

# **Palos Global Small-Cap Equity Fund**

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

# Palos Global Small-Cap Equity Fund

## Notice

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The following Palos Global Small-Cap Equity Fund interim financial statements have not been reviewed by the Fund external auditors.

# Palos Global Small-Cap Equity Fund

## Statements of Financial Position (unaudited)

(expressed in Canadian dollars)

As at June 30, 2025 and December 31, 2024

	2025	2024
<b>ASSETS</b>		
<b>Current assets</b>		
Investments at fair value through profit or loss (FVTPL)	\$ 5,414,255	\$ 5,180,541
Cash	107,393	121,595
Accrued income receivable	4,047	2,544
Other assets	61,712	43
	<u>5,587,407</u>	<u>5,304,723</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accrued liabilities	165,520	137,450
Management fees payable	25,071	22,684
Payable for investments purchased	27,757	—
	<u>218,348</u>	<u>160,134</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 5,369,059</u>	<u>\$ 5,144,589</u>
<b>Net assets attributable to holders of redeemable units per series</b>		
Series F	\$ 4,169,866	\$ 3,934,071
Series O	1,199,193	1,210,518
	<u>\$ 5,369,059</u>	<u>\$ 5,144,589</u>
<b>Net assets attributable to holders of redeemable units per series per unit</b>		
Series F	\$ 9.81	\$ 9.97
Series O	9.93	10.02

Approved by the Manager, Palos Wealth Management Inc.

(s) Alain Lizotte Director

(s) Philippe Marleau Director

# Palos Global Small-Cap Equity Fund

## Statement of Comprehensive Income (unaudited)

(expressed in Canadian dollars)

For the period ended June 30, 2025

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### Income

Dividend income	\$	43,860
Interest income for distribution purposes		3,292
Security lending income		253
Net realized loss on sale of investments		(70,659)
Net change in unrealized appreciation of investments		77,152
		<u>53,898</u>

### Expenses

Administration and other professional fees		45,478
Management fees (Note 8)		32,319
Audit fees		24,605
Withholding tax expense		5,369
Bank charges and interest		1,059
Transaction costs (Note 9)		538
		<u>109,368</u>

**Decrease in net assets attributable to holders of redeemable units** \$ (55,470)

### Decrease in net assets attributable to holders of redeemable units per series (Note 10)

Series F	\$	(44,145)
Series O		<u>(11,325)</u>
	\$	<u>(55,470)</u>

### Decrease in net assets attributable to holders of redeemable unit per series per unit (Note 10)

Series F	\$	(0.11)
Series O		(0.09)

\*Comparative information is not available since the Fund commenced operations in July 2024.

# Palos Global Small-Cap Equity Fund

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

(expressed in Canadian dollars)

For the period ended June 30, 2025

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2025</b>					
Series F	\$ 3,934,071	\$ 479,940	\$ (200,000)	\$ (44,145)	\$ 4,169,866
Series O	1,210,518	—	—	(11,325)	1,199,193
	<u>\$ 5,144,589</u>	<u>\$ 479,940</u>	<u>\$ (200,000)</u>	<u>\$ (55,470)</u>	<u>\$ 5,369,059</u>

\*Comparative information is not available since the Fund commenced operations in July 2024.

# Palos Global Small-Cap Equity Fund

## Statement of Cash Flows (unaudited)

(expressed in Canadian dollars)

For the period ended June 30, 2025

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### Cash provided by (used in):

#### Operating Activities

Decrease in net assets attributable to holders of redeemable units	\$	(55,470)
Adjustments for non-cash items		
Net realized loss on sale of investments		70,659
Net change in unrealized appreciation of investments		(77,152)
Foreign exchange loss on cash		5,669
Change in non-cash balances		
Increase in accrued income receivable		(1,503)
Increase in other assets		(61,669)
Increase in accrued liabilities		28,070
Increase in management fees payable		2,387
Proceeds from sale of investments		545,486
Purchase of investments		(744,950)
		<hr/>
Cash used in operating activities		(288,473)

