Financial Statements of

RAVENSOURCE FUND

Six-months ended June 30, 2024
(Unaudited)

RAVENSOURCE FUND

Table of Contents

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 IFRS Accounting Standards and include certain amounts that are based on estimates and judgements made by the Investment Manager. The material accounting policy information 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

Scott Reid

August 12, 2024
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, 2024, with comparative information for December 31, 2023 (Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,428,308	$ 29,592
Financial assets at fair value through profit or loss (note 10) (Cost:$16,700,391 - 2023:$22,301,363)	20,227,933	24,620,460
Prepaid expenses	1,491	4,407
Foreign exchange contract (note 10)	9,098	88,811
Interest and dividends receivable	–	67,419
	22,666,830	24,810,689
LIABILITIES		
Current liabilities		
Margin loan	342,085	2,842,105
Accounts payable and accrued liabilities	101,004	107,172
Management and administrative fees payable (note 4(a) and (b))	41,431	20,034
	484,520	2,969,311
Net Assets Attributable to Holders of Redeemable Units	$ 22,182,310	$ 21,841,378
Number of Redeemable Units Outstanding	1,296,075	1,296,075
Net Assets Attributable to Holders of Redeemable Units per Unit	$ 17.11	$ 16.85

See accompanying notes to financial statements.

Approved on behalf of the Trust:

Scott Reid

Stornoway Portfolio Management Inc.,
as Investment Manager

RAVENSOURCE FUND

Statements of Comprehensive Income
Six months ended June 30, 2024, with comparative information for June 30, 2023 (Unaudited)

	June 30, 2024	June 30, 2023
Income		
Interest income for distribution purposes	$ 173,754	$ 17,625
Dividends and income trust distributions	128,996	123,454
Net unrealized gain (loss) on financial assets	1,206,122	(825,587)
Net unrealized loss on foreign exchange contracts	(79,713)	(149,959)
Net realized (loss) gain on financial assets, including foreign exchange translations on cash	(403,221)	929,126
Net realized (loss) gain on foreign exchange contracts	(358,641)	384,870
	667,297	479,529
Expenses		
Interest	81,258	66,588
Management fees (note 4(a))	79,866	58,085
Administrative fees (note 4(b))	43,005	31,277
Audit fees	21,591	20,650
Accounting fees	20,475	19,491
Independent review committee fees	19,325	19,273
Withholding tax	13,452	–
Listing fees	12,929	11,653
Trust administration and transfer agency fees	9,879	9,917
Professional fees	9,096	–
Investor relations fees (note 4(d))	6,780	6,780
Legal fees	6,203	9,919
Other	1,591	4,239
Transaction costs	915	5,465
	326,365	263,337
Increase in net assets attributable to holders of redeemable units	$ 340,932	$ 216,192
Weighted average of redeemable units outstanding during the period	1,296,075	1,050,695
Increase in net assets attributable to holders of redeemable units per weighted average unit outstanding during the period	$ 0.26	$ 0.21

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

RAVENSOURCE FUND

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units
Six months ended June 30, 2024, with comparative information for June 30, 2023 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
June 30, 2024	$ 21,841,378	$ 340,932	$ 22,182,310

	Net assets attributable to holders of redeemable units, beginning of period	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
June 30, 2023	$ 15,690,146	$ 216,192	$ 15,906,338

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

RAVENSOURCE FUND

Statements of Cash Flows
Six months ended June 30, 2024, with comparative information for June 30, 2023 (Unaudited)

	June 30, 2024	June 30, 2023
Cash provided by (used in):		
Operating Activities		
Increase in net assets attributable to holders of redeemable units	$ 340,932	$ 216,192
Adjustments for non-cash items		
Net realized loss (gain) on foreign exchange contracts	358,641	(384,870)
Net change in unrealized (gain) loss on financial assets	(1,206,122)	825,587
Net change in unrealized loss on foreign exchange contracts	79,713	149,959
Net realized loss (gain) on sale of investments, including foreign exchange adjustments	403,221	(929,126)
Change in non-cash balances		
Decrease in prepaid expenses	2,916	2,909
Decrease in interest and dividends receivable	67,419	84,620
Decrease in accounts payable and accrued liabilities	(6,168)	(77,538)
Increase (decrease) in management and administrative fees payable	21,397	(14,741)
Proceeds from sale of investments	11,831,196	4,378,586
Purchase of investments	(6,990,250)	–
Cash provided by operating activities	4,902,895	4,251,578
Financing Activities		
Change in margin loan	(2,500,020)	(6,067,975)
Cash used in financing activities	(2,500,020)	(6,067,975)
Increase (decrease) in cash and cash equivalents during the period	2,402,875	(1,816,397)
Foreign exchange (loss) gain on cash	(4,159)	19,208
Cash and cash equivalents, beginning of period	29,592	1,807,887
Cash and cash equivalents, end of period	$ 2,428,308	$ 10,698
Supplemental information*		
Interest paid	$ 72,122	$ 89,148
Interest received	184,215	19,754
Dividends received, net of withholding taxes	172,502	205,945

