Palos Equity Income Fund

Interim Financial Statements (unaudited)
June 30, 2026 and 2025
(expressed in Canadian dollars)

Palos Equity Income Fund

Notice

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

Palos Equity Income Fund

Statements of Financial Position (unaudited)

(expressed in Canadian dollars)

As at June 30, 2026 and December 31, 2025

	June 30, 2026	December 31, 2025
ASSETS		
Current assets		
Cash	$ 317,009	$ 135,762
Investments at fair value through profit or loss (FVTPL)	39,354,087	35,145,715
Accrued income receivable	90,757	93,476
Subscription receivable	45,850	–
Receivable from investments sold	195,088	–
Prepaid expenses	1,528	4,665
	40,004,319	35,379,618
LIABILITIES		
Current liabilities		
Investments sold short at fair value through profit or loss (FVTPL)	31,700	–
Distributions payable	13,106	74,886
Accrued liabilities	49,046	91,572
Management fees payable	–	1,319
Redemptions payable	74,931	15,965
	168,783	183,742
Net assets attributable to holders of redeemable units	$ 39,835,536	$ 35,195,876
Net assets attributable to holders of redeemable units per series		
Series A	$ 32,861,135	$ 28,647,159
Series F	6,974,401	6,548,717
	$ 39,835,536	$ 35,195,876
Net assets attributable to holders of redeemable units per series per unit		
Series A	$ 9.79	$ 8.74
Series F	10.85	9.64

Approved by the Manager, Palos Wealth Management Inc.

(s) Alain Lizotte Director (s) Philippe Marleau Director

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

Palos Equity Income Fund

Statements of Comprehensive Income (unaudited)

(expressed in Canadian dollars)

For the periods ended June 30, 2026 and 2025

	2026	2025
Income		
Dividend income	$ 366,876	$ 392,451
Interest income for distribution purposes	66,464	118,327
Net realized gain on sale of investments	3,058,341	764,098
Net change in unrealized appreciation of investments	1,441,043	1,058,421
Early redemption fees	–	133
Tax refund	–	12,156
	4,932,724	2,345,586
Expenses		
Management fees (Note 9)	293,825	233,904
Administration and other professional fees	71,107	78,452
Transaction costs (Note 10)	20,131	17,275
Legal fees	19,781	19,781
Bank charges and interest	10,920	7,790
Trustee fees	7,846	7,848
Independent review committee fees	5,935	5,935
Audit fees (Note 5)	4,362	26,953
Withholding tax expense	228	82
	434,135	398,020
Increase in net assets attributable to holders of redeemable units	$ 4,498,589	$ 1,947,566
Increase in net assets attributable to holders of redeemable units per series (Note 11)		
Series A	$ 3,658,150	$ 1,535,466
Series F	840,439	412,100
	$ 4,498,589	$ 1,947,566
Increase in net assets attributable to holders of redeemable units per series per unit (Note 11)		
Series A	$ 1.10	$ 0.47
Series F	1.26	0.55

Palos Equity Income Fund

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

(expressed in Canadian dollars)

For the periods ended June 30, 2026 and 2025

	Net assets attributable to holders of redeemable units, beginning of period	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 period
June 30, 2026							
Series A	$ 28,647,159	$ 1,018,116	$ (444,063)	$ (166,681)	$ 148,454	$ 3,658,150	$ 32,861,135
Series F	6,548,717	19,975	(426,558)	(33,007)	24,835	840,439	6,974,401
	$ 35,195,876	$ 1,038,091	$ (870,621)	$ (199,688)	$ 173,289	$ 4,498,589	$ 39,835,536

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2026 were $nil and $nil, respectively.

	Net assets attributable to holders of redeemable units, beginning of period	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 period
June 30, 2025							
Series A	$ 24,059,745	$ 920,351	$ (602,857)	$ (163,636)	$ 144,313	$ 1,535,466	$ 25,893,382
Series F	6,460,522	139,272	(511,964)	(37,161)	28,650	412,100	6,491,419
	$ 30,520,267	$ 1,059,623	$ (1,114,821)	$ (200,797)	$ 172,963	$ 1,947,566	$ 32,384,801

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2025 were $30,702 and $(30,702), respectively.

