

Financial Statements of

# **RAVENSOURCE FUND**

Six months ended June 30, 2022  
(Unaudited)

# RAVENSOURCE FUND

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## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by Stornoway Portfolio Management Inc. in its capacity as the Investment Manager of Ravensource Fund (the "Trust"). The Trust's Investment Manager is responsible for the information and representations contained in these financial statements.

The Investment Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Investment Manager. The significant accounting policies which the Investment Manager believes are appropriate for the Trust are described in Note 3 to the unaudited interim financial statements.

On behalf of the Investment Manager

  
\_\_\_\_\_  
Scott Reid

August 15, 2022  
Date

## NOTICE TO UNITHOLDERS

***The Auditors of the Partnership have not reviewed these financial statements.***

Computershare Trust Company of Canada, the Trustee of the Trust, appointed an independent auditor, who was confirmed by the unitholders, to audit the Trust's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Trust's interim financial statements, this must be disclosed in an accompanying notice.

# RAVENSOURCE FUND

## Statements of Financial Position

June 30, 2022, with comparative information for December 31, 2021  
(Unaudited)

	2022	2021
<b>Assets</b>		
Cash and cash equivalents	\$ 398,004	\$ 387,385
Financial assets at fair value through profit or loss (cost - \$24,240,559; 2020 - \$22,786,571) (note 10)	25,016,120	25,813,100
Foreign exchange contract (note 10)	99,055	72,721
Interest and dividends receivable	32,665	22,063
Prepaid expenses	1,928	4,389
	<u>25,547,772</u>	<u>26,299,658</u>
<b>Liabilities</b>		
Margin loan	7,477,812	5,304,802
Accounts payable and accrued liabilities	76,614	111,751
Management and administrative fees payable (note 4(a) and (b))	18,358	19,592
	<u>7,572,784</u>	<u>5,436,145</u>
Net assets attributable to holders of redeemable units	<u>\$ 17,974,988</u>	<u>\$ 20,863,513</u>
Number of redeemable units outstanding (note 6)	1,197,334	1,197,334
Net assets attributable to holders of redeemable units per unit (note 5)	<u>\$15.01</u>	<u>\$17.43</u>

See accompanying notes to financial statements.

Approved on behalf of the Trust:



Stornoway Portfolio Management Inc.,  
as Investment Manager

# RAVENSOURCE FUND

## Statement of Comprehensive Income (Loss)

Six months ended June 30, 2022, with comparative information for June 30, 2021  
(Unaudited)

	2022	2021
Income:		
Dividends and income trust distributions	\$ 146,281	\$ 133,862
Interest income for distribution purposes	7,072	16,774
	<u>153,353</u>	<u>150,636</u>
Net change in fair value on financial assets at fair value through profit or loss and foreign exchange contracts:		
Net unrealized gain (loss) on financial assets	(2,249,118)	1,876,658
Net realized gain (loss) on financial assets, including foreign exchange translations on cash	(42,538)	226,363
Net unrealized gain (loss) on foreign exchange contracts	26,334	(337,926)
Net realized gain (loss) on foreign exchange contracts	<u>(300,028)</u>	<u>687,991</u>
Net change in fair value on financial assets at fair value through profit or loss and foreign exchange contracts	<u>(2,565,350)</u>	<u>2,453,086</u>
	<u>(2,411,997)</u>	<u>2,603,722</u>
Expenses:		
Management fees (note 4(a))	75,599	86,679
Interest	48,502	—
Legal fees	43,111	47,359
Administrative fees (note 4(b))	40,707	46,673
Independent review committee fees and expenses	18,825	18,775
Accounting fees	17,517	17,622
Audit fees	16,310	16,159
Trust administration and transfer agency fees	11,901	11,901
Listing Fees	11,750	11,653
Investor relations fees (note 4(d))	6,724	6,764
Transaction costs	1,849	7,003
Other	4,133	5,464
	<u>296,928</u>	<u>276,052</u>
Increase (decrease) in net assets attributable to holders of redeemable units	\$ (2,708,925)	\$ 2,327,670
Weighted average number of units outstanding during the period	1,197,334	1,423,998
Weighted average number of units outstanding during the period	\$ (2.26)	\$ 1.63

See accompanying notes to financial statements.

# RAVENSOURCE FUND

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

Six months ended June 30, 2022, with comparative information for June 30, 2021  
(Unaudited)

	2022	2021
Net assets attributable to holders of redeemable units, beginning of period	\$ 20,863,513	\$ 22,567,198
Increase (decrease) in net assets attributable to holders of redeemable units	(2,708,925)	2,327,670
Capital transactions:		
Distributions paid to holders of redeemable units (note 5(d))	(179,600)	(213,600)
Net assets attributable to holders of redeemable units, end of period	\$ 17,974,988	\$ 24,681,268

See accompanying notes to financial statements.

