Palos Income Fund L.P.

Interim Financial Statements (unaudited)
June 30, 2025 and 2024
(expressed in Canadian dollars)

Palos Income Fund L.P.

Notice

The following Palos Income Fund interim financial statements have not been reviewed by the Fund’s external auditors.

Palos Income Fund L.P.

Statements of Financial Position (unaudited)
(expressed in Canadian dollars)
As at June 30, 2025 and December 31, 2024

		2025		2024
ASSETS				
Current assets				
Investments at fair value through profit or loss (FVTPL)	$	95,617,935	$	92,355,367
Cash		1,521,061		484,404
Accrued income receivable		341,664		175,336
Receivable from investments sold		441,335		–
		97,921,995		93,015,107
LIABILITIES				
Current liabilities				
Bank indebtedness (Note 6)		–		820,994
Distributions payable		827,558		809,727
Redemptions payable		673,520		134,142
Accrued liabilities		34,616		54,505
Performance fees payable		897,461		5,743
Payable for investments purchased		194,873		–
		2,628,028		1,825,111
Net assets attributable to holders of redeemable units	$	95,293,967	$	91,189,996
Net assets attributable to holders of redeemable units per series				
Series O	$	4,658,837	$	4,273,174
Series X		90,635,130		86,916,822
	$	95,293,967	$	91,189,996
Net assets attributable to holders of redeemable units per series per unit				
Series O	$	30.32	$	27.77
Series X		9.04		8.81

Approved by the Manager, Palos Wealth Management Inc.

(s) Alain Lizotte Director (s) Philippe Marleau Director

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

Palos Income Fund L.P.

Statements of Comprehensive Income (unaudited)

(expressed in Canadian dollars)

For the periods ended June 30, 2025 and 2024

	2025	2024
Income		
Dividend income	$ 1,336,864	$ 1,372,266
Interest income for distribution purposes	217,916	66,551
Security lending income	10,572	17,763
Tax refund	9,594	–
Net realized gain on sale of investments	2,965,714	3,466,507
Net change in unrealized appreciation of investments	3,925,661	1,477,685
Other income	–	1,724
	8,466,321	6,402,496
Expenses		
Performance fees (Note 8)	897,461	1,157
Management fees (Note 8)	548,417	548,520
Administration and other professional fees	104,369	83,464
Transaction costs (Note 9)	64,484	52,624
Bank charges and interest	45,400	40,947
Audit fees	19,781	19,891
Withholding tax expense	572	3,859
	1,680,484	750,462
Increase in net assets attributable to holders of redeemable units	$ 6,785,837	$ 5,652,034
Increase in net assets attributable to holders of redeemable units per series (Note 10)		
Series F	$ –	$ 2,276
Series O	392,114	270,739
Series X	6,393,723	5,379,019
	$ 6,785,837	$ 5,652,034
Increase in net assets attributable to holders of redeemable units per series per unit (Note 10)		
Series F	$ –	$ 0.34
Series O	2.55	1.71
Series X	0.64	0.55

Palos Income Fund L.P.

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

(expressed in Canadian dollars)

For the periods ended June 30, 2025 and 2024

June 30, 2025	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to holders of redeemable units	Reinvestment of distributions to holders of redeemable units	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
Series O	$ 4,273,174	$ –	$ (6,451)	$ –	$ –	$ 392,114	$ 4,658,837
Series X	86,916,822	896,275	(1,903,221)	(3,974,799)	2,306,330	6,393,723	90,635,130
	$ 91,189,996	$ 896,275	$ (1,909,672)	$ (3,974,799)	$ 2,306,330	$ 6,785,837	$ 95,293,967

June 30, 2024	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Distributions to holders of redeemable units	Reinvestment of distributions to holders of redeemable units	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
Series F	$ 49,781	$ –	$ –	$ (2,654)	$ 2,654	$ 2,276	$ 52,057
Series O	3,686,763	–	(59,500)	–	–	270,739	3,898,002
Series X	80,804,722	462,312	(3,434,147)	(3,931,971)	2,278,538	5,379,019	81,558,473
	$ 84,541,266	$ 462,312	$ (3,493,647)	$ (3,934,625)	$ 2,281,192	$ 5,652,034	$ 85,508,532

Palos Income Fund L.P.

