

# **CC&L Diversified Market Neutral Fund**

Financial Statements  
(Unaudited)  
**June 30, 2024**

***Notice to Reader:***

These interim financial statements for the six-month period ended June 30, 2024, have not been reviewed by the Fund's auditors.

# CC&L Diversified Market Neutral Fund

## Statements of Financial Position as at

	June 30, 2024 (Unaudited)	December 31, 2023 (Audited)
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 6,401	\$ 6,315
Investments	35,121,847	36,474,910
Due from broker	345	3,280
Other receivables	5,586	14,404
	<u>35,134,179</u>	<u>36,498,909</u>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued expenses	20,492	21,550
Management fees payable	30,390	32,575
Performance fees payable	274,646	146,352
Redemptions payable	345	3,280
	<u>325,873</u>	<u>203,757</u>
<b>Net Assets attributable to holders of redeemable units</b>	<u>\$ 34,808,306</u>	<u>\$ 36,295,152</u>
<b>Net Assets attributable to holders of redeemable units for each class</b>		
Series A	\$ 8,653,020	\$ 8,602,152
Series F	<u>\$ 26,155,286</u>	<u>\$ 27,693,000</u>
<b>Redeemable units outstanding (note 6)</b>		
Series A	912,267	950,897
Series F	<u>2,582,940</u>	<u>2,881,991</u>
<b>Net Assets attributable to holders of redeemable units per unit</b>		
Series A	\$ 9.49	\$ 9.05
Series F	<u>\$ 10.13</u>	<u>\$ 9.61</u>

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

# CC&L Diversified Market Neutral Fund

## Statements of Comprehensive Income (Unaudited)

For the six months ended June 30

	2024	2023
<b>Income</b>		
Net gain (loss) on investments		
Interest for distribution purposes	\$ 45	\$ 44
Net realized gain (loss) on investments	(43,339)	(324,099)
Net change in unrealized appreciation (depreciation) on investments	2,607,717	963,114
Total net gain (loss) on investments	<u>2,564,423</u>	<u>639,059</u>
<b>Total income (loss), net</b>	<u>2,564,423</u>	<u>639,059</u>
<b>Expenses (note 8)</b>		
Audit fees	2,092	2,060
Custodial fees	5,668	4,658
Filing fees	-	200
Fundserv fees	1,978	1,912
Interest expense	409	424
Management fees	204,685	235,855
Performance fees	475,624	56,054
Professional fees	283	-
Securityholder reporting fees	30,909	23,300
<b>Total operating expenses</b>	<u>721,648</u>	<u>324,463</u>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units from operations</b>	<u>\$ 1,842,775</u>	<u>\$ 314,596</u>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units for each class</b>		
Series A	\$ 410,354	\$ 25,041
Series F	<u>\$ 1,432,421</u>	<u>\$ 289,555</u>
<b>Weighted average number of units outstanding</b>		
Series A	935,956	1,157,890
Series F	<u>2,789,208</u>	<u>3,437,635</u>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable units per unit</b>		
Series A	\$ 0.44	\$ 0.02
Series F	<u>\$ 0.51</u>	<u>\$ 0.08</u>

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

## CC&L Diversified Market Neutral Fund

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

For the six months ended June 30

	Series A 2024	Series A 2023
Net Assets attributable to holders of redeemable units - Beginning of period	\$ 8,602,152	\$ 10,982,517
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations	410,354	25,041
<b>Redeemable unit transactions</b>		
Redemption of redeemable units	(359,486)	(1,651,403)
Net increase (decrease) from redeemable unit transactions	(359,486)	(1,651,403)
Increase (decrease) in Net Assets attributable to holders of redeemable units during the period	50,868	(1,626,362)
Net Assets attributable to holders of redeemable units - End of period	\$ 8,653,020	\$ 9,356,155
	Series F 2024	Series F 2023
Net Assets attributable to holders of redeemable units - Beginning of period	\$ 27,693,000	\$ 33,570,436
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations	1,432,421	289,555
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	81,200	359,000
Redemption of redeemable units	(3,051,335)	(4,365,952)
Net increase (decrease) from redeemable unit transactions	(2,970,135)	(4,006,952)
Increase (decrease) in Net Assets attributable to holders of redeemable units during the period	(1,537,714)	(3,717,397)
Net Assets attributable to holders of redeemable units - End of period	\$ 26,155,286	\$ 29,853,039

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

## CC&L Diversified Market Neutral Fund

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

For the six months ended June 30

	Total 2024	Total 2023
Net Assets attributable to holders of redeemable units - Beginning of period	\$ 36,295,152	\$ 44,552,953
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations	1,842,775	314,596
<b>Redeemable unit transactions</b>		
Proceeds from redeemable units issued	81,200	359,000
Redemption of redeemable units	(3,410,821)	(6,017,355)
Net increase (decrease) from redeemable unit transactions	(3,329,621)	(5,658,355)
Increase (decrease) in Net Assets attributable to holders of redeemable units during the period	(1,486,846)	(5,343,759)
Net Assets attributable to holders of redeemable units - End of period	\$ 34,808,306	\$ 39,209,194