# RAVENSOURCE FUND

## Statements of Cash Flows

Six months ended June 30, 2022, with comparative information for June 30, 2021  
(Unaudited)

	2022	2021
Cash and cash equivalents, beginning of period	\$ 387,385	\$ 3,334,030
Increase (decrease) in cash and cash equivalents during the period:		
Cash flow from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	(2,708,925)	2,327,670
Adjustments for non-cash items:		
Net unrealized (gain) loss on financial assets	2,249,118	(1,876,658)
Net realized (gain) loss on financial assets, including foreign exchange translations on cash	42,538	(226,363)
Net unrealized (gain) loss on foreign exchange contracts	(26,334)	337,926
Change in non-cash working capital balances:		
(Increase) decrease in interest and dividends receivable	(10,602)	9,024
Increase in prepaid expenses	2,461	2,411
Decrease in accounts payable and accrued liabilities	(35,137)	(15,493)
Increase (decrease) in management and administrative fees payable	(1,234)	23,561
Foreign exchange loss on cash	(58,037)	(57,011)
Proceeds from sale of investments	1,521,157	4,516,357
Purchase of investments	(2,957,796)	(969,837)
Net cash flows from (used in) operating activities	(1,982,791)	4,071,587
Cash flow from (used in) financing activities:		
Distributions paid to holders of redeemable units	(179,600)	(213,600)
Increase in margin loan	2,173,010	-
Net cash flows from (used in) financing activities	1,993,410	(213,600)
Increase (decrease) in cash and cash equivalents during the period	10,619	3,857,987
Cash and cash equivalents, end of period	\$ 398,004	\$ 7,192,017
Supplemental cash flow information:		
Dividends Received	\$ 134,446	\$ 100,703
Interest received	8,305	58,957
Interest paid	48,502	-

See accompanying notes to financial statements.

# RAVENSOURCE FUND

## Schedule of Investments

June 30, 2022  
(Unaudited)

Shares/units	Investments owned	Average cost	Fair value	Fair value as % of net asset value
	Canadian equities:			
	Preferred shares:			
185,929	Dundee Corp. Series 3 Preferred Shares	\$ 2,233,612	\$ 3,458,279	19.24
	Common shares:			
1,000	Crystallex International Corp.	90	-	-
15,280	Glacier Media Inc.	7,946	5,883	0.03
229,203	Kiwetinohk Energy Corp.	2,362,066	3,218,010	17.90
1,083,333	Spark Power Group Inc.	1,300,000	715,000	3.98
40,000	Stelco Holdings Inc.	1,575,191	1,287,200	7.16
		5,245,293	5,226,093	29.07
	U.S. equities:			
	Preferred shares:			
60,034	Brookfield DTLA Fund Office Trust Investor Inc. 7.625%	1,063,076	688,631	3.83
	Common shares/trust units:			
166,046	Algoma Steel Group Inc.	2,339,961	1,919,410	10.68
251,667	Firm Capital Apartment Real Estate Investment Trust	1,963,166	1,950,229	10.85
424,500	Genworth Financial Inc.	2,253,751	1,928,925	10.73
343,130	GXI Acquisition Corp. Class A	432,589	276,545	1.54
861,080	GXI Acquisition Corp. Class B	1,080,229	693,985	3.86
515,766	Old PSG Wind-Down Ltd.	403,389	75,753	0.42
354,323	Quad/Graphics Inc.	2,361,786	1,254,281	6.98
1,323,256	SeaCo Ltd.	-	-	-
49,882	Spanish Broadcasting System Inc.	179,707	86,684	0.48
		11,014,578	8,185,812	45.54



# RAVENSOURCE FUND

Schedule of Investments (continued)

June 30, 2022  
(Unaudited)

Par value	Investments owned	Average cost	Fair value	Fair value as % of net asset value
	Debt:			
2,500,000	Canadian Government Bond 0.50% due November 1, 2023	2,478,625	2,417,850	13.45
3,559,000	Crystallex International Corp. 9.375% due Dec 30, 2011*	2,205,375	5,039,455	28.04
		4,684,000	7,457,305	41.49
Net Investments owned		24,240,559	25,016,120	139.17
Foreign exchange contract:				
	Sell \$11,400,000 USD, buy \$14,771,778 CAD @1.287081, September 16, 2022	-	99,055	0.55
Brokerage commissions		(27,355)		
Total portfolio of investments		24,213,204	25,115,175	139.72
Other liabilities, net			(7,140,187)	(39.72)
Net assets attributable to holders of redeemable units			\$ 17,974,988	100.00

\* Defaulted

See accompanying notes to financial statements.

# RAVENSOURCE FUND

Notes to Financial Statements

Six months ended June 30, 2022 (Unaudited)

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## 1. Trust organization and nature of operations:

The Ravensource Fund (the "Trust") is a closed-end investment trust which was created under the laws of the Province of Ontario pursuant to a Declaration of Trust, dated April 28, 1997, as amended January 15, 2001 and as further amended and restated as at August 22, 2003, July 1, 2008, July 3, 2015 and August 7, 2019. The Trust's units are listed on the Toronto Stock Exchange (RAV.UN).

Computershare Trust Company of Canada acts as trustee for the Trust (the "Trustee"). At a special meeting of the Trust's unitholders, Stornoway Portfolio Management Inc., an Ontario corporation, was appointed as the investment manager (the "Investment Manager") of the Trust, effective July 1, 2008. The Trust's principal place of business is located at 30 St. Clair Avenue West, Suite 901, Toronto, Ontario M4V 3A1.