Statements of Cash Flows (unaudited)

(expressed in Canadian dollars)

For the periods ended June 30, 2025 and 2024

	2025	2024
Cash provided by (used in):		
Operating Activities		
Increase in net assets attributable to holders of redeemable units	$ 6,785,837	$ 5,652,034
Adjustments for non-cash items		
Net realized gain on sale of investments	(2,965,714)	(3,466,507)
Net change in unrealized appreciation of investments	(3,925,661)	(1,477,685)
Foreign exchange (gain) loss on cash	(394)	1,103
Change in non-cash balances		
(Increase) decrease in accrued income receivable	(166,328)	10,239
(Decrease) increase in accrued liabilities	(19,889)	860
Increase in performance fees payable	891,718	–
Decrease in management fees payable	–	(31)
Proceeds from sale of investments	24,252,547	21,415,017
Purchase of investments	(20,870,202)	(19,676,188)
Cash provided by operating activities	3,981,914	2,458,842
Financing Activities		
Proceeds from issuance of redeemable units	896,275	462,312
Amount paid on redemption of redeemable units	(1,370,294)	(1,356,233)
Distributions to holders of redeemable units, net of reinvested distributions	(1,650,638)	(1,671,554)
Cash used in financing activities	(2,124,657)	(2,565,475)
Increase (decrease) in cash during the period	1,857,257	(106,633)
Foreign exchange gain (loss) on cash	394	(1,103)
(Bank indebtedness) Cash, beginning of period	(336,590)	367,574
Cash, end of period	$ 1,521,061	$ 259,838
Supplemental information*		
Interest paid	$ 37,353	$ 30,421
Interest received	217,916	66,551
Dividends received, net of withholding taxes	1,169,964	1,468,558

*Included as a part of cash flows from operating activities

Palos Income Fund L.P.

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

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Investments owned (100.34%)				
Equities (100.32%)				
Basic Materials (9.37%)				
Agnico Eagle Mines Ltd.	CAD	6,603	$ 418,185	$ 1,071,271
Cameco Corp.	CAD	3,600	222,319	364,068
Equinox Gold Corp.	CAD	103,950	882,536	817,047
Franco-Nevada Corp.	CAD	6,950	1,120,321	1,553,812
K92 Mining Inc.	CAD	73,273	485,828	1,125,473
North American Construction Group Ltd.	CAD	24,171	624,262	526,686
Russel Metals Inc.	CAD	22,200	887,443	973,470
Teck Resources Ltd.	CAD	24,620	1,211,009	1,355,823
Wheaton Precious Metals Corp.	CAD	9,300	486,661	1,138,878
Total Basic Materials			6,338,564	8,926,528
Communications (5.16%)				
Blackline Safety Corp.	CAD	54,000	378,222	388,800
Rogers Communications Inc.	CAD	43,480	2,253,243	1,756,157
TELUS Corp.	CAD	79,280	1,870,858	1,733,854
Thomson Reuters Corp.	CAD	3,800	861,362	1,040,592
Total Communications			5,363,685	4,919,403
Consumer, Cyclical (3.87%)				
ADENTRA Inc.	CAD	34,000	1,080,522	980,899
Canadian Tire Corp Ltd.	CAD	5,710	733,554	1,058,577
Pollard Banknote Ltd.	CAD	45,020	1,032,536	974,683
Superior Plus Corp.	CAD	84,000	532,129	670,320
Total Consumer, Cyclical			3,378,741	3,684,479
Consumer, Non-cyclical (7.31%)				
Boyd Group Services Inc.	CAD	3,180	684,815	680,202
CareRx Corp.	CAD	67,900	194,873	197,589
dentalcorp Holdings Ltd.	CAD	85,300	685,813	718,226
Green Thumb Industries Inc.	CAD	71,200	905,468	530,440
Information Services Corp.	CAD	31,600	719,462	1,011,516
K-Bro Linen Inc.	CAD	22,400	773,920	781,760
KITS Eyecare Ltd.	CAD	49,200	403,801	748,332
Premium Brands Holdings Corp.	CAD	13,500	1,086,692	1,096,470
Sienna Senior Living Inc.	CAD	63,200	1,005,422	1,203,960
Total Consumer, Non-cyclical			6,460,266	6,968,495

Palos Income Fund L.P.