#### Financing Activities

Proceeds from issuance of redeemable units		479,940
Amount paid on redemption of redeemable units		(200,000)
		<hr/>
Cash provided by financing activities		279,940

Decrease in cash during the period		(8,533)
Foreign exchange loss on cash		(5,669)
Cash, beginning of period		121,595
		<hr/>
<b>Cash, end of period</b>	<b>\$</b>	<b>107,393</b>

#### Supplemental information\*

Interest received	\$	3,292
Dividends received, net of withholding taxes		36,988

\*Included as a part of cash flows from operating activities

\*\*Comparative information is not available since the Fund commenced operations in July 2024.

# Palos Global Small-Cap Equity Fund

## Schedule of Investment Portfolio as at June 30, 2025 (Unaudited)

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
<b>Investments owned (100.84%)</b>				
<b>Equities (100.84%)</b>				
<b>Consumer, Cyclical (15.23%)</b>				
Aritzia Inc.	CAD	1,725	\$ 76,990	\$ 121,698
Coats Group PLC	GBP	109,200	176,380	162,281
Dorman Products Inc.	USD	620	86,831	103,587
Pet Valu Holdings Ltd.	CAD	3,100	85,507	102,393
Puuiilo Oyj	EUR	6,625	100,479	138,702
Richelieu Hardware Ltd.	CAD	4,425	175,537	161,911
Technogym SpA	EUR	1,400	27,757	27,334
<b>Total Consumer, Cyclical</b>			729,481	817,906
<b>Consumer, Non-cyclical (30.59%)</b>				
Charles River Laboratories International Inc.	USD	405	127,224	83,696
Chemed Corp.	USD	125	96,018	82,900
Colliers International Group Inc.	CAD	835	159,773	148,772
Element Fleet Management Corp.	CAD	6,975	186,886	237,917
Euronet Worldwide Inc.	USD	1,195	166,187	165,005
FTI Consulting Inc.	USD	440	132,646	96,784
Globus Medical Inc.	USD	1,470	144,254	118,166
Grand Canyon Education Inc.	USD	755	155,801	194,351
K-Bro Linen Inc.	CAD	3,995	136,171	139,426
Laureate Education Inc.	USD	2,075	55,856	66,075
Paylocity Holding Corp.	USD	495	106,154	122,156
The Ensign Group Inc.	USD	890	176,799	186,991
<b>Total Consumer, Non-cyclical</b>			1,643,769	1,642,239
<b>Financial (16.82%)</b>				
EQB Inc.	CAD	935	91,806	96,829
Guardian Capital Group Ltd.	CAD	2,765	119,328	119,586
Houlihan Lokey Inc.	USD	565	116,964	138,477
IntegraFin Holdings PLC	GBP	18,150	120,152	110,605
StoneX Group Inc.	USD	1,440	108,214	178,751
Trisura Group Ltd.	CAD	3,220	141,009	142,582
Victory Capital Holdings Inc.	USD	1,340	107,997	116,203
<b>Total Financial</b>			805,470	903,033
<b>Funds (1.16%)</b>				
Purpose High Interest Savings ETF	CAD	1,250	62,526	62,525
<b>Total Funds</b>			62,526	62,525

