



2025 ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

PALOS EQUITY INCOME FUND

FOR THE ANNUAL PERIOD ENDED DECEMBER 31, 2025

Portfolio Manager
Palos Wealth Management Inc. ("Palos")

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This annual management report of fund performance ("MRFP") 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 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 affecting the Fund's performance and outlook. The Fund is a mutual fund managed and advised by Palos Wealth Management Inc. (the "Manager")¹.

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 December 31, 2025, the Palos Equity Income Fund Series A (PAL101) posted a total return of 19.4% per unit, net of fees and expenses. Series F (PAL102) generated a total return of 20.4% per unit. 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 meet 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 31.7% for the 12-month period ending December 31, 2025. The total return per unit for the Palos Equity Income Fund Series A (PAL101), including distributions, was 19.4%. Both Series A and Series F funds underperformed the benchmark, which delivered a total return of 31.7%. It is important to note that the Palos Equity Income Fund (PAL101) maintains a target fixed income allocation of 10.0%. As of December 31, 2025, the Fund's fixed income allocation was on target at 9.2%.

Sector Performance

The strongest performing sectors in Canada on a total return basis were Materials at 100.7%, Financials at 35.3% and Consumer Discretionary at 31.0%. The weakest sectors were Health Care at 0.4%, Industrials at 3.1%, and Real Estate at 4.2%.

The Materials sector continued its strong momentum throughout the year, with a strong performance supported by multiple factors. Interest rates continuing to decrease through the first half of the year was a significant catalyst for this capital-intensive sector, which benefits greatly from lower borrowing costs and sticky inflation figures. In addition, prices for precious metals such as gold and silver skyrocketed which allowed the sector's mining stocks to flourish. Safe to say that the index benefited from its overweight exposure to precious and base metals, which was a key contributor to the outperformance. Within the Fund, the top-performing names in the sector were Equinox Gold, up 166.4%, K92 Mining, up 161.4%, and Franco-Nevada, up 69.9% for the year. The Fund's sector holdings percentage increased from 7.9% to 10.1% over the course of the full year largely due to the sector's superior performance. Materials accounted for 6.04% of the Fund's overall return for the period.

Financials continue to be the Fund's highest weighted sector, with a 25.9% weighting at year-end. The top holdings within the sector were Royal Bank of Canada (4.6%), CIBC Bank (4.4%), TD Bank (4.5%), and Bank of Montreal (4.2%). The 2025 return for the S&P/TSX Banks Sub-Index was 45.5% including dividends. Even during a declining rate environment which saw the policy rate decrease a full 100 basis points over the course of the year, Canadian banks continue to post strong 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. TD Bank’s turnaround story and strong 2025 performance contributed 2.48% to the Fund’s total return, representing the largest contribution within the Financials sector. This contribution accounted for 8.47% of the Fund’s overall return for the period.

In the Energy sector, the Fund benefited from healthy upstream activity in Canada, as well as strong performance from many players in the space. Tamarack Valley Energy and Headwater Exploration contributed 1.02% and 0.61%, respectively, to the overall performance of the Fund with their exposure as direct oil producers. CES Energy Solutions, a key supplier to oil and gas producers, underperformed the sector for much of the year but finished strong due to increased activity, ultimately becoming one of the Fund’s strongest positions in the sector. Overall, the sector’s strong return attributed 3.40% to the Fund’s total performance for the period.

Diversification

The Fund remained well diversified across all eleven sectors throughout 2025. At year-end, the largest sector exposures were Financials, Energy, and Industrials, reflecting the Fund’s focus on income generation, balance sheet strength, and exposure to real-economy activity. Precious metals and materials also played an increasingly important role as the year progressed, driven by strong commodity prices and heightened demand for safe-haven assets.

As of December 31, 2025, the Fund held over seventy-five equity positions, maintaining broad diversification at the issuer level. Fixed income exposure remained a modest component of the portfolio, providing liquidity and stability during periods of market volatility. This allocation included short-duration federal and corporate bond ETFs, convertible debentures, and a high-interest savings ETF.

The Fund’s fixed income holdings continued to emphasize capital preservation and flexibility rather than yield maximization.