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

# CC&L Diversified Market Neutral Fund

## Statements of Cash Flows (Unaudited)

For the six months ended June 30

	2024	2023
<b>Cash flows from (used in) Operating activities</b>		
Increase (decrease) in Net Assets attributable to holders of redeemable units from operations	\$ 1,842,775	\$ 314,596
<b>Adjustments to reconcile to operating cash flows:</b>		
Net realized (gain) loss on investments	43,339	324,099
Net change in unrealized (appreciation) depreciation of investments	(2,607,717)	(963,114)
Purchase of investments	(154,453)	(4,522,452)
Proceeds from investments sold	4,074,829	6,257,809
(Increase) decrease in other receivables	8,818	(13,306)
Increase (decrease) in accrued expenses	(1,058)	(9,948)
Increase (decrease) in management fees payable	(2,185)	(4,600)
Increase (decrease) in performance fees payable	128,294	(129,492)
<b>Net cash flows from (used in) operating activities</b>	<b>3,332,642</b>	<b>1,253,592</b>
<b>Cash flows from (used in) Financing activities</b>		
Proceeds from redeemable units issued	81,200	387,393
Redemption of redeemable units	(3,413,756)	(5,953,606)
<b>Net cash flows from (used in) financing activities</b>	<b>(3,332,556)</b>	<b>(5,566,213)</b>
<b>Increase (decrease) in cash</b>		
Net increase (decrease) in cash	86	(4,312,621)
Cash, beginning of period	6,315	4,319,121
<b>Cash, end of period</b>	<b>\$ 6,401</b>	<b>\$ 6,500</b>
Interest received*	\$ 45	\$ 44
Interest paid*	(409)	(424)

\*included in operating activities

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

# CC&L Diversified Market Neutral Fund

## Schedule of Investment Portfolio (Unaudited)

As at June 30, 2024

	Number of Units	Average Cost \$	Fair Value \$	Percentage of Net Assets %
<b>Pooled Funds (December 31, 2023: 100.50%)</b>				
CC&L Fixed Income Absolute Return Fund, Class I*	112,936	9,291,578	7,018,529	
CC&L Market Neutral Onshore Fund, Class I*	93,587	14,143,899	13,195,325	
CC&L Q Market Neutral Fund, Class I*	55,763	12,405,357	14,907,993	
<b>Total Pooled Funds</b>		35,840,834	35,121,847	100.90
<b>Total Investments</b>		35,840,834	35,121,847	100.90
Other Assets Less Liabilities			(313,541)	(0.90)
<b>Net Assets Attributable to Holders of Redeemable Units</b>			34,808,306	100.00

\* The fund is managed by Connor, Clark & Lunn Investment Management Ltd., a company related to the Manager of the Fund through the common control of Connor, Clark & Lunn Financial Group Ltd.

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

# CC&L Diversified Market Neutral Fund

## Notes to Financial Statements – Fund Specific Information

**June 30, 2024 and 2023 (Unaudited)**

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These fund specific notes shall be read in conjunction with the accompanying notes to the financial statements, which are an integral part of these financial statements. These fund specific notes can be referenced to the accompanying notes by the corresponding note number. Since they are supplemental to the accompanying notes, there may not be a corresponding specific note to match every accompanying note.

### General information (Note 1)

The CC&L Diversified Market Neutral Fund (the “Fund”) is an open-ended mutual fund trust established under the laws of Ontario and is governed by the Declaration of Trust dated March 3, 2014 (the Declaration of Trust), as amended from time to time. The Fund commenced operations on April 17, 2014. The address of the Fund’s registered office is 1400 – 130 King St. West, P.O. Box 240, Toronto, Ontario, Canada, M5X 1C8.

The investment activities of the Fund are managed by Connor, Clark & Lunn Funds Inc. (the “Manager”). The Manager has retained Connor, Clark & Lunn Investment Management Ltd. to act as portfolio manager (the “Investment Manager”) for the Fund. The Trustee of the Fund is RBC Investor Services Trust.

The investment objective of the Fund is to earn a positive absolute and attractive risk adjusted return over the long term while demonstrating low correlation with, and lower volatility than, traditional equity markets by primarily investing in investment funds that employ absolute return strategies, including funds managed by the Manager, the Investment Manager or any one of their affiliates. The Fund may also invest in cash, money market and short term debt instruments. Investment funds into which the Fund invests may utilize leverage and short selling.

### Fair value of financial instruments (Note 5)

#### Classification and measurement of investments and application of the fair value option

The tables below illustrate the classification of the Fund’s financial instruments measured at fair value at the reporting date. The amounts are based on the values recognized in the Statements of Financial Position.

As at June 30, 2024:

<b>Assets at Fair Value</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Pooled funds	\$	-	\$	35,121,847	\$	-	\$	35,121,847
	\$	-	\$	35,121,847	\$	-	\$	35,121,847

As at December 31, 2023:

<b>Assets at Fair Value</b>		<b>Level 1</b>		<b>Level 2</b>		<b>Level 3</b>		<b>Total</b>
Pooled funds	\$	-	\$	36,474,910	\$	-	\$	36,474,910
	\$	-	\$	36,474,910	\$	-	\$	36,474,910

There were no transfers of financial assets between Level 1, Level 2 and Level 3 for the period ended June 30, 2024 and year ended December 31, 2023. All fair value measurements above are recurring.