Palos Equity Income Fund

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

(expressed in Canadian dollars)

For the periods ended June 30, 2026 and 2025

***Detailed distributions to holders of redeemable units

		From net realized gains on investments and derivatives		Total distributions to unitholder
June 30, 2026				
Series A	$	(166,681)	$	(166,681)
Series F		(33,007)		(33,007)
	$	(199,688)	$	(199,688)
June 30, 2025				
Series A	$	(163,636)	$	(163,636)
Series F		(37,161)		(37,161)
	$	(200,797)	$	(200,797)

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

Palos Equity Income Fund

Statements of Cash Flows (unaudited)
(expressed in Canadian dollars)
For the periods ended June 30, 2026 and 2025

	2026	2025
Cash provided by (used in):		
Operating Activities		
Increase in net assets attributable to holders of redeemable units	$ 4,498,589	$ 1,947,566
Adjustments for non-cash items		
Net realized gain on sale of investments	(3,058,341)	(764,098)
Net change in unrealized appreciation of investments	(1,441,043)	(1,058,421)
Foreign exchange gain on cash	(128)	(78)
Change in non-cash balances		
Decrease (increase) in accrued income receivable	2,719	(53,789)
Decrease (increase) in prepaid expenses	3,137	(9,341)
Decrease in other assets	–	4,256
Decrease in accrued liabilities	(42,526)	(32,390)
Decrease in management fees payable	(1,319)	–
Proceeds from sale of investments	10,608,526	6,637,680
Purchase of investments	(10,480,902)	(6,048,626)
Cash provided by operating activities	88,712	622,759
Financing Activities		
Proceeds from issuance of redeemable units	992,241	997,921
Amount paid on redemption of redeemable units	(811,655)	(1,084,119)
Distributions to holders of redeemable units, net of reinvested distributions	(88,179)	(129,763)
Cash provided by (used in) financing activities	92,407	(215,961)
Increase in cash during the period	181,119	406,798
Foreign exchange gain on cash	128	78
Cash, beginning of period	135,762	727,590
Cash, end of period	$ 317,009	$ 1,134,466
Supplemental information*		
Interest paid	$ 452	$ 60
Interest received	66,558	116,711
Dividends received, net of withholding taxes	369,272	340,196

*Included as a part of cash flows from operating activities

Palos Equity Income Fund

Schedule of Investment Portfolio as at June 30, 2026 (unaudited)

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Investments owned (98.79%)				
Equities (97.83%)				
Basic Materials (10.64%)				
Agnico Eagle Mines Ltd.	CAD	1,820	$ 180,752	$ 401,055
Americas Gold & Silver Corp.	CAD	24,000	180,089	161,040
Aya Gold & Silver Inc.	CAD	4,000	87,001	107,440
Blue Moon Metals Inc.	CAD	16,000	149,472	144,000
Capstone Copper Corp.	CAD	34,700	416,867	452,141
Equinox Gold Corp.	CAD	32,700	435,188	451,914
Franco-Nevada Corp.	CAD	1,680	294,168	497,162
G Mining Ventures Corp.	CAD	3,400	124,950	141,202
Hudbay Minerals Inc.	CAD	3,300	82,762	110,517
K92 Mining Inc.	CAD	19,527	198,685	434,671
North American Construction Group Ltd.	CAD	12,380	306,946	233,487
Nouveau Monde Graphite Inc.	USD	56,805	139,975	121,037
Russel Metals Inc.	CAD	7,400	294,672	445,110
Vizsla Silver Corp.	CAD	28,000	138,207	130,480
Wheaton Precious Metals Corp.	CAD	2,570	183,535	410,018
Total Basic Materials			3,213,269	4,241,274
Communications (3.76%)				
Groupe Dynamite Inc.	CAD	7,100	381,291	380,134
Rogers Communications Inc.	CAD	13,050	682,737	602,127
Thomson Reuters Corp.	CAD	4,438	806,911	514,098
Total Communications			1,870,939	1,496,359
Consumer, Cyclical (2.56%)				
ADENTRA Inc.	CAD	12,600	402,091	486,990
Canadian Tire Corp Ltd.	CAD	2,000	272,955	390,700
Stingray Group Inc.	CAD	9,500	146,490	142,025
Total Consumer, Cyclical			821,536	1,019,715
Consumer, Non-cyclical (7.12%)				
Boyd Group Services Inc.	CAD	3,300	606,919	443,157
Colliers International Group Inc.	CAD	3,000	433,447	399,270
Green Thumb Industries Inc.	CAD	30,900	340,566	347,625
High Tide Inc.	CAD	45,000	177,106	145,350
K-Bro Linen Inc.	CAD	8,300	289,593	359,058
KITS Eyecare Ltd.	CAD	26,100	303,374	364,095
Premium Brands Holdings Corp.	CAD	5,050	426,608	424,705
Sienna Senior Living Inc.	CAD	16,150	256,797	353,524
Total Consumer, Non-cyclical			2,834,410	2,836,784

