

# **Palos Equity Income Fund**

Financial Statements

**December 31, 2025 and 2024**

(expressed in Canadian dollars)



## Independent auditor's report

To the Unitholders and Trustee of Palos Equity Income Fund (the Fund)

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2025 and 2024 and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2025 and 2024;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- the notes to financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.

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

### **Independence**

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Other information**

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the financial statements**

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

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**/s/PriceWaterhouseCoopers LLP<sup>1</sup>**

Montréal, Quebec

March 31, 2026

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<sup>1</sup> CPA auditor, public accountancy permit No. A136473

# Palos Equity Income Fund

## Statements of Financial Position

(expressed in Canadian dollars)

As at December 31, 2025 and 2024

|   | 2025                 | 2024                 |
|---|----------------------|----------------------|
| <b>ASSETS</b>   |                      |                      |
| <b>Current assets</b>   |                      |                      |
| Cash  | \$ 135,762           | \$ 727,590           |
| Investments at fair value through profit or loss (FVTPL)                          | 35,145,715           | 29,911,415           |
| Accrued income receivable   | 93,476               | 62,811               |
| Subscription receivable   | –                    | 1,050                |
| Prepaid expenses  | 4,665                | –                    |
| Other assets  | –                    | 4,256                |
|   | <u>35,379,618</u>    | <u>30,707,122</u>    |
| <b>LIABILITIES</b>  |                      |                      |
| <b>Current liabilities</b>  |                      |                      |
| Distributions payable   | 74,886               | 115,881              |
| Accrued liabilities   | 91,572               | 70,974               |
| Management fees payable   | 1,319                | –                    |
| Redemptions payable   | 15,965               | –                    |
|   | <u>183,742</u>       | <u>186,855</u>       |
| <b>Net assets attributable to holders of redeemable units</b>                     | <u>\$ 35,195,876</u> | <u>\$ 30,520,267</u> |
| <b>Net assets attributable to holders of redeemable units per series</b>          |                      |                      |
| Series A  | \$ 28,647,159        | \$ 24,059,745        |
| Series F  | 6,548,717            | 6,460,522            |
|   | <u>\$ 35,195,876</u> | <u>\$ 30,520,267</u> |
| <b>Net assets attributable to holders of redeemable units per series per unit</b> |                      |                      |
| Series A  | \$ 8.74              | \$ 7.50              |
| Series F  | 9.64                 | 8.20                 |

Approved by the Manager, Palos Wealth Management Inc.

(s) Philippe Marleau Director

(s) Alain Lizotte Director

# Palos Equity Income Fund

## Statements of Comprehensive Income

(expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

|   | 2025                | 2024                |
|---|---------------------|---------------------|
| <b>Income</b>   |                     |                     |
| Dividend income   | \$ 779,380          | \$ 763,371          |
| Interest income for distribution purposes   | 163,149             | 166,340             |
| Net realized gain on sale of investments  | 1,848,148           | 1,561,348           |
| Net change in unrealized appreciation of investments  | 3,931,519           | 2,417,254           |
| Early redemption fees   | 1,661               | –                   |
| Other income  | 12,156              | 6,465               |
|   | <u>6,736,013</u>    | <u>4,914,778</u>    |
| <b>Expenses</b>   |                     |                     |
| Management fees (Note 9)  | 498,881             | 445,181             |
| Administration and other professional fees  | 156,199             | 108,835             |
| Audit fees (Note 5)   | 62,957              | 49,633              |
| Legal fees  | 57,443              | 40,000              |
| Transaction costs (Note 10)   | 34,624              | 29,405              |
| Bank charges and interest   | 16,337              | 22,794              |
| Trustee fees  | 16,286              | 17,470              |
| Independent review committee fees   | 11,968              | 12,001              |
| Withholding tax expense   | 165                 | 146                 |
|   | <u>854,860</u>      | <u>725,465</u>      |
| <b>Increase in net assets attributable to holders of redeemable units</b>                               | <u>\$ 5,881,153</u> | <u>\$ 4,189,313</u> |
| <b>Increase in net assets attributable to holders of redeemable units per series (Note 11)</b>          |                     |                     |
| Series A  | \$ 4,689,148        | \$ 3,201,023        |
| Series F  | <u>1,192,005</u>    | <u>988,290</u>      |
|   | <u>\$ 5,881,153</u> | <u>\$ 4,189,313</u> |
| <b>Increase in net assets attributable to holders of redeemable units per series per unit (Note 11)</b> |                     |                     |
| Series A  | \$ 1.44             | \$ 1.03             |
| Series F  | 1.65                | 1.20                |

