

Palos Equity Income Fund

Interim Financial Statements (unaudited)

June 30, 2023 and 2022

(expressed in Canadian dollars)

Palos Equity Income Fund

Notice

The following Palos Equity Income Fund interim financial statements have not been reviewed by the Fund's external auditors.

Palos Equity Income Fund

Statements of Financial Position (unaudited)

As at June 30, 2023 and December 31, 2022

	2023 \$	2022 \$
ASSETS		
Current assets		
Investments at fair value through profit or loss (FVTPL)	26,576,851	26,643,435
Cash	122,362	107,456
Accrued income receivable	92,003	100,952
Receivable from investments sold	137,020	-
Prepaid expenses	7,610	-
	<u>26,935,846</u>	<u>26,851,843</u>
LIABILITIES		
Current liabilities		
Accrued liabilities	41,736	66,675
Distributions payable	14,113	17,069
Payable for investments purchased	11,686	-
	<u>67,535</u>	<u>83,744</u>
Net assets attributable to holders of redeemable units	<u>26,868,311</u>	<u>26,768,099</u>
Net assets attributable to holders of redeemable units per series		
Series A	20,765,665	20,332,452
Series F	6,102,646	6,435,647
	<u>26,868,311</u>	<u>26,768,099</u>
Net assets attributable to holders of redeemable units per series per unit		
Series A	6.69	6.51
Series F	7.28	7.05

Approved by the Manager, Palos Management Inc.

(s) Philippe Marleau

Director

Palos Equity Income Fund

Statements of Comprehensive Income or (loss) (unaudited) For the periods ended June 30, 2023 and 2022

	2023 \$	2022 \$
Income		
Dividend income	378,873	291,788
Interest income for distribution purposes	74,744	69,287
Net realized gain on sale of investments	1,602,811	901,645
Net change in unrealized depreciation of investments	(741,154)	(4,679,248)
	<u>1,315,274</u>	<u>(3,416,528)</u>
Expenses		
Management fees	208,473	217,024
Administration and other professional fees	47,569	45,940
Transaction cost	25,973	20,004
Audit fees	24,051	24,916
Bank charges and interest	22,438	11,604
Legal fees	17,356	24,795
Trustee fees	6,860	6,860
Independent review committee fees	5,951	5,951
Withholding tax expense	-	425
	<u>358,671</u>	<u>357,519</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>956,603</u>	<u>(3,774,047)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per series		
Series A	694,231	(2,848,028)
Series F	262,372	(926,019)
	<u>956,603</u>	<u>(3,774,047)</u>
Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 9)		
Series A	0.22	(0.92)
Series F	0.30	(0.96)

The accompanying notes are an integral part of these financial statements.

Palos Equity Income Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units (unaudited)

For the periods ended June 30, 2023 and 2022

	Net assets attributable to holders of redeemable units, beginning of year \$	Proceeds from redeemable units issued \$	Redemption redeemable units \$	Distributions to holders of redeemable unit* \$	Reinvestment of distribution to holders of redeemable units \$	Increase (decrease) in net assets attributable to holders of redeemable units \$	Net assets attributable to holders of redeemable units end of periods \$
June 30, 2023							
Series A	20,332,452	742,598	(981,746)	(156,357)	134,487	694,231	20,765,665
Series F	6,435,647	82,300	(668,912)	(42,744)	33,983	262,372	6,102,646
	<u>26,768,099</u>	<u>824,898</u>	<u>(1,650,658)</u>	<u>(199,101)</u>	<u>168,470</u>	<u>956,603</u>	<u>26,868,311</u>
June 30, 2022							
Series A	22,004,759	1,119,143	(870,015)	(155,022)	130,428	(2,848,028)	19,381,265
Series F	7,723,411	287,223	(586,154)	(47,528)	36,989	(926,019)	6,487,922
	<u>29,728,170</u>	<u>1,406,366</u>	<u>(1,456,169)</u>	<u>(202,550)</u>	<u>167,417</u>	<u>(3,774,047)</u>	<u>25,869,187</u>