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Energy (15.23%)				
Canadian Natural Resources Ltd.	CAD	11,700	$ 391,336	$ 656,604
CES Energy Solutions Corp.	CAD	28,400	129,283	470,588
Enbridge Inc.	CAD	5,400	241,059	415,314
Headwater Exploration Inc.	CAD	41,500	247,997	490,945
Keyera Corp.	CAD	10,320	338,265	587,930
Secure Waste Infrastructure Corp.	CAD	25,100	237,476	556,216
Tamarack Valley Energy Ltd.	CAD	46,000	183,403	569,020
TC Energy Corp.	CAD	4,600	206,734	432,032
Topaz Energy Corp.	CAD	17,600	352,562	524,128
Tourmaline Oil Corp.	CAD	7,920	385,494	469,656
Trican Well Service Ltd.	CAD	66,300	265,216	445,536
Whitecap Resources Inc.	CAD	30,400	471,053	447,792
Total Energy			3,449,878	6,065,761
Financial (31.81%)				
Alaris Equity Partners Income	CAD	15,000	199,021	358,500
Bank of Montreal	CAD	7,206	804,782	1,806,328
Brookfield Asset Management Ltd.	CAD	4,300	209,808	273,566
Brookfield Corp.	CAD	7,450	236,094	450,800
BSR Real Estate Investment Trust	USD	16,400	231,957	272,566
Canadian Imperial Bank of Commerce	CAD	10,345	536,788	1,689,545
Dream Industrial Real Estate Investment Trust	CAD	32,305	384,394	451,947
FirstService Corp.	CAD	2,200	450,452	443,674
Flagship Communities REIT	USD	12,600	209,185	377,654
Hydreight Technologies Inc.	CAD	19,800	80,812	94,446
Intact Financial Corp.	CAD	1,650	432,716	482,972
Killam Apartment Real Estate Investment Trust	CAD	19,000	327,996	352,450
National Bank of Canada	CAD	4,910	329,605	1,099,398
Primaris REIT	CAD	23,800	356,972	530,026
Royal Bank of Canada	CAD	5,740	493,551	1,685,723
StorageVault Canada Inc.	CAD	77,120	288,848	359,379
The Toronto-Dominion Bank	CAD	9,674	537,407	1,668,185
Trisura Group Ltd.	CAD	6,200	205,051	275,094
Total Financial			6,315,439	12,672,253
Funds (4.94%)				
BMO Short Corporate Bond Index ETF	CAD	60,927	785,916	852,978
BMO Short Federal Bond Index ETF	CAD	64,930	860,730	903,176
Purpose High Interest Savings ETF	CAD	4,200	210,361	210,084
Total Funds			1,857,007	1,966,238

Palos Equity Income Fund

Schedule of Investment Portfolio as at June 30, 2026 (unaudited) (continued)

