Unaudited Financial Statements of

FULCRA CREDIT OPPORTUNITIES FUND

Six months ended June 30, 2026

The auditor of the Fulcra Credit Opportunities Fund (the “Fund”) has not reviewed these interim financial statements. Fulcra Asset Management Inc., the manager of the Fund, appoints an independent auditor to audit the Fund’s annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund’s interim financial statements, this must be disclosed in an accompanying notice.

FULCRA CREDIT OPPORTUNITIES FUND

Statements of Financial Position (Unaudited)

(Expressed in Canadian Dollars)

June 30, 2026 and December 31, 2025

	2026	2025
Assets		
Cash	$ 1,051,949	$ 2,296,187
Subscriptions receivable	720,000	-
Interest receivable	644,086	611,362
Dividends receivable	4,997	5,443
Other assets	-	1,658
Investments	42,958,041	45,670,344
	45,379,073	48,584,994
Liabilities		
Due to brokers	348,313	498,109
Distributions payable	171,730	125,979
Management fees payable (note 5)	32,780	36,330
Performance fees payable (note 5)	735	117,087
Other liabilities	88,035	109,217
Investments, sold short	57,211	-
Derivatives, forward contracts (note 9)	40,437	55,395
	739,241	942,117
Net assets attributable to holders of redeemable units	$ 44,639,832	$ 47,642,877
Net assets attributable to holders of redeemable units:		
Class A - Master Series	$ 6,827,658	$ 6,974,106
Class C - Master Series	293,504	298,045
Class D - Master Series	1,264,481	1,248,057
Class F - Master Series	26,794,532	29,827,495
Class F - October 2025 Series	846,949	3,884,836
Class F - February 2026 Series	1,302,595	-
Class F - March 2026 Series	403,671	-
Class F - April 2026 Series	180,579	-
Class F - June 2026 Series	448,119	-
Class F - July 2026 Series	720,000	-
Class I - January 2025 Series	5,557,744	5,410,338
	$ 44,639,832	$ 47,642,877

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

Approved on behalf of the Manager,
Fulcra Asset Management Inc.

"Matt Shandro" (signed)

Director

FULCRA CREDIT OPPORTUNITIES FUND

Statements of Financial Position (Unaudited) (Continued)

(Expressed in Canadian Dollars)

June 30, 2026 and December 31, 2025

	2026	2025
Number of redeemable units outstanding:		
Class A - Master Series	591,247	594,573
Class C - Master Series	26,316	26,316
Class D - Master Series	108,833	106,128
Class F - Master Series	2,238,359	2,462,049
Class F - October 2025 Series	70,964	321,234
Class F - February 2026 Series	108,748	-
Class F - March 2026 Series	33,522	-
Class F - April 2026 Series	15,124	-
Class F - June 2026 Series	37,054	-
Class F - July 2026 Series	60,147	-
Class I - January 2025 Series	566,191	542,719
Net assets attributable to holders of redeemable units per unit:		
Class A - Master Series	$ 11.55	$ 11.73
Class C - Master Series	11.15	11.33
Class D - Master Series	11.62	11.76
Class F - Master Series	11.97	12.11
Class F - October 2025 Series	11.93	12.09
Class F - February 2026 Series	11.98	-
Class F - March 2026 Series	12.04	-
Class F - April 2026 Series	11.94	-
Class F - June 2026 Series	12.09	-
Class F - July 2026 Series	11.97	-
Class I - January 2025 Series	9.82	9.97

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

FULCRA CREDIT OPPORTUNITIES FUND

Statements of Changes in Financial Position (Unaudited)
(Expressed in Canadian Dollars)

Six months ended June 30, 2026 and 2025

	2026	2025
Net assets attributable to holders of redeemable units, beginning of period	$ 47,642,877	$ 48,113,839
Proceeds from issuance of redeemable units	3,086,078	1,549,065
Payments on redemption of redeemable units	(6,709,125)	(7,859,415)
Distribution paid to holders of redeemable units from:		
Investment income	(1,625,975)	(1,826,475)
Proceeds from reinvestment of distributions	1,277,134	1,549,690
Increase (decrease) in net assets attributable to holders of redeemable units	968,843	1,326,821
Net assets attributable to holders of redeemable units	$ 44,639,832	$ 42,853,525

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

FULCRA CREDIT OPPORTUNITIES FUND

Statements of Comprehensive Income (Unaudited)
(Expressed in Canadian Dollars)

Six months ended June 30, 2026 and 2025

		2026		2025
Revenue:				
Interest income	$	1,967,063	$	1,513,674
Dividend income		12,635		497,019
Other income		75,816		120,697
Net foreign currency gains (losses) on cash		21,945		6,687
Net realized gains (losses) on investments		(651,816)		(978,555)
Net change in unrealized appreciation (depreciation) on investments		(112,277)		508,962
		1,313,366		1,668,484
Expenses:				
Management fees (note 5)		183,162		175,670
Fund administrator fees		64,332		49,697
Audit fees (note 12)		42,684		14,102
Legal fees		13,336		19,401
Unitholder transaction fees		11,350		11,349
Custodian fees		11,320		7,865
Independent review committee fees		6,649		5,707
Portfolio transaction fees		6,463		8,053
Other expenses		4,907		3,516
Performance fees (note 5)		771		38,001
Filing fees		(451)		8,302
		344,523		341,663
Increase (decrease) in net assets attributable to holders of redeemable units	$	968,843	$	1,326,821