* Detailed distributions to unitholders

	From net investment income \$	From net realized gains on investments and derivatives \$	From return of capital \$	Total distributions to unitholder \$
June 30, 2023				
Series A	-	(156,357)	-	(156,357)
Series F	-	(42,744)	-	(42,744)
	<u>-</u>	<u>(199,101)</u>	<u>-</u>	<u>(199,101)</u>
June 30, 2022				
Series A	-	(155,022)	-	(155,022)
Series F	-	(47,528)	-	(47,528)
	<u>-</u>	<u>(202,550)</u>	<u>-</u>	<u>(202,550)</u>

The accompanying notes are an integral part of these financial statements.

Palos Equity Income Fund

Statements of Cash Flows

For the periods ended June 30, 2023 and 2022

	2023 \$	2022 \$
Cash provided by (used in)		
Operating Activities		
Increase (decrease) in net assets attributable to holders of redeemable units	956,603	(3,774,047)
Adjustments for non-cash items		
Net realized gain on sale of investments	(1,602,811)	(901,645)
Net change in unrealized depreciation of investments	741,154	4,679,248
Foreign exchange on cash	(1,743)	203
Change in non-cash balances		
Decrease in accrued income receivable	8,949	16,039
Increase in prepaid expenses	(7,610)	(7,606)
Decrease in accrued liabilities	(24,939)	(658)
Decrease in management fees payable	-	(5,243)
Proceeds from sale of investments	11,425,032	9,160,243
Purchase of investments	(10,622,125)	(8,566,482)
Cash provided by operating activities	<u>872,510</u>	<u>600,052</u>
Financing Activities		
Proceeds from issuance of redeemable units	824,898	1,411,816
Amount paid on redemption of redeemable units	(1,650,658)	(1,456,169)
Distributions paid to holders or redeemable units, net of reinvested distributions	(33,587)	(393,422)
Cash used in financing activities	<u>(859,347)</u>	<u>(437,775)</u>
Increase in cash during the period	13,163	162,277
Foreign exchange on cash	1,743	(203)
Cash, beginning of year	<u>107,456</u>	<u>469,162</u>
Cash, end of period	<u><u>122,362</u></u>	<u><u>631,236</u></u>
Supplemental information *		
Interest paid	1,562	130
Interest received	76,036	61,489
Dividends received, net of withholding taxes	379,442	315,157

*Included as a part of cash flows from operating activities

The accompanying notes are an integral part of these financial statements.

Palos Equity Income Fund

Schedule of Investment Portfolio

As at June 30, 2023

(expressed in Canadian dollars)

Description	Currency	Number of shares	Average cost \$	Fair value \$
Investments owned (98.92%)				
Equities (95.51%)				
Basic material (6.23%)				
Agnico Eagle Mines Ltd.	CAD	3,361	204,493	222,330
Arizona Metals Corp.	CAD	32,700	134,053	99,408
Arizona Sonoran Copper Co Inc.	CAD	66,400	129,380	110,888
Artemis Gold Inc.	CAD	17,700	82,431	84,252
First Quantum Minerals Ltd.	CAD	6,800	185,756	213,112
K92 Mining Inc.	CAD	45,907	320,937	263,965
MAG Silver Corp.	USD	10,690	194,297	157,635
Nutrien Ltd.	CAD	3,662	298,538	286,405
Wheaton Precious Metals Corp.	CAD	4,100	196,218	234,889
			1,746,103	1,672,884
Communications (3.56%)				
Shopify Inc.	CAD	4,050	233,700	346,761
TELUS Corp.	CAD	23,640	618,028	609,439
			851,728	956,200
Consumer, cyclical (3.95%)				
ADENTRA Inc.	CAD	9,900	293,366	321,750
BRP Inc.	CAD	2,140	229,154	239,659
Canadian Tire Corp Ltd.	CAD	1,450	180,565	262,624
Pollard Banknote Ltd.	CAD	9,170	226,835	236,586
			929,920	1,060,619
Consumer, non-cyclical (6.65%)				
Dentalcorp Holdings Ltd.	CAD	26,600	248,138	195,244
Green Thumb Industries Inc.	CAD	22,300	241,494	223,892
Information Services Corp.	CAD	7,300	167,379	154,687
Jamieson Wellness Inc.	CAD	5,440	169,430	163,254
Neighbourly Pharmacy Inc.	CAD	10,324	256,788	165,184
Nuvei Corp.	CAD	6,610	339,037	258,583
Park Lawn Corp.	CAD	9,750	269,805	237,218
Payfare Inc.	CAD	27,200	173,273	152,320
Savaria Corp.	CAD	13,940	197,064	235,586
			2,062,408	1,785,968
Energy (18.01%)				
ARC Resources Ltd.	CAD	13,400	220,429	236,778
Canadian Natural Resources Ltd.	CAD	8,400	424,338	625,632
CES Energy Solutions Corp.	CAD	61,300	141,907	160,606
Freehold Royalties Ltd.	CAD	19,800	216,338	266,112
Headwater Exploration Inc.	CAD	36,000	195,434	228,600
Keyera Corp.	CAD	10,720	305,001	327,496