# Palos Global Small-Cap Equity Fund

## Schedule of Investment Portfolio as at June 30, 2025 (Unaudited) (continued)

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
<b>Industrial (21.90%)</b>				
Armstrong World Industries Inc.	USD	630	\$ 111,407	\$ 139,382
Badger Infrastructure Solution	CAD	3,345	128,070	159,154
Brady Corp.	USD	1,315	129,919	121,736
Crane NXT Co.	USD	575	52,059	42,212
Donaldson Co Inc.	USD	1,300	131,865	122,791
Federal Signal Corp.	USD	1,295	166,632	187,703
GVS SpA	EUR	3,900	26,944	31,472
Interpump Group SpA	EUR	2,330	131,180	132,102
Norconsult Norge AS	NOK	17,100	83,451	105,138
Renew Holdings PLC	GBP	5,050	92,654	80,240
Simpson Manufacturing Co Inc.	USD	255	58,863	53,941
<b>Total Industrial</b>			1,113,044	1,175,871
<b>Technology (15.14%)</b>				
Equasens	EUR	1,830	125,570	143,564
Jack Henry & Associates Inc.	USD	480	114,424	117,788
Kainos Group PLC	GBP	7,500	128,932	104,377
MAXIMUS Inc.	USD	1,270	149,857	121,428
Melexis NV	EUR	565	58,320	65,399
Mensch und Maschine Software SE	EUR	1,635	142,426	141,381
Progress Software Corp.	USD	560	45,574	48,692
Qualys Inc.	USD	360	70,155	70,052
<b>Total Technology</b>			835,258	812,681
<b>Total Equities</b>			5,189,548	5,414,255
<b>Total investments owned</b>			5,189,548	5,414,255
Commissions and other portfolio transaction costs			(2,648)	—
Net investments owned (100.84%)			5,186,900	5,414,255
Other liabilities, net (-0.84%)				(45,196)
<b>Net Assets Attributable to Holders of Redeemable Units (100%)</b>				<b>5,369,059</b>

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

## 1 General information

Palos Global Small-Cap Equity Fund (the Fund) was formed on June 14, 2024 under the laws of the Province of Quebec pursuant to a trust agreement, as amended for the last time on June 14, 2024, between Computershare Trust Company of Canada (the trustee) and Palos Management Inc. The address of the Fund's registered office is 1 Place Ville-Marie, Suite 1670, Montréal, Quebec, H3B 2B6 Canada. The Fund is an open-ended mutual fund, is qualified as a quasi-mutual fund trust and is a registered investment fund under Section 204.4 of the Income Tax Act (Canada).

Series A, F, I and O opened on June 14, 2024. During the period ended June 30, 2025, redeemable units of Series F and Series O were in issuance.

The Fund acts as an investment holding unit trust for the benefit of unitholders by acquiring, investing in, holding, transferring, disposing of, or otherwise dealing with such investments as the trustee and the investment fund manager determine, at their discretion, in accordance with the investment objectives of the Fund, which aims to provide investors with an absolute return in excess of 10% annually by investing in a diversified basket of global (developed countries) small-cap publicly traded companies.

The investment fund manager and portfolio advisor is Palos Wealth Management Inc. (the Manager). The Manager has appointed Palos Wealth Management Inc. (the Sub-advisor) as the sub-advisor of the Fund pursuant to the terms of a sub-advisory agreement dated January 9, 2019 and amended as of June 14, 2024.

These financial statements have been authorized for issue by the Board of Directors of the Manager on August 29, 2025.

## 2 Basis of presentation

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

## 3 Summary of material accounting policy information

### Financial instruments

#### Classification

IFRS 9, Financial Instruments, sets out a classification and measurement model for financial assets to determine whether a financial asset should be classified at amortized cost, at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI). This model is based on the contractual cash flow characteristics of the financial asset and the business model under which the financial asset is held. The Fund manages its investments in financial assets with the objective of realizing cash flows through both the sale of the assets and income generated from those assets. The Manager makes decisions based on the assets' fair values and manages the assets to realize those fair values.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that are measured at FVTPL will not be subject to the recent impairment requirements.

With respect to receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the statements of financial position dates, all receivables are due to be settled within the short-term. The Fund considered the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Fund to credit risk from financial assets recorded at amortized cost, no loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

## Recognition

Regular-way purchases and sales of financial assets are recognized at their trade date. Transaction costs are expensed as incurred in the statement of comprehensive income. The Fund's investment assets and liabilities are measured at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is classified as a financial liability at the redemption amount, which approximates fair value. The redemption amount is determined as the net difference between total assets and all other liabilities for which accounting policies are described herein. Other financial assets and liabilities are recognized at amortized cost which reflects the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The Fund's accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (NAV) for transactions with unitholders.