# Palos Equity Income Fund

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

(expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

|                          | Net assets attributable to holders of redeemable units, beginning of year | Proceeds from redeemable units issued* | Redemption of redeemable units* | Distributions to holders of redeemable units*** | Reinvestment of distributions to holders of redeemable units | Increase in net assets attributable to holders of redeemable units | Net assets attributable to holders of redeemable units, end of year |
|--------------------------|---|--|---------------------------------|---|--|--|---|
| <b>December 31, 2025</b> |   |  |                                 |   |  |  |   |
| Series A                 | \$ 24,059,745   | \$ 1,676,814                           | \$ (1,701,168)                  | \$ (666,443)                                    | \$ 589,063   | \$ 4,689,148   | \$ 28,647,159   |
| Series F                 | 6,460,522   | 329,744                                | (1,394,563)                     | (158,564)                                       | 119,573  | 1,192,005  | 6,548,717   |
|                          | <u>\$ 30,520,267</u>  | <u>\$ 2,006,558</u>                    | <u>\$ (3,095,731)</u>           | <u>\$ (825,007)</u>                             | <u>\$ 708,636</u>  | <u>\$ 5,881,153</u>  | <u>\$ 35,195,876</u>  |

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2025 were \$221,174 and \$(221,174), respectively.

|                          | Net assets attributable to holders of redeemable units, beginning of year | Proceeds from redeemable units issued** | Redemption of redeemable units** | Distributions to holders of redeemable units*** | Reinvestment of distributions to holders of redeemable units | Increase in net assets attributable to holders of redeemable units | Net assets attributable to holders of redeemable units, end of year |
|--------------------------|---|---|----------------------------------|---|--|--|---|
| <b>December 31, 2024</b> |   |   |                                  |   |  |  |   |
| Series A                 | \$ 21,010,350   | \$ 1,533,317                            | \$ (1,584,071)                   | \$ (816,535)                                    | \$ 715,661   | \$ 3,201,023   | \$ 24,059,745   |
| Series F                 | 6,253,028   | 181,819                                 | (907,661)                        | (256,028)                                       | 201,074  | 988,290  | 6,460,522   |
|                          | <u>\$ 27,263,378</u>  | <u>\$ 1,715,136</u>                     | <u>\$ (2,491,732)</u>            | <u>\$ (1,072,563)</u>                           | <u>\$ 916,735</u>  | <u>\$ 4,189,313</u>  | <u>\$ 30,520,267</u>  |

\*\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2024 were \$171,064 and \$(171,064), respectively.

# Palos Equity Income Fund

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

(expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

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\*\*\*Detailed distributions to holders of redeemable units

|                          | From net<br>investment<br>income | From net realized<br>gains on<br>investments and<br>derivatives | Total<br>distributions to<br>unitholder |
|--------------------------|----------------------------------|---|---|
| <b>December 31, 2025</b> |                                  |   |   |
| Series A                 | \$ –                             | \$ (666,443)  | \$ (666,443)                            |
| Series F                 | –                                | (158,564)   | (158,564)                               |
|                          | <u>\$ –</u>                      | <u>\$ (825,007)</u>   | <u>\$ (825,007)</u>                     |
| <b>December 31, 2024</b> |                                  |   |   |
| Series A                 | \$ (41,108)                      | \$ (775,427)  | \$ (816,535)                            |
| Series F                 | (29,100)                         | (226,928)   | (256,028)                               |
|                          | <u>\$ (70,208)</u>               | <u>\$ (1,002,355)</u>   | <u>\$ (1,072,563)</u>                   |

# Palos Equity Income Fund

## Statements of Cash Flows

(expressed in Canadian dollars)

