



2025 SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

PALOS EQUITY INCOME FUND

FOR THE PERIOD ENDED JUNE 30, 2025

Portfolio Manager

Palos Wealth Management Inc. ("Palos")

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This semi-annual management report of fund performance ("MFRP") contains financial highlights but does not contain either the interim or annual financial statements of the Palos Equity Income Fund (the "Fund"). You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-514-397-0188 or toll free 1-855-PALOS-88 (1-855-725-6788), by writing to us at Palos Equity Income Fund, Investor Relations, 1 Place Ville-Marie, Suite 1670, Montréal, Québec H3B 2B6 or by visiting our website at www.palos.ca or SEDAR+ at www.sedarplus.com. Unitholders may also contact us using one of these methods to request a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

A Note on Forward-looking Statements

This report may contain forward-looking statements about the Fund, its future performance, strategies or prospects, and possible future Fund action. The words "may," "could," "should," "would," "suspect," "outlook," "believe," "plan," "anticipate," "estimate," "expect," "intend," "forecast," "objective" and similar expressions are intended to identify forward-looking statements.

Forward-looking statements are not guarantees of future performance. Forward-looking statements involve inherent risks and uncertainties, both about the Fund and general economic factors, so it is possible that predictions, forecasts, projections and other forward-looking statements will not be achieved. We caution you not to place undue reliance on these statements as a number of important factors could cause actual events or results to differ materially from those expressed or implied in any forward-looking statement made in relation to the Fund. These factors include, but are not limited to, general economic, political and market factors in Canada, the United States and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological changes, changes in laws and regulations, judicial or regulatory judgments, legal proceedings and catastrophic events.

The above list of important factors that may affect future results is not exhaustive. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

**MANAGEMENT DISCUSSION OF FUND
PERFORMANCE**

This management discussion of Fund performance represents the management's view of the significant factors and developments during the past six months that have affected the Fund's performance and outlook since December 31, 2024, the Fund's most recent fiscal year-end. The Fund is a mutual fund managed and advised by Palos Wealth Management Inc. (the "Manager"). This report should be read in conjunction with the Annual Management Report of Fund Performance for the year ended December 31, 2024.

Investment Objective and Strategies

The Fund's objective is to provide long-term capital growth, attractive and steady income, and deliver trading-enhanced returns. To achieve its objective, the Fund invests primarily in Canadian income-paying securities, such as equity securities of Canadian issuers that pay dividends or selected debt obligations that pay interest.

The primary investment strategy employed by the Fund is to apply qualitative, quantitative and comparative research in order to build and manage a portfolio of select high-grade and undervalued dividend-paying equity securities and income-paying debt securities. This core portfolio of securities currently represents approximately 90% of the Fund's portfolio. The Fund holds no more than 25% of non-Canadian securities.

The debt investments held in the Fund are often convertible debentures. Convertible debentures are debt securities that the holder can convert into common stock of the issuing company (or cash at an equivalent value) at a predetermined price. In selecting fixed income securities for the Fund (whether convertible or non-convertible), the Manager considers factors such as the debenture's yield, risk of interest rate fluctuation, credit risk, the issuer's capital structure, credit spread (i.e., the difference between the yield offered by the debenture and by a predetermined risk-free bond, such as Bank of Canada treasury bills with a similar maturity) and the duration (the weighted average of the time periods until the debenture's cash flows are received by the Fund, which measures the debentures' price sensitivity to its yield). Typically, the Manager seeks out bonds or debentures with a high yield compared to their

credit risk and relatively low duration. However, the Fund's overall debt portfolio may include bonds or debentures that are outside these parameters, depending on the components of the remainder of the portfolio, and whether the bond has other features, such as a convertibility feature. When evaluating convertible debentures, the Manager engages in an analysis using the above factors, and also includes an analysis of features particular to convertible debentures, such as clauses, the volatility of the underlying stock, and the amount of time left until the conversion feature expires. In valuing a convertible debenture, therefore, the Manager engages in an analysis of the underlying stock volatility, the features of the particular debenture, and a traditional analysis of the fixed income portion that takes into account the firm's credit profile, the ranking of the convertible within the capital structure, the bond's duration, and yield.