*Included as a part of cash flows from operating activities

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

RAVENSOURCE FUND

Schedule of Investment Portfolio
As at June 30, 2024 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Canadian equities			
7,000	Algoma Steel Group Inc.	$ 82,069	$ 66,430	0.30
1,000	Crystallex Intl Corp	90	–	–
19,429	Firm Capital Apartment Real Estate Investment Trust	88,469	101,031	0.46
212,065	Kiwetinohk Energy Corp.	2,253,612	2,797,137	12.61
		2,424,240	2,964,598	13.37
	Canadian fixed income			
3,100,000	Canadian Treasury Bill 0% 29AUG24	3,031,273	3,075,758	13.87
	U.S. equities			
163,447	Algoma Steel Group Inc.	2,145,480	1,556,567	7.02
60,034	Brookfield DTLA Fund Office Trust Investor Inc. Preferred Shares 7.625%	1,063,076	10,268	0.05
251,674	Firm Capital Apartment Real Estate Investment Trust	1,943,277	1,308,589	5.90
343,130	GXI Acquisition Corp. Class A	432,589	478,895	2.16
861,080	GXI Acquisition Corp. Class B	1,080,229	1,201,780	5.42
329,323	Quad/Graphics Inc.	2,195,145	2,455,839	11.07
1,323,256	SeaCo Ltd.	–	–	–
49,882	Spanish Broadcasting System Inc.	179,707	17,063	0.08
		9,039,503	7,029,001	31.70
	U.S. fixed income			
3,559,000	Crystallex International Corp. 9.375% 23DEC11	2,205,375	7,158,576	32.27
	Total investments owned	16,700,391	20,227,933	91.21
	Commissions and other portfolio transaction costs	(1,367)	–	–
	Net investments owned	**$ 16,699,024**	20,227,933	91.21
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		9,098	0.04
	Other assets, net		1,945,279	8.75
	Net Assets Attributable to Holders of Redeemable Units		**$ 22,182,310**	**100.00**

RAVENSOURCE FUND

Schedule of Investment Portfolio (Continued)
As at June 30, 2024

Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Forward Rates	Contract Value	Fair Value	Foreign Exchange Rate	Unrealized Gain
September 23, 2024	USD	CAD	1.365671	$ (13,529,241)	$ (13,520,143)	1.0000	$ 9,098
Derivative asset							$ 9,098
Total unrealized gain on foreign exchange forward contracts							$ 9,098

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

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).

As at December 31, 2023, the Trust qualified as a mutual fund trust under the Income Tax Act (Canada). As at December 31, 2022, the Trust did not meet unit trust and mutual fund trust status qualification. Due to the Trust's tax attributes, its taxable income and character of distributions made in the year were not adversely affected as a result of this change.

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 142,947 (December 31, 2023 – 143,647) units, representing 11.0% (December 31, 2023 – 11.1%) of the outstanding units as at June 30, 2024.

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.

2. Basis of presentation:

(a) Basis of presentation:

The financial statements have been prepared in accordance with IFRS Accounting Standards. They were authorized for issue by the Manager on August 12, 2024.

(b) Functional and presentation currency:

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

3. Material accounting policy information:

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. 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;

3. Material accounting policy information (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) 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 Manager values the security using the average between its closing bid and closing ask price. In a situation where, in the opinion of the Investment 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 initially measures 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.

3. Material accounting policy information (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.

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.

3. Material accounting policy information (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 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 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:

As of December 31, 2023, the Trust qualified as a unit trust and mutual fund trust under the Income Tax Act (Canada) and this qualification has continued to the date these financial statements were authorized for issue. The Trust is taxable 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 in net realized gain on financial assets and net unrealized gain (loss) on financial assets.

3. Material accounting policy information (continued):

(e) Transaction costs:

Transaction costs are expensed and are included in the Statements of Comprehensive Income. 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.

(g) Cash and cash equivalents:

Cash and cash equivalents represent cash positions held in the Trust’s bank accounts at the Bank of Montreal, as well as any unsettled trades as at the reporting date.

3. Material accounting policy information (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.

(j) 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.

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 $250,000,001 and $500,000,000	0.60% plus HST
$500,000,001 and more	0.55% plus HST

Management fees for -the period ended June 30, 2024 amounted to $79,866 (June 30, 2023 - $58,085). Management fees payable as at June 30, 2024 amounted to $26,931 including HST (December 31, 2023 - $13,022).