For the years ended December 31, 2025 and 2024

|   | 2025               | 2024              |
|---|--------------------|-------------------|
| <b>Cash provided by (used in):</b>  |                    |                   |
| <b>Operating Activities</b>   |                    |                   |
| Increase in net assets attributable to holders of redeemable units            | \$ 5,881,153       | \$ 4,189,313      |
| Adjustments for non-cash items  |                    |                   |
| Net realized gain on sale of investments                                      | (1,848,148)        | (1,561,348)       |
| Net change in unrealized appreciation of investments                          | (3,931,519)        | (2,417,254)       |
| Foreign exchange on cash  | 631                | (566)             |
| Change in non-cash balances   |                    |                   |
| (Increase) decrease in accrued income receivable                              | (30,665)           | 58,725            |
| Increase in prepaid expenses  | (4,665)            | –                 |
| Decrease (increase) in other assets   | 4,256              | (95)              |
| Increase in accrued liabilities   | 20,598             | 19,551            |
| Increase (decrease) in management fees payable                                | 1,319              | (1,472)           |
| Proceeds from sale of investments   | 17,030,462         | 12,966,636        |
| Purchase of investments   | (16,485,095)       | (12,013,080)      |
| Cash provided by operating activities   | <u>638,327</u>     | <u>1,240,410</u>  |
| <b>Financing Activities</b>   |                    |                   |
| Proceeds from issuance of redeemable units                                    | 1,786,434          | 1,548,247         |
| Amount paid on redemption of redeemable units                                 | (2,858,592)        | (2,320,668)       |
| Distributions to holders of redeemable units, net of reinvested distributions | (157,366)          | (153,585)         |
| Cash used in financing activities   | <u>(1,229,524)</u> | <u>(926,006)</u>  |
| (Decrease) increase in cash during the year                                   | (591,197)          | 314,404           |
| Foreign exchange (loss) gain on cash  | (631)              | 566               |
| Cash, beginning of year   | <u>727,590</u>     | <u>412,620</u>    |
| <b>Cash, end of year</b>  | <u>\$ 135,762</u>  | <u>\$ 727,590</u> |
| <b>Supplemental information*</b>  |                    |                   |
| Interest paid   | \$ 784             | \$ 875            |
| Interest received   | 173,156            | 174,590           |
| Dividends received, net of withholding taxes                                  | 738,544            | 839,738           |

\*Included as a part of cash flows from operating activities

# Palos Equity Income Fund

## Schedule of Investment Portfolio as at December 31, 2025

Expressed in Canadian Dollars

| Description                            | Currency | Number of shares | Average cost | Fair value |
|--|----------|------------------|--------------|------------|
| <b>Investments owned (99.86%)</b>      |          |                  |              |            |
| <b>Equities (98.73%)</b>               |          |                  |              |            |
| <b>Basic Materials (10.83%)</b>        |          |                  |              |            |
| Agnico Eagle Mines Ltd.                | CAD      | 1,761 \$         | 111,320 \$   | 409,889    |
| Americas Gold & Silver Corp.           | CAD      | 18,500           | 103,479      | 130,240    |
| Asante Gold Corp.                      | CAD      | 11,600           | 20,741       | 19,140     |
| Capstone Copper Corp.                  | CAD      | 37,000           | 445,915      | 509,860    |
| Equinox Gold Corp.                     | CAD      | 20,800           | 186,136      | 401,232    |
| Franco-Nevada Corp.                    | CAD      | 1,870            | 301,239      | 532,034    |
| G Mining Ventures Corp.                | CAD      | 3,300            | 88,523       | 136,917    |
| Hudbay Minerals Inc.                   | CAD      | 8,000            | 121,862      | 218,000    |
| K92 Mining Inc.                        | CAD      | 19,927           | 138,188      | 452,144    |
| North American Construction Group Ltd. | CAD      | 12,380           | 306,946      | 244,629    |
| Russel Metals Inc.                     | CAD      | 7,700            | 306,618      | 337,260    |
| Wheaton Precious Metals Corp.          | CAD      | 2,600            | 133,257      | 419,536    |
| <b>Total Basic Materials</b>           |          |                  | 2,264,224    | 3,810,881  |
| <b>Communications (3.91%)</b>          |          |                  |              |            |
| Blackline Safety Corp.                 | CAD      | 18,700           | 131,193      | 120,615    |
| Rogers Communications Inc.             | CAD      | 13,050           | 682,737      | 676,121    |
| Thomson Reuters Corp.                  | CAD      | 3,200            | 657,258      | 579,616    |
| <b>Total Communications</b>            |          |                  | 1,471,188    | 1,376,352  |
| <b>Consumer, Cyclical (2.83%)</b>      |          |                  |              |            |
| ADENTRA Inc.                           | CAD      | 11,300           | 357,336      | 383,973    |
| Canadian Tire Corp Ltd.                | CAD      | 2,100            | 286,602      | 365,274    |
| Pollard Banknote Ltd.                  | CAD      | 12,770           | 290,048      | 247,738    |
| <b>Total Consumer, Cyclical</b>        |          |                  | 933,986      | 996,985    |
| <b>Consumer, Non-cyclical (6.41%)</b>  |          |                  |              |            |
| Boyd Group Services Inc.               | CAD      | 1,250            | 268,041      | 273,288    |
| Green Thumb Industries Inc.            | CAD      | 13,942           | 165,957      | 153,641    |
| High Tide Inc.                         | CAD      | 23,000           | 101,723      | 84,410     |
| Information Services Corp.             | CAD      | 7,400            | 168,626      | 344,100    |
| K-Bro Linen Inc.                       | CAD      | 6,300            | 217,823      | 221,193    |
| KITS Eyecare Ltd.                      | CAD      | 18,300           | 191,592      | 335,439    |
| Premium Brands Holdings Corp.          | CAD      | 1,200            | 117,000      | 122,088    |
| Premium Brands Holdings Corp.          | CAD      | 3,850            | 309,608      | 391,584    |
| Sienna Senior Living Inc.              | CAD      | 16,150           | 256,797      | 329,945    |
| <b>Total Consumer, Non-cyclical</b>    |          |                  | 1,797,167    | 2,255,688  |