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(expressed in Canadian dollars)

Description	Currency	Number of shares	Average cost \$	Fair value \$
Parkland Corp.	CAD	7,700	224,754	254,100
Pason Systems Inc.	CAD	7,600	89,145	87,324
PHX Energy Services Corp.	CAD	20,600	131,918	124,836
Precision Drilling Corp.	CAD	3,500	245,314	226,345
Secure Energy Services Inc.	CAD	60,500	376,329	383,570
Surge Energy Inc.	CAD	28,000	243,398	197,120
Tamarack Valley Energy Ltd.	CAD	94,000	357,907	301,740
Teck Resources Ltd.	CAD	5,350	228,092	298,209
Topaz Energy Corp.	CAD	18,200	332,606	375,466
Tourmaline Oil Corp.	CAD	8,220	360,288	513,092
Trican Well Service Ltd.	CAD	65,500	196,471	231,215
			4,289,669	4,838,241
Financial (29.22%)				
Alaris Equity Partners Income	CAD	15,900	237,100	240,885
Bank of Montreal	CAD	9,224	976,485	1,103,559
Boardwalk Real Estate Investment Trust	CAD	4,467	175,327	277,803
Brookfield Asset Management Ltd.	CAD	5,200	214,490	224,848
Brookfield Corp.	CAD	7,900	312,477	352,340
BSR Real Estate Investment Trust	USD	13,900	224,150	237,169
Crombie Real Estate Investment Trust	CAD	19,860	316,167	271,685
Dream Industrial Real Estate Investment Trust	CAD	21,705	287,264	306,258
EQB Inc.	CAD	3,750	182,571	262,500
Flagship Communities REIT	USD	10,200	190,893	219,403
InterRent Real Estate Investment Trust	CAD	25,900	329,563	332,038
National Bank of Canada	CAD	6,410	415,112	632,667
Royal Bank of Canada	CAD	8,330	713,532	1,053,912
Stack Capital Group Inc.	CAD	12,000	74,407	81,600
StorageVault Canada Inc.	CAD	40,820	118,654	238,797
The Bank of Nova Scotia	CAD	14,130	983,960	936,536
The Toronto-Dominion Bank	CAD	13,129	698,587	1,078,022
			6,450,739	7,850,022
Funds (6.45%)				
BMO Short Corporate Bond Index ETF	CAD	67,127	865,943	874,665
BMO Short Federal Bond Index ETF	CAD	64,930	856,027	857,076
			1,721,970	1,731,741
Industrial (11.16%)				
Ag Growth International Inc.	CAD	3,200	170,342	162,144
ATS Corp.	CAD	3,700	164,375	225,515
Canadian National Railway Co.	CAD	2,420	285,686	388,216
Canadian Pacific Kansas City Ltd.	CAD	3,795	192,810	406,065
Cargojet Inc.	CAD	3,040	379,041	292,509
CCL Industries Inc.	CAD	3,610	175,790	235,083
GFL Environmental Inc.	CAD	5,300	171,514	272,632
H2O Innovation Inc.	CAD	39,400	94,160	126,080
Mullen Group Ltd.	CAD	17,600	206,138	267,168