Overall, diversification remained a key pillar of the Fund’s risk management approach, helping to mitigate sector-specific volatility while allowing participation in long-term structural trends.

Recent Developments

A Year of Political Noise and Market Resilience

2025 was marked by unusually high political and geopolitical uncertainty, particularly in the second half of the year. Despite this backdrop, equity markets proved resilient, supported by easing inflation, declining interest rates, and strong performance in select sectors.

In the United States, the re-emergence of aggressive trade policy became a defining theme. The imposition of new tariffs on Canadian goods, alongside renewed rhetoric around trade and industrial policy, weighed on cross-border relations and contributed to softer economic growth in Canada. Canadian GDP contracted in the second quarter, and growth remained subdued through the remainder of the year as exports, business investment, and consumer activity adjusted to a more challenging trade environment.

At the same time, several policy developments helped reduce uncertainty for investors. Most notably, Section 899 was removed from the U.S. tax reform bill following discussions among G7 partners. This provision had threatened to override elements of the Canada–U.S. tax treaty and impose new taxes on Canadian pension plans, public entities, and businesses operating in the United States. Its removal brought meaningful relief to Canadian investors and institutions and improved clarity for cross-border investment planning.

Inflation and Interest Rate Trends

Central Banks Shift Toward Support

Inflation continued to ease gradually in both Canada and the United States over the course of 2025. While services inflation

remained elevated at times, overall price pressures moderated enough to allow central banks to pivot toward a more supportive stance.

In Canada, economic growth weakened materially, with rising unemployment and subdued consumer demand. In response, the Bank of Canada cut interest rates during the second half of the year, lowering its policy rate to support growth and ease financial conditions. The Bank emphasized that trade uncertainty and slowing activity warranted a cautious but flexible approach, leaving the door open to further adjustments should conditions deteriorate.

In the United States, the Federal Reserve also shifted policy, delivering rate cuts later in the year as labour market momentum slowed and inflation moved closer to target. While political pressure on the Federal Reserve intensified, policymakers framed their actions as risk-management decisions aimed at sustaining the economic expansion rather than responding to short-term market volatility.

Lower interest rates provided support to both equity and fixed income markets and contributed to improved investor sentiment toward income-oriented and defensive assets.

Politics and Policy

Diverging Paths in Canada and the United States

Political developments played a central role in shaping market expectations throughout the year.

In Canada, Prime Minister Mark Carney advanced an ambitious economic agenda focused on infrastructure, housing, energy security, and trade diversification. The federal government introduced significant new spending commitments, resulting in larger projected deficits while also channeling investment toward sectors critical to long-term productivity and competitiveness. Key initiatives included major infrastructure projects, housing development on federal lands, and efforts to expand Canada's export footprint beyond the United States.

In the United States, policy remained focused on tariffs, industrial strategy, and fiscal expansion. The passage of a large federal budget bill extended tax cuts and reinforced spending priorities, while trade policy continued to inject uncertainty into global markets. Late in the year, geopolitical developments and shifting alliances further reinforced investor demand for safe-haven assets.

Despite differing policy approaches, both countries entered 2026 with a focus on stabilizing growth amid ongoing global uncertainty.

The Canadian Market

Strong Performance Beneath the Surface

Canadian equity markets delivered exceptionally strong performance in 2025, with the S&P/TSX Composite posting one of its best annual returns in decades. Gains were driven largely by strength in commodities, particularly gold and silver, as well as solid contributions from banks and select technology companies.

Precious metals benefited from a combination of central bank buying, geopolitical risk, and concerns about fiscal sustainability globally. Gold prices reached record levels late in the year, significantly boosting the materials sector and helping offset weakness in tariff-sensitive areas such as energy and industrials.

Market leadership, however, remained concentrated. While headline index returns were strong, gains were driven by a relatively narrow group of sectors and companies. This dynamic reinforced the importance of selectivity and diversification within portfolios.

Sector Views

Precious Metals and Materials

Gold and silver were among the strongest performers in 2025. Demand was supported by central bank diversification away from the U.S. dollar, rising geopolitical risk, and strong industrial usage, particularly for silver. Earnings growth in the Materials sector accelerated meaningfully in the second half of the year, positioning it as a key contributor to Canadian equity market performance.