# Palos Equity Income Fund

## Schedule of Investment Portfolio as at December 31, 2025 (continued)

Expressed in Canadian Dollars

| Description                                   | Currency | Number of shares | Average cost | Fair value |
|---|----------|------------------|--------------|------------|
| <b>Energy (15.67%)</b>                        |          |                  |              |            |
| ARC Resources Ltd.                            | CAD      | 14,000 \$        | 281,627 \$   | 360,500    |
| Canadian Natural Resources Ltd.               | CAD      | 12,700           | 403,170      | 590,423    |
| CES Energy Solutions Corp.                    | CAD      | 38,900           | 168,629      | 477,303    |
| Enbridge Inc.                                 | CAD      | 5,400            | 241,059      | 354,672    |
| Headwater Exploration Inc.                    | CAD      | 50,900           | 297,472      | 476,933    |
| Keyera Corp.                                  | CAD      | 7,720            | 219,646      | 339,680    |
| Keyera Corp.                                  | CAD      | 3,000            | 117,450      | 127,500    |
| PrairieSky Royalty Ltd.                       | CAD      | 2,700            | 73,185       | 72,981     |
| Secure Waste Infrastructure Corp.             | CAD      | 26,600           | 248,892      | 459,382    |
| Tamarack Valley Energy Ltd.                   | CAD      | 65,519           | 247,339      | 522,842    |
| TC Energy Corp.                               | CAD      | 4,600            | 206,734      | 347,668    |
| Topaz Energy Corp.                            | CAD      | 18,600           | 372,594      | 512,244    |
| Tourmaline Oil Corp.                          | CAD      | 7,520            | 360,360      | 463,006    |
| Trican Well Service Ltd.                      | CAD      | 69,300           | 263,381      | 411,642    |
| <b>Total Energy</b>                           |          |                  | 3,501,538    | 5,516,776  |
| <b>Financial (32.93%)</b>                     |          |                  |              |            |
| Alaris Equity Partners Income                 | CAD      | 15,000           | 201,206      | 308,699    |
| Bank of Montreal                              | CAD      | 8,307            | 914,282      | 1,480,723  |
| Brookfield Asset Management Ltd.              | CAD      | 3,600            | 164,517      | 258,840    |
| Brookfield Corp.                              | CAD      | 7,250            | 223,984      | 456,895    |
| BSR Real Estate Investment Trust              | USD      | 16,400           | 237,245      | 282,282    |
| Canadian Imperial Bank of Commerce            | CAD      | 12,313           | 638,904      | 1,532,107  |
| Dream Industrial Real Estate Investment Trust | CAD      | 32,305           | 387,588      | 406,397    |
| FirstService Corp.                            | CAD      | 1,700            | 358,554      | 362,865    |
| Flagship Communities REIT                     | USD      | 12,600           | 213,923      | 345,618    |
| Hydreight Technologies Inc.                   | CAD      | 15,000           | 67,194       | 70,950     |
| Intact Financial Corp.                        | CAD      | 1,300            | 345,914      | 371,449    |
| Minto Apartment Real Estate Investment Trust  | CAD      | 24,500           | 332,432      | 333,935    |
| National Bank of Canada                       | CAD      | 5,510            | 369,883      | 951,081    |
| Primaris REIT                                 | CAD      | 24,400           | 365,972      | 380,396    |
| Propel Holdings Inc.                          | CAD      | 11,800           | 291,471      | 294,410    |
| Royal Bank of Canada                          | CAD      | 6,900            | 593,293      | 1,614,531  |
| StorageVault Canada Inc.                      | CAD      | 59,120           | 210,105      | 276,090    |
| The Toronto-Dominion Bank                     | CAD      | 12,329           | 684,896      | 1,594,879  |
| Trisura Group Ltd.                            | CAD      | 6,200            | 205,051      | 264,864    |
| <b>Total Financial</b>                        |          |                  | 6,806,414    | 11,587,011 |