Essentially, the Manager calculates the value of a convertible debenture by calculating the present value of future interest and principal payments discounted at the cost of debt and adding the present value of the convertible component. The Manager then engages in a qualitative and quantitative analysis of a variety of factors, including the debenture's duration, its credit risk, the firm's corporate management, macroeconomic factors, including the likelihood of fluctuations in prevailing interest rates, and any particular clauses inherent in the convertible feature of the debenture.

In some cases, the Manager's motivation for purchasing a convertible debenture is to be able to engage in merger arbitrage (i.e., to make an educated guess about a company's likelihood of being purchased by another company at a price that is at a premium to the prevailing market price of the first company). Buying a convertible debenture may allow the Fund to gain exposure to an issuer or to its securities that it might not otherwise be able to access due to the Fund's investment parameters and restrictions. For example, because a convertible debenture pays an interest income, it may be an appropriate investment to hold in the Fund's portfolio, even if the underlying stock would not, on its own, be an acceptable investment. However, the Fund can purchase the convertible debenture and benefit from the coupon payments, while at the same time waiting for a merger to occur.

In selecting equity investments for the Fund, the Manager focuses on companies that, in its judgment, provide good value. The Manager believes that good value companies are likely to experience capital appreciation and/or increases in distributions to investors, and that these companies tend to have significant potential for growth of cash flow, increases of dividend distribution, and stock buybacks.

In making the determination of what companies' stock present good value, the Manager typically focuses on a variety of financial ratios and metrics that provide relative points of reference that are transferable across companies and industries. The Manager primarily considers six financial ratios: earnings yield spread, debt vs. EBITDA, cash per unit, return on equity, price to earnings (P/E ratio), and free cash flow yield.

Earnings Yield

The earnings yield is the earnings per share for the most recent period (typically twelve months) divided by the current market price per share. The earnings yield (which is the inverse of the P/E ratio) shows the percentage of each dollar invested in the stock that was earned by the company. The Manager considers the differential between the earnings yield compared to the stock price versus the US Treasury Bond yield, sometimes called the earnings yield spread. A wide earnings yield spread represents good value, particularly as compared to bonds, and therefore presents a buying opportunity for the Manager.

Debt to EBITDA

The Manager also considers a company's debt as a percentage of its earnings before interest, taxes, depreciation and amortization or EBITDA. A low ratio indicates that the company is able to repay its debt and/or to take on additional debt, thus allowing it to finance expansion of operations or share buybacks. Conversely, a high debt/EBITDA ratio suggests that a firm may not be able to repay debt and interest as it comes due, which could potentially lead to a restructuring and/or bankruptcy of the company.

Cash per Unit

Cash per unit (sometimes known as free cash flow per share) is determined by dividing free cash flow by the total number of units outstanding. It is a measure of a company's financial flexibility. More free cash flow allows a company to engage in a variety of transactions, such as repaying debt, paying and increasing dividends, buying back stock and facilitating the growth of the business. The amount of free cash flow per unit can also be used to give a preliminary prediction concerning future share prices. For example, when a firm's unit price is low and free cash flow is on the rise, the Manager believes that this is a positive indicator that earnings and share value will soon increase, because a high cash flow per share value means that earnings per share could potentially be high as well.

Return on Equity

Return on equity (sometimes known as return on net worth) is the amount of net income returned as a percentage of unitholders' equity. Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money unitholders have invested in common stock (preferred stock is generally excluded, as are the dividends paid on that stock). Net income is for the full fiscal year (before dividends paid to common stock holders but after dividends to preferred stock). Unitholders' equity does not include preferred shares. The Manager uses return on equity to compare the profitability of a company to that of other firms in the same industry. If a given company's return on equity is particularly high compared to its peers, then the company may present good value and therefore may be a good buying opportunity.

Price to Earnings

Price to earnings, or P/E, is one of the most commonly used financial ratios. In general, a high P/E suggests that the market is expecting higher earnings growth in the future compared to companies with a lower P/E. However, a high P/E ratio may also imply that a company is overvalued. The Manager focuses on companies with low P/E ratios because a low P/E ratio implies that

a significant component of the company's stock price is comprised of earnings, rather than market expectations for future growth. The Manager also recognizes that it is impossible to base a decision on the P/E ratio alone. The denominator (earnings) is based on an accounting measure of earnings that is susceptible to forms of manipulation, making the quality of the P/E only as good as the quality of the underlying earnings number.