The Investment Manager provides portfolio management and administrative services to the Trust, subject to the overall supervision of the Trustee. The Investment Manager is authorized to invest the Trust's assets and make investment decisions on behalf of the Trust. Employees of the Investment Manager own 170,997 (December 31, 2021 - 170,447) units, representing 14.3% (December 31, 2021 - 14.2%) of the outstanding units as at June 30, 2022.

The capital of the Trust is represented by the net assets attributable to holders of redeemable units of the Trust, and comprises investments, cash and cash equivalents, and interest and dividends receivable, offset by liabilities of the Trust. As more fully outlined in the Declaration of Trust, the principal investment objective of the Trust is to achieve absolute annual returns, with an emphasis on capital gains, through investment in selected North American securities. To achieve its objectives the Trust invests across three core strategies: Distressed Securities; Alternative Credit; and Special Situations Equities. The success of the Trust depends on the investment decisions of the Investment Manager and will be influenced by a number of risk factors, including liquidity risk, market risk, investment in options, and leverage from borrowed funds.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 2. Basis of presentation:

### (a) Basis of presentation:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). They were authorized for issue by the Manager on August 15, 2022.

### (b) Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Trust's functional currency.

## 3. Significant accounting policies:

The following is a summary of the significant accounting policies followed by the Trust:

### (a) Financial instruments:

#### (i) Recognition, initial measurement and classification:

Financial assets are classified based on the Trust's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. There are three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL").

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value, with transaction costs recognized in the statements of comprehensive income (loss). Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The Trust classifies financial assets and financial liabilities into the following categories:

- Financial assets at FVTPL: debt securities, equity investments and derivative financial instruments;
- Financial assets at amortized cost: all other financial assets are classified as at amortized cost;

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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### 3. Significant accounting policies (continued):

- Financial liabilities at FVTPL: derivative financial instruments and securities sold short, if any; and
- Financial liabilities at amortized cost: all other financial liabilities are classified as at amortized cost.

The Trust does not classify any derivatives as hedges in a hedging relationship.

#### (ii) Fair value measurement:

Securities listed upon a recognized public stock exchange are valued at the most recent price which the security transacted as of the valuation dates. In the event a given security is not transacted on a valuation date, the Investment Manager values the security using the average between its closing bid and closing ask price. In a situation where, in the opinion of the Manager, a market quotation for a security is inaccurate, unreliable, or not readily available, the fair value of the security is estimated using valuation techniques generally used in the industry. These techniques take into account market factors, valuation of similar securities and interest rates.

Short-term notes, treasury bills, bonds, asset-backed securities and other debt securities traded in over-the-counter markets are valued at bid quotations provided by recognized investment dealers.

Securities not listed upon a recognized public stock exchange or not traded in over-the-counter markets are valued using valuation techniques, which take into account market factors, valuation of similar securities and interest rates.

The Trust recognizes financial instruments at fair value. Purchases and sales of financial assets are recognized at their trade dates. The Trust's obligation for net assets attributable to holders of redeemable units is presented on the financial statements at the redemption amount as determined according to the Declaration of Trust. All other financial assets and financial liabilities are measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Trust's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its net asset value for transactions with unitholders.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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### 3. Significant accounting policies (continued):

The Trust may enter into foreign exchange contracts to hedge itself against foreign currency exchange rate risk for its foreign currency-denominated assets and liabilities in case of adverse foreign currency fluctuations against the Canadian dollar.

Forward currency transactions are classified as foreign exchange contracts in the Trust's financial statements and represent agreements for delayed delivery of specific currencies in which the seller agrees to make delivery at a specified future date of specified currencies. Risks associated with forward currency transactions are the inability of counterparties to meet the terms of their respective contracts and movements in fair value and exchange rates. The Trust considers the credit risk of the counterparty for forward currency transactions in evaluating potential credit risk and selecting counterparties to forward currency transactions.

#### (iii) Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position 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 Trust and its custodian have agreed that in the event of a default, the custodian reserves the right to sell any and all property the Trust holds with the custodian or any of its affiliates, to offset any indebtedness the Trust may have.

#### (iv) Recognition/derecognition:

The Trust recognizes financial assets or financial liabilities on a trade date basis - the date it commits to purchase or sell the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statements of comprehensive income (loss).

Financial assets are derecognized when, and only when, the contractual rights to the cash flows from the asset expire; or when the Trust transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expired.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 3. Significant accounting policies (continued):

### (b) Income recognition:

Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

Interest income for distribution purposes shown on the statements of comprehensive income (loss) represents the coupon interest received by the Trust accounted for on an accrual basis. The Trust does not amortize premiums paid or discounts received on the purchase of fixed income securities, except for zero coupon bonds, which are amortized on a straight-line basis.

Net realized gain (loss) on the sale of financial assets and net unrealized gain (loss) on financial assets 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.

### (c) Income taxes:

The Trust is taxable as a mutual fund trust under the Income Tax Act (Canada) on its income, including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the Trust to distribute all of its net income and sufficient net realized capital gains so that the Trust will not be subject to income taxes.