# Palos Equity Income Fund

## Schedule of Investment Portfolio as at December 31, 2025 (continued)

Expressed in Canadian Dollars

| Description                                 | Currency | Number of shares | Average cost | Fair value |
|---|----------|------------------|--------------|------------|
| <b>Funds (8.15%)</b>                        |          |                  |              |            |
| BMO Short Corporate Bond Index ETF          | CAD      | 60,927 \$        | 786,146 \$   | 855,415    |
| BMO Short Federal Bond Index ETF            | CAD      | 64,930           | 861,002      | 903,826    |
| Purpose High Interest Savings ETF           | CAD      | 22,200           | 1,112,047    | 1,110,222  |
| <b>Total Funds</b>                          |          |                  | 2,759,195    | 2,869,463  |
| <b>Industrial (9.48%)</b>                   |          |                  |              |            |
| Bird Construction Inc.                      | CAD      | 3,400            | 86,212       | 96,968     |
| Canadian Pacific Kansas City Ltd.           | CAD      | 4,995            | 333,374      | 504,745    |
| CCL Industries Inc.                         | CAD      | 3,710            | 194,012      | 321,657    |
| GFL Environmental Inc.                      | CAD      | 4,900            | 172,339      | 288,904    |
| Hammond Power Solutions Inc.                | CAD      | 850              | 107,094      | 135,558    |
| MDA Space Ltd.                              | CAD      | 10,900           | 340,595      | 290,376    |
| Mullen Group Ltd.                           | CAD      | 25,200           | 316,403      | 396,648    |
| TFI International Inc.                      | CAD      | 5,245            | 636,913      | 744,108    |
| Waste Connections Inc.                      | CAD      | 1,800            | 436,458      | 433,296    |
| WSP Global Inc.                             | CAD      | 500              | 116,400      | 124,260    |
| <b>Total Industrial</b>                     |          |                  | 2,739,800    | 3,336,520  |
| <b>Technology (5.17%)</b>                   |          |                  |              |            |
| CGI Inc.                                    | CAD      | 2,720            | 289,070      | 344,842    |
| Constellation Software Inc.                 | CAD      | 91               | 222,473      | 300,427    |
| Kinaxis Inc.                                | CAD      | 1,690            | 239,090      | 292,505    |
| Shopify Inc.                                | CAD      | 2,500            | 197,440      | 552,500    |
| Vitalhub Corp.                              | CAD      | 34,600           | 405,498      | 327,662    |
| <b>Total Technology</b>                     |          |                  | 1,353,571    | 1,817,936  |
| <b>Utilities (3.35%)</b>                    |          |                  |              |            |
| AltaGas Ltd.                                | CAD      | 11,300           | 325,415      | 472,905    |
| Brookfield Infrastructure Corp.             | CAD      | 4,475            | 243,429      | 278,837    |
| Capital Power Corp.                         | CAD      | 7,320            | 306,514      | 428,586    |
| <b>Total Utilities</b>                      |          |                  | 875,358      | 1,180,328  |
| <b>Total Equities</b>                       |          |                  | 24,502,441   | 34,747,940 |
| <b>Fixed Income (1.06%)</b>                 |          |                  |              |            |
| <b>Financial (1.06%)</b>                    |          |                  |              |            |
| Alaris Equity Partners Income 6.50% 30JUN30 | CAD      | 350,000          | 350,000      | 374,700    |
| <b>Total Financial</b>                      |          |                  | 350,000      | 374,700    |
| <b>Total Fixed Income</b>                   |          |                  | 350,000      | 374,700    |

