PALOS

2026 SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

PALOS EQUITY INCOME FUND

FOR THE PERIOD ENDED JUNE 30, 2026

Portfolio Manager
Palos Wealth Management Inc. (“Palos”)

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This semi-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 interim or annual financial statements at your request, and at no cost, by calling 1-514-397-0188 or toll free 1-855-PALOS-88 (1-855-725-6788), by writing to us at Palos Equity Income Fund, Investor Relations, 1 Place Ville-Marie, Suite 1670, Montréal, Québec H3B 2B6 or by visiting our website at www.palos.ca or SEDAR+ at www.sedarplus.com. Unitholders may also contact us using one of these methods to request a copy of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

A Note on Forward-looking Statements

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

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

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

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

This management discussion of Fund performance represents the management's view of the significant factors and developments during the past six months that have affected the Fund's performance and outlook since December 31, 2025, the Fund's most recent fiscal year-end. The Fund is a mutual fund managed and advised by Palos Wealth Management Inc. (the "Manager"). This report should be read in conjunction with the Annual Management Report of Fund Performance for the year ended December 31, 2025.

Investment Objective and Strategies

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

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

The debt investments held in the Fund are often convertible debentures. Convertible debentures are debt securities that the holder can convert into common stock of the issuing company (or cash at an equivalent value) at a predetermined price. In selecting fixed income securities for the Fund (whether convertible or non-convertible), the Manager considers factors such as the debenture's yield, risk of interest rate fluctuation, credit risk, the issuer's capital structure, credit spread (i.e., the difference between the yield offered by the debenture and by a predetermined risk-free bond, such as Bank of Canada treasury bills with a similar maturity) and the duration (the weighted average of the time periods until the debenture's cash flows are received by the Fund, which measures the debentures' price sensitivity to its yield). Typically, the Manager seeks out bonds or debentures with a high yield compared to their credit risk and relatively low duration. However, the Fund's overall debt portfolio may include bonds or debentures that are outside these parameters, depending on the components of the remainder of the portfolio, and whether the bond has other features, such as a convertibility feature. When evaluating convertible debentures, the Manager engages in an analysis using the above factors, and also includes an analysis of features particular to convertible debentures, such as clauses, the volatility of the underlying stock, and the amount of time left until the conversion feature expires. In valuing a convertible debenture, therefore, the Manager engages in an analysis of the underlying stock volatility, the features of the particular debenture, and a traditional analysis of the fixed income portion that takes into account the firm's credit profile, the ranking of the convertible within the capital structure, the bond's duration, and yield.

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

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

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

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

Earnings Yield

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

Debt to EBITDA

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

Cash per Unit

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

Return on Equity

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

Price to Earnings

Price to earnings, or P/E, is one of the most commonly used financial ratios. In general, a high P/E suggests that the market is expecting higher earnings growth in the future compared to companies with a lower P/E. However, a high P/E ratio may also imply that a company is overvalued. The Manager focuses on companies with low P/E ratios because a low P/E ratio implies that a significant component of the company's stock price is comprised of earnings, rather than market expectations for future growth. The Manager also recognizes that it is impossible to base a decision on the P/E ratio alone. The denominator (earnings) is based on an accounting measure of earnings that is susceptible to forms of manipulation, making the quality of the P/E only as good as the quality of the underlying earnings number.

Free Cash Flow Yield

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

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

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

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

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

The Fund may temporarily buy or sell exchange traded funds in order to mitigate systematic risk relating to the Fund's investment strategies. These funds will not be managed by the Manager, an affiliate or associate of the Manager. At no time will the Fund's interest in any one exchange traded fund be more than 10%. The selection criteria employed by the Manager in respect of the exchange traded funds will be limited to specific funds corresponding to the applicable syndication trading or merger arbitrage investment strategy being implemented.

Risk

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

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

Results of Operations

As of June 30, 2026, the Palos Equity Income Fund Series A (PAL101) posted a total return of 12.67% per unit, net of fees and expenses. Series F (PAL102) generated a total return of 13.15% 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 generated a total return of 11.20% for the six-month period ending June 30, 2026. The total return per unit for the Palos Equity Income Fund Series A (PAL101), including distributions, was 12.67%. Series F (PAL102) generated a total return of 13.15%. The Fund outperformed the benchmark over the period. It is important to note that the Palos Equity Income Fund maintains a target fixed income allocation of 10.0%. As of June 30, 2026, the Fund's fixed income allocation was 7.10%.