Palos Equity Income Fund

Schedule of Investment Portfolio

As at June 30, 2023

(expressed in Canadian dollars)

Description	Currency	Number of shares	Average cost \$	Fair value \$
NanoXplore Inc.	CAD	36,200	136,335	117,288
TFI International Inc.	CAD	1,645	173,042	248,280
WSP Global Inc.	CAD	1,470	167,392	257,279
			<hr/>	<hr/>
			2,316,625	2,998,259
Technology (4.30%)				
CGI Inc.	CAD	1,820	168,976	254,254
Constellation Software Inc.	CAD	90	172,994	247,028
Kinaxis Inc.	CAD	1,440	199,748	272,592
Lightspeed Commerce Inc.	CAD	7,600	160,423	170,316
Open Text Corp.	CAD	3,841	178,090	211,639
			<hr/>	<hr/>
			880,231	1,155,829
Utilities (6.00%)				
AltaGas Ltd.	CAD	10,700	244,509	254,660
Brookfield Infrastructure Corp.	CAD	3,575	159,812	215,966
Capital Power Corp.	CAD	6,120	220,269	257,652
Innergex Renewable Energy Inc.	CAD	24,300	376,285	299,862
Northland Power Inc.	CAD	21,118	689,078	583,490
			<hr/>	<hr/>
			1,689,953	1,611,630
Total Equities			<hr/>	<hr/>
			22,939,346	25,661,393

Palos Equity Income Fund

Schedule of Investment Portfolio

As at June 30, 2023

(expressed in Canadian dollars)

Description	Currency	Number of shares/ Nominal value	Average cost \$	Fair value \$
Fixed income (3.34%)				
Basic material (0.93%)				
Chemtrade Logistics Income Fund, - 6.5% / Oct 31, 2026	CAD	250,000	250,000	248,713
Consumer cyclical (1.11%)				
Exchange Income Corp. - 5.25% / Jan. 15, 2029	CAD	300,000	300,000	297,351
Energy (1.31%)				
North American Construction Group Ltd. 5.50% / June 30, 2028	CAD	300,000	300,000	351,102
			850,000	897,166
Warrants (0.07%)				
Decisive Dividend Corp. \$7.09 / Apr. 13, 2025	CAD	3,400	3,060	1,870
Star Royalties Ltd \$1 / Feb. 19, 2024	CAD	85,000	7,565	425
The Lion Electric Co. / \$2.80 Dec. 13, 2027	USD	25,000	-	15,397
Tidewater Midstream and Infrastructure Ltd \$1.44 / Aug. 16, 2024	CAD	15,000	1,500	600
			12,125	18,292
Total investments owned			23,801,471	26,576,851
Commissions and other portfolio transaction costs			(28,833)	-
Net investments owned (98.92%)			23,772,638	26,576,851
Other assets, net (1.08%)				291,460
Net assets attribute to holders of redeemable units (100%)				26,868,311

Palos Equity Income Fund

Notes to Financial Statements

June 30, 2023 and 2022

(expressed in Canadian dollars)

1 General information

Palos Equity Income Fund (the Fund) was formed in January 3, 2008 under the laws of the Province of Quebec pursuant to a trust agreement, as amended for the last time on August 26, 2013, between Computershare Trust Company of Canada (the trustee) and Charles Marleau (the settlor). The address of the Fund's registered office is 1 Place Ville-Marie, Suite 1670, Montréal, Quebec, H3B 2B6, Canada. The Fund is an open-ended mutual fund, is qualified as a unit trust and is a registered investment fund under Section 204.4 of the Income Tax Act (Canada).

Series A opened on January 3, 2008 and Series F opened on February 24, 2012.