# Palos Equity Income Fund

## Schedule of Investment Portfolio as at December 31, 2025 (continued)

Expressed in Canadian Dollars

| Description  | Currency | Number of shares | Average cost | Fair value        |
|--|----------|------------------|--------------|-------------------|
| <b>Warrants (0.07%)</b>  |          |                  |              |                   |
| <b>Basic Materials (0.07%)</b>                                       |          |                  |              |                   |
| i-80 Gold Corp. \$2.15 01MAY28                                       | CAD      | 32,500 \$        | 12,350 \$    | 23,075            |
| <b>Total Basic Materials</b>   |          |                  | 12,350       | 23,075            |
| <b>Technology (0.00%)</b>  |          |                  |              |                   |
| Constellation Software Inc. \$0 31MAR40                              | CAD      | 90               | –            | –                 |
| HealWELL AI Inc. \$2.50 21JAN28                                      | CAD      | 15,000           | –            | –                 |
| <b>Total Technology</b>  |          |                  | –            | –                 |
| <b>Total Warrants</b>  |          |                  | 12,350       | 23,075            |
| <b>Total investments owned</b>                                       |          |                  | 24,864,791   | 35,145,715        |
| Commissions and other portfolio transaction costs                    |          |                  | (27,610)     | –                 |
| Net investments owned (99.86%)                                       |          |                  | 24,837,181   | 35,145,715        |
| Other assets, net (0.14%)  |          |                  |              | 50,161            |
| <b>Net Assets Attributable to Holders of Redeemable Units (100%)</b> |          |                  |              | <b>35,195,876</b> |

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 1 General information

Palos Equity Income Fund (the Fund) was formed on 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 mutual fund 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. During the year ended December 31, 2025, redeemable units of Series A and Series F were in issuance.

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 Wealth Management Inc. (the Manager). Effective June 30, 2025, Palos Wealth Management Inc. became the Investment Fund Manager and portfolio advisor (the Manager) for the Fund. Palos Management Inc. was the Manager for the period from January 1, 2025 to June 29, 2025 and for the year ended December 31, 2024. The change in Manager from Palos Management inc. to Palos Wealth Management Inc. did not affect fund governance, unitholder rights, or investment objectives.

These financial statements have been authorized for issue by the Board of Directors of the Manager on March 27, 2026.

### 2 Basis of presentation

These financial statements have been prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB").

### 3 Summary of material accounting policy information

#### 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).

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

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.

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that 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. 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. Other financial assets and liabilities are recognized at amortized cost which reflects 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 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 (loss) on sale of investments and unrealized appreciation (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

December 31, 2025 and 2024

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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 FVTPL in the statements 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 appreciation of investments in the statements of comprehensive income.

### **Classification of redeemable units**

The Fund's outstanding redeemable units are in different series that 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

December 31, 2025 and 2024

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(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 of investments in the statements of comprehensive income.

### **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 in net assets attributable to holders of redeemable units per series per unit**

The increase in net assets attributable to holders of redeemable units per unit of each series is calculated by dividing the increase 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 statements of comprehensive income.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### **New standards and amendments to existing standards effective January 1, 2025**

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2025 that have a material effect on the financial statements of the Fund.

### **New standards, amendments and interpretations effective after January 1, 2026 and that have not been adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2026, and have not been early adopted in preparing these financial statements. The Fund's assessment of the impact of these new standards and amendments is set out below:

i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)

In May 2024, the IASB issued targeted amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures*. The amendments clarify the requirements for the recognition and derecognition of certain financial assets and financial liabilities, including an optional exception for the derecognition of financial liabilities settled using an electronic payment system. The amendments are effective for annual reporting periods beginning on or after January 1, 2026, with earlier application permitted. The Fund has not early adopted these amendments. The Manager is currently assessing the impact of these amendments.

ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- the requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Fund is currently still assessing the effect of the forthcoming standard and amendments.

No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 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 Audit fees

For the year ended December 31, 2025, fees paid or payable to PricewaterhouseCoopers LLP and its network firms for the audit of the financial statements of Canadian Reporting Issuer were \$27,700 (2024 – \$36,839). Fees for other services were \$13,100 (2024 – \$12,794).

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 6 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 December 31, 2025, all investments in fixed income were non-rated (2024 – 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. 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 distributions payable, accrued liabilities, management fees payable and redemptions 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.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

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 that 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.

|                              | <b>2025</b>      |                      |              |
|------------------------------|------------------|----------------------|--------------|
| <b>Financial liabilities</b> | <b>On demand</b> | <b>&lt; 3 months</b> | <b>Total</b> |
|                              | \$               | \$                   | \$           |
| Distributions payable        | –                | 74,886               | 74,886       |
| Accrued liabilities          | –                | 91,572               | 91,572       |
| Management fees payable      | –                | 1,319                | 1,319        |
| Redemptions payable          | –                | 15,965               | 15,965       |
| Redeemable units             | 35,195,876       | –                    | 35,195,876   |

