's financial statements.

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 not exposed to currency risk as all of its investments, investment-related receivables, and liabilities were denominated in Canadian dollars on the financial statement date.

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. The Fund may not sell short, borrow securities, or purchase securities on margin, which limits the potential loss of capital. There are established investment criteria for each Fund related to diversification of investments and investment mandates for external managers to avoid undue market risk. See additional discussion of other price risk in the Financial Risk Management Discussion following the Fund's financial statements.

f) Fair Value of Investment-Related Assets and Liabilities

The Fund's investments 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.

BRITISH COLUMBIA INVESTMENT MANAGEMENT CORPORATION
STRATEGIC PUBLIC INVESTMENT EQUITY FUND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED MARCH 27, 2013 AND YEAR ENDED DECEMBER 31, 2012

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. See additional discussion on the three-tier hierarchy in the Fair Value Measurement Discussion following the Fund's financial statements.