## Income recognition

The interest income for distribution purposes shown on the statement of comprehensive income represents the contractual interest accounted for on an accrual basis. Dividend income is recorded on the ex-dividend date.

Realized gain (loss) on sale of investments and unrealized appreciation (depreciation) of investments are determined on an average cost basis. Average cost does not include amortization of premiums.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

## **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

## **Investment entities**

The Fund meets the definition in IFRS 10, Consolidated Financial Statements, for investment entities and accounts for its investments in underlying at FVTPL.

## **Structured entities**

The Fund may invest in other investment funds (underlying funds) by holding redeemable shares of the underlying funds, which entitle the holder to an appropriate share of the underlying funds' net assets. The Fund does not invest in underlying funds for the purpose of exercising management control. Such investments expose the Fund to the risk that underlying funds may not perform as expected and indirectly to all of the risks applicable to investments in underlying funds.

The carrying value of investments in underlying funds is included in "Investments at fair value through profit or loss (FVTPL)" in the statements of financial position and also represents the maximum exposure to losses. Changes in fair value of investments in underlying funds are included within "Net change in unrealized appreciation of investments" in the statement of comprehensive income.

## **Classification of redeemable units**

The Fund's outstanding redeemable units are in different series that do not have identical features. Consequently, the Fund's outstanding redeemable units are classified as financial liabilities and recorded as net assets attributable to holders of redeemable units, in accordance with the requirements of International Accounting Standard (IAS) 32, Financial Instruments: Presentation.

## **Foreign currency translation**

The Fund's subscriptions and redemptions are denominated in Canadian dollars, which is also its functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash and to other financial assets and financial liabilities are presented as "Net realized loss on sale of investments" and "Net change in unrealized appreciation of investments" in the statement of comprehensive income.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

## **Offsetting financial assets and financial liabilities**

Financial assets and financial liabilities are offset in the Fund's statements of financial position when and only when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund has a legally enforceable right to offset a financial asset and financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

## **Cash**

Cash comprises deposits with financial institutions and bank indebtedness.

## **Decrease in net assets attributable to holders of redeemable units per series per unit**

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

## **Taxation**

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

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statement of comprehensive income.

## **New standards and amendments to existing standards effective January 1, 2025**

There are no standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2025 that have a material effect on the financial statements of the Fund.

## **New standards, amendments and interpretations effective after January 1, 2025 and that have not been early adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2025, and have not been early adopted in preparing these financial statements. The Fund's assessment of the impact of these new standards and amendments is set out below:

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after January 1, 2026)

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

ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after January 1, 2027)

The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- the requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Fund is currently still assessing the effect of the forthcoming standard and amendments.

No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

## 4 Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Manager has made in preparing the financial statements:

Classification and measurement of investment and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Fund's investments are classified as FVTPL.

## 5 Risks associated with financial instruments

### Risk factors

The Fund's activities expose it to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk) and concentration risk. The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital. These risks are moderated through careful selection of securities and other financial instruments within the Fund's investment guidelines. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables.

### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

All portfolio transactions in securities are settled or paid for upon delivery using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities are received by the broker. The trade will not settle if either party fails to meet its obligation. In addition, the Fund lodges its cash with quality institutions. Credit risk with respect to accrued income receivable is limited as the receivables are derived from a portfolio of diversified investments.

The Fund's maximum exposure to credit risk is equal to the carrying value of the assets presented on the statements of financial position. The Fund does not anticipate any significant losses from the non-performance of counterparties. As at June 30, 2025 and December 31, 2024, the fund had no significant direct investments in debt securities.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

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(expressed in Canadian dollars)

The Fund's maximum exposure to credit risk is equal to the carrying value of the assets presented on the statements of financial position. The Fund does not anticipate any significant losses from the non-performance of counterparties.