Free Cash Flow Yield

The free cash flow yield is a measure of the free cash flow per unit a company is expected to earn against its market price per unit. As compared to the price to earnings ratio, the free cash flow yield is a more standardized measure that eliminates many of the problems involved in evaluating the quality of the earnings as reported by a company. Because free cash flow takes into account capital expenditures and other ongoing costs a business incurs to keep itself running, the Manager believes that the free cash flow yield is a more accurate representation of the returns shareholders receive from owning a business compared to the price to earnings ratio. In selecting equity investments, the Manager considers other factors beyond the financial ratios described above. The Manager also considers macroeconomic factors such as currency exchange rates, consumer demand, taxation policy, geopolitical factors that could affect commodity prices, and the quality of corporate management. The Manager recognizes that equity prices can be affected by a huge variety of factors, and that investing requires knowledge of a wide variety of disciplines. The Manager seeks to consider all of these factors while remaining focused on its core value investment philosophy.

In addition to the primary strategy, the Manager seeks to enhance returns through the following five targeted, short-term secondary trading strategies:

1. Pair trading, whereby the Manager identifies a security that is either undervalued or overvalued, and purchases (or sells) the security and simultaneously takes the opposite action with regard to the security's index. For example, the Manager might identify the common equity of Bank ABC as being overvalued. The Manager would borrow a quantity of Bank ABC common equity and sell it "short", while simultaneously

buying a security that represents an index in which Bank ABC is a component. This strategy effectively eliminates market risk from the pair trade;

2. Syndication trading, whereby the Manager invests in securities being offered in the market for the first time, while simultaneously selling the index "short". New issues are typically underpriced by a small amount in order to encourage investors to purchase the security. This strategy effectively eliminates market risk from the investment in the new issue;
3. Merger arbitrage, whereby the Manager trades in the equity of an acquirer in a merger while simultaneously taking the opposite action with regards to the security's index. The actual trade will depend on the Manager's view of whether the transaction is likely to be completed;
4. Statistical pair trading, whereby the Manager identifies securities that historically trade in tight correlation but that, for some reason, have become uncorrelated. The actual trading strategy will depend on the nature of the uncorrelation; and
5. Dividend capturing, whereby the Manager purchases a security just prior to the ex-dividend date and sells the security just after the dividend is paid. This strategy locks in a dividend payment while limiting risk.

The Fund may use derivatives only as permitted by securities regulations to earn additional income for the Fund. These transactions will be used in conjunction with the Fund's other investment strategies in a manner considered most appropriate to achieve the Fund's investment objectives and to create additional income for the Fund.

The Fund has obtained regulatory relief in order to permit the Fund to engage in short selling. In determining whether securities of a particular issuer should be sold short, the Manager uses the same analysis that is described above for deciding whether to purchase the securities. The Fund will engage in short selling as a complement to the Fund's primary discipline of buying securities with the expectation that they will appreciate in market value.

The Fund may temporarily buy or sell exchange traded funds in order to mitigate systematic risk relating to the Fund's investment strategies. These funds will not be managed by the Manager, an affiliate or associate of the Manager. At no time will the Fund's

interest in any one exchange traded fund be more than 10%. The selection criteria employed by the Manager in respect of the exchange traded funds will be limited to specific funds corresponding to the applicable syndication trading or merger arbitrage investment strategy being implemented.

Risk

The overall risks of investing in the Fund are as discussed in its simplified prospectus. There were no material changes to the Fund over the review period that affected the overall level of risk of the Fund.

This Fund is suitable for an investor with a medium to long-term investment horizon, who has a need for quarterly income and who wishes to add appreciation potential of equity security to their portfolio and can accept a moderate degree of risk.

Results of Operations

As of June 30, 2025 the Palos Equity Income Fund Series A (PAL101) posted a total return of 6.3% per unit, net of fees and expenses. Series F (PAL102) generated a return per unit of 6.8%. Please refer to the "Past Performance" section for the details on returns by series. Performance differences between each series of fund units are mostly attributable to whether the fund is classed on an "advisory" basis (Series A) or a "discretionary" basis (Series F). As per standard industry practice and rules established by regulators, management fees are commonly differentiated by class.

The Fund's benchmark is the S&P/TSX Composite Total Return Index. This index is a capitalization-weighted equity index that tracks the performance of the largest companies listed on Canada's primary stock exchange, the Toronto Stock Exchange (TSX). The S&P/TSX Composite Total Return Index includes reinvested dividends and is used by investors to track the collective performance of the constituent companies in the index, including dividends. Constituent companies must maintain strict liquidity and market capitalization requirements to be included in the index.