### (d) Foreign currency translation:

Transactions in currencies other than the Canadian dollar are translated at the rates of exchange prevailing at the transaction dates. Assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting dates. The functional currency of the Trust is the Canadian dollar. Resulting exchange differences are recognized in the statements of comprehensive income (loss) in net realized gain (loss) on financial assets and net unrealized gain (loss) on financial assets.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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### 3. Significant accounting policies (continued):

(e) Transaction costs:

Transaction costs are expensed and are included in the statements of comprehensive income (loss). Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

(f) Use of estimates:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Trust may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgments and estimates the Trust has made in preparing the financial statements. See note 10 for more information on fair value measurements. Actual results could differ from those estimates.

The continuing COVID-19 pandemic has increased uncertainty and volatility in global financial markets, as seen by the severe market declines in the first quarter of 2020 followed by its subsequent recovery. This volatility has a significant effect on the Trust as it impacts the fair value of the Trust's financial assets. The continued impact of the COVID-19 pandemic is difficult to predict. Prolonged restrictions and lock-downs or other unforeseen events could result in further volatility to the fair value of the Trust's financial assets.

(g) Cash and cash equivalents:

Cash and cash equivalents represent cash positions, as well as any unsettled trades as at June 30, 2022 and December 31, 2021.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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### 3. Significant accounting policies (continued):

(h) Margin loan:

The Trust has a prime brokerage agreement with its broker - BMO Nesbitt Burns Inc. - to carry its accounts as a customer. The broker has custody of the Trust's securities and, from time to time, cash balances which may be due from / due to the broker.

Financial instruments and / or cash positions serve as collateral for any amounts due to broker or as collateral for any securities sold, not yet purchased or securities purchased on margin. The securities and / or cash positions also serve as collateral for potential defaults of the Trust.

The Trust is subject to credit risk if the broker is unable to repay balances due or deliver securities in their custody.

(i) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular class of units by the total number of units of that particular class outstanding at the end of the period.

(j) Increase in net assets attributable to holders of redeemable units per weighted average units outstanding during the period:

Increase in net assets attributable to holders of redeemable units per weighted average unit outstanding during the period is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.



# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 4. Related party transactions:

### (a) Management fees:

Management fees payable to the Investment Manager are based on the Trust's average weekly net assets attributable to holders of redeemable units at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets attributable to holders of redeemable units	Management fee
Up to and including \$250,000,000	0.65% plus HST
Between \$250,000,000 and \$500,000,000	0.60% plus HST
\$500,000,000 and more	0.55% plus HST

Management fees for the period ended June 30, 2022 amounted to \$75,599 (June 30, 2021 - \$86,679). Management fees payable as at June 30, 2022 amounted to \$11,933, including HST (December 31, 2021 - \$12,735).

### (b) Administrative fees:

Subject to the supervision of the Trustee, the Investment Manager agrees to be responsible for and provide certain administrative services to the Trust. The Trust will pay the Investment Manager a fee based on the Trust's average weekly net assets attributable to holders of redeemable units at the end of each week and payable on the last business day of each calendar month as follows:

Average weekly net assets attributable to holders of redeemable units	Administrative fee
Up to and including \$250,000,000	0.35% plus HST
Between \$250,000,000 and \$500,000,000	0.30% plus HST
\$500,000,000 and more	0.25% plus HST

Administrative fees for the period ended June 30, 2022 amounted to \$40,707 (June 30, 2021 - \$46,673). Administrative fees payable as at June 30, 2022 amounted to \$6,425, including HST (December 31, 2021 - \$6,857).

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 4. Related party transactions (continued):

### (c) Incentive fee:

An incentive fee will be payable to the Investment Manager in any year, equal to 20% of the amount by which the net assets attributable to holders of redeemable units per unit at the end of the year, adjusted for contributions, distributions and redemptions during the year, exceeds the net assets attributable to holders of redeemable units per unit at the beginning of the year by more than 5%, plus any shortfall from the prior year. This fee is accrued monthly but determined annually and paid after the annual audit of the Trust's financial statements is completed. As at June 30, 2022, net assets attributable to holders of redeemable units per unit would have had to exceed \$19.10 before any incentive would be payable to the Investment Manager. Accordingly, incentive fee expense for the period ended June 30, 2022 amounted to nil (June 30, 2021 - nil). The incentive fee payable as at June 30, 2022 amounted to nil (December 31, 2021 - nil).

### (d) Investor relations fees:

The Investment Manager is paid monthly investor relations fees of \$1,000 plus applicable sales tax for unitholder reporting and other services provided under a service agreement. The aggregate investor relations fees for the period ended June 30, 2022 amounted to \$6,724, inclusive of HST (June 30, 2021 - \$6,764). The investor relations fee payable as at June 30, 2022 amounted to \$1,074, inclusive of HST (December 31, 2021 - \$1,130).

## 5. Unitholders' entitlements:

The unitholders' entitlements with respect to the net assets attributable to holders of redeemable units and distribution of income are generally as follows:

### (a) Entitlement in respect of net assets attributable to holders of redeemable units:

A pro rata share of the net assets attributable to holders of redeemable units of the Trust in the proportion that each unitholders' equity bears to the aggregate unitholders' equity.