  

|                              | <b>2024</b>      |                      |              |
|------------------------------|------------------|----------------------|--------------|
| <b>Financial liabilities</b> | <b>On demand</b> | <b>&lt; 3 months</b> | <b>Total</b> |
|                              | \$               | \$                   | \$           |
| Distributions payable        | –                | 115,881              | 115,881      |
| Accrued liabilities          | –                | 70,975               | 70,975       |
| Redeemable units             | 30,520,267       | –                    | 30,520,267   |

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.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

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 December 31, 2025 and 2024, 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     |
| <b>December 31, 2025</b>  |          |              |            |  |              |           |
| U.S. Dollar   | \$ 2,014 | \$ 627,900   | \$ 629,914 | \$ 101   | \$ 31,395    | \$ 31,496 |
| % of Net Assets<br>Attributable to Holders<br>of Redeemable Units | –        | 1.8          | 1.8        | –  | 0.1          | 0.1       |

| Currency  | Exposure  |              |            | Impact if CAD strengthened or weakened by 5% in relation to other currencies |              |           |
|---|-----------|--------------|------------|--|--------------|-----------|
|   | Monetary  | Non-Monetary | Total      | Monetary   | Non-Monetary | Total     |
| <b>December 31, 2024</b>  |           |              |            |  |              |           |
| U.S. Dollar   | \$ 24,345 | \$ 522,182   | \$ 546,527 | \$ 1,217   | \$ 26,109    | \$ 27,326 |
| % of Net Assets<br>Attributable to Holders<br>of Redeemable Units | 0.1       | 1.7          | 1.8        | –  | 0.1          | 0.1       |

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

### 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 that 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.

|   | <b>Total Exposure</b> |                |
|---|-----------------------|----------------|
| <b>Terms to maturity</b>  | <b>2025</b>           | <b>2024</b>    |
|   | <b>\$</b>             | <b>\$</b>      |
| 1-3 years   | –                     | 258,118        |
| 3-5 years   | 374,700               | 712,671        |
| Over 5 years  | –                     | –              |
| <b>Total</b>  | <b>374,700</b>        | <b>970,789</b> |
| <b>Impact on net assets attributable to holders of redeemable units</b>     | <b>15,750</b>         | <b>27,195</b>  |
| <b>Impact on net assets attributable to holders of redeemable units (%)</b> | <b>0.0%</b>           | <b>0.1%</b>    |

### 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 December 31, 2025, 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 \$1,476,120 and would represent 4.2% of the net assets attributable to holders of redeemable units of the Fund (2024 – \$1,301,147 representing 4.3%).

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

### 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           | Percentage of portfolio |       |
|--------------------------|-------------------------|-------|
|                          | 2025                    | 2024  |
| <b>Investments owned</b> |                         |       |
| Basic Materials          | 10.9                    | 9.5   |
| Communications           | 3.9                     | 3.7   |
| Consumer, Cyclical       | 2.8                     | 4.4   |
| Consumer, Non-cyclical   | 6.4                     | 3.6   |
| Energy                   | 15.7                    | 19.1  |
| Financial                | 34.0                    | 30.6  |
| Funds                    | 8.2                     | 7.8   |
| Industrial               | 9.5                     | 10.5  |
| Technology               | 5.2                     | 4.6   |
| Utilities                | 3.4                     | 6.2   |
| Warrants                 | —*                      | —*    |
| Total net investments    | 100.0                   | 100.0 |

| Asset class weighting    | Percentage of net assets |       |
|--------------------------|--------------------------|-------|
|                          | 2025                     | 2024  |
| <b>Investments owned</b> |                          |       |
| Fixed Income             | 1.1                      | 3.2   |
| Equity                   | 98.7                     | 94.8  |
| Warrants                 | —*                       | —*    |
| Other net assets         | 0.2                      | 2.0   |
| Total net investments    | 100.0                    | 100.0 |

\* Value shown as "-" is percentage that round to zero.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

### Fair value measurement

The carrying amounts of accrued income receivable, subscription receivable, prepaid expenses, other assets, distributions payable, accrued liabilities, management fees payable and redemptions payable 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).