The Fund acts as an investment holding unit trust for the benefit of unitholders by acquiring, investing in, holding, transferring, disposing of, or otherwise dealing with such investments as the trustee and the investment fund manager determine, at their discretion, in accordance with the investment objectives of the Fund, which are to preserve capital, to provide an attractive and steady stream of income and to deliver trading-enhanced returns.

The investment fund manager and portfolio advisor is Palos Management Inc. (the Manager).

These financial statements have been authorized for issue by the Board of Directors of the Manager on August 21, 2023.

2 Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board.

3 Summary of significant accounting policies

Financial instruments

Classification

IFRS 9, Financial Instruments, sets out a classification and measurement model for financial assets to determine whether a financial asset should be classified at amortized cost, at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). This model is based on the contractual cash flow characteristics of the financial asset and the business model under which the financial asset is held. The Fund manages its investments in financial assets with the objective of realizing cash flows through both the sale of the assets and income generated from those assets. The Manager makes decisions based on the assets' fair values and manages the assets to realize those fair values.

Palos Equity Income Fund

Notes to Financial Statements

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IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets which are measured at amortized cost or FVOCI. Financial assets held by the Fund which are measured at FVTPL will not be subject to the recent impairment requirements.

With respect to receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the statement of financial position dates, all receivables are due to be settled within the short term. The Fund considered the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Fund to credit risk from financial assets recorded at amortized cost, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

Recognition

Regular-way purchases and sales of financial assets are recognized at their trade date. Transaction costs are expensed as incurred in the statements of comprehensive income (loss). The Fund's investment assets and liabilities are measured at FVTPL, including certain investments in debt securities which have been designated at FVTPL. The Fund's derivative and non-derivative investments are classified as FVTPL upon initial recognition. The Fund's obligation for net assets attributable to holders of redeemable units is classified as a financial liability at the redemption amount, which approximates fair value. The redemption amount is determined as the net difference between total assets and all other liabilities for which accounting policies are described herein. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

Income recognition

The interest income for distribution purposes shown on the statements of comprehensive income (loss) represents the contractual interest accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds and loans which would be amortized on a straight-line basis. Dividend income is recorded on the ex-dividend date.

Realized gain on sale of investments and unrealized depreciation of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

Palos Equity Income Fund

Notes to Financial Statements

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(expressed in Canadian dollars)

Fair value measurement

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 financial 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 Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and financial liabilities that are not traded in an active market, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. 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, option-pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Investment entities

The Fund meets the definition in IFRS 10, Consolidated Financial Statements, for investment entities and accounts for its investments in underlying at FVTPL.

Structured entities

The Fund may invest in other investment funds (underlying funds) by holding redeemable shares of the underlying funds which entitle the holder to an appropriate share of the underlying funds' net assets. The Fund does not invest in underlying funds for the purpose of exercising management control. Such investments expose the Fund to the risk that underlying funds may not perform as expected and indirectly to all of the risks applicable to investments in underlying funds.

The carrying value of investments in underlying funds is included in Investment at fair value through profit or loss (FVTPL) in the statement of financial position and also represents the maximum exposure to losses. Changes in fair value of investments in underlying funds are included within net change in unrealized depreciation of investments in the statement of comprehensive income.

Classification of redeemable units

The Fund's outstanding redeemable units are in different series which do not have identical features. Consequently, the Fund's outstanding redeemable units are classified as financial liabilities and recorded as net assets attributable to holders of redeemable units, in accordance with the requirements of International Accounting Standard (IAS) 32, Financial Instruments: Presentation.

Palos Equity Income Fund

Notes to Financial Statements

June 30, 2023 and 2022

(expressed in Canadian dollars)

Foreign currency translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash and to other financial assets and financial liabilities are presented as net realized gain on sale of investments and net change in unrealized appreciation (depreciation) of investments in the statements of comprehensive income (loss).