The Fund also engages in securities-lending transactions. The credit risk related to securities-lending transactions is limited by the fact that the value of cash or securities held as collateral by the Fund in connection with these transactions is at least 100% of the fair value of the securities loaned. The collateral and loaned securities are marked to market on each business day. As at June 30, 2025, the aggregate dollar value of portfolio securities lent and collateral held under securities transactions was \$455,342 and \$1,685,152, respectively (December 31, 2024 – \$nil and collateral of \$nil).

## Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions. Financial liabilities that potentially subject the Fund to liquidity risk consist of accrued liabilities, management fees payable and payable for investments purchased. The Fund's investment approach focuses on investing in highly liquid securities and moderately liquid securities, which are therefore readily saleable to meet liquidity needs.

The Fund may invest in debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts that approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis. The tables below analyze the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows.

	<b>June 30, 2025</b>		
<b>Financial liabilities</b>	<b>On demand</b>	<b>&lt; 3 months</b>	<b>Total</b>
	\$	\$	\$
Accrued liabilities	–	165,520	165,520
Management fees payable	–	25,071	25,071
Payable for investments purchased	–	27,757	27,757
Redeemable units	5,369,059	–	5,369,059

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

Financial liabilities	December 31, 2024		
	On demand \$	< 3 months \$	Total \$
Accrued liabilities	–	137,450	137,450
Management fees payable	–	22,684	22,684
Redeemable units	5,144,589	–	5,144,589

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

## Market risk

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

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

### a) Currency risk

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

The table below indicates the foreign currencies to which the Fund had significant exposure as at June 30, 2025 and December 31, 2024, in Canadian dollars. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant. The monetary exposure presents the impact on cash and the non-monetary exposure presents the impact on investments. Non-monetary items are investments in equity securities and are classified based on the currency in which they were purchased.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>June 30, 2025</b>						
Euro	\$ –	\$ 679,954	\$ 679,954	\$ –	\$ 33,998	\$ 33,998
U.K. Pound Sterling	–	457,503	457,503	–	22,875	22,875
U.S. Dollar	61,621	2,678,867	2,740,488	3,081	133,943	137,024
Norwegian Krone	–	105,138	105,138	–	5,257	5,257
	<u>\$ 61,621</u>	<u>\$ 3,921,462</u>	<u>\$ 3,983,083</u>	<u>\$ 3,081</u>	<u>\$ 196,073</u>	<u>\$ 199,154</u>
% of Net assets attributable to holders of redeemable units	1.1	73.0	74.1	0.1	3.7	3.8

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2024</b>						
Euro	\$ –	\$ 479,269	\$ 479,269	\$ –	\$ 23,963	\$ 23,963
U.K. Pound Sterling	–	474,818	474,818	–	23,741	23,741
U.S. Dollar	7,120	2,769,360	2,776,480	356	138,468	138,824
Norwegian Krone	–	89,413	89,413	–	4,471	4,471
	<u>\$ 7,120</u>	<u>\$ 3,812,860</u>	<u>\$ 3,819,980</u>	<u>\$ 356</u>	<u>\$ 190,643</u>	<u>\$ 190,999</u>
% of Net assets attributable to holders of redeemable units	0.1	74.1	74.2	–	3.7	3.7

## b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at June 30, 2025 and December 31, 2024, the Fund does not hold securities with fixed interest rates that would expose the Fund to fair value interest rate risk.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

## c) Price risk

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

As at June 30, 2025, the expected increase or decrease in net assets attributable to holders of redeemable units of the Fund if the S&P/TSX composite index had increased or decreased by 5.0%, with all other variables held constant, would amount to \$221,984 and would represent 4.1% of the net assets attributable to holders of redeemable units of the Fund (December 31, 2024 - \$308,242 represented 6.0%).