December 31, 2025:

|               | Level 1       | Level 2    | Level 3 | Total         |
|---------------|---------------|------------|---------|---------------|
| <b>Assets</b> |               |            |         |               |
| Equities      | \$ 34,747,940 | \$ –       | \$ –    | \$ 34,747,940 |
| Fixed Income  | –             | 374,700    | –       | 374,700       |
| Warrants      | 23,075        | –          | –       | 23,075        |
|               | \$ 34,771,015 | \$ 374,700 | \$ –    | \$ 35,145,715 |

December 31, 2024:

|               | Level 1       | Level 2    | Level 3 | Total         |
|---------------|---------------|------------|---------|---------------|
| <b>Assets</b> |               |            |         |               |
| Equities      | \$ 28,935,426 | \$ –       | \$ –    | \$ 28,935,426 |
| Fixed Income  | –             | 970,789    | –       | 970,789       |
| Warrants      | 5,200         | –          | –       | 5,200         |
|               | \$ 28,940,626 | \$ 970,789 | \$ –    | \$ 29,911,415 |

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.

There was no significant change in levels during the years ended December 31, 2025 and 2024.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 7 Bank indebtedness

The Fund has bank indebtedness in the form of margin debt. The maximum amount authorized by this lending arrangement is based on the securities held by the Fund. The margin debt is guaranteed dollar for dollar by a security held by the Fund. Any outstanding balance in the margin account accrued interest on a daily basis at a rate of the Bank of Canada prime rate plus 0.65%. As at December 31, 2025, margin debt was \$nil (2024 – \$nil).

### 8 Redeemable units

During the years ended December 31, 2025 and 2024, the number of units issued, redeemed and outstanding were as follows:

|                          | Redeemable<br>Units, beginning of<br>year | Redeemable<br>Units Issued | Redemption of<br>Redeemable<br>Units | Reinvestments<br>of Units | Redeemable<br>Units, end of<br>year |
|--------------------------|---|----------------------------|--------------------------------------|---------------------------|-------------------------------------|
| <b>December 31, 2025</b> |   |                            |                                      |                           |                                     |
| Series A                 | 3,208,389                                 | 215,392                    | (215,595)                            | 70,050                    | 3,278,236                           |
| Series F                 | 787,614                                   | 37,452                     | (158,532)                            | 12,895                    | 679,429                             |
| <b>December 31, 2024</b> |   |                            |                                      |                           |                                     |
| Series A                 | 3,118,688                                 | 215,654                    | (222,321)                            | 96,368                    | 3,208,389                           |
| Series F                 | 851,733                                   | 24,295                     | (113,141)                            | 24,727                    | 787,614                             |

During the year ended December 31, 2025, redeemable units of Series A and Series F were in issuance.

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 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.

## 9 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 year ended December 31, 2025 amounted to \$498,881 and \$nil, respectively (2024 – \$445,181 and \$nil, respectively), with \$1,319 in outstanding fees due to the Manager as at December 31, 2025 (2024 advance paid to the Manager - \$176).

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 year, the Manager did not waive any fees (2024 – did not waive any fees).

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

(expressed in Canadian dollars)

### Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2025 amounted to \$11,968 (2024 – \$12,001) and consisted only of fixed fees.

## 10 Brokerage commissions and soft dollars

The total commissions paid by the Fund to brokers in connection with portfolio transactions for the years ended December 31, 2025 and 2024, 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 that 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 years ended December 31, 2025 and 2024 is disclosed below:

|   |    | 2025  | 2024     |
|---|----|-------|----------|
| Soft dollars                              | \$ | 3,776 | \$ 3,150 |
| Percentage of total transaction costs (%) |    | 11%   | 11%      |

## 11 Increase in net assets attributable to holders of redeemable units per series per unit

The increase in net assets attributable to holders of redeemable units per series for the years ended December 31, 2025 and 2024 is calculated as follows:

|                          | Increase in net assets attributable to holders of redeemable units per series | Weighted average of redeemable units outstanding during the year | Increase in net assets attributable to holders of redeemable units per series per unit |
|--------------------------|---|--|--|
| <b>December 31, 2025</b> |   |  |  |
| Series A                 | \$ 4,689,148  | 3,252,023  | \$ 1.44  |
| Series F                 | 1,192,005   | 723,320  | 1.65   |
| <b>December 31, 2024</b> |   |  |  |
| Series A                 | \$ 3,201,023  | 3,111,017  | \$ 1.03  |
| Series F                 | 988,290   | 823,332  | 1.20   |

# Palos Equity Income Fund

## Notes to Financial Statements

December 31, 2025 and 2024

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(expressed in Canadian dollars)

### 12 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 December 31, 2025 were \$nil (2024 – \$nil).