(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 $250,000,001 and $500,000,000	0.30% plus HST
$500,000,001 and more	0.25% plus HST

Administrative fees for the period ended June 30, 2024 amounted to $43,005 (June 30, 2023 - $31,277). Administrative fees payable as at June 30, 2024 amounted to $14,500 including HST (December 31, 2023 - $7,011).

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, 2024, net assets attributable to holders of redeemable units per unit would have had to exceed $19.49 before any incentive would be payable to the Investment Manager. Accordingly, incentive fee expense for the period ended June 30, 2024 amounted to nil (June 30, 2023 - nil). The incentive fee payable as at June 30, 2024 amounted to nil (December 31, 2023 - 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, 2024 amounted to $6,780, inclusive of HST (June 30, 2023 - $6,780). The investor relations fee payable as at June 30, 2024 amounted to $2,260, inclusive of HST (December 31, 2023 - $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.

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 $nil ($nil – June 30, 2023) per unit on June 30, 2024 for total distributions of $nil ($nil – June 30, 2023).

As at December 31, 2023, the Trust had cumulative net capital losses of $10,071,035 (2022 - $10,646,677) for income tax purposes that may be carried forward and applied to reduce future net capital gains.

As at December 31, 2023, the Trust had non-capital losses of $976,037 (2022 - $976,037) for income tax purposes that may be carried forward and applied to reduce future years' taxable income.

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 period from June 30, 2023, to December 31, 2023, 87,366 units were tendered for redemption and all 87,366 were recirculated. In addition, the Trust issued 245,380 units via Private Placements. During the period ended June 30, 2024, there were no changes to the number of units outstanding.

	Redeemable units, beginning of period	Redeemable units, end of period
June 30, 2024	1,296,075	1,296,075
June 30, 2023	1,050,695	1,050,695

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, 2024 (year ended December 31, 2023 - nil).

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, 2024, the Trust’s exposure to sources of leverage net of cash/cash equivalents was nil% of total assets (December 31, 2023 – 11.3%).

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.

9. Financial risks (continued):

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

	June 30, 2024		December 31, 2023	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
By credit rating:				
AAA-rated	$ 3,075,758	13.9	$ 9,188,090	42
Non-rated	–	–	–	–
Defaulted	7,158,576	32.3	6,883,586	31.5
Total	10,234,334	46.1	16,071,676	73.6

As at June 30, 2024, the fair value of the Trust's foreign exchange contracts was $9,098 (December 31, 2023 - $88,811), 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. As at June 30, 2024, the Trust's maximum credit exposure being its total debt securities and any forward contract asset was $10,243,432 (December 31, 2023 - $16,160,487).

(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.

9. Financial risks (continued):

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

	June 30, 2024		December 31, 2023	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
Cash & cash equivalents	$ 2,428,308	10.9	$ 29,592	0.1
Government of Canada Treasury Bills	3,075,758	13.9	9,188,090	42.1
Margin loan	(342,085)	(1.5)	(2,842,105)	(13.0)
Listed securities	8,285,592	37.4	7,002,799	32.1
Total	13,447,573	60.6	13,378,376	61.3

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:

9. Financial risks (continued):

June 30, 2024:

	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
June 30, 2024						
U.S. Dollar	$ (13,862,228)	$ 14,187,577	$ 325,349	$ (138,622)	$ 141,876	$ 3,254
	$ (13,862,228)	$ 14,187,577	$ 325,349	$ (138,622)	$ 141,876	$ 3,254
% of Net Assets Attributable to Holders of Redeemable Units	(62.5)	64.0	1.5	(0.6)	0.6	0.0

December 31, 2023:

	Exposure			Impact if CAD strengthened or weakened by 1% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
December 31, 2023						
U.S. Dollar	$ (11,881,702)	$ 13,297,040	$ 1,415,338	$ (118,817)	$ 132,970	$ 14,153
	$ (11,881,702)	$ 13,297,040	$ 1,415,338	$ (118,817)	$ 132,970	$ 14,153
% of Net Assets Attributable to Holders of Redeemable Units	(54.4)	60.9	6.5	(0.5)	0.6	0.1

As at June 30, 2024, 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% ($3,254) (December 31, 2023 - 0.1% ($14,153)). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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 sensitivity, would be as follows:

	June 30, 2024		December 31, 2023	
	Fair value	Fair value as % of net assets	Fair value	Fair value as % of net assets
High yield bonds by maturity date:				
< 1 year	$ 3,075,758	13.9	$ 9,188,090	42.1
Defaulted bonds:	7,158,576	32.3	6,883,586	31.5
Total	10,234,334	46.1	16,071,676	73.6
Sensitivity to 25 bps yield change increase or decrease	$ 1,255	0.0	$ (5,400)	0.0