## Concentration risk

Concentration risk arises as a result of the concentration of exposure within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk by market segment over the total investments market value:

Market segment	Percentage of portfolio	
	June 30, 2025	December 31, 2024
<b>Investments owned</b>		
Consumer, Cyclical	15.1	15.8
Consumer, Non-cyclical	30.3	30.0
Financial	16.7	15.6
Funds	1.2	1.2
Industrial	21.7	18.8
Technology	15.0	18.6
Total net investments	100.0	100.0

Asset class weighting	Percentage of net assets	
	June 30, 2025	December 31, 2024
<b>Investments owned</b>		
Equity	100.8	100.7
Other net liabilities	(0.8)	(0.7)
Total net investments	100.0	100.0

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

## Fair value measurement

The carrying amounts of accrued income receivable, other assets, accrued liabilities, management fees payable and payable for investments purchased approximate their fair values due to the short-term nature of these financial instruments.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 – Valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2025:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 5,414,255	\$ –	\$ –	\$ 5,414,255
	\$ 5,414,255	\$ –	\$ –	\$ 5,414,255

December 31, 2024:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 5,180,541	\$ –	\$ –	\$ 5,180,541
	\$ 5,180,541	\$ –	\$ –	\$ 5,180,541

All fair value measurements above are recurring. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, the instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

There was no change in levels during the period ended June 30, 2025 and year ended December 31, 2024.

## 6 Bank indebtedness

The Fund has bank indebtedness in the form of margin debt. The maximum amount authorized by this lending arrangement is based on the securities held by the Fund. The margin debt is guaranteed dollar for dollar by a security held by the Fund. Any outstanding balance in the margin account accrued interest on a daily basis at a rate of the Bank of Canada prime rate plus 0.65%. As at June 30, 2025, margin debt was \$nil (December 31, 2024 - \$nil).

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

## 7 Redeemable units

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

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Redeemable Units, end of period
<b>June 30, 2025</b>				
Series F	394,746	50,857	(20,572)	425,031
Series O	120,777	–	–	120,777

\*Comparative information is not available since the Fund commenced operations in July 2024.

During the period ended June 30, 2025, redeemable units of Series F and Series O were in issuance.

### Capital structure

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements.

The Fund is authorized to issue an unlimited number of redeemable unit series, as well as an unlimited number of redeemable units within each series. Each series unit enables its bearer to participate equally in the allocations the Fund completes for the given series. Unit fractions may also be issued.

The Fund is composed of more than one redeemable unit series; each redeemable unit series may feature different structures regarding management fees, performance fees and brokerage. As a result, each redeemable unit entitles its holder to one vote and to participate equally in the allocations the Fund completes and, in the case of Fund liquidation, in the allocation of the redeemable unit series' net assets attributable to holders of redeemable units after all current liabilities have been paid.

## 8 Related party transactions

### Management fees

The Manager provides management and advisory services to the Fund in accordance with the agreement. In return for these services, the Manager is paid a management fee. The Series A units of the Fund are subject to a monthly management fee equal to 1/12 of 2.35% of the NAV of the Series A units. The Manager will pay a trailer fee of 1% out of the management fees collected from the Fund with respect to Series A units.

Series F, I and O are similar to Series A, but no trailer fee is included in the management fee. A monthly management fee is charged equal to 1/12 of 1.35% of the NAV of Series F, 1/12 of 1% of the NAV of Series I and 1/12 of 0.25% of the NAV of Series O respectively.

In addition to management fees, the Fund is responsible for payment of all expenses relating to operations.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

The total management fees for the period ended June 30, 2025 amounted to \$32,319, with \$25,071 in outstanding fees due to the Manager as at June 30, 2025 (December 31, 2024 - \$22,684).