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset in the Fund's statements of financial position when and only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund has a legally enforceable right to offset a financial asset and financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Over-the-counter derivatives, securities lending, repurchase agreements and receivable for investments sold and payable for investments purchased are subject to master netting or similar agreements that do not meet the criteria for offsetting in the statements of financial position as they give a right to set-off that is enforceable only in the event of default, insolvency or bankruptcy.

Cash

Cash comprises deposits with financial institutions and bank overdraft.

Increase (decrease) in net assets attributable to holders of redeemable units per unit per series

The increase (decrease) in net assets attributable to holders of redeemable units per unit of each series is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units of each series by the weighted average number of units outstanding during the year.

Taxation

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statements of financial position as a deferred income tax asset.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income (loss).

Palos Equity Income Fund

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June 30, 2023 and 2022

(expressed in Canadian dollars)

New standards, interpretations and amendments not yet adopted

There are no new standards, interpretations or amendments that have not yet been adopted, that would affect the Fund's financial statements.

4 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

Classification and measurement of investment and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Fund's investments are classified as FVTPL.

5 Risks associated with financial instruments

Risk factors

The Fund's activities expose it to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk) and concentration risk. The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital. These risks are moderated through careful selection of securities and other financial instruments within the Fund's investment guidelines. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables.

Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The majority of the credit risk to which the Fund is exposed arises from its investments in debt securities. In selecting fixed income securities for the Fund, the Manager considers factors such as the debt security's yield, risk of interest rate fluctuation, credit risk, the issuer's capital structure, credit spread and duration. As at June 30, 2023, all investments in fixed income were non-rated (December 31, 2022 – non-rated).

All portfolio transactions in securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment.

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(expressed in Canadian dollars)

Payment is made on a purchase once the securities are received by the broker. The trade will not settle if either party fails to meet its obligation. In addition, the Fund lodges its cash with quality institutions. Credit risk with respect to accrued income receivable is limited as the receivables are derived from a portfolio of diversified investments.

The Fund's maximum exposure to credit risk is equal to the carrying value of the assets presented on the statements of financial position. The Fund does not anticipate any significant losses from the non-performance of counterparties.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions. Financial liabilities that potentially subject the Fund to liquidity risk consist of payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and management fees payable. The Fund's investment approach focuses on investing in highly liquid securities and moderately liquid securities, which are therefore readily saleable to meet liquidity needs.

The Fund may invest in debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

	June 30, 2023		
Financial liabilities	On demand	< 3 months	Total
	\$	\$	\$
Accrued Liabilities	-	41,736	41,736
Distribution payable	-	14,113	14,113
Payable for investments purchased	-	11,686	11,686
Redeemable units	26,868,311	-	26,868,311

	December 31, 2022		
Financial liabilities	On demand	< 3 months	Total
	\$	\$	\$
Distributions payable	-	17,069	17,069
Accrued liabilities	-	66,675	66,675
Redeemable units	26,768,099	-	26,768,099

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Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

Market risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. To monitor the risk, the Fund's Manager uses stress testing to examine the impact that abnormally large swings in market factors and periods of prolonged inactivity might have on trading portfolios. The stress testing is designed to identify key risks and ensure that the losses from abnormal events are not above the Fund's risk tolerance.

The following tables include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the difference could be material.

a) Currency risk

The Fund invests in monetary assets denominated in currencies other than Canadian dollar. These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The table below indicates the foreign currencies to which the Fund had significant exposure as at June 30, 2023 and December 31, 2022, in Canadian dollars. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant. The monetary exposure presents the impact on cash and the non-monetary exposure presents the impact on investments. Non-monetary items are investments in equity securities and are classified based on the currency in which they were purchased.

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary \$	Non- monetary \$	Total \$	Monetary \$	Non- monetary \$	Total \$
June 30, 2023						
U.S. dollar	-	629,604	629,604	-	31,480	31,480
% of Net assets attributable to holders of redeemable units	-	2.3	2.3	-	0.1	0.1

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Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary \$	Non-monetary \$	Total \$	Monetary \$	Non-monetary \$	Total \$
December 31, 2022						
U.S. dollar	(113,120)	518,416	405,296	(5,656)	25,921	20,265
% of Net assets attributable to holders of redeemable units	(0.4)	1.9	1.5	(0.0)	0.1	0.1

b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Fund also holds cash that is subject to variable interest rates which exposes the Fund to cash flow interest rate risk.