### (b) Tax designations and elections:

The Trustee shall file all tax returns, on behalf of the Trust, required by law.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 5. Unitholders' entitlements (continued):

### (c) Redemption and recirculation of redeemable units:

By delivering an Annual Redemption Request to be received by the Trust's registrar and transfer agent on or before the twentieth business day prior to the applicable annual redemption date, being the first valuation date following August 31 in any year ("Annual Redemption Date"), subject to compliance with applicable laws and the provisions, unitholders shall be entitled to require the Trust to redeem some or all of their units outstanding as net assets attributable to holders of redeemable units as of the Annual Redemption Date.

The Trust has the right to enter into a Recirculation Agreement prior to the Annual Redemption Date with one or more investment dealers designated by the Investment Manager. Through the recirculation process, interested purchasers have the opportunity to purchase units surrendered for redemption prior to the Annual Redemption Payment Date.

### (d) Distributions:

The Trust intends to make semi-annual distributions to unitholders of record as of the last valuation date of each of June and December in each calendar year, of such amount per unit as the Trustee, upon consultation with the Investment Manager, may determine. It is anticipated that the annual distribution will be at least equal to the net capital gains plus the net income of the Trust for that year, net of any tax losses brought forward from prior years.

During the period, the Trust made distributions of \$0.15 per unit on June 30, 2022 for total distributions of \$179,600 (June 30, 2021 - \$213,600).

As at December 31, 2021, the Trust had cumulative net capital losses of \$10,227,895 (2020 - \$10,227,895) for income tax purposes that may be carried forward and applied to reduce future net capital gains.

As at December 31, 2021, the Trust had non-capital losses of \$920,557 (2020 - \$816,767) for income tax purposes that may be carried forward and applied to reduce future years' taxable income.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 6. Redeemable units of the Trust:

The Trust is authorized to issue an unlimited number of redeemable units of beneficial interest, each of which represents an equal, undivided interest in the net assets attributable to holders of redeemable units of the Trust. Each redeemable unit entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. The redemption price per unit will be equal to the net assets attributable to holders of redeemable units per unit calculated on the redemption date. During the year ended December 31, 2021, 23,600 units (2020 - 70,636) of the 250,264 redeemable units tendered for redemption (2020 - 319,508) were recirculated.

	June 30, 2022	June 30, 2021
Redeemable units, beginning of period	1,197,334	1,423,998
Redeemable units, end of period	1,197,334	1,423,998

## 7. Expenses:

The Investment Manager has the power to incur and make payment out of the Trust's property any charges or expenses which, in the opinion the Investment Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust will be responsible for any income or excise taxes and brokerage commissions on portfolio transactions. The Investment Manager does not use soft dollar arrangements for the payment of third party products or other services.

## 8. Indemnification of the Investment Manager:

The Trust has indemnified the Investment Manager (and each of its directors and officers) from and against all liabilities and expenses, reasonably incurred by the Investment Manager, other than liabilities and expenses incurred as a result of the Investment Manager's willful misconduct, bad faith or negligence. There were nil claims or expenses against the Investment Manager requiring indemnification during the period ended June 30, 2022 (year ended December 31, 2021 - nil).

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 9. Financial risks:

Managing the risks of the investment portfolio is a critical element of the investment management process. The Investment Manager's overall risk management process seeks to minimize the potentially adverse effect of risk on its financial performance in a manner that is consistent with the Trust's investment mandate. To accomplish this goal, the Investment Manager utilizes a range of well-established tools and methods to manage the risk of the Trust.

With the ability of taking both long and short positions, the Trust may incur both interest expense and borrowing fees. While the use of borrowed funds can substantially improve the return on invested capital, its use may also increase the adverse impact to which the investment portfolio of the Trust may be subjected by increasing the Trust's exposure to capital risk and higher current expenses. As at June 30, 2022, the Trust's net exposure to sources of leverage was 27.7% of total assets (December 31, 2021 – 18.7%).

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including currency risk, interest rate risk and other price risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market and company news related to specific securities within the Trust. The level of risk depends on the Trust's investment objectives and the type of securities it invests in.

### (a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. Where the Trust invests in debt securities and derivatives, this represents the main concentration of credit risk. The fair value of debt securities and derivatives includes consideration of the creditworthiness of the issuer and, accordingly, represents the majority of the credit risk exposure of the Trust. All transactions executed by the Trust in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold takes place once the broker has received payment, and purchases are paid for once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 9. Financial risks (continued):

The Trust's debt securities categorized by credit rating is as follows:

	June 30, 2022		December 31, 2021	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
By credit rating:				
AAA-rated	\$ 2,417,850	13.5	\$ 3,967,680	19.0
Defaulted	5,039,455	28.0	4,950,391	23.7
Total	\$ 7,457,305	41.5	\$ 8,918,071	42.7

As at June 30, 2022, the fair value of the Trust's foreign exchange contracts was \$99,055 (December 31, 2021 - \$72,721), entered into in order to hedge the Trust's exposure to the U.S. dollar. The Bank of Montreal was the counterparty which is rated AA by DBRS.