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

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Energy (18.78%)				
AltaGas Ltd.	CAD	26,700	$ 610,067	$ 1,055,451
Alvopetro Energy Ltd.	CAD	21,500	128,245	134,375
ARC Resources Ltd.	CAD	44,100	857,041	1,266,111
Canadian Natural Resources Ltd.	CAD	39,600	1,285,367	1,694,880
CES Energy Solutions Corp.	CAD	145,400	571,171	964,002
Enbridge Inc.	CAD	22,400	999,950	1,383,200
Enerflex Ltd.	CAD	42,100	368,180	452,575
Headwater Exploration Inc.	CAD	187,600	1,106,610	1,262,548
Keyera Corp.	CAD	26,710	770,132	1,189,663
Keyera Corp.	CAD	12,000	469,800	523,560
Secure Waste Infrastructure Corp.	CAD	92,300	853,321	1,437,111
Tamarack Valley Energy Ltd.	CAD	275,381	1,052,421	1,330,090
TC Energy Corp.	CAD	18,300	822,441	1,216,584
Topaz Energy Corp.	CAD	46,700	897,737	1,198,322
Tourmaline Oil Corp.	CAD	25,200	1,281,984	1,655,640
Trican Well Service Ltd.	CAD	251,800	889,649	1,135,618
Total Energy			12,964,116	17,899,730
Financial (33.97%)				
Alaris Equity Partners Income	CAD	57,900	798,823	1,107,627
Bank of Montreal	CAD	28,578	3,078,745	4,312,706
Brookfield Asset Management Ltd.	CAD	13,500	603,736	1,017,495
Brookfield Corp.	CAD	17,200	797,768	1,449,616
BSR Real Estate Investment Trust	USD	49,500	706,663	877,860
Canadian Imperial Bank of Commerce	CAD	42,637	2,212,374	4,121,292
Dream Industrial Real Estate Investment Trust	CAD	116,800	1,392,211	1,377,072
EQB Inc.	CAD	8,920	505,420	923,755
Flagship Communities REIT	USD	44,700	784,266	1,095,337
Minto Apartment Real Estate Investment Trust	CAD	88,600	1,177,606	1,247,488
National Bank of Canada	CAD	19,370	1,087,442	2,721,872
Primaris REIT	CAD	66,300	995,705	975,936
Propel Holdings Inc.	CAD	25,600	694,145	968,704
Royal Bank of Canada	CAD	22,700	1,924,748	4,073,969
StorageVault Canada Inc.	CAD	211,290	778,199	864,176
The Toronto-Dominion Bank	CAD	41,255	2,213,259	4,132,101
Trisura Group Ltd.	CAD	24,800	820,202	1,098,144
Total Financial			20,571,312	32,365,150

Palos Income Fund L.P.

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

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Industrial (10.95%)				
ATS Corp.	CAD	24,700	$ 1,072,567	$ 1,072,721
Canadian National Railway Co.	CAD	7,680	919,596	1,089,715
Canadian Pacific Kansas City Ltd.	CAD	11,905	848,347	1,287,883
Cargojet Inc.	CAD	10,935	1,126,543	1,036,966
CCL Industries Inc.	CAD	12,570	669,285	998,184
Chemtrade Logistics Income Fund	CAD	34,400	288,072	381,840
GFL Environmental Inc.	CAD	15,100	546,864	1,037,974
MDA Space Ltd.	CAD	8,800	209,897	308,968
Mullen Group Ltd.	CAD	72,500	920,322	1,028,775
TFI International Inc.	CAD	8,445	1,070,963	1,032,317
WSP Global Inc.	CAD	4,180	527,613	1,161,079
Total Industrial			8,200,069	10,436,422
Technology (4.58%)				
CGI Inc.	CAD	6,110	633,509	873,791
Constellation Software Inc.	CAD	218	418,861	1,088,518
Kinaxis Inc.	CAD	5,500	785,307	1,113,860
Shopify Inc.	CAD	8,200	681,539	1,287,892
Total Technology			2,519,216	4,364,061
Utilities (6.33%)				
Boralex Inc.	CAD	70,200	2,077,421	2,221,128
Brookfield Infrastructure Corp.	CAD	18,450	1,004,047	1,045,377
Capital Power Corp.	CAD	27,610	1,141,996	1,513,028
Northland Power Inc.	CAD	58,780	1,547,990	1,256,129
Total Utilities			5,771,454	6,035,662
Total Equities			71,567,423	95,599,930
Warrants (0.02%)				
Basic Materials (0.02%)				
i-80 Gold Corp. $2.15 01MAY28	CAD	127,500	48,450	17,850
Total Basic Materials			48,450	17,850
Consumer, Cyclical (0.00%)				
Else Nutrition Holdings Inc. $2.70 20OCT26	CAD	31,000	13,640	155
Total Consumer, Cyclical			13,640	155

Palos Income Fund L.P.