The Fund mitigates interest rate risk by monitoring interest rates and the maturities of its portfolio of interest-bearing financial instruments. The following table summarizes the Fund's exposure to interest rate risk. It includes the Fund's interest-bearing financial assets at fair value, categorized by the earlier of contractual interest rate reset dates or maturity dates. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the prevailing levels of market interest rates changed by 1%, assuming a parallel shift in the yield curve with all other variables held constant.

Terms to maturity	2023 \$	2022 \$
1–5 years	897,166	245,818
5–10 years	-	608,700
Total	897,166	854,518
Impact on net assets attributable to holders of redeemable units	29,622	26,750
Impact on net assets attributable to holders of redeemable units (%)	0.1%	0.1%

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c) Price risk

Price risk is the risk that the value of an investment will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual investment or its issuer, or by factors affecting all securities traded in the market. The Fund is exposed to price risk through its equity investment portfolio, which includes a variety of common shares in a wide range of industries. Other assets and liabilities are monetary items that are short term in nature, and as such are not subject to price risk.

As at June 30, 2023, the expected increase or decrease in net assets attributable to holders of redeemable units of the Fund if the S&P/TSX composite index had increased or decreased by 5%, with all other variables held constant, would amount to \$1,355,419 and would represent 5.0% of the net assets attributable to holders of redeemable units of the Fund (December 31, 2022 – \$1,318,850 representing 4.9% of the net assets attributable to holders of redeemable units of the Fund).

Concentration risk

Concentration risk arises as a result of the concentration of exposure within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk by market segment over the total investments market value:

Market segment	% of portfolio	
	2023	2022
Basic materials	6.3	7.5
Communications	3.6	3.4
Consumer, cyclical	4.0	4.1
Consumer, non-cyclical	6.7	4.4
Energy	18.2	18.1
Financial	29.5	29.5
Funds	6.5	6.6
Industrial	11.3	11.1
Technology	4.3	5.9
Utilities	6.1	6.1
Bonds	3.4	3.2
Warrants	0.1	0.1
	100.0	100.0

Market segment	% of portfolio	
	2023	2022
Bonds	3.3	3.2
Common stock	95.5	96.2
Warrants	0.1	0.1
Other net assets	1.1	0.5

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Fair value measurement

The carrying amounts of receivable from investments sold, accrued income receivable, subscription receivable, prepaid expenses, payable for investments purchased, distributions payable and accrued liabilities approximate their fair values due to the short-term nature of these financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	June 30, 2023			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equity	25,661,393	-	-	25,661,393
Fixed income	-	897,166	-	897,166
Warrants	18,292	-	-	18,292
	<u>25,679,685</u>	<u>897,166</u>	<u>-</u>	<u>26,576,851</u>
	December 31, 2022			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Equity	25,761,288	-	-	25,761,288
Fixed income	-	854,518	-	854,518
Warrants	27,629	-	-	27,629
	<u>25,788,917</u>	<u>854,518</u>	<u>-</u>	<u>26,643,435</u>

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, the instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

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(expressed in Canadian dollars)

There was no change in levels during the years ended June 30, 2023 and 2022.

Equities and convertible bonds

The Fund's equity and convertible bond positions are classified as Level 1 when the security is actively traded and a reliable price is observable. All equities and convertible bonds are classified as Level 1 investments.

Bonds and short-term investments

Corporate bonds are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable, and therefore the Fund's bonds and short-term investments have been classified as Level 2.

6 Redeemable units

During the periods ended June 30, 2023 and 2022 the number of units issued, redeemed and outstanding were as follows:

	Redeemable units – Beginning of period	Redeemable units issued	Redemption of redeemable units	Reinvestments of units	Redeemable units – End of period
June 30, 2023					
Series A	3,123,732	108,762	(146,299)	20,006	3,106,201
Series F	912,859	11,127	(89,913)	4,650	838,723
June 30, 2022					
Series A	3,038,038	154,891	(124,059)	19,187	3,088,057
Series F	994,079	36,205	(76,223)	5,061	959,122

Capital structure

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements.