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

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:

	June 30, 2024	December 31, 2023
% of net assets:		
North American listed securities:		
Preferred shares	0.0	0.0
Common shares and warrants	37.4	32.1
Total	37.4	32.1
Sensitivity to 10% security price increase or decrease	3.7	3.2

If security prices on the North American stock exchanges had increased or decreased by 10% as at the end of June 30, 2024, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately 3.7% or $831,292 (December 31, 2023 – 3.2% / $700,280). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

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, 2024 and December 31, 2023 is as follows:

	June 30, 2024		December 31, 2023	
Issuer	Cost as % of property	Fair value as % of net assets	Cost as % of property	Fair value as % of net assets
Crystallex Int'l Corp.	13.2	32.3	9.9	31.5
Government of Canada	18.2	13.9	41.2	42.1

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).

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, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Common shares	$ 8,302,656	$ –	$ 1,680,675	$ 9,983,331
Debt	3,075,758	–	7,158,576	10,234,334
Foreign exchange contract	–	9,098	–	9,098
Preferred shares	10,268	–	–	10,268
	$ 11,388,682	$ 9,098	$ 8,839,251	$ 20,237,031

December 31, 2023:

	Level 1	Level 2	Level 3	Total
Assets				
Common shares	$ 6,998,822	$ –	$ 1,545,985	$ 8,544,807
Debt	–	9,188,090	6,883,586	16,071,676
Foreign exchange contract	–	88,811	–	88,811
Preferred shares	3,977	–	–	3,977
	$ 7,002,799	$ 9,276,901	$ 8,429,571	$ 24,709,271

10. Fair value measurements (continued):

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

		Total
Beginning Balance, January 01, 2024	$	8,429,571
Realized losses included in net income		(403,389)
Change in unrealized appreciation included in net income		813,069
Ending Balance, June 30, 2024	$	8,839,251

The Trust did not have any significant transfers between Level 1, Level 2 and Level 3 included in the fair value hierarchy during the period ended June 30, 2024.

		Total
Beginning Balance, January 1, 2023	$	6,570,574
Net transfers out of Level 3		(179,707)
Change in unrealized appreciation included in net income		2,038,704
Ending Balance, December 31, 2023	$	8,429,571

During the year ended December 31, 2023, Spanish Broadcasting System Inc. was transferred from Level 3 to Level 1 as the fund received unrestricted shares.

10. Fair value measurements (continued):

The tables below set out information about significant unobservable inputs used as at June 30, 2024 and December 31, 2023 in measuring financial instruments categorized in Level 3 in the fair value hierarchy:

Description	Fair value June 30, 2024	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
Crystallex International Corp. - Defaulted Debt	$ 7,158,576	Present value of expected future asset values	Discount rate	40%	The estimated fair value would increase (decrease) by $611,150 ($544,140) or 8.5% (7.6%) if the discount rate were to decrease (increase) by 500 bps. Net assets attributable to holders of redeemable units would increase (decrease) by 2.8% (2.5%).
GXI Acquisition Corp. - equity	1,680,675	Present value of expected future cash flows	Discount rate	40%	The estimated fair value would increase (decrease) by $230,681 ($197,726) or 13.7% (11.8%) if the discount rate were to decrease (increase) by 500 bps. Net assets attributable to holders of redeemable units would increase (decrease) by 1.0% (0.9%).
	$ 8,839,251				

10. Fair value measurements (continued):

Description		Fair value December 31, 2023	Valuation technique	Unobservable input	Input value	Sensitivity to changes in significant unobservable inputs
Crystallex International Corp. - Defaulted Debt	$	6,883,586	Present value of expected future asset values	Discount rate	35%	The estimated fair value would increase (decrease) by $682,986 ($596,673) or 9.9% (8.7%) if the discount rate were to decrease (increase) by 500 bps. Net assets attributable to holders of redeemable units would increase (decrease) by 3.1% (2.7%).
GXI Acquisition Corp. - equity		1,477,386	Present value of expected future cash flows	Discount rate	40%	The estimated fair value would increase (decrease) by $424,847 ($159,497) or 28.8% (10.8%) if the discount rate were to decrease (increase) by 500 bps. Net assets attributable to holders of redeemable units would increase (decrease) by 1.9% (0.7%).
Old PSG Wind-Down - equity		68,599	Present value of expected final distribution to holders of Parent Equity Interests	Discount rate	15%	The estimated fair value would increase (decrease) by $820 ($683) or 1.2% (1.0%) if the discount rate were to decrease (increase) by 500 bps. Net assets attributable to holders of redeemable units would increase (decrease) by 0.00% (0.00%).
	$	8,429,571				

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.

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.