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

Expressed in Canadian Dollars

Description	Currency	Number of shares	Average cost	Fair value
Technology (0.00%)				
Constellation Software Inc. $0 31MAR40	CAD	305	$ –	$ –
HealWELL AI Inc. $2.50 21JAN28	CAD	60,000	–	–
Total Technology			–	–
Total Warrants			62,090	18,005
Total investments owned			71,629,513	95,617,935
Commissions and other portfolio transaction costs			(96,491)	–
Net investments owned (100.34%)			71,533,022	95,617,935
Other liabilities, net (-0.34%)				(323,968)
Net Assets Attributable to Holders of Redeemable Units (100%)				**95,293,967**

(expressed in Canadian dollars)

1 General information

Palos Income Fund L.P. (the Partnership) was formed on June 21, 2001 under the laws of the Province of Quebec to purchase, sell, invest and trade in income, royalty and real estate trusts, as well as non-trust investments, the securities of which are listed on a recognized stock exchange. The address of the Partnership's registered office is 1 Place Ville-Marie, Suite 1670, Montréal, Quebec, Canada H3B 2B6.

Series X opened on June 21, 2001, Series F on May 30, 2014, and Series O on February 1, 2016. During the period ended June 30, 2025, redeemable units of Series F, Series O and Series X were in issuance. As at June 30, 2025, there were no outstanding units for Series F.

The General Partner and Manager of the Partnership is Palos Wealth Management Inc. Under the Limited Partnership Agreement, the General Partner has revenue participation of 0.001% of the profits and losses of the Partnership. The General Partner unit does not represent a significant amount; consequently, these notes will hereafter only refer to the Limited Partner units.

The Partnership 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 Manager determines, at its discretion, in accordance with the investment objectives of the Partnership, which are to preserve capital, to provide an attractive and steady stream of income and to deliver trading-enhanced returns.

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 are prepared in accordance with IFRS Accounting 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 Partnership 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.

(expressed in Canadian dollars)

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

With respect to receivables, the Partnership 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 Partnership considers 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 Partnership 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 statements of comprehensive income. The Partnership’s investment assets and liabilities are measured at FVTPL. The Partnership’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. All other financial assets and financial liabilities are classified and measured at amortized cost. 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 Partnership’s accounting policies for measuring the fair value of its investments and derivatives 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 statements 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.

(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) is based on quoted market prices at the close of trading on the reporting date. The Partnership 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 Partnership meets the definition in IFRS 10, Consolidated Financial Statements, for investment entities and accounts for its investments in underlying entities at FVTPL.

Structured entities

The Partnership may invest in other funds (underlying funds) by holding redeemable shares of the underlying funds which entitle the holder to a proportionate share of the underlying funds' net assets. The Partnership does not invest in underlying funds for the purpose of exercising management or control. Such investments expose the Partnership to the risk that underlying funds do 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 in "Net change in unrealized appreciation of investments" in the statements of comprehensive income.

Classification of redeemable units

The Partnership's outstanding redeemable units' entitlements include a contractual obligation to distribute any net income and net realized capital gains annually in cash (at the request of the unitholder), and therefore the ongoing redemption feature is not the units' only contractual obligation. Consequently, the Partnership's outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32, Financial Instruments: Presentation.

(expressed in Canadian dollars)

Foreign currency translation

The Partnership'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. 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 gain on sale of investments" and "Net change in unrealized appreciation of investments" in the statements of comprehensive income.

Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset in the Partnership'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 Partnership 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.

Increase in net assets attributable to holders of redeemable units per series per unit

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

Taxation

Under the present law, the Partnership is not subject to tax on income, profits or capital gains as its taxable income is taxed in the hands of its partners.

(expressed in Canadian dollars)

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 Partnership.

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 Partnership's assessment of the impact of these new standards and amendments is set out below:

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 statements of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statements of profit or loss with defined subtotals;
- the requirement to determine the most useful structured summary for presenting expenses in the statements 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 Partnership 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 Partnership.

(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 Partnership has made in preparing the financial statements:

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

In classifying and measuring financial instruments held by the Partnership, the Manager is required to make significant judgments about whether or not the business of the Partnership 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 Partnership's investments are classified as FVTPL.