The Fund is authorized to issue an unlimited number of redeemable unit series, as well as an unlimited number of redeemable units within each series. Each series unit enables its bearer to participate equally in the allocations the Fund completes for the given series. Unit fractions may also be issued.

The Fund is composed of more than one redeemable unit series; each redeemable unit series may feature different structures regarding management fees, performance fees and brokerage. As a result, each redeemable unit entitles its holder to one vote and to participate equally in the allocations the Fund completes and, in the case of Fund liquidation, in the allocation of the redeemable unit series' net assets attributable to holders of redeemable units after all current liabilities have been paid.

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(expressed in Canadian dollars)

7 Related party transactions

Management fees and performance fees

The Manager provides management and advisory services to the Fund in accordance with the agreement. In return for these services, the Manager is paid a management fee and a performance fee. The Series A units of the Fund are subject to a monthly management fee equal to 1/12 of 1.5% of the NAV of the Series A units. The Manager will pay a trailer fee of 0.75% out of the management fees collected from the Fund with respect to Series A units.

Series F is similar to Series A, but no trailer fee is included in the management fee. Series F charges a monthly management fee of 1/12 of 0.75% of the NAV of Series F.

Based on the agreement amended and restated on August 26, 2013, the performance fee is 20% of the amount by which the Fund outperforms its benchmark, the S&P/TSX Composite Index. Performance fees are paid annually.

The total management fees and performance fees for the period ended June 30, 2023 amounted to \$208,473 and nil respectively (June 30, 2022 – \$217,024 and nil respectively), with \$nil in outstanding fees due to the Manager as at June 30, 2023 (December 31, 2022 – \$nil).

The Manager may waive or absorb the operation of management fees of the Fund. The decision to do so is reviewed regularly and is determined at the sole discretion of the Manager. During the period, the Manager did not waive any fees (2022 – did not waive any fees).

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2023 amounted to \$5,951 (June 30, 2022 – \$5,951) and consisted only of fixed fees.

8 Brokerage commissions and soft dollars

The total commissions paid by the Fund to brokers in connection with portfolio transactions for the periods ended June 30, 2023 and 2022, together with other transaction charges, are disclosed in the statements of comprehensive income of the Fund. Brokerage business is allocated to brokers based on the best net result for the Fund. Subject to these criteria, preference may be given to brokerage firms which provide (or pay for) certain services (arrangements referred to as “soft dollar”), which may include investment research, analysis and reports, and databases or software in support of these services. The ascertainable soft dollar value received as a percentage of total brokerage commissions paid during the periods ended June 30, 2023 and 2022 is disclosed below.

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	2023	2022
Soft dollars	\$2,958	\$2,212
Percentage of total transaction costs (%)	11.4%	11.0%

9 Increase (decrease) in net assets attributable to holders of redeemable units per series per unit

The increase (decrease) in net assets attributable to holders of redeemable units per series per unit for the periods ended June 30, 2023 and 2022 calculated as follows:

	Increase (decrease) in net assets attributable to holders of redeemable units per series \$	Weighted average of redeemable units outstanding during the year	Increase (decrease) in net assets attributable to holders of redeemable units per unit \$
June 30, 2023			
Series A	694,231	3,148,701	0.22
Series F	262,372	869,448	0.30
June 30, 2022			
Series A	(2,848,028)	3,091,165	(0.92)
Series F	(926,019)	961,268	(0.96)

10 Taxes

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada).

All or substantially all of the net income for tax purposes and net taxable capital gains realized in any period, after use of loss carry-forwards, are distributed to unitholders such that no income taxes are payable by the Fund.

Capital and non-capital losses determined for tax purposes as at June 30, 2023 are nil (December 31, 2022 – nil).