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Industrial (11.12%)				
AtkinsRealis Group Inc.	CAD	1,400	$ 115,282	$ 123,312
ATS Corp.	CAD	3,600	145,520	147,168
Canadian Pacific Kansas City Ltd.	CAD	4,995	333,374	614,185
CCL Industries Inc.	CAD	3,710	194,012	343,064
GFL Environmental Inc.	CAD	5,900	229,716	307,685
Kraken Robotics Inc.	CAD	5,000	42,500	31,850
MDA Space Ltd.	CAD	7,960	262,380	466,456
Mullen Group Ltd.	CAD	25,200	316,403	547,848
TFI International Inc.	CAD	4,245	526,408	866,617
Waste Connections Inc.	CAD	2,100	502,265	496,419
WSP Global Inc.	CAD	2,750	610,212	483,588
Total Industrial			3,278,072	4,428,192
Technology (5.85%)				
CGI Inc.	CAD	6,400	651,239	586,688
Kinaxis Inc.	CAD	2,790	385,792	424,833
Shopify Inc.	CAD	4,150	448,248	673,379
The Descartes Systems Group Inc.	CAD	3,200	309,848	314,336
Vitalhub Corp.	CAD	46,500	499,338	331,545
Total Technology			2,294,465	2,330,781
Utilities (4.80%)				
Algonquin Power & Utilities Corp.	CAD	18,000	149,098	150,120
AltaGas Ltd.	CAD	10,900	313,896	571,051
Brookfield Infrastructure Corp.	CAD	7,025	370,190	384,197
Capital Power Corp.	CAD	10,920	525,605	807,097
Total Utilities			1,358,789	1,912,465
Total Equities			27,293,804	38,969,822
Fixed Income (0.96%)				
Financial (0.96%)				
Alaris Equity Partners Income 6.50% 30JUN30	CAD	350,000	350,000	384,265
Total Financial			350,000	384,265
Total Fixed Income			350,000	384,265

Palos Equity Income Fund

Schedule of Investment Portfolio as at June 30, 2026 (unaudited) (continued)

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Warrants (0.00%)				
Technology (0.00%)				
Constellation Software Inc. $0 31MAR40	CAD	90	$ –	$ –
HealWELL AI Inc. $2.50 21JAN28	CAD	15,000	–	–
Total Technology			–	–
Total Warrants			–	–
Total investments owned			27,643,804	39,354,087

Description	Currency	Number of shares	Proceeds on short sale	Fair value
Investments sold short (-0.08%)				
Equities (-0.08%)				
Industrial (-0.08%)				
Kraken Robotics Inc.	CAD	(5,000)	(41,912)	(31,700)
Total Industrial			(41,912)	(31,700)
Total Equities			(41,912)	(31,700)
Total investments sold short			(41,912)	(31,700)
Commissions and other portfolio transaction costs			(29,081)	–
Net investments owned (98.71%)			27,572,811	39,322,387
Other assets, net (1.29%)				513,149
Net Assets Attributable to Holders of Redeemable Units (100%)				**39,835,536**

(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 period ended June 30, 2026, 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. 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 August 27, 2026.

2 Basis of presentation

These financial statements are prepared in accordance with International Financial Reporting Standards and International Accounting Standard 34 as issued by the International Accounting Standards Board (IFRS Accounting Standards).

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).

(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.

(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.

(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 period.

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.

(expressed in Canadian dollars)

New standards and amendments to existing standards effective January 1, 2026

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2026. 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)

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. Among other amendments, the IASB clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.

The Manager has assessed the new standard and determined that there is no impact on the Fund's financial statements.

New standards, amendments and interpretations effective after January 1, 2027 and that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2027, 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) 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.

(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).

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 June 30, 2026, all investments in fixed income were non-rated (December 31, 2025 – non-rated).

(expressed in Canadian dollars)

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.

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.

			June 30, 2026
Financial liabilities	**On demand** **$**	**< 3 months** **$**	**Total** **$**
Distributions payable	–	13,106	13,106
Accrued liabilities	–	49,046	49,046
Redemptions payable	–	74,931	74,931
Redeemable units	39,835,536	–	39,835,536

(expressed in Canadian dollars)

	December 31, 2025		
Financial liabilities	**On demand** $	**< 3 months** $	**Total** $
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

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

Market risk

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

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

a) Currency risk

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

The table below indicates the foreign currencies to which the Fund had significant exposure as at June 30, 2026 and December 31, 2025, 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.

(expressed in Canadian dollars)

	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
June 30, 2026						
U.S. Dollar	$ (7,613)	$ 771,257	$ 763,644	$ (381)	$ 38,563	$ 38,182
% of Net Assets Attributable to Holders of Redeemable Units	0.0	1.9	1.9	0.0	0.1	0.1

	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
December 31, 2025						
U.S. Dollar	$ 2,014	$ 627,900	$ 629,914	$ 101	$ 31,395	$ 31,496
% of Net Assets Attributable to Holders of Redeemable Units	0.0	1.8	1.8	0.0	0.1	0.1

(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.