# CC&L Diversified Market Neutral Fund

## Notes to Financial Statements – Fund Specific Information June 30, 2024 and 2023 (Unaudited)

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### Redeemable units of the Fund (Note 6)

The Fund has two classes of units available for issue, namely Series A and F. Series A units and Series F units are being offered pursuant to an offering memorandum to investors resident in all the provinces and territories of Canada pursuant to exemptions from the prospectus requirements of the applicable securities laws.

For the period ended June 30, 2024 and year ended December 31, 2023, changes in outstanding units were as follows:

	<b>Balance - Beginning</b>	<b>Redeemable units</b>	<b>Redeemable units</b>	<b>Redeemable units</b>	<b>Balance -</b>
<b>2024</b>	<b>of period</b>	<b>issued</b>	<b>reinvested</b>	<b>redeemed</b>	<b>End of period</b>
Series A	950,897	-	-	(38,630)	912,267
Series F	2,881,991	8,345	-	(307,396)	2,582,940
<hr/>					
2023					
Series A	1,266,493	-	-	(315,596)	950,897
Series F	3,636,868	50,607	31,860	(837,344)	2,881,991

### Taxation of the Fund (Note 7)

As at December 31, 2023, the Fund had unused capital losses of \$53,304,785 (December 31, 2022 - \$54,487,710), which may be carried forward indefinitely to reduce future net realized capital gains. There were \$Nil (December 31, 2022 - \$331,707) unused non-capital losses available for tax purposes.

### Related party transactions and other expenses (Note 8)

#### Management fees

The annual management fee rates, exclusive of taxes, are 1.80% for Series A and 0.80% for Series F.

#### Performance Fees

The Fund (inclusive of and applicable to both Series A and Series F units) may pay a quarterly incentive fee (a “Performance Fee”) to the Investment Manager, calculated and accrued weekly, and payable as of the last business day of each calendar quarter, or at other times (e.g. upon the dissolution of the Fund), equal to 20% of the net asset value per unit of Series A units of the Fund over and above the applicable High Water Mark converted to a percentage, and then multiplied by the average aggregate net asset value of the Fund (including the net asset value of Series A units and Series F units of the Fund) over the relevant performance period.

The “High Water Mark” is the highest quarter end Net Asset Value per unit of the Series A units since Series A units of the Fund have been issued.

The payment of any Performance Fee will be net of the Management Expense Ratio (MER) for Series A units of the Fund.

# **CC&L Diversified Market Neutral Fund**

## **Notes to Financial Statements – Fund Specific Information**

**June 30, 2024 and 2023 (Unaudited)**

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The Performance Fee for the Fund is only payable when the net asset value per unit of Series A units of the Fund exceeds the High Water Mark on the calculation date.

### **Investments in related parties**

The Fund invests in units of other underlying funds which are managed by the Manager or entities related to the Manager through common ownership. For the period ended June 30, 2024, the net realized losses from the sale of such underlying funds included in the Net realized gain (loss) on investments on the Statements of Comprehensive Income were \$43,339 (2023 - losses of \$324,099).

### **Brokerage commissions and soft dollars (Note 9)**

The Fund paid \$Nil (2023 - \$Nil) in brokerage commissions and other transactions costs for portfolio transactions during the period. The soft dollars paid during the period were \$Nil (2023 - \$Nil).

### **Financial risk management (Note 10)**

#### **Currency risk**

As at June 30, 2024 and December 31, 2023, the Fund's direct exposure to currency risk was negligible as the units of the underlying pooled funds and other investments are valued in Canadian dollars. The Fund was exposed to indirect currency risk to the extent the underlying pooled funds invests are denominated in a foreign currency. Approximately 10.4% (December 31, 2023 - 1.9%) of the underlying fund's net assets were exposed to currency risk. If the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets would have increased or decreased by approximately \$181,000 (December 31, 2023 - \$34,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

#### **Interest rate risk**

As at June 30, 2024 and December 31, 2023, the Fund's direct exposure to interest risk was negligible as the Fund had no significant exposure to long-term interest-bearing investments and the underlying pooled funds are non-interest bearing. The Fund was exposed to indirect interest rate risk to the extent the underlying pooled funds invest in debt-based securities and interest rate derivative instruments. Approximately 63.4% (December 31, 2023 - 66.7%) of the Fund's net assets held in underlying pooled funds were exposed to interest rate risk. If prevailing interest rates had been raised or lowered by 1.0%, assuming a parallel shift in the yield curve, with all other factors remaining constant, net assets would have increased or decreased by approximately \$1,000 (December 31, 2023 - \$44,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

# CC&L Diversified Market Neutral Fund

Notes to Financial Statements – Fund Specific Information

**June 30, 2024 and 2023 (Unaudited)**

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## Other price risk

As at June 30, 2024 and December 31, 2023, the Fund was exposed to other price risk to the extent the underlying pooled funds invest in securities subject to market fluctuations (not caused by other factors mentioned above). Approximately 0.8% (December 31, 2023 - 0.8%) of the underlying fund's net assets attributable to holders of redeemable units were exposed to other price risk. If the prices of the securities held by the underlying funds had increased or decreased by 10%, with all other factors remaining constant, net assets would have decreased or increased by approximately 27,000 (December 31, 2023 - \$28,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

## Credit risk

As at June 30, 2024 and December 31, 2023, the Fund's direct exposure to credit risk was negligible as the Fund had no significant exposure to debt or derivative instruments. The Fund was exposed to indirect credit risk to the extent the underlying pooled funds invest in such instruments. Approximately 77.9% (December 31, 2023 - 81.4%) of the underlying fund's net assets was exposed to credit risk.