Financials

Canadian banks delivered resilient results, supported by strength in wealth management and capital markets activities. While personal and commercial lending faced headwinds from slower economic growth, balance sheets remained strong, and capital levels continued to support dividends and long-term stability.

Energy

The energy sector faced renewed pressure from trade-related uncertainty and tariffs in the second half of the year. While long-term fundamentals tied to energy security and infrastructure remain intact, near-term performance was challenged by policy and pricing dynamics.

Technology

Technology performance was mixed. Areas tied to artificial intelligence and infrastructure investment remained attractive, while other segments experienced periods of volatility. Select companies delivered solid earnings growth despite broader sector rotations.

Looking Ahead

The investment environment entering 2026 reflects many of the themes that shaped 2025, such as elevated government spending, shifting trade relationships, geopolitical uncertainty, and a gradual easing of monetary policy.

While risks remain, including trade negotiations, fiscal pressures, and concentrated market leadership, the broader backdrop remains constructive. Lower interest rates, ongoing infrastructure investment, and structural demand for commodities and critical materials provide a supportive foundation for long-term investors.

The Fund remains focused on high-quality companies, sustainable income, and diversification across sectors and themes. Ongoing engagement with management teams continues to inform portfolio positioning, and the Fund remains disciplined in navigating evolving market conditions to optimize investment outcomes for unitholders.

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

SGGG 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⁾	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	0.24	0.23	0.23	0.19	0.17	0.16
Total expenses	(0.22)	(0.19)	(0.19)	(0.19)	(0.20)	(0.15)
Realized gain (loss) for the period	0.45	0.38	0.36	0.10	0.82	0.20
Unrealized gain (loss) for the period	0.97	0.61	0.10	(0.73)	0.61	0.52
Total increase (decrease) from operations ⁽²⁾	1.44	1.03	0.50	(0.63)	1.40	0.73
Distributions:						
From net income (excluding dividends)	-	-	-	-	-	-
From dividends	-	(0.01)	(0.01)	-	-	(0.01)
From capital gains	(0.20)	(0.25)	(0.26)	(0.04)	(0.54)	(0.01)
Return of capital	-	-	-	(0.06)	-	(0.08)
Total Annual Distributions ⁽³⁾	(0.20)	(0.26)	(0.27)	(0.10)	(0.54)	(0.10)
Net assets, end of period	\$8.74	\$7.50	\$6.74	\$6.51	\$7.24	\$6.38

Ratios and Supplemental Data

Total Net Asset Value (\$000's) ⁽¹⁾	\$ 28,647	\$ 24,060	\$ 21,010	\$ 20,332	\$ 22,005	\$ 17,924
Number of units outstanding (000's)	3,278	3,208	3,119	3,124	3,038	2,808
Management expense ratio ⁽²⁾	2.73%	2.60%	2.68%	2.64%	2.62%	2.66%
Management expense ratio before waivers or absorptions	2.73%	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⁾	2.84%	NA	NA	NA	NA	NA
Portfolio turnover rate	51.83%	41.98%	72.61%	67.39%	68.29%	97.73%
Net Asset Value per Unit	\$8.74	\$7.50	\$6.74	\$6.51	\$7.24	\$6.38

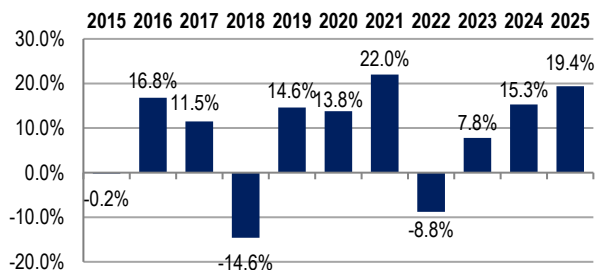
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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 December 31, 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	19.4%	14.0%	10.5%	9.1%	7.1%
S&P/TSX Composite TR Index	31.7%	21.4%	16.1%	12.7%	8.8%