The S&P/TSX Composite Total Return Index saw an increase in market value of 10.2% for the 6-month period ended June 30, 2025. The total return per unit for the Palos Equity Income Fund Series A (PAL101), including distributions, was 6.3%. Both Series A and

Series F funds underperformed the benchmark which delivered a total return of 10.2%. It is important to note that the Palos Equity Income Fund (PAL101) maintains a target fixed income allocation of 10.0%. As of June 30, 2025, the fund's fixed income allocation was on target at 10.0%.

Sector Performance

The strongest performing sectors in Canada on a total return basis were Materials at 30.2%, Consumer Discretionary at 13.9% and Financials at 10.8%. The weakest sectors were Health Care at -6.1%, Real Estate at 3.2% and Energy at 4.0%.

The Materials sector continued its momentum from 2024 with a strong performance supported by multiple factors. Interest rates continuing to decrease through the first half of the year was a big catalyst for this capital-intensive sector which benefits greatly from lower borrowing costs as well sticky inflation figures. In addition, commodity prices continued their rampant uptrend particularly through gold which allowed the sector's mining stocks to flourish. The top performing names were Lundin Gold Inc. up 141.3%, New Gold Inc. up 88.6% and K92 Mining Inc. up 77.0% for the first half of the year. The Fund's sector holdings increased 28.5% largely in line with the sector's return of 30.2%. This accounted for 2.05% of the Fund's overall return for the period.

Financials continue to be the fund's highest weighted sector. Royal Bank of Canada at 4.2%, CIBC Bank at 4.0%, TD Bank at 3.9%, Bank of Montreal with a 3.8% weight were the top four holdings in the Financials sector. 2025 year-to-date returns for the S&P/TSX Banks sub-index was 11.5% including dividends. Even during a declining rate environment Canadian banks continue to post excellent results given their diversified revenue streams. Given the volatility endured during the first half of the year, these companies were able to capitalize in their Wealth Management and Capital Markets divisions due to increased trading and "buying the dip" retail behaviour. Furthermore, we believe Canadian banks will continue to adapt to new technologies allowing them to become more efficient and reduce operating costs. They remain attractive given their reliable history of growing dividends, as well as the relative safety they offer. This was the largest contributor to the Fund's overall return for the period accounting for 2.92%. The Fund's sector holdings increased 12.2% outperforming the sector benchmark return of 10.8%.

In the Consumer Discretionary sector, the fund benefitted from a strong start to the year by retail giant Canadian Tire. The company rebounded from the tariff craze in April to a new 52-week high along growing its solid dividend. Its impressive total return of 25.4% helped the Fund's sector performance of 25.1% outperform the consumer discretionary benchmark's return of 13.9%. In the Utilities sector, the Fund continued to add to attractive names in the renewable energy space such as Borealex Inc., Capital Power Corp., and Northland Power Inc. Of note, Innergex Renewable Energy Inc. was acquired by the Caisse de Depot et Placement du Quebec at a favourable premium adding to the sector's strong return which attributed 1.33% to the Fund's total performance for the period.

Diversification

The fund remains well diversified across all eleven sectors. At year-end, the highest exposures by sector were Financials at 24.1, Energy at 17.2%, and Industrials at 12.1%. As of June 30, the fund held one hundred and fourteen stock positions, and fixed income exposure was 10.0%, which was comprised of a 2.8% weighting in the BMO Short Federal Bond Index ETF, a 2.6% weighting in the BMO Short Corporate Bond Index ETF, a 3.8% weighting in convertible debentures, and a 0.8% weighting in Purpose High Interest Saving ETF. The BMO ETFs (exchange-traded funds) are designed to replicate the performance of the FTSE TMX Canada Short Term Federal/ Corporate Bond Index.

Recent Developments

Reaching the Midpoint of 2025

As we reach the halfway point of 2025, it is worth reflecting on what the first six months have brought. Despite loud political noise, particularly from the U.S., markets have remained surprisingly calm. Headlines were dominated by Trump-related developments, renewed trade tensions, tax reform proposals, and mounting pressure for interest rate cuts. While much of it has felt like political theatre, some of these developments carry real economic implications for the months ahead.