During the first half of 2026, the investment environment moved from the strong but increasingly narrow market leadership seen in 2025 toward a more fragile and selective backdrop. The first quarter was shaped by policy uncertainty, trade realignment, softer Canadian growth, a more cautious Bank of Canada, and geopolitical tensions that re-priced energy and safe-haven assets. By the second quarter, diversified portfolios generally benefited from quality equities, commodity exposure, cash and short-term fixed income, although not all sectors contributed equally. The Fund remained focused on quality businesses, diversified income streams, liquidity, and selective exposure to areas supported by structural demand.

Sector Performance

The strongest performing sectors in Canada on a total return basis were Energy at 23.6%, Financials at 23.2% and Utilities at 17.8%. The weakest sectors were Information Technology at -17.6%, Communication Services at -4.8%, and Materials at -1.90%.

The Energy sector was the strongest-performing segment of the S&P/TSX Composite Index during the first half of 2026, generating a total return of 23.6%. The sector benefited from a sharp increase in crude oil prices, particularly during the first quarter, as escalating geopolitical tensions in the Middle East with the US-Iran conflict heightened concerns regarding global supply disruptions. Oil prices subsequently retreated from their April highs but remained volatile and generally above the levels anticipated at the beginning of the year, supporting stronger cash-flow expectations for Canadian producers. The sector's strong performance reflected not only improved commodity-price realizations, but also the financial resilience of many Canadian producers following several years of balance-sheet improvement and greater access to global markets. While commodity prices remain inherently volatile, the combination of geopolitical uncertainty, constrained global supply growth and continued shareholder returns contributed to renewed investor interest in the sector during the period. Within the Fund, the top performing names in the sector were Tamarack Valley Energy, CES Energy Solutions, and Canadian Natural Resources with total returns for the period of 56.1%, 35.9% and 23.1% respectively.

The Financials sector generated a total return of 23.2% during the first six months of 2026, making it the second best-performing sector in the S&P/TSX Composite Total Return Index. Canadian banks reported generally strong operating results, supported by earnings growth across personal and commercial banking, wealth management and a further tailwind from capital-markets and heightened trading operations. Several institutions also benefited from improved credit performance, lower provisions for credit losses and continued growth in fee-based revenue. Investor confidence was further strengthened by the sector's substantial capital position. In June, the Office of the Superintendent of Financial Institutions reduced the Domestic Stability Buffer applicable to Canada's largest banks from 3.5% to 3.0% and lowered the supervisory Common Equity Tier 1 capital expectation to 11.0%. The change provided the banks with greater flexibility to deploy capital through lending, organic investment and shareholder distributions, while average capital levels remained comfortably above regulatory requirements. Overall, resilient earnings, strong balance sheets, improving operating leverage and attractive dividend yields contributed to the sector's strong performance. The top three Financials within the Fund in terms of performance for the period were Bank of Montreal at 43.1%, Toronto Dominion Bank at 35.5% and Canadian Imperial Bank of Commerce at 33.2%.

The Utilities sector returned 17.8% during the first half of 2026, supported by its defensive characteristics, predictable cash flows and favourable long-term growth outlook. The Bank of Canada maintained its overnight policy rate at 2.25% throughout the period, providing greater stability in financing conditions following the interest-rate reductions implemented during 2025. This improved rate visibility was constructive for utilities, which typically operate with significant capital requirements and rely on debt financing to fund investments in generation, transmission and distribution infrastructure. The sector also benefited from a more defensive rotation out of technology and software stocks as well as growing expectations for electricity-demand growth associated with data centres, artificial-intelligence infrastructure, electrification and broader grid-modernization requirements. Regulated utilities continued to invest heavily in reliability and system expansion, which supports growth in their regulated asset bases and, over time, earnings and dividends. Against an uncertain economic and geopolitical backdrop, the sector's relatively stable revenues, visible capital programs and dependable dividend profiles made utility companies particularly attractive to investors seeking defensive growth and income. Almost all of the Fund's performance gains in the sector were achieved through Boralex, Capital Power Corp and AltaGas which posted total returns of 47.6%, 28.7% and 26.8% respectively.

Diversification

The Fund remained well diversified across all eleven sectors throughout the first half of 2026. The largest sector exposures continued to reflect the Fund's focus on income generation, balance sheet strength, and exposure to real-economy activity. Financials, Energy, Industrials, and Materials remained important areas of exposure, while commodity-related holdings, including energy and precious metals, continued to play a useful role as inflation and geopolitical risks remained elevated.

As of June 30, 2026, the Fund continued to maintain broad diversification at the issuer level. Fixed income and cash equivalents remained a modest but important component of the portfolio, providing liquidity, stability, and flexibility during periods of market volatility. This allocation continued to emphasize short-duration fixed income, capital preservation, and the ability to redeploy capital as opportunities appear.