The Manager may waive or absorb the operation of management fees of the Fund. The decision to do so is reviewed regularly and is determined at the sole discretion of the Manager. During the period ended June 30, 2025, the Manager did not waive any fees.

Effective June 30, 2025, Palos Wealth Management Inc. became the Investment Fund Manager and portfolio advisor (the Manager) for the Fund. Palos Management Inc. was the Manager for the period from January 1, 2025 to June 29, 2025 and for the year ended December 31, 2024.

The change in Manager from Palos Management Inc. to Palos Wealth Management Inc. was a related party transaction under IAS 24. It did not affect fund governance, unitholder rights, or investment objectives.

## 9 Brokerage commissions and soft dollars

The total commissions paid by the Fund to brokers in connection with portfolio transactions for the period ended June 30, 2025, together with other transaction charges, are disclosed in the statement of comprehensive income of the Fund. Brokerage business is allocated to brokers based on the best net result for the Fund. Subject to these criteria, preference may be given to brokerage firms that provide (or pay for) certain services (arrangements referred to as "soft dollar"), which may include investment research, analysis and reports, and databases or software in support of these services. The ascertainable soft dollar value received as a percentage of total brokerage commissions paid during the period ended June 30, 2025 is disclosed below:

	<b>2025</b>
Soft dollars	\$ 237
Percentage of total transaction costs (%)	44%

## 10 Decrease in net assets attributable to holders of redeemable units per series per unit

The decrease in net assets attributable to holders of redeemable units per series per unit for the period ended June 30, 2025 is calculated as follows:

	<b>Decrease in net assets attributable to holders of redeemable units per series</b>	<b>Weighted average of redeemable units outstanding during the period</b>	<b>Decrease in net assets attributable to holders of redeemable unit per series per unit</b>
<b>June 30, 2025</b>			
Series F	\$ (44,145)	406,330 \$	(0.11)
Series O	(11,325)	120,777	(0.09)

\*Comparative information is not available since the Fund commenced operations in July 2024.

# Palos Global Small-Cap Equity Fund

Notes to Financial Statements (unaudited)

As at June 30, 2025

(expressed in Canadian dollars)

## 11 Taxes

The Fund qualifies as a quasi-mutual fund trust under the Income Tax Act (Canada).

All or substantially all of the net income for tax purposes and net taxable capital gains realized in any period, after use of loss carry-forwards, are distributed to unitholders such that no income taxes are payable by the Fund.

The capital losses determined for tax purposes as at December 31, 2024 were \$nil. Non-capital losses as at December 31, 2024 were \$33,208.

## 12 Comparison of Net Asset Value ("Trading NAV") per unit and net assets attributable to holders of redeemable units per unit ("IFRS Accounting Standards NAV")

The primary reason for the difference between Trading NAV per unit and the IFRS Accounting Standards NAV is due to offering costs which have been expensed for financial reporting purposes and amortized over five years for the purpose of calculating the Trading NAV. The Fund's Trading NAV and IFRS Accounting Standards NAV as at June 30, 2025 and December 31, 2024 are as follows:

	Net Asset Value Per Unit (Trading)	Unamortized Offering Cost Adjustment Per Unit	Net Assets Per Unit (IFRS Accounting Standards)
<b>June 30, 2025</b>			
Series F	\$ 9.92	\$ (0.11)	\$ 9.81
Series O	10.04	(0.11)	9.93
<b>December 31, 2024</b>			
Series F	\$ 10.10	\$ (0.13)	\$ 9.97
Series O	10.15	(0.13)	10.02

## 13 Exemption from regulatory filing requirements

National Instrument 81-106, Investment Fund Continuous Disclosure, allows for investment funds categorized as non-reporting issuers to take advantage of an exemption to file annual and interim financial statements with the relevant regulatory authority as per Section 2.11 of the rule. The Fund, as a non-reporting issuer, is relying on this exemption and therefore does not make such filings.