5 Risks associated with financial instruments

Risk factors

The Partnership'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 Partnership's overall risk management program seeks to maximize the returns derived for the level of risk and concentration risk to which the Partnership is exposed and seeks to minimize potential adverse effects on the Partnership'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 Partnership's investment guidelines. The risks are measured using a method that reflects the expected impact on the results and net assets attributable to holders of redeemable units of the Partnership from reasonably possible changes in the relevant risk variables.

Credit risk

The Partnership is exposed to credit risk, which 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. The majority of the credit risk to which the Partnership is exposed arises from its investments in debt securities. In selecting fixed income securities for the Partnership, the Manager considers factors such as the debt security's yield, risk of interest rate fluctuation, credit risk, the issuer's capital structure, credit spread and duration. As at June 30, 2025 and December 31, 2024, the Partnership did not hold any investments in debt securities.

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 Partnership 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.

(expressed in Canadian dollars)

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

The Partnership 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 Partnership 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 $15,685,261 and $16,265,050, respectively (December 31, 2024 – $8,839,705 and collateral of $9,161,413).

Liquidity risk

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

The Partnership may invest in debt securities that are not traded in an active market. As a result, the Partnership may not be able to quickly liquidate its investments in these instruments at amounts which 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 Partnership's policy, the Manager monitors the Partnership's liquidity position on a daily basis. The tables below analyze the Partnership'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:

			June 30, 2025
Financial liabilities	**On demand** **$**	**< 3 months** **$**	**Total** **$**
Distributions payable	–	827,558	827,558
Redemption payable	–	673,520	673,520
Accrued liabilities	–	34,616	34,616
Performance fees payable	–	897,461	897,461
Payable for investments purchased	–	194,873	194,873
Redeemable units	95,293,967	–	95,293,967

(expressed in Canadian dollars)

			December 31, 2024
Financial liabilities	**On demand**	**< 3 months**	**Total**
	$	**$**	**$**
Distributions payable	–	809,727	809,727
Redemption payable	–	134,142	134,142
Accrued liabilities	–	54,505	54,505
Performance fees payable	–	5,743	5,743
Bank indebtedness	820,994	–	820,994
Redeemable units	91,189,996	–	91,189,996

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 Partnership'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 Partnership'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 Partnership's capital can absorb potential losses from abnormal events.

The following 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 Partnership invests in monetary assets denominated in currencies other than the 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.

(expressed in Canadian dollars)

The tables below indicate the foreign currencies to which the Partnership had significant exposure as at June 30, 2025 and December 31, 2024, in Canadian dollars. The tables also illustrate 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 the investments. Non-monetary items are investments in equity securities and are classified based on the currency in which they were purchased:

	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
June 30, 2025						
U.S. Dollar	$ 150,501	$ 1,973,197	$ 2,123,698	$ 7,525	$ 98,660	$ 106,185
% of Net Assets Attributable to Holders of Redeemable Units	0.2	2.0	2.2	0.0	0.1	0.1

	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
Currency	**Monetary**	**Non-Monetary**	**Total**	**Monetary**	**Non-Monetary**	**Total**
December 31, 2024						
U.S. Dollar	$ 117,944	$ 1,824,797	$ 1,942,741	$ 5,897	$ 91,240	$ 97,137
% of Net Assets Attributable to Holders of Redeemable Units	0.1	2.0	2.1	0.0	0.1	0.1

(expressed in Canadian dollars)

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. The Partnership holds securities with fixed interest rates that expose the Partnership to fair value interest rate risk. The Partnership also holds a limited amount of cash subject to variable interest rates, which exposes the Partnership to cash flow interest rate risk.

The Partnership mitigates interest rate risk by monitoring interest rates and the maturities of its portfolio of interest-bearing financial instruments. As at June 30, 2025 and December 31, 2024, the Partnership did not hold any position affected by interest risk.

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 Partnership 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 Partnership if the S&P/TSX composite index had increased or decreased by 5.0%, with all other variables held constant, would be $5,258,986 and would represent 5.5% of the net assets attributable to holders of redeemable units of the Partnership (December 31, 2024 – $4,571,591 and represented 5.0%).