### (b) Liquidity risk:

The Trust's cash and cash equivalent positions are a readily available source of liquidity while the Trust's margin loan balance detracts from the Trust's sources of liquidity. The Investment Manager utilizes the Trust's liquidity to make investments on behalf of the Trust and to meet the Trust's financial obligations as they become due. In addition, the Trust can raise additional liquidity through the sale of its investments.

Liquidity risk is defined as the risk that the Trust may not be able to settle or meet its obligations on time or at a reasonable price. The Trust's exposure to liquidity risk primarily relates to the annual redemption right of unitholders. As per the Declaration of Trust, the Trust has 35 business days' notice to make a redemption payment, during which time the Investment Manager can raise sufficient cash to satisfy the payment. In addition, the Trust has the right to resell units tendered for redemption.

One measure of the Trust's liquidity to meet any such obligation is the amount of cash, cash equivalent positions and listed securities held by the Trust, expressed as a percentage of net assets attributable to holders of redeemable units.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 9. Financial risks (continued):

The Trust's cash, cash equivalent positions and listed securities is as follows:

	June 30, 2022		December 31, 2021	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
Cash & equivalents	\$ 398,004	2.2	\$ 387,385	1.9
Margin loan	(7,477,812)	(41.6)	(5,304,802)	(25.4)
Government bonds	2,417,850	13.5	3,967,680	19.0
Listed securities	16,425,848	91.4	13,325,870	63.9
Total	\$ 11,763,890	65.4	\$ 12,376,133	59.3

The Investment Manager believes that all of the Trust's securities can be sold within the applicable 35-business-day notice period for the annual redemption right. However, the Investment Manager may not be able to do so without adversely impacting transaction prices.

(c) Market risk:

(i) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than the Canadian dollar, which represents the functional and presentational currency of the Trust. The Trust may enter into foreign exchange contracts for hedging purposes to reduce its foreign currency exposure. The Trust's exposure to another currency is as follows:

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 9. Financial risks (continued):

June 30, 2022:

Currency	Exposure			Total	Impact of +/- 1% on net assets attributable to holders of redeemable units
	Cash and cash equivalents	Financial assets	Foreign exchange contract		
United States dollar	\$ 398,004	\$ 13,913,898	\$ (14,672,723)	\$ (360,821)	\$ 3,608
% of net assets attributable to holders of redeemable units	2.2	77.4	(81.6)	(2.0)	0.0

December 31, 2021:

Currency	Exposure			Total	Impact of +/- 1% on net assets attributable to holders of redeemable units
	Cash and cash equivalents	Financial assets	Foreign exchange contract		
United States dollar	\$ 387,385	\$ 15,064,862	\$ (13,912,129)	\$ 1,540,118	\$ 15,401
% of net assets attributable to holders of redeemable units	1.9	72.2	(66.7)	7.4	0.1

As at June 30, 2022, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have decreased or increased, respectively, by approximately 0.0% (\$3,608) (December 31, 2021 - 0.1% (\$15,401)). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.



# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 9. Financial risks (continued):

### (ii) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is no sensitivity to interest rate fluctuations on any cash balances.

The Trust's bond investments tend to be affected more by changes in overall economic growth and company-specific fundamentals rather than changes in interest rates. Changes in interest rates do not directly affect the fair value of defaulted bonds as the underlying issuers have stopped making interest payments and thus do not offer a yield component to the holder. However, the Trust's high yield bonds do have a degree of interest rate risk, which is summarized in the table below.

The Trust's exposure to debt securities by maturity and the impact on its net assets attributable to holders of redeemable units if the yield curve is shifted in parallel by an increase of 25-basis-points ("bps"), holding all other variables constant, would be as follows:

	June 30, 2022		December 31, 2021	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
Bonds				
by maturity date:				
1 - 3 years	\$ 2,417,850	13.5	\$ 3,967,680	19.0
Defaulted:	5,039,455	28.0	4,950,391	23.7
Total	\$ 7,457,305	41.5	\$ 8,918,071	42.7
Sensitivity to 25 bps yield change increase or decrease	\$ 7,941	0.0	\$ 18,093	0.1

In practice, actual results may differ from the above sensitivity analysis and the difference could be material.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 9. Financial risks (continued):

### (iii) Other price risk:

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from credit risk, interest rate risk or currency risk). All investments represent a risk of loss of capital. The Investment Manager of the Trust moderates this risk through a careful selection and diversification of securities and other financial instruments within the limits of the Trust's investment objectives and strategy. The Trust's overall market positions are monitored on a regular basis by the Investment Manager.

The Trust's exposure to other price risk is as follows:

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	June 30, 2022	December 31, 2021
% of net assets:		
North American listed securities:		
Preferred shares	23.1	22.0
Common shares and warrants	68.3	41.9
<u>Total</u>	<u>91.4</u>	<u>63.9</u>
Sensitivity to 10% security price increase or decrease	9.1	6.4

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If security prices on the North American stock exchanges had increased or decreased by 10% as at the end of June 30, 2022, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately 9.1% or \$1,642,585 (December 31, 2021 – 8.3% / \$1,729,355). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 9. Financial risks (continued):

(iv) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether geographical location, product type, industry sector or counterparty type. In particular, the key concentration risk for the Trust is its exposure to any single security or issuer.