Diversification was particularly important during the first half of 2026. In the first quarter, trade uncertainty, weaker Canadian economic growth, and geopolitical tensions created a more fragile market backdrop. In the second quarter, diversified portfolios generally benefited from quality equities, energy, gold, cash equivalents, and short-term fixed income. This reinforced the Fund's view that diversification does not eliminate volatility, but it can help reduce the impact when one area of the market is under pressure.

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 such as energy security, infrastructure spending, commodity demand, and high-quality income generation.

Recent Developments

From a Strong 2025 to a More Selective 2026

The Fund entered 2026 after a very strong year for Canadian equities in 2025. Market gains had been supported by strength in commodities, especially gold and silver, as well as solid contributions from banks and select technology companies. However, market leadership was concentrated and the macro backdrop was already shifting. Elevated government spending, changing trade relationships, geopolitical uncertainty, and a gradual move toward easier monetary policy all carried into the new year.

During the first quarter of 2026, the environment became more fragile. Canadian growth stalled, unemployment moved higher, and inflation eased. The Bank of Canada held its policy rate at 2.25%, while emphasizing tariff uncertainty and geopolitical risk. In the United States, the economy remained more resilient than Canada, but momentum cooled, inflation remained above target, and the Federal Reserve maintained a restrictive policy stance.

Trade uncertainty was one of the key developments. The upcoming Canada–United States–Mexico Agreement (USMCA) review became more important for Canada, while tariff risk and shifting U.S. industrial policy weighed on business confidence, exports, and investment planning. Canada continued to look for ways to diversify trade relationships and reduce dependence on a single export market.

Commodities, Energy and Precious Metals

Commodities regained strategic importance during the first half of 2026. Gold remained an important portfolio hedge as investors continued to focus on reserve diversification, geopolitical uncertainty, fiscal strain, and safe-haven demand. Performance was not linear, as gold became more volatile later in the second quarter when U.S. yields moved higher and expectations for Federal Reserve cuts were reduced.

Energy also became more important. The conflict in the Middle East pushed energy prices higher and reminded investors that geopolitical events can quickly affect inflation, interest rates, and market sentiment. For Canada, stronger oil and gold exports were supportive for the trade balance at a time when other parts of the economy remained soft. Liquefied natural gas also remained a strategic long-term opportunity as global buyers continued to prioritize energy security and diversified supply.

Central Banks and Currency Divergence

One of the most important developments during the first half of 2026 was the divergence between the Bank of Canada and the U.S. Federal Reserve. Canada faced weaker growth and a softer labour market, which would normally support lower interest rates. At the same time, higher energy prices and inflation risk limited the Bank of Canada's flexibility.

The Federal Reserve was in a different position. The U.S. economy remained more resilient and inflation stayed above target, giving the Fed less urgency to cut rates. This policy gap between Canada and the United States remained an important factor for the Canadian dollar. A wider interest rate gap can put pressure on the Canadian dollar and may create additional import inflation risk for Canada.

Portfolio Positioning

The Fund's approach remained disciplined, diversified, and valuation-aware through the first half of 2026. The portfolio continued to emphasize quality companies with strong balance sheets, pricing power, durable cash flows, and the ability to return capital to shareholders through dividends, buybacks, or reinvestment in growth.

Equities generally contributed positively during the second quarter, especially quality businesses. Energy and gold also played an important role by helping offset inflation and geopolitical risk. Fixed income and cash equivalents continued to provide liquidity and reduce overall volatility. U.S. exposure also helped diversify away from Canada-specific economic weakness.

Looking Ahead

Looking to the second half of 2026, the Fund will continue to closely monitor inflation, trade uncertainty, the Canadian consumer, the direction of the U.S. economy, currency movements, and valuation discipline. If inflation moderates, central banks may have more flexibility to support growth. If energy prices remain elevated or trade tensions worsen, the environment could remain more challenging and require continued selectivity.

The Fund continues to focus on high-quality companies, sustainable income, liquidity, and diversification across sectors and themes. In our view, the first half of 2026 reinforced that portfolio resilience is built before volatility appears, not after. The objective remains to participate when markets rise, while avoiding excessive exposure to any one single economic outcome.