(expressed in Canadian dollars)

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 Partnership's concentration risk by market segment over the total investment market value:

		Percentage of portfolio
Market segment	**June 30, 2025**	**December 31, 2024**
Investments owned		
Basic materials	9.4	8.6
Communications	5.1	4.6
Consumer, cyclical	3.9	3.8
Consumer, non-cyclical	7.3	4.6
Energy	18.7	21.0
Financial	33.8	33.3
Industrial	10.9	11.4
Technology	4.6	5.0
Utilities	6.3	7.7
Warrants	-*	-*
Total net investments	100.0	100.0

		Percentage of net assets
Asset class weighting	**June 30, 2025**	**December 31, 2024**
Investments owned		
Equity	100.3	101.3
Warrants	-*	-*
Other net liabilities	(0.3)	(1.3)
Total net investments	100.0	100.0

*Value shown as "-" is percentage that rounds to zero

(expressed in Canadian dollars)

Fair value measurement

The carrying amounts of cash, accrued income receivable, receivable from investments sold, redemptions payable, distributions payable, payable for investments purchased, accrued liabilities and management fees payable approximate their fair values due to their short-term nature.

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 Partnership 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
Assets				
Equities	$ 95,599,930	$ –	$ –	$ 95,599,930
Warrants	18,005	–	–	18,005
	$ 95,617,935	$ –	$ –	$ 95,617,935

December 31, 2024:

	Level 1	Level 2	Level 3	Total
Assets				
Equities	$ 92,334,812	$ –	$ –	$ 92,334,812
Warrants	20,555	–	–	20,555
	$ 92,355,367	$ –	$ –	$ 92,355,367

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 significant change in levels during the period ended June 30, 2025, and year ended December 31, 2024.

(expressed in Canadian dollars)

6 Bank indebtedness

The Partnership 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 Partnership. The margin debt is guaranteed dollar for dollar by a security held by the Partnership. 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 – $820,994).

7 Redeemable units

During the periods ended June 30, 2025 and 2024, the number of units issued, redeemed and outstanding were as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2025					
Series O	153,868	–	(233)	–	153,635
Series X	9,869,944	106,579	(219,068)	263,240	10,020,695
June 30, 2024					
Series F	6,551	–	–	344	6,895
Series O	158,881	–	(2,425)	–	156,456
Series X	9,829,369	55,196	(407,369)	269,332	9,746,528

During the period ended June 30, 2025, redeemable units of Series F, Series O and Series X were in issuance. As at June 30, 2025, there were no outstanding units for Series F.

(expressed in Canadian dollars)

Capital structure

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

The Partnership 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 Partnership completes for the given series. Unit fractions may also be issued.

The Partnership 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 Partnership completes and, in the case of Partnership 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

The Manager provides management and advisory services to the Partnership in accordance with a Limited Partnership Agreement. In return for these services, the Manager is paid a management fee and a performance fee. The management fee is calculated monthly and payable monthly at a rate equal to 1/12 of 1% of the book value of Series X. For Series F, the management fee is calculated monthly and payable monthly at a rate of 1/12 of 0.75% of the NAV. The performance fee is calculated as 20% of the amount by which the Limited Partners' positive performance change in a quarterly performance exceeds a return of 2.5% per quarter for Series X and 1.25% for Series F.

The Series O units pay reduced management and performance fees, or no management and performance fees if an investor has already been charged through their individual managed accounts. These agreements are negotiated directly with each investor.

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

Management fees and performance fees for the period ended June 30, 2025 were $548,417 and $897,461, respectively (2024 – $548,520 and $1,157), with $897,461 in outstanding fees due to the Manager as at June 30, 2025 (December 31, 2024 – $5,743).

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.

(expressed in Canadian dollars)

9 Brokerage commissions and soft dollars

The total commissions paid by the Partnership to brokers in connection with portfolio transactions for the periods ended June 30, 2025 and 2024, together with other transaction charges, are disclosed in the statements of comprehensive income of the Partnership. Brokerage business is allocated to brokers based on the best net result for the Partnership. Subject to these criteria, preference may be given to brokerage firms which 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 periods ended June 30, 2025 and 2024 is disclosed below:

	2025	2024
Soft dollars	$27,900	$24,434
Percentage of total transaction costs (%)	43%	46%

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

The increase in net assets attributable to holders of redeemable units per series per unit for the periods ended June 30, 2025 and 2024 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per series	Weighted average of redeemable units outstanding during the period	Increase in net assets attributable to holders of redeemable units per series per unit
June 30, 2025			
Series O	$ 392,114	153,679	$ 2.55
Series X	6,393,723	9,924,227	0.64
June 30, 2024			
Series F	$ 2,276	6,634	$ 0.34
Series O	270,739	158,524	1.71
Series X	5,379,019	9,859,010	0.55

(expressed in Canadian dollars)

11 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 Partnership, as a non-reporting issuer, is relying on this exemption and therefore does not make such filings.