The Trust's exposure to a single security or issuer with a fair value higher than 15% of net assets attributable to redeemable units as at June 30, 2022 is as follows:

Issuer	June 30, 2022		December 31, 2021	
	Cost as % of property	Fair value as % of net assets	Cost as % of property	Fair value as % of net assets
Crystallex Int'l Corp.	9.1	28.0	9.7	23.7
Dundee Corp.	9.2	19.2	9.8	17.2
Kiwetinohk Energy Corp.	9.7	17.9	8.3	9.5

## 10. Fair value measurements:

Financial instruments are measured at fair value using a three-tier hierarchy based on inputs used to value the Trust's investments. The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in public markets for identical assets or liabilities;
- Level 2 - dealer-quoted prices in over-the-counter markets for identical assets or liabilities, or inputs other than quoted prices that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 10. Fair value measurements (continued):

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following tables present the Trust's financial instruments that have been measured at fair value, on a recurring basis:

June 30, 2022	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Debt	\$ –	\$ 2,417,850	\$ 5,039,455	\$ 7,457,305
Equities:				
Preferred shares	4,146,910	–	–	4,146,910
Common shares/ trust units	12,278,938	–	1,132,967	13,411,905
	16,425,848	2,417,850	6,172,422	25,016,120
Foreign exchange contract	–	99,055	–	99,055
	\$ 16,425,848	\$ 2,516,905	\$ 6,172,422	\$ 25,115,175

December 31, 2021	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL:				
Debt	\$ –	\$ 3,967,680	\$ 4,950,391	\$ 8,918,071
Equities:				
Preferred shares	4,586,763	–	–	4,586,763
Common shares/ trust units	8,739,107	–	3,569,159	12,308,266
	13,325,870	3,967,680	8,519,550	25,813,100
Foreign exchange contract	–	72,721	–	72,721
	\$ 13,325,870	\$ 4,040,401	\$ 8,519,550	\$ 25,885,821

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 10. Fair value measurements (continued):

The tables below show a reconciliation of the opening and closing balance of financial instruments recorded in Level 3:

	Beginning of period, January 1, 2022	Transfer from (to) Level 1	Transfer from (to) Level 2	Unrealized fair value gain (loss)	Sales, purchases, realized gains and other movements	End of period, June 30, 2022
GXI Acquisition Corp. - Unlisted Common Shares	\$ 1,092,250	\$ -	\$ -	\$ (121,720)	\$ -	\$ 970,530
Old PSG Wind Down Ltd. - Unlisted Common Shares	65,219	-	-	10,534	-	75,753
Crystallex International Corp. - Defaulted Debt	4,950,391	-	-	89,064	-	5,039,455
Kiwetinohk Energy Corp. - Common Shares	2,159,387	(2,159,387)	-	-	-	-
Spanish Broadcasting System Inc. - Unlisted Common Shares	252,303	-	-	(165,619)	-	86,684
<b>Total</b>	<b>\$ 8,519,550</b>	<b>\$(2,159,387)</b>	<b>\$ -</b>	<b>\$ (187,741)</b>	<b>\$ -</b>	<b>\$ 6,172,422</b>

During the six months ended June 30, 2022, there was one transfer of a Level 3 security to Level 1. The transfer was the result of a previously unlisted common equity being listed on the TSX and resulted in a transfer in the amount of \$2,159,387. The Trust did not have any other significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy for the six month period ended June 30, 2022.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 10. Fair value measurements (continued):

	Beginning of year, January 1, 2021	Transfer from (to) Level 1	Transfer from (to) Level 2	Unrealized fair value gain (loss)	Sales, purchases, realized gains and other movements	End of year, December 31, 2021
GXI Acquisition Corp. - Unlisted Common Shares	\$ 825,914	\$ -	\$ -	\$ 141,719	\$ 124,617	\$ 1,092,250
Old PSG Wind Down Ltd. - Unlisted Common Shares	58,680	-	-	6,539	-	65,219
Crystallex International Corp. - Defaulted Debt	5,543,352	-	-	(37,543)	(555,418)	4,950,391
Delphi Energy Corp. 10% Senior Notes - Residual Cash Claim	19,035	-	-	2,022	(21,057)	-
Distinction Energy Corp. - Unlisted Common Shares	1,411,980	-	-	470,660	(1,882,640)	-
Kiwetinohk Energy Corp. - Unlisted Common Shares	-	-	-	276,747	1,882,640	2,159,387
Spanish Broadcasting System Inc. - Preferred Shares	1,160,504	-	-	797,948	(1,958,452)	-
Spanish Broadcasting System Inc. - Unlisted Common Shares	-	-	-	72,596	179,707	252,303
<b>Total</b>	<b>\$ 9,019,465</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,730,688</b>	<b>\$ (2,230,603)</b>	<b>\$ 8,519,550</b>

The Trust did not have any significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy for the year ended December 31, 2021.