	Total Exposure	
Terms to maturity	**June 30, 2026 $**	**December 31, 2025 $**
1-3 years	–	–
3-5 years	384,265	374,700
Over 5 years	–	–
Total	384,265	374,700
Impact on net assets attributable to holders of redeemable units	14,000	15,750
Impact on net assets attributable to holders of redeemable units (%)	0.0%	0.0%

c) Price risk

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

As at June 30, 2026, 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 $1,612,218 and would represent 4.0% of the net assets attributable to holders of redeemable units of the Fund (December 31, 2025 – $1,476,120 representing 4.2%).

(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:

	Percentage of portfolio	
Market segment	**June 30, 2026**	**December 31, 2025**
Investments owned		
Basic Materials	10.8	10.9
Communications	3.8	3.9
Consumer, Cyclical	2.6	2.8
Consumer, Non-cyclical	7.2	6.4
Energy	15.4	15.7
Financial	33.2	34.0
Funds	5.0	8.2
Industrial	11.3	9.5
Technology	5.9	5.2
Utilities	4.9	3.4
Warrants	–*	–*
	100.1	100.0
Investments sold short		
Equities	(0.1)	–
	(0.1)	–
Total net investments	100.0	100.0

	Percentage of net assets	
Asset class weighting	**June 30, 2026**	**December 31, 2025**
Investments owned		
Fixed Income	0.9	1.1
Equity	97.8	98.7
Warrants	–*	–*
Other net assets	1.3	0.2
Total net investments	100.0	100.0

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

(expressed in Canadian dollars)

Fair value measurement

The carrying amounts of accrued income receivable, subscription receivable, receivable for investments sold, prepaid expenses, 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).

June 30, 2026:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	$ 38,969,822	$ –	$ –	$ 38,969,822
Fixed Income	–	384,265	–	384,265
	$ 38,969,822	$ 384,265	$ –	$ 39,354,087
Liabilities				
Equities	$ 31,700	$ –	$ –	$ 31,700
	$ 31,700	$ –	$ –	$ 31,700

December 31, 2025:

	Level 1	Level 2	Level 3	Total
Assets				
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

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 period ended June 30, 2026 and year ended December 31, 2025.

(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 June 30, 2026, margin debt was $nil (December 31, 2025 - $nil).

8 Redeemable units

During the periods ended June 30, 2026 and 2025, the number of units issued, redeemed and outstanding were as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2026					
Series A	3,278,236	109,131	(47,728)	15,740	3,355,379
Series F	679,429	1,979	(41,222)	2,382	642,568
June 30, 2025					
Series A	3,208,389	124,193	(82,961)	18,960	3,268,581
Series F	787,614	16,941	(62,479)	3,428	745,504

During the period ended June 30, 2026, redeemable units of Series A and Series F were in issuance.

(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 period ended June 30, 2026 amounted to $293,825 and $nil, respectively (2025 – $233,904 and $nil, respectively), with $970 in advance paid to the Manager as at June, 30, 2026 (December 31, 2025 outstanding fees due to the Manager - $1,319).

The Manager may waive or absorb the operation of management fees of the Fund. The decision to do so is reviewed regularly and is determined at the sole discretion of the Manager. During the period, the Manager did not waive any fees (2025 – did not waive any fees).

(expressed in Canadian dollars)

Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2026 amounted to $5,935 (2025 – $5,935) 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 periods ended June 30, 2026 and 2025, 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 periods ended June 30, 2026 and 2025 is disclosed below:

		2026		2025
Soft dollars	$	2,582	$	7,773
Percentage of total transaction costs (%)		13%		45%

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 periods ended June 30, 2026 and 2025 is calculated as follows:

		Increase in net assets attributable to holders of redeemable units per series	Weighted average of redeemable units outstanding during the period		Increase in net assets attributable to holders of redeemable units per series per unit
June 30, 2026					
Series A	$	3,658,150	3,317,194	$	1.10
Series F		840,439	664,717		1.26
June 30, 2025					
Series A	$	1,535,466	3,253,008	$	0.47
Series F		412,100	754,169		0.55

(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).