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]	June 30, 2026	2025	2024	2023	2022	2021
Net assets, beginning of period	**$8.74**	**$7.50**	**$6.74**	**$6.51**	**$7.24**	**$6.38**
Increase (decrease) from operations						
Total revenue	0.11	0.24	0.23	0.23	0.19	0.17
Total expenses	(0.11)	(0.22)	(0.19)	(0.19)	(0.19)	(0.20)
Realized gain (loss) for the period	0.75	0.45	0.38	0.36	0.10	0.82
Unrealized gain (loss) for the period	0.35	0.97	0.61	0.10	(0.73)	0.61
Total increase (decrease) from operations [2]	**1.10**	**1.44**	**1.03**	**0.50**	**(0.63)**	**1.40**
Distributions:						
From net income (excluding dividends)	(0.05)	-	-	-	-	-
From dividends	-	-	(0.01)	(0.01)	-	-
From capital gains	-	(0.20)	(0.25)	(0.26)	(0.04)	(0.54)
Return of capital	-	-	-	-	(0.06)	-
Total Annual Distributions [3]	**(0.05)**	**(0.20)**	**(0.26)**	**(0.27)**	**(0.10)**	**(0.54)**
Net assets, end of period	**$9.79**	**$8.74**	**$7.50**	**$6.74**	**$6.51**	**$7.24**

Ratios and Supplemental Data						
Total Net Asset Value ($000's) [1]	$ 32,861	$ 28,647	$ 24,060	$ 21,010	$ 20,332	$ 22,005
Number of units outstanding (000's)	3,355	3,278	3,208	3,119	3,124	3,038
Management expense ratio [2]	2.36%	2.73%	2.60%	2.68%	2.64%	2.62%
Management expense ratio before waivers or absorptions	2.36%	2.73%	2.60%	2.68%	2.64%	2.62%
Trading expense ratio [3]	0.11%	0.11%	0.10%	0.18%	0.16%	0.18%
Fund expense ratio [4]	2.47%	2.84%	NA	NA	NA	NA
Portfolio turnover rate	55.90%	51.83%	41.98%	72.61%	67.39%	68.29%
Net Asset Value per Unit	**$9.79**	**$8.74**	**$7.50**	**$6.74**	**$6.51**	**$7.24**

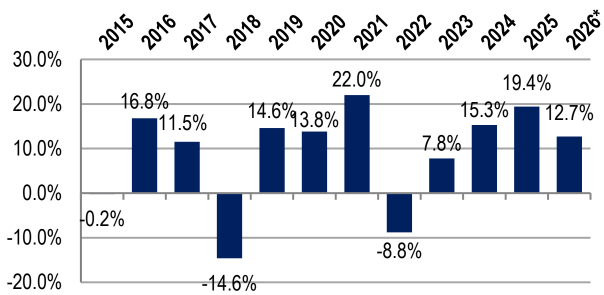
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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.



**For the six-month period ended June 30, 2026.*

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended June 30, 2026. 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	**26.5%**	**17.3%**	**9.5%**	**9.9%**	**7.7%**
S&P/TSX Composite TR Index	32.9%	23.5%	14.9%	12.8%	9.2%

FINANCIAL HIGHLIGHTS
Series F

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

The Fund's Net Asset per Unit (1)	June 30, 2026	2025	2024	2023	2022	2021
Net assets, beginning of period	**$9.64**	**$8.20**	**$7.34**	**$7.05**	**$7.77**	**$6.96**
Increase (decrease) from operations						
Total revenue	0.12	0.26	0.26	0.24	0.21	0.19
Total expenses	(0.08)	(0.16)	(0.14)	(0.15)	(0.14)	(0.16)
Realized gain (loss) for the period	0.83	0.48	0.42	0.39	0.12	0.91
Unrealized gain (loss) for the period	0.39	1.07	0.66	0.13	(0.85)	0.68
Total increase (decrease) from operations (2)	**1.26**	**1.65**	**1.20**	**0.61**	**(0.66)**	**1.62**
Distributions:						
From net income (excluding dividends)	(0.05)	-	-	-	-	-
From dividends	-	-	(0.04)	(0.03)	-	-
From capital gains	-	(0.22)	(0.28)	(0.29)	(0.05)	(0.78)
Return of capital	-	-	-	-	(0.05)	-
Total Annual Distributions (3)	**(0.05)**	**(0.22)**	**(0.32)**	**(0.32)**	**(0.10)**	**(0.78)**
Net assets, end of period	**$10.85**	**$9.64**	**$8.20**	**$7.34**	**$7.05**	**$7.77**