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⁾	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	0.26	0.26	0.24	0.21	0.19	0.18
Total expenses	(0.16)	(0.14)	(0.15)	(0.14)	(0.16)	(0.12)
Realized gain (loss) for the period	0.48	0.42	0.39	0.12	0.91	0.15
Unrealized gain (loss) for the period	1.07	0.66	0.13	(0.85)	0.68	0.20
Total increase (decrease) from operations ⁽²⁾	1.65	1.20	0.61	(0.66)	1.62	0.42
Distributions:						
From net income (excluding dividends)	-	-	-	-	-	-
From dividends	-	(0.04)	(0.03)	-	-	(0.02)
From capital gains	(0.22)	(0.28)	(0.29)	(0.05)	(0.78)	(0.01)
Return of capital	-	-	-	(0.05)	-	(0.07)
Total Annual Distributions ⁽³⁾	(0.22)	(0.32)	(0.32)	(0.10)	(0.78)	(0.10)
Net assets, end of period	\$9.64	\$8.20	\$7.34	\$7.05	\$7.77	\$6.96

Ratios and Supplemental Data

Total Net Asset Value (\$000's) ⁽¹⁾	\$ 6,549	\$ 6,461	\$ 6,253	\$ 6,436	\$ 7,723	\$ 7,252
Number of units outstanding (000's)	679	788	852	913	994	1,042
Management expense ratio ⁽²⁾	1.86%	1.74%	1.82%	1.78%	1.77%	1.81%
Management expense ratio before waivers or absorptions	1.86%	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⁾	1.97%	NA	NA	NA	NA	NA
Portfolio turnover rate	51.83%	41.98%	72.61%	67.39%	68.29%	97.73%
Net Asset Value per Unit	\$9.64	\$8.20	\$7.34	\$7.05	\$7.77	\$6.96

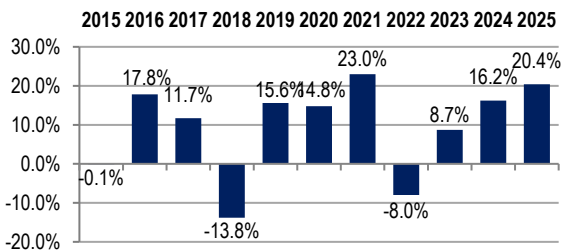
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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 shows 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 December 31, 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	20.4%	15.0%	11.5%	10.0%	9.3%
S&P/TSX Composite TR Index	31.7%	21.4%	16.1%	12.7%	8.8%

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 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	10.9%
Communications	3.9%
Consumer, Cyclical	2.8%
Consumer, Non-cyclical	6.4%
Energy	15.6%
Financial	33.9%
Funds	8.1%
Industrial	9.5%
Technology	5.2%
Utilities	3.3%
Cash	0.4%
Total	100.0%

Portfolio Long/Short Breakdown (%)

Long positions	99.6%
Short positions	0.0%
Cash	0.4%
Total	100.0%

Asset Class Weightings (%)

Common Stocks	98.4%
Fixed Income	1.1%
Warrants	0.1%
Cash	0.4%
Total	100.0%

Top 25 Holdings (%)

Royal Bank of Canada	4.6%
The Toronto-Dominion Bank	4.5%
Canadian Imperial Bank of Commerce	4.4%
Bank of Montreal	4.2%
Purpose High Interest Savings ETF	3.2%
National Bank of Canada	2.7%
BMO Short Federal Bond Index ETF	2.6%
BMO Short Corporate Bond Index ETF	2.4%
TFI International Inc.	2.1%
Rogers Communications Inc.	1.9%
Canadian Natural Resources Ltd.	1.7%
Thomson Reuters Corp.	1.7%
Shopify Inc.	1.6%
Franco-Nevada Corp.	1.5%
Tamarack Valley Energy Ltd.	1.5%
Topaz Energy Corp.	1.5%
Capstone Copper Corp.	1.5%
Canadian Pacific Kansas City Ltd.	1.4%
CES Energy Solutions Corp.	1.4%
Headwater Exploration Inc.	1.4%
AltaGas Ltd.	1.3%
Tourmaline Oil Corp.	1.3%
Secure Waste Infrastructure Corp.	1.3%
Brookfield Corp.	1.3%
K92 Mining Inc.	1.3%
Top 25 Holdings	54.3%

The total Net Asset Value of the Fund as at December 31, 2025 was \$35.2 million.

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

- (1) This information is derived from the Fund's audited 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 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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ⁱ 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.