## Investments in structured entities (Note 11)

The Fund has determined that all of the underlying pooled funds ('Investee Funds') in which it invests are unconsolidated structured entities. The table below describes the types of structured entities that the Fund does not consolidate but in which it holds an interest.

Entity	Nature and purpose	Interest held by the Fund
Investee Fund	To manage assets on behalf of third party investors. These vehicles are financed through the issue of units to investors.	Investment in units issued by the Fund.

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## CC&L Diversified Market Neutral Fund

Notes to Financial Statements – Fund Specific Information

**June 30, 2024 and 2023 (Unaudited)**

The tables below set out the interest held by the Fund in unconsolidated structured entities. The maximum exposure to loss is the carrying amounts of the financial assets held.

*June 30, 2024*

<b>Fund</b>	<b>Number of Investee Funds held</b>	<b>Total Net Assets of Investee Funds</b>	<b>Carrying amount included in investments</b>
CC&L Diversified Market Neutral Fund	3	\$331,720,799	\$35,121,847

<b>Underlying Fund</b>	<b>Principal place of business</b>	<b>Country of Domicile</b>	<b>Ownership interest</b>	<b>Carrying amount included in investments in Statement of Financial Position</b>
CC&L Fixed Income Absolute Return Fund	Canada	Canada	99.99%	\$7,018,529
CC&L Market Neutral Onshore Fund	Canada	Canada	52.42%	\$13,195,325
CC&L Q Market Neutral Fund	Canada	Canada	4.98%	\$14,907,993
				\$35,121,847

*December 31, 2023*

<b>Fund</b>	<b>Number of Investee Funds held</b>	<b>Total Net Assets of Investee Funds</b>	<b>Carrying amount included in investments</b>
CC&L Diversified Market Neutral Fund	3	\$319,792,354	\$36,474,910

<b>Underlying Fund</b>	<b>Principal place of business</b>	<b>Country of Domicile</b>	<b>Ownership interest</b>	<b>Carrying amount included in investments in Statement of Financial Position</b>
CC&L Fixed Income Absolute Return Fund	Canada	Canada	99.98%	\$7,359,794
CC&L Market Neutral Onshore Fund	Canada	Canada	52.41%	\$13,552,104
CC&L Q Market Neutral Fund	Canada	Canada	5.43%	\$15,563,012
				\$36,474,910

# CC&L Diversified Market Neutral Fund

Notes to Financial Statements

**June 30, 2024 and 2023 (Unaudited)**

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These notes shall be read in conjunction with the accompanying fund specific notes which are an integral part of these financial statements.

## 1 General information

The financial statements were authorized for issue by the Manager on August 26, 2024.

## 2 Basis of presentation

### (a) Statement of compliance:

These financial statements have been prepared in compliance with IFRS Accounting Standards, including International Accounting Standard 34, “Interim Financial Reporting”. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss.

### (b) Functional and presentational currency:

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

## 3 Material accounting policy information

The Fund has consistently applied the following accounting policies to all periods presented in these financial statements.

### (a) Financial instruments:

The Fund has determined that it meets the definition of an ‘investment entity’. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The significant judgment that the Fund has made in determining that it meets this definition is that fair value is the primary measurement attribute used to measure and evaluate the performance of substantially all of its investments.

The Fund classifies and measures financial instruments in accordance with International Financial Reporting Standard (“IFRS”) 9, “Financial Instruments”. The standard requires financial assets to be classified as amortized cost, fair value through profit or loss (“FVTPL”), or fair value through other comprehensive income based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgement. The Fund classifies investments based on both the Fund’s business models for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess performance and to make decisions. Consequently, all investments are measured at FVTPL.

# CC&L Diversified Market Neutral Fund

## Notes to Financial Statements

**June 30, 2024 and 2023 (Unaudited)**

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More specifically, the Fund's investments, derivative assets and liabilities and short sales, if any, are measured at FVTPL. The Fund's obligation for Net Assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

The net asset value ("NAV") per unit is determined by dividing the aggregate market value of the net assets of the Fund by the total number of units of the Fund outstanding before giving effect to redemptions or subscriptions to units on that day.

The interest for distribution purposes, if any, shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. Dividends received are recognized as income on the ex-dividend date. Dividends paid on securities sold short, if any, are recognized as an expense on the ex-dividend date. Distributions from income trusts and pooled funds, if any, are recognized when the Fund has earned the right to receive payment of the distributions. The cost of investments is determined using the average cost method.

(b) Redeemable units of the Fund:

Under International Accounting Standard ("IAS") 32, "Financial Instruments: Presentation", the Fund classified its redeemable units as liabilities. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity as the Fund has more than one contractual obligation to its unitholders. Investors have the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Unitholders are also entitled to distributions when declared, and have the right to receive distributions in cash. Therefore, the ongoing redemption feature is not the only contractual obligation related to units.

(c) Increase (decrease) in net assets attributable to holders of redeemable units per class unit:

The increase (decrease) in net assets attributable to holders of redeemable units per class unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units of each class by the weighted average number of units outstanding of that class during the period.