Ratios and Supplemental Data						
Total Net Asset Value ($000's) (1)	$ 6,974	$ 6,549	$ 6,461	$ 6,253	$ 6,436	$ 7,723
Number of units outstanding (000's)	643	679	788	852	913	994
Management expense ratio (2)	1.50%	1.86%	1.74%	1.82%	1.78%	1.77%
Management expense ratio before waivers or absorptions	1.50%	1.86%	1.74%	1.82%	1.78%	1.77%
Trading expense ratio (3)	0.11%	0.11%	0.10%	0.21%	0.15%	0.19%
Fund expense ratio (4)	1.61%	1.97%	NA	NA	NA	NA
Portfolio turnover rate	55.90%	51.83%	41.98%	72.61%	67.39%	68.29%
Net Asset Value per Unit	**$10.85**	**$9.64**	**$8.20**	**$7.34**	**$7.05**	**$7.77**

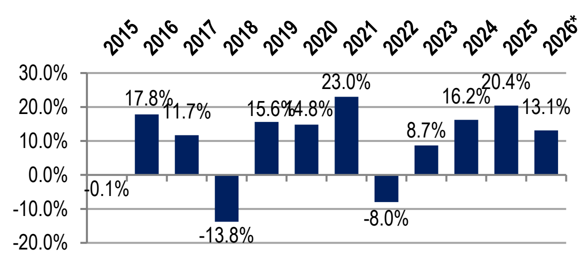
For explanatory notes, please refer to "Explanatory Notes to Financial Highlights" at the end of the section.

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.



**For the six-month period ended June 30, 2026.*

Annual Compound Returns

The table shows the annual compound total returns for each of the periods shown ended June 30, 2026. The returns are compared against the S&P/TSX Composite Total Return Index over the same period.

	1 Year	3 Years	5 Years	10 Years	Since Inception
Series F Units	**27.6%**	**18.3%**	**10.4%**	**10.7%**	**9.9%**
S&P/TSX Composite TR Index	32.9%	23.5%	14.9%	12.8%	9.2%

SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2026

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	98.0%
United States	2.0%
Total	100.0%

Sector Weightings (%)	
Basic Materials	10.7%
Communications	3.8%
Consumer, Cyclical	2.6%
Consumer, Non-cyclical	7.2%
Energy	15.3%
Financial	32.8%
Funds	5.0%
Industrial	11.1%
Technology	5.9%
Utilities	4.8%
Cash	0.8%
Total	100.0%

Portfolio Long/Short Breakdown (%)	
Long positions	99.3%
Short positions	-0.1%
Cash	0.8%
Total	100.0%

Asset Class Weightings (%)	
Common Stocks	98.2%
Fixed Income	1.0%
Warrants	0.0%
Cash	0.8%
Total	100.0%

Top 25 Holdings (%)	
Bank of Montreal	4.5%
Canadian Imperial Bank of Commerce	4.2%
Royal Bank of Canada	4.2%
The Toronto-Dominion Bank	4.2%
National Bank of Canada	2.8%
BMO Short Federal Bond Index ETF	2.3%
TFI International Inc.	2.2%
BMO Short Corporate Bond Index ETF	2.1%
Capital Power Corp.	2.0%
Shopify Inc.	1.7%
Canadian Natural Resources Ltd.	1.7%
Canadian Pacific Kansas City Ltd.	1.5%
Rogers Communications Inc.	1.5%
Keyera Corp.	1.5%
CGI Inc.	1.5%
AltaGas Ltd.	1.4%
Tamarack Valley Energy Ltd.	1.4%
Secure Waste Infrastructure Corp.	1.4%
Mullen Group Ltd.	1.4%
Primaris REIT	1.3%
Topaz Energy Corp.	1.3%
Thomson Reuters Corp.	1.3%
Franco-Nevada Corp.	1.3%
Waste Connections Inc.	1.3%
Headwater Exploration Inc.	1.2%
Top 25 Holdings	51.2%

The total Net Asset Value of the Fund as at June 30, 2026 was $39.8 million.

EXPLANATORY NOTES TO FINANCIAL HIGHLIGHTS

Net Assets per Unit:

(1) This information is derived from the Fund's interim and annual financial statements.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease in net assets from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of opening and closing nets assets per units.

(3) Distributions were paid in cash to unitholders who ask for cash payment. For the other unitholders, the distributions were reinvested in additional units of the Fund.

Ratios and Supplemental Data:

(1) This information is provided as at June 30, 2026 and December 31 of the year shown.

(2) The management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(3) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(4) The fund expense ratio represents total fund expenses expressed as an annualized percentage of daily average NAV during the period. It is the sum of the management expense ratio and the trading expense ratio, inclusive of performance fees and net of any fee waivers, rebates or absorptions. Prior-year fund expense ratios are not presented, as year-over-year comparisons are not mandated under total cost reporting requirements.

(5) The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

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

For more information contact your investment advisor or:

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