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

FULCRA CREDIT OPPORTUNITIES FUND

Statements of Cash Flows (Unaudited)
(Expressed in Canadian Dollars)

Six months ended June 30, 2026 and 2025

	2026	2025
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	$ 968,843	$ 1,326,821
Adjustments for non-cash items:		
Foreign currency (gains) losses on cash	(21,945)	(6,687)
Net realized (gains) losses on investments	651,816	978,555
Net change in unrealized (appreciation) depreciation on investments	112,277	(508,962)
Change in non-cash balances:		
(Increase) decrease in interest receivable	(32,724)	(27,788)
(Increase) decrease in dividends receivable	446	(1,992)
(Increase) decrease in other assets	1,658	(4,121)
Increase (decrease) in due to brokers	(149,796)	441,953
Increase (decrease) in management fees payable	(3,550)	(5,648)
Increase (decrease) in performance fees payable	(116,352)	37,081
Increase (decrease) in other liabilities	(21,182)	(486)
Proceeds from sale of investments	39,973,202	20,337,518
Purchase of investments	(37,982,739)	(22,681,162)
Cash provided by (used in) operating activities	3,379,954	(114,918)
Financing activities:		
Proceeds from issuance of redeemable units	2,366,078	1,369,065
Payments on redemption of redeemable units	(6,709,125)	(7,859,415)
Distributions paid to holders of redeemable units	(303,090)	(311,499)
Cash provided by (used in) financing activities	(4,646,137)	(6,801,849)
Increase (decrease) in cash during the period	$ (1,266,183)	$ (6,916,767)
Foreign exchange gain (loss) on cash	21,945	6,687
Cash, beginning of period	2,296,187	7,834,341
Cash, end of period	$ 1,051,949	$ 924,261
Supplemental information:		
Interest paid	1,147	-
Interest received	1,934,340	1,485,886
Dividends received, net of withholding taxes	13,082	495,027

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

FULCRA CREDIT OPPORTUNITIES FUND

Statement of Investment Portfolio (Unaudited)
(Expressed in Canadian Dollars)

June 30, 2026

Description	Number of units / shares	Average cost	Fair value
Corporate bonds (70.3%):			
Aimia Inc. 9.75% 14JAN30	234,600	$ 228,735	$ 236,946
Bausch Health Cos Inc. 4.875% 01JUN28	250,000	321,586	328,649
Bausch Health Cos Inc. 5% 30JAN28	200,000	244,349	252,365
Borr Drilling Ltd. 5% 08FEB28	200,000	207,626	289,782
Briggs & Stratton Corp. 6.875% 15DEC20	2,100,000	1,412,678	22,373
Canada Cartage Corp. 9.75% 08MAY31	375,000	514,063	518,581
Chemtrade Logistics Income Fund 7% 30JUN28	544,000	550,313	560,320
Clue Opco LLC 9.50% 15OCT31	500,000	635,639	686,388
CNG Holdings Inc. 16.50% 30JUN31	802,329	1,006,018	906,068
Conduent Business Services LLC 6% 01NOV29	300,000	354,767	359,903
Conuma Resources Ltd. 13.125% 01MAY28	471,000	609,328	652,329
Dye & Durham Ltd. 6.50% 01NOV28	367,500	344,944	236,569
Dye & Durham Ltd. 8.625% 15APR29	600,000	713,384	598,067
eG Global Finance PLC 12% 30NOV28	500,000	701,605	754,675
Enova International Inc. 11.25% 15DEC28	474,000	661,910	709,976
Getty Images Inc. 10.50% 15NOV30	1,375,000	1,778,618	1,630,136
Getty Images Inc. 11.25% 21FEB30	250,000	335,245	293,955
Getty Images Inc. 14% 01MAR28	90,000	116,207	113,782
Gibson Energy Inc. 5.25% 22DEC80	1,000,000	857,438	1,010,761
GrafTech Finance Inc. 4.625% 23DEC29	500,000	481,583	454,938
GrafTech Global Enterprises Inc. 9.875% 23DEC29	200,000	243,496	210,234
Guitar Center Inc. 11% 19AUG2032 (Second Lien Notes)	86,565	25,746	49,186
Guitar Center Inc. 11% 19AUG2032 (Third Lien Notes)	1,051,633	366,401	373,461
Guitar Center Inc. 8.50% 15JAN29	660,517	764,185	816,290
Jeld-Wen Inc. 4.875% 15DEC27	200,000	203,415	226,491
JELD-WEN Inc. 7% 01SEP32	690,000	606,075	