(d) Foreign exchange:

Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses on foreign denominated assets and liabilities other than investments are presented separately in the Statements of Comprehensive Income. Foreign currency gains and losses on investments are included in the Net realized gain (loss) on investments and Net change in unrealized appreciation (depreciation) on investments in the Statements of Comprehensive Income.

(e) Income and expense allocation:

Realized gains/losses, changes in unrealized appreciation (depreciation) on investments and derivatives, income and expenses are allocated daily to each class based on the proportionate share of the net asset value of the class. The proportionate share of each class is determined by adding the current day's net unitholder subscriptions of the class to the prior day's net asset value of the class. Any income or expense amounts that are unique to a particular class (for example, management fees) are accounted for separately in that particular class so as not to affect the net asset value of the other class.

# CC&L Diversified Market Neutral Fund

## Notes to Financial Statements

**June 30, 2024 and 2023 (Unaudited)**

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(f) Income taxes:

The Fund qualifies as a unit trust or mutual fund trust (refer to fund specific notes) under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

(g) Transaction costs:

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed as incurred and are recognized in the Statements of Comprehensive Income.

(h) Investments in underlying funds and unconsolidated structured entities:

Underlying funds are valued on each business day at their net asset value as reported by the underlying funds' managers. A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: (a) restricted activities, (b) a narrow and well-defined objective, such as to provide investment opportunities for investors by passing on risks and rewards associated with the assets of the structured entity to investors, (c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support and (d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches). The Fund considers all of its investments in other funds ("Investee Funds") to be investments in unconsolidated structured entities. The Fund may invest in Investee Funds whose objectives range from achieving medium to long term capital growth and whose investment strategy does not include the use of leverage. The Investee Funds may be managed by related or unrelated asset managers and apply various investment strategies to accomplish their respective investment objectives. The Investee Funds finance their operations by issuing redeemable units which are puttable at the holder's option and entitles the holder to a proportional stake in the respective fund's net assets. The Fund holds redeemable units in each of its Investee Funds. The change in fair value of each Investee Fund is included in the Statements of Comprehensive Income in Net change in unrealized appreciation (depreciation) on investments.

(i) Currency forward contracts:

The Fund may enter into foreign exchange forward contracts for economic hedging purposes or to establish an exposure to a particular currency. Open forward contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date. Unrealized gains and losses on foreign exchange forward contracts are included in Net change in unrealized appreciation (depreciation) on currency forward contracts in the Statements of Comprehensive Income, and upon closing of a contract, the realized gain or loss is included in Net realized gain (loss) on currency forward contracts. Outstanding settlement amounts on the close out of foreign exchange forward contracts are listed in the Schedule of Investment Portfolio and are presented in the Statements of Financial Position as unrealized appreciation or unrealized depreciation on currency forward contracts.

(j) Bond forward contracts

Bond forward contracts are financial instruments that are based on an underlying sovereign bond of a particular government. The Fund utilizes these instruments to hedge against and benefit from price movements of the underlying sovereign bond. The Fund may engage in both normal purchases and sales as well as in short-sales and cover-buys of these instruments. All risks associated with traditional short-selling also apply to short-sales of these instruments. The bond forward contracts are traded with coupon payments of the underlying bond with a specified settlement date in the future. Typically bond forward contracts are closed off prior to their settlement by an equal and opposite trade of the same bond forward instrument.

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Open bond forward contracts are valued at the gain or loss that would arise as a result of closing the position on the valuation date. The Fund records the difference in the change between fair value and cost of each of the bond forward contracts positions as a change in unrealized gain or loss in the net asset value determination of the Fund in the Statements of Comprehensive Income. The Fund benefits or suffers based on the gains or losses realized due to the difference in purchase and sale prices.

Unrealized gains and losses on bond forward contracts are included in Net change in unrealized appreciation (depreciation) on bond forward contracts in the Statements of Comprehensive Income, and upon closing of a contract, the realized gain or loss is included in Net realized gain (loss) on bond forward contracts. Outstanding settlement amounts are listed in the Schedule of Investment Portfolio and are presented in the Statements of Financial Position as unrealized appreciation or unrealized depreciation on bond forward contracts.

(k) Futures:

The Fund may purchase standardized, exchange-traded futures contracts. Any outstanding futures contracts as at reporting period end date are listed in the Schedule of Investment Portfolio and are presented in the Statements of Financial Position as unrealized appreciation or unrealized depreciation on futures contracts. Any difference between the value at the close of business on the current valuation day and that of the previous valuation day is settled in cash daily and recorded in the Statements of Comprehensive Income as Net change in unrealized appreciation (depreciation) on futures contracts, and upon closing of a contract, the realized gain or loss is included in Net realized gain (loss) on futures contracts. Any amounts receivable (payable) from settlement of futures contracts are reflected in the Statements of Financial Position as Daily variation margin. Certain short-term debt instruments, as indicated in the Schedule of Investment Portfolio, may be segregated and held as margin against the futures contracts purchased by the Fund.

(l) Swap contracts:

The Fund may invest in swap contracts. The fair value of over-the-counter (“OTC”) swap contracts is determined using valuation techniques which incorporate the use of observable market data such as market returns, interest rates, and credit spreads. Changes in the fair value of the swap contracts outstanding at the reporting date are disclosed in the Statements of Comprehensive Income as Net change in unrealized appreciation (depreciation) on swap contracts. When the swap contracts expire or are closed out, the net realized gain or loss is reflected in the Statements of Comprehensive Income as part of Net realized gain (loss) on swap contracts. Outstanding swap agreements as at reporting period end date are listed in the Schedule of Investment Portfolio and are presented in the Statements of Financial Position as unrealized appreciation or unrealized depreciation on swap contracts. Any amounts receivable (payable) from settlement of swap contracts are reflected in the Statements of Financial Position as Daily variation margin.

(m) New standards and interpretations not yet adopted:

The Fund has determined there are no IFRS standards that are issued but not yet effective that could materially impact the Funds’ financial statements.

## 4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS Accounting Standards requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

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## 5 Fair value of financial instruments

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

*Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

*Level 2:* Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; and

*Level 3:* Inputs that are unobservable.

The fair values of financial assets and financial liabilities that are traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices or dealer price quotations at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The carrying value of cash, daily variation margin, receivable from brokers, subscriptions receivable, interest and dividends receivable, other receivables, bank indebtedness, payable to brokers, redemptions payable, distributions payable, management fees payable, performance fees payable and accrued expenses, if applicable, approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because, while prices are available, there is no active market for these instruments.

### Fair value measurement of derivatives and securities not quoted in an active market

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgment depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund uses widely recognized valuation models for determining the fair value of financial instruments such as future, forward and swap contracts that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, and exchange-traded derivatives, such as futures and options, and OTC derivatives, such as forward contracts and swaps. The availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with the determination of fair values.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

### Classification of investments under the Fair Value Hierarchy

Equity positions (including income trusts, exchange-traded funds and limited partnerships) are classified as Level 1 when the security is actively traded and a reliable price is observable. If equities do not trade frequently and observable prices are not available, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

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Bonds and mortgage backed securities include primarily government and corporate bonds and mortgage backed securities, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's investments in bonds and mortgage backed securities have been generally classified as Level 2.

Short-term investments are classified as Level 2, since they are stated at amortized cost, which approximates fair value.

Pooled fund units, if any, held as investments are classified as Level 2 as their fair value is derived from the respective fund's NAV.

Derivative assets and liabilities consist of currency forward contracts, bond forward contracts and swap contracts, which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value are classified as Level 2.

Futures and exchange-traded credit default swap index contracts are classified as Level 1, as a quoted price is used based on observable market information.

Warrants are classified as Level 1, unless observable prices are not available. In such cases, fair value is determined using observable market data and the fair value is classified as Level 2.

## **6 Redeemable units of the Fund**

Redeemable units of the Fund are not offered to the public by way of prospectus. Redeemable units are issued pursuant to statutory exemptions from registration and prospectus requirements.

Redeemable units of the Fund are redeemable at the option of the unitholders in accordance with the provisions of the declaration of trust at their net asset value per class unit and do not have any nominal or par value. The Trustee shall also deduct from the aggregate redemption proceeds otherwise payable by the Trust to a unitholder, the amount of any transactions costs as calculated by the Manager.

The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. However, the switches between the series within a Fund are excluded from proceeds from redeemable units issued and redemption of redeemable units in the Statements of Cash Flows. In accordance with the objectives and risk management policies outlined in Note 10, the Fund endeavors to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. Liquidity is supported by the disposal of marketable securities when necessary.

Unitholders have the right to make an election to receive cash instead of additional units on the payment of a distribution by the Fund by written notification to the Trustee.

## **7 Taxation of the Fund**

The Fund may have unused capital losses which may be carried forward indefinitely to reduce future net realized capital gains, and unused non-capital losses which may be applied against the future investment income, available for tax purposes, as detailed in the fund specific notes.

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Certain dividend, interest and security lending income received by the Fund is subject to withholding tax imposed in the country of origin. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

As at June 30, 2024 and December 31, 2023, if applicable, the Fund has considered contingent tax liabilities and uncertain tax treatments, as well as interest and penalties, and determined that no amount need be accrued in respect of such amounts.

## **8 Related party transactions and other expenses**

### **Management fees**

Management fees may be charged by the Manager as detailed in the fund specific notes if applicable, either to the Fund or directly to the unitholders.

### **Performance fees**

Performance fees may be charged by the Manager as detailed in the fund specific notes if applicable, either to the Fund or directly to the unitholders.

### **Other expenses**

The Fund is responsible for audit fees, custodial fees, securityholder reporting fees and other expenses incurred directly for the operations of the Fund.

### **Investments in related parties**

The Fund may have investment transactions related to activities of investor funds, which are managed by the Manager or entities related to the Manager through common ownership.

## **9 Brokerage commissions and soft dollars**

The Manager may select brokers who charge commission in “soft dollars” if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. Soft dollars represent a means of paying for products or services provided by brokerage firms (e.g., research reports) in exchange for direction transactions (e.g., trade execution) to the brokerage. Fund managers may use soft dollars allocated by brokerages to pay for a portion of the total commissions owed to the brokerage.

## **10 Financial risk management**

The Fund may be exposed to a variety of financial risks which are described below. The Fund’s exposure to these risks is concentrated in its investment holdings including derivative instruments, where applicable. In determining the risks that apply, and the extent to which they apply, reference should be made to the Schedule of Investment Portfolio and supporting schedules that group securities (as applicable) by asset class, market segment and geographic region (when securities are held in multiple currencies). The Manager aims to manage the potential effects of these financial risks on the Fund’s performance by employing and overseeing professional and experienced portfolio managers that regularly monitor the Fund’s holdings, market events and overall economic conditions.

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The portfolio managers use a variety of means to monitor the Fund including the measurement of specific financial and economic variables pertinent to the Fund. The Fund's risk management program is based on monitoring compliance against investment guidelines contained in the Statement of Investment Policy ("SIP"). The SIP is an internal document that outlines how the Fund is managed. The SIP states the investment objective of the Fund and the investment guidelines. The guidelines include permitted investments, acceptable levels of diversification and the permitted uses of derivatives.

Securities are selected with the intent of maximizing returns within the risk parameters defined in the SIP. On a daily basis, these guidelines and other restrictions are monitored against the positions in the Fund using an electronic compliance system to confirm there are no violations and to ensure market movements do not leave the Fund's portfolio holdings outside specified ranges. Corrective action is taken when necessary and any guideline violations are reported to the Manager.

The Fund may be exposed indirectly to the below risks through investments in exchange-traded funds and underlying funds.

The economic uncertainties around persistent inflation pressure, global pandemic recovery, geopolitical events, climate change and ongoing natural disasters could slow growth in the global economy. Developing reliable estimates and applying judgment continue to be substantially complex. Actual results may differ from those estimates and assumptions.

Refer to the fund specific notes for specific risk disclosures.

## **Currency risk**

Currency risk is the risk that the value of monetary assets and liabilities denominated in currencies other than the Canadian dollar (the functional and presentational currency of the Fund) will fluctuate due to changes in foreign exchange rates. The Schedule of Investment Portfolio and supporting schedules identify all investments and derivative instruments denominated in foreign currencies. Bonds and short-term investments issued in foreign countries are exposed to that country's currency unless otherwise noted. Bonds, short-term investments and derivatives denominated in foreign currencies are exposed to currency risk as prices are converted to the Fund's functional currency in determining fair value. Foreign equities are not exposed to currency risk since they are considered non-monetary investments. Changes in the market value of these securities due to fluctuations in exchange rates are considered a component of other price risk (see below).

The portfolio manager may utilize hedging strategies at their discretion to minimize exposure to currency risk.

## **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Fund's interest-bearing investments will fluctuate due to changes in prevailing interest rates. The longer the term to maturity, all else being equal, the more sensitive a security is to interest rate risk. The Fund's exposure to interest rate risk is concentrated in its investment in debt securities (such as bonds and short-term investments) and interest rate derivative instruments, if any. Other assets and liabilities are short-term in nature and non-interest bearing.

The Fund may also hold a limited amount of floating rate debt, cash and short-term investments that expose the Fund to cash flow interest rate risk. The Fund has direct exposure to interest rate changes on the valuation and cash flows of its interest bearing assets and liabilities. However, it may also be indirectly affected by the impact of interest rate changes on the earnings of certain companies in which the Fund invests. Therefore the sensitivity analysis may not fully indicate the total effect on the Fund's net assets to holders of redeemable shares of redeemable units of future movements in interest rates.

The portfolio manager targets the Fund's duration to be within a specified tolerance of the benchmark or as otherwise specified in the SIP in order to minimize exposure to interest rate risk.

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## **Other price risk**

Other price risk is the risk that the fair value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from currency risk or interest rate risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

Unexpected volatility or illiquidity could occur due to legal, political, regulatory, economic or other developments, such as public health emergencies, including an epidemic or pandemic, natural disasters, war and related geopolitical risks, and may impair the portfolio manager's ability to carry out the objectives of the Fund or cause the Fund to incur losses. Neither the duration nor ultimate effect of any such market conditions, nor the degree to which such conditions may worsen can be predicted.

The portfolio manager adheres to specified investment constraints in relation to asset class and diversification, thus minimizing exposure to other price risk.

Other assets and liabilities are monetary items that are short-term in nature and not subject to other price risk.

## **Credit risk**

Credit risk is the risk that a loss could arise when a security issuer or counterparty to a financial instrument is unable to meet its financial obligations. To maximize the credit quality of its investments, the Fund's portfolio manager performs ongoing credit evaluations of debt issuers. The fair value of debt securities includes consideration of the credit worthiness of the debt issuer. Credit risk can also arise with counterparties, as applicable, on forward contracts, swap contracts and reverse sale and repurchase agreements. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by their carrying amount.

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. At June 30, 2024 and December 31, 2023, if applicable, all other receivables, amounts due from brokers, cash and short-term deposits are held with counterparties with a credit ratings ranging from AAA to AA. Credit risk related to unsettled transactions is considered small due to the short settlement period involved. Management considers the probability of default to be close to zero as the counterparties have a strong capacity to meet their contractual obligations in the near term.

Credit ratings are determined from a composite of bond rating services such as Standard & Poor's, Moody's and Dominion Bond Rating Services and are subject to change without notice.

The Fund can also be exposed to credit risk to the extent that the Fund's custodian may not be able to settle trades for cash. RBC Investor Services Trust, which is the custodian for the Fund, is approved by Canadian Securities Administrator to act as custodian.