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 10. Fair value measurements (continued):

The tables below set out information about significant unobservable inputs used as at June 30, 2022 and December 31, 2021 in measuring financial instruments categorized in Level 3 in the fair value hierarchy:

Description	Fair value, June 30, 2022	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
GXI Acquisition Corp. - Unlisted Common Shares	\$ 970,530	Present value of expected future cash flows	Discount rate on Legacy business cash flows	15%	The estimated fair value would increase (decrease) by \$44,643 (\$38,443) or 4.6% (4.0%) for each 500 bps decrease (increase) in the discount rate. Net assets attributable to holders of redeemable units would increase (decrease) by 0.2%.
Old PSG Wind Down Ltd. - Unlisted Common Shares	75,753	Present value of expected final distribution to holders of Parent Equity Interests	Discount rate	25%	The estimated fair value would increase (decrease) by \$1,593 (\$1,461) or 2.1% (1.9%) if the discount rate were to decrease (increase) by 5%. Net assets attributable to holders of redeemable units would increase (decrease) by 0.0%.
Crystallex International Corp. - Defaulted Debt	5,039,455	Discount/premium to last trade price	Discount/premium	0%	The estimated fair value would increase (decrease) by \$503,946 or 10% for each 10% increase (decrease) in the premium / discount. Net assets attributable to holders of redeemable units would increase (decrease) by 2.8%.
Spanish Broadcasting System Inc. - Restricted Common Shares	86,684	Present value of hedged price to time of liquidity	Discount rate	15%	The estimated fair value would increase (decrease) by \$1,750 (1,964) or 2.0% (2.3%) if the discount rate were to decrease (increase) by 5%. Net assets attributable to holders of redeemable units would increase (decrease) by 0.0%.
	<u>\$ 6,172,422</u>				

# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

## 10. Fair value measurements (continued):

Description	Fair value, December 31, 2021	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
GXI Acquisition Corp. - Unlisted Common Shares	\$ 1,092,250	Present value of expected future cash flows	Discount rate	32.4%	The estimated fair value would increase (decrease) by \$111,311 (\$93,343) or 10.2% (8.5%) for each 500 bps decrease (increase) in the discount rate. Net assets attributable to holders of redeemable units would increase (decrease) by 0.5% (0.4%).
Old PSG Wind Down Ltd. - Unlisted Common Shares	65,219	Expected final distribution to holders of Parent Equity Interests	Remaining cash reserves available for final distribution after expenses	\$0.10 per share	The estimated fair value would increase (decrease) by \$6,522 or 10% for each \$0.1 increase (decrease) in projected distributions per share. Net assets attributable to holders of redeemable units would increase (decrease) by 0.0%.
Crystallex International Corp. - Defaulted Debt	4,950,391	Discount/premium to last trade price	Discount/premium	0%	The estimated fair value would increase (decrease) by \$495,039 or 10% for each 10% increase (decrease) in the premium / discount. Net assets attributable to holders of redeemable units would increase (decrease) by 2.4%.
Kiwetino Energy Corp. - Unlisted Common Shares	2,159,387	Rollback of publicly traded price upon January 14, 2022 listing	Valuation adjustment from January 14, 2022 to December 31, 2021	8.7%	The estimated fair value would increase (decrease) by \$43,301 or 2.0% if the valuation adjustment were to decrease or increase by 25%. Net assets attributable to holders of redeemable units would increase (decrease) by 0.2%
Spanish Broadcasting System Inc. - Unlisted Common Shares	252,303	Liquidity discount to public market share price	Liquidity discount	25.0%	The estimated fair value would increase (decrease) by \$21,939 (18,689) or 8.7% (7.4%) if the liquidity discount were to decrease (increase) to 15% (35%). Net assets attributable to holders of redeemable units would increase (decrease) by 0.1%.
	<u>\$ 8,519,550</u>				

The Investment Manager is responsible for performing the fair value measurements included in the financial statements of the Trust, including Level 3 measurements. The Investment Manager obtains pricing for Level 3 financial instruments from third-party pricing sources, which is reviewed and approved by the Investment Manager.



# RAVENSOURCE FUND

Notes to Financial Statements (continued)

Six months ended June 30, 2022 (Unaudited)

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## 10. Fair value measurements (continued):

Financial instruments not measured at fair value:

- (a) Cash and cash equivalents, interest and dividends receivable, margin loan, accounts payable and accrued liabilities, management and administrative fees payable are short-term financial assets and financial liabilities whose carrying amounts approximate fair values.

Cash and cash equivalents and interest and dividends receivable include the contractual amounts for settlement of trades and other obligations due to the Trust. Accruals represent the contractual amounts and obligations due by the Trust for settlement of trades and expenses.

- (b) The Trust's redeemable units are considered a residual interest in the assets of the Trust after deducting all of its liabilities. The redemption value of redeemable units is equal to net assets attributable to holders of redeemable units as calculated in accordance with the Declaration of Trust. The units are redeemable annually, at the holders' option, for cash equal to the proportionate share of the Trust's net asset value attributable to the share class, as described in the Declaration of Trust and in note 5(c).

## 11. Capital disclosures:

The Investment Manager has policies and procedures in place to manage the capital of the Trust in accordance with the Trust's investment objectives, strategies and restrictions, as detailed in the Declaration of Trust. Information about the capital is described in the statements of changes in net assets attributable to holders of redeemable units and the Trust does not have externally imposed capital requirements.



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