U.S. Tax Reform: Section 899 Removed

One of the more consequential but underreported issues was the U.S. tax reform bill passed in July 2025, which initially raised

concerns for countries with U.S. tax treaties, including Canada. A key provision, Section 899, threatened to override parts of the Canada-U.S. tax treaty. It proposed:

- Higher U.S. withholding taxes on dividends, interest, and royalties paid to Canadians
- New taxes on Canadian pension plans and public entities, such as the Canada Pension Plan Investment Board (CPPIB)
- Increased tax burdens on Canadian businesses operating in the U.S.

However, on June 26, U.S. Treasury Secretary Scott Bessent announced that Section 899 would be removed from the bill, following a new understanding with G7 partners. The decision reduced immediate risks of retaliatory tax measures and brought greater clarity for cross-border investment planning, providing a major relief to Canadian investors and institutions.

Canada U.S. Trade Tensions Resurface Over Digital Tax

At the G7 Summit held in mid-June, Prime Minister Carney and President Trump agreed to settle their trade dispute within 30 days. However, tensions resurfaced quickly after Canada announced its intent to implement a Digital Services Tax (DST) targeting large foreign tech firms, many of which are U.S.-based. In response, Trump abruptly ended all trade discussions with Canada.

On June 29, Canada's Finance Ministry announced it would withdraw the DST proposal, originally a 3% levy on digital service revenues, in an effort to keep negotiations on track. The two countries agreed to resume discussions, with a goal of reaching a broader deal by July 21.

That said, trade talks remain tense. It is increasingly clear that any country trading with the U.S. will face some level of tariff pressure. Based on recently signed U.S. trade deals, tariffs are likely coming. The key questions are: how significant will they be, and how will Canada respond? Prime Minister Carney has adopted a measured and pragmatic approach, but the outcome remains uncertain. Negotiations between Canada and the U.S. are expected to intensify in the coming weeks.

Inflation and Interest Rate Trends*Federal Reserve: Powell Holds the Line Amid Growing Political Pressure*

U.S. Federal Reserve Chair Jerome Powell has maintained that more data is needed before cutting interest rates. While inflation is cooling, the Fed remains cautious. At the same time, tensions are growing between the White House and the Fed, as Trump continues to pressure for rate cuts, raising concerns about central bank independence. So far, Powell has stayed the course. A cut may come later this year, potentially around the Jackson Hole conference in September, but it is by no means certain. From what we have seen so far, this will be a key storyline to watch throughout the second half of 2025.

Canada's Spending Commitments Raise Fiscal Questions

Prime Minister Carney's government has committed to spending 5% of GDP on defense and infrastructure by 2035, amounting to roughly \$1.4–\$1.5 trillion over the next decade. Planned investments include roads, ports, critical minerals, and traditional defense infrastructure.

The challenge is financing: there's currently no clear strategy to fund this level of spending. Without changes to revenue or spending plans, Canada may face growing deficits and increased bond issuance, which could place upward pressure on interest rates and erode its current borrowing advantage over the U.S.

Bond Market View: Canada's Rate Edge May Shrink

Several dynamics are in play:

- The Bank of Canada is slightly closer to a rate cut than the U.S. Fed, but sticky core inflation and rising trade-related risks make the decision finely balanced.
- Market expectations for a July BoC cut remain uncertain.
- Rising federal spending and bond issuance could push long-term yields higher, narrowing the yield gap with U.S. Treasuries and potentially weakening demand for Canadian bonds.

Politics and Policy*Mark Carney's Economic Vision*

In March 2025, Mark Carney became Prime Minister and launched an ambitious economic agenda focused on resilience, productivity,

and national development. Early initiatives included immediate relief measures for workers and businesses impacted by U.S. tariffs, tax deferrals to boost liquidity, and a rollback of the consumer carbon tax. Carney also introduced a tax cut to the lowest federal income bracket and expanded business financing programs and EI flexibility.

At the heart of his long-term plan is the Building Canada / One Canadian Economy Act, which streamlines project approvals and dismantles interprovincial trade barriers. Key initiatives include:

- A "First Mile Fund" to finance infrastructure connecting natural resources to global markets
- A single-window permitting system to expedite major projects
- A \$25 billion modular housing initiative, with tax incentives for developers and first-time buyers
- A new fiscal framework aimed at capping spending growth and balancing the operating budget within three years

Carney's plan also includes measures to strengthen domestic industries, protect steel production, and prioritize Canadian content in public procurement. His government is actively diversifying trade ties with Mexico, Europe, and Asia. While some Indigenous groups have raised concerns about the consultation process, Carney has underscored the importance of Indigenous equity and participation in national development.

Overall, his approach aims to modernize Canada's economic infrastructure, enhance competitiveness, and assert long-term economic sovereignty.

The Canadian Market: Calm Beneath the Surface

Despite the noise, from tariffs and tax reform to political drama and global unrest, markets have remained resilient. Inflation is moderating, and central banks have adopted a more cautious tone. Key sectors driving performance include:

- Technology, particularly electric vehicles and artificial intelligence
- Defense and aerospace, due to increased spending commitments

- Precious metals, with gold continuing to perform well as a hedge against geopolitical risk and fiscal indiscipline

Until major economies demonstrate more fiscal discipline, gold is likely to remain in demand.

Looking Ahead to 2025

The first half of 2025 has been anything but quiet, yet markets are adapting to new realities: higher government spending, sticky inflation, shifting trade dynamics, and ongoing geopolitical uncertainty.

As always, we remain focused on high-quality companies and sectors aligned with long-term trends. Our regular conversations with management teams across our portfolio provide continued reassurance. We remain vigilant and proactive in navigating changing market conditions to optimize investment outcomes.

Related Party Transactions

Palos Wealth Management Inc., which acts as the investment fund manager and portfolio advisor to the Fund, is deemed to be a related party to the Fund. Palos Wealth Management Inc. and the Fund were not party to any other related party transactions during the last year.

The Fund's Independent Review Committee (the "IRC") has considered whether Palos Wealth Management Inc.'s roles as investment fund manager and portfolio advisor constitutes a conflict of interest requiring standing instructions and has concluded that it does not. Nevertheless, the IRC will review the arrangement from time to time to ensure that Palos Wealth Management Inc., in its dual capacity as investment fund manager and as portfolio manager, is performing adequately in both roles. In its analysis, the IRC will consider the following criteria, among others: the performance of the Fund relative to other funds in the same category, and the quantum of the fees paid to the Manager in relation to the performance of the Fund and the amount of assets under management in the Fund. Palos Wealth Management Inc. has relied on the approval of the IRC in proceeding in this manner.

Manager, Trustee and Portfolio Advisor

Palos Wealth Management Inc. is the manager and portfolio advisor of the Fund. Computershare Trust Company of Canada is the trustee of the Fund.

Custodian

NBIN Inc., a subsidiary of National Bank, is custodian of the Fund.

Registrar

SXXX Fund Services Inc. is the registrar of the Fund and keeps records of the unitholders since July 1, 2016.

MANAGEMENT FEES

Management fees paid by the Fund are calculated monthly, based on 1/12th of the annualized management fee per series applied to the NAV per series as at the last business day of the preceding month.

Series	Trailer commissions (%)	Other (%)
A	0.75	0.75
F	0.00	0.75

Other – includes day-to-day administration of the Fund, portfolio advisory services and Manager's compensation.

FINANCIAL HIGHLIGHTS

Series A

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six years.

The Fund's Net Asset per Unit ⁽¹⁾	June 30, 2025	2024	2023	2022	2021	2020
Net assets, beginning of period	\$7.50	\$6.74	\$6.51	\$7.24	\$6.38	\$5.72
Increase (decrease) from operations						
Total revenue	0.13	0.23	0.23	0.19	0.17	0.16
Total expenses	(0.10)	(0.19)	(0.19)	(0.19)	(0.20)	(0.15)
Realized gain (loss) for the period	0.18	0.38	0.36	0.10	0.82	0.20
Unrealized gain (loss) for the period	0.26	0.61	0.10	(0.73)	0.61	0.52
Total increase (decrease) from operations ⁽²⁾	0.47	1.03	0.50	(0.63)	1.40	0.73
Distributions:						
From net income (excluding dividends)	(0.05)	-	-	-	-	-
From dividends	-	(0.01)	(0.01)	-	-	(0.01)
From capital gains	-	(0.25)	(0.26)	(0.04)	(0.54)	(0.01)
Return of capital	-	-	-	(0.06)	-	(0.08)
Total Annual Distributions ⁽³⁾	(0.05)	(0.26)	(0.27)	(0.10)	(0.54)	(0.10)
Net assets, end of period	\$7.92	\$7.50	\$6.74	\$6.51	\$7.24	\$6.38

Ratios and Supplemental Data

Total Net Asset Value (\$000's) ⁽¹⁾	\$	25,893	\$	24,060	\$	21,010	\$	20,332	\$	22,005	\$	17,924
Number of units outstanding (000's)		3,268		3,208		3,119		3,124		3,038		2,808
Management expense ratio ⁽²⁾		2.70%		2.60%		2.68%		2.64%		2.62%		2.66%
Management expense ratio before waivers or absorptions		2.70%		2.60%		2.68%		2.64%		2.62%		2.66%
Trading expense ratio ⁽³⁾		0.11%		0.10%		0.18%		0.16%		0.18%		0.33%
Fund expense ratio ⁽⁴⁾		2.81%		NA		NA		NA		NA		NA
Portfolio turnover rate		40.90%		41.98%		72.61%		67.39%		68.29%		97.73%
Net Asset Value per Unit		\$7.92		\$7.50		\$6.74		\$6.51		\$7.24		\$6.38

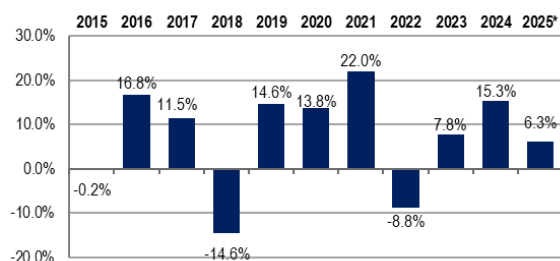
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

PAST PERFORMANCE

The following information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The following bar chart shows the investment fund's interim performance for each of the years shown, and illustrates how the investment fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended June 30, 2025. The returns are compared against the S&P/TSX Composite Total Return Index over the same period.

Overall Portfolio	1 Year	3 Years	5 Years	10 Years	Since Inception
Series A Units - Overall	16.3%	11.3%	13.2%	7.4%	6.5%
S&P/TSX Composite TR Index	26.4%	16.1%	15.0%	9.6%	7.8%

FINANCIAL HIGHLIGHTS

Series F

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past six years.

The Fund's Net Asset per Unit ⁽¹⁾	June 30, 2025	2024	2023	2022	2021	2020
Net assets, beginning of period	\$8.20	\$7.34	\$7.05	\$7.77	\$6.96	\$6.17
Increase (decrease) from operations						
Total revenue	0.14	0.26	0.24	0.21	0.19	0.18
Total expenses	(0.07)	(0.14)	(0.15)	(0.14)	(0.16)	(0.12)
Realized gain (loss) for the period	0.20	0.42	0.39	0.12	0.91	0.15
Unrealized gain (loss) for the period	0.28	0.66	0.13	(0.85)	0.68	0.20
Total increase (decrease) from operations ⁽²⁾	0.55	1.20	0.61	(0.66)	1.62	0.42
Distributions:						
From net income (excluding dividends)	(0.05)	-	-	-	-	-
From dividends	-	(0.04)	(0.03)	-	-	(0.02)
From capital gains	-	(0.28)	(0.29)	(0.05)	(0.78)	(0.01)
Return of capital	-	-	-	(0.05)	-	(0.07)
Total Annual Distributions ⁽³⁾	(0.05)	(0.32)	(0.32)	(0.10)	(0.78)	(0.10)
Net assets, end of period	\$8.71	\$8.20	\$7.34	\$7.05	\$7.77	\$6.96

Ratios and Supplemental Data

Total Net Asset Value (\$000's) ⁽¹⁾	\$	6,491	\$	6,461	\$	6,253	\$	6,436	\$	7,723	\$	7,252
Number of units outstanding (000's)		746		788		852		913		994		1,042
Management expense ratio ⁽²⁾		1.83%		1.74%		1.82%		1.78%		1.77%		1.81%
Management expense ratio before waivers or absorptions		1.83%		1.74%		1.82%		1.78%		1.77%		1.81%
Trading expense ratio ⁽³⁾		0.11%		0.10%		0.21%		0.15%		0.19%		0.17%
Fund expense ratio ⁽⁴⁾		1.94%		NA		NA		NA		NA		NA
Portfolio turnover rate		40.90%		41.98%		72.61%		67.39%		68.29%		97.73%
Net Asset Value per Unit		\$8.71		\$8.20		\$7.34		\$7.05		\$7.77		\$6.96

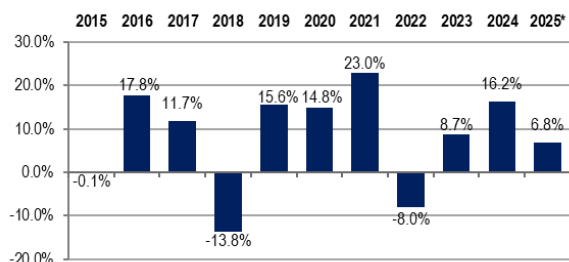
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

PAST PERFORMANCE

The following information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund and does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns

The following bar chart show the investment fund's annual performance for each of the years shown, and illustrates how the investment fund's performance has changed from year to year. In percentage terms, the chart shows how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.



Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended June 30, 2025. The returns are compared against the S&P/TSX Composite Total Return Index over the same period.

Overall Portfolio	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Units	17.3%	12.3%	14.2%	8.2%	8.7%
S&P/TSX Composite TR Index	26.4%	16.1%	15.0%	9.6%	7.8%

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2025

Portfolio by Category

The major portfolio categories and top 25 holdings of the Fund at the end of the period are indicated in the following tables. The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund, and a quarterly update is available.

Regional Weightings (%)

Canada	98.2%
United States	1.8%
Total	100.0%

Sector Weightings (%)

Basic Materials	9.5%
Communications	3.9%
Consumer, Cyclical	4.2%
Consumer, Non-cyclical	6.0%
Energy	16.5%
Financial	31.3%
Funds	6.2%
Industrial	9.9%
Technology	4.1%
Utilities	4.9%
Cash	3.5%
Total	100.0%

Portfolio Long/Short Breakdown (%)

Long positions	96.5%
Short positions	0.0%
Cash	3.5%
Total	100.0%

Asset Class Weightings (%)

Common Stocks	93.6%
Fixed Income	2.9%
Warrants	0.0%
Cash	3.5%
Total	100.0%

Top 25 Holdings (%)

Royal Bank of Canada	4.2%
Bank of Montreal	4.0%
Canadian Imperial Bank of Commerce	4.0%
The Toronto-Dominion Bank	3.9%
Cash	3.5%
BMO Short Federal Bond Index ETF	2.8%
BMO Short Corporate Bond Index ETF	2.6%
National Bank of Canada	2.4%
Boralex Inc.	1.8%
Canadian Natural Resources Ltd.	1.7%
Tourmaline Oil Corp.	1.5%
Tamarack Valley Energy Ltd.	1.5%
TELUS Corp.	1.4%
Secure Waste Infrastructure Corp.	1.4%
Rogers Communications Inc.	1.4%
North American Construction Group Ltd.	1.4%
Franco-Nevada Corp.	1.4%
Brookfield Corp.	1.3%
Topaz Energy Corp.	1.3%
Shopify Inc.	1.3%
Capital Power Corp.	1.3%
Canadian Pacific Kansas City Ltd.	1.3%
Keyera Corp.	1.2%
Dream Industrial Real Estate Investment Trust	1.2%
Headwater Exploration Inc.	1.2%
Top 25 Holdings	51.0%

The total Net Asset Value of the Fund as at June 30, 2025 was \$32.4 million.

EXPLANATORY NOTES TO FINANCIAL HIGHLIGHTS**Net Assets per Unit:**

- (1) This information is derived from the Fund's interim and annual financial statements.
- (2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of opening and closing net assets per units.
- (3) Distributions were paid in cash to unitholders who ask for cash payment. For the other unitholders, the distributions were reinvested in additional units of the Fund.

Ratios and Supplemental Data:

- (1) This information is provided as at June 30, 2025 and December 31 of the year shown.
- (2) The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.
- (3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
- (4) The fund expense ratio represents total fund expenses expressed as an annualized percentage of daily average NAV during the period. It is the sum of the management expense ratio and the trading expense ratio, inclusive of performance fees and net of any fee waivers, rebates or absorptions. Prior-year fund expense ratios are not presented, as year-over-year comparisons are not mandated under total cost reporting requirements.
- (5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

The prospectus and other information about the Fund are available at www.sedarplus.ca.

For more information contact your investment advisor or:

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¹ Palos Management Inc. ("PMI") and Palos Wealth Management Inc. ("PWM"), a sister company of PMI, have entered into a Purchase and Sale Agreement effective **June 30, 2025**, pursuant to which PWM acquired certain assets of PMI, including the rights to manage the Palos Equity Income Fund.