## **Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of redeemable units, which are due on demand. The liquidity of some securities held by the Fund, which may need to be disposed of in order to meet immediate or short-term obligations, are susceptible to rapid negative movements in credit markets; in particular non-government issued fixed income securities found on the Schedule of Investments Portfolio. Like all fixed income securities, the market value of these securities is based on a credit risk premium or 'spread'. The greater the credit risk associated with a security, the greater the spread demanded by holders. There is a negative correlation between the size of the spread and the value or price of the underlying security.

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The Fund may also be exposed to liquidity risk through its investments in underlying funds. The underlying funds invest in the majority of their investments that are traded in an active market and can be readily disposed of to maintain liquidity.

The Fund retains sufficient cash, short-term investments and marketable securities that can be readily disposed of to maintain liquidity. Liquidity risk is considered negligible. The Fund's financial liabilities are all short-term in nature and are expected to mature within three months of the June 30, 2024 financial statement date, with the exception of redeemable units, which are due on demand, bonds held short and certain derivatives. All of the Fund's financial liabilities as at December 31, 2023, if applicable, matured within three months of the financial statement date.

## **Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographic region, asset type or sector.

The portfolio manager adheres to specified investment constraints in relation to asset class and diversification, thus minimizing exposure to concentration risk.

The Schedule of Investment Portfolio provides detailed information on the Fund's concentration risk exposure as at June 30, 2024 and December 31, 2023, if applicable.

## **Capital risk management**

Redeemable units issued and outstanding are considered to be capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. Each unit is redeemable at the option of the unitholder in accordance with the Declaration of Trust and entitles the unitholder to a pro rata share of the Fund's NAV. Unitholders are entitled to distributions when declared. Distributions on units of the Fund are reinvested in additional units of the Fund or at the option of the unitholder, paid in cash.

## **11 Investments in structured entities**

The Fund has determined that all of the underlying pooled funds in which they invest are unconsolidated structured entities. The exposure to investments in underlying funds is disclosed in the fund specific notes.

The Fund has determined that all of the mortgage-related and other asset-backed securities in which they invest are unconsolidated structured entities. These securities include mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, collateralized debt obligations and other securities that directly or indirectly represent a participation in, or are secured by and payable from, mortgage loans on real property. The debt and equity securities issued by these securities may include tranches with varying levels of subordination. These securities may provide a monthly payment which consists of both interest and principal payments. Mortgage-related securities are created from pools of residential or commercial mortgage loans, including mortgage loans made by savings and loan institutions, mortgage bankers, commercial banks and others. Asset-backed securities are created from many types of assets, including auto loans, credit card receivables, home equity loans, and student loans.

The Fund has determined that all of the exchange-traded funds in which they invest are unconsolidated structured entities. The Funds may invest in exchange-traded funds which provide access to the returns of stock indices, bond indices, or a basket of assets and are intended to replicate the economic effects that would apply had the Funds directly purchased the underlying reference asset or basket of assets. An investment in an exchange-traded fund is subject to all of the risks of investing in the securities held by the exchange-traded fund.

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The exposure to underlying pooled funds at fair value is disclosed in the fund specific notes. The Fund's maximum loss from these investments is equal to the total carrying value of the investments. The exposure to mortgage-backed securities and asset-backed securities are disclosed in the Schedule of Investment Portfolio, as applicable, which represents the maximum exposure to losses at that date.

The Fund accounts for these unconsolidated structured entities at fair value. The fair value of such securities, as disclosed in the Schedule of Investment Portfolio, as applicable, represents the maximum exposure to losses at that date.

During the period ended June 30, 2024 and year ended December 31, 2023, if applicable, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

## 12 Securities lending

The Fund may enter into a securities lending program with its custodian, RBC Investor Services Trust, in order to earn additional income. The aggregate market value of all securities loaned by the Fund will not exceed 50% of the fair value of the assets of the Fund. The Fund will receive collateral of at least 102% of the fair value of the securities on loan. Collateral consists primarily of fixed income securities. Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charges which the Fund's custodian is entitled to receive.

## 13 Leverage and borrowing

Leverage occurs when a Fund borrows money or securities, or uses derivatives, to generate investment exposure that is greater than the amount invested.

Fund's leverage is determined by calculating the aggregate exposure through the sum of following:

- (i) the market value of the Fund's short positions;
- (ii) the amount of cash borrowed for investment purposes; and
- (iii) the notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

If a Fund is permitted to use leverage and engages in short selling (as stated in the Fund's SIP), the Manager will appoint one or more prime brokers as custodians. Accordingly, some or all of the Fund's net assets attributable to holders of redeemable units may be held in accounts with prime brokers. A prime broker account may provide less segregation of these assets than would be the case with a more conventional custody arrangement. Further, a prime broker may also lend, pledge or hypothecate these assets, which may result in a potential loss of such assets. As a result, these assets could be frozen and inaccessible for withdrawal or subsequent trading for an extended period of time if a prime broker experiences financial difficulty. In such case, the Fund may experience losses due to insufficient assets at a prime broker to satisfy the claims of its creditors and adverse market movements while its positions cannot be traded.

## 14 Financial reports

In reliance on the exemption in Section 2.11 of National Instrument 81-106, the Fund has not and will not be filing its financial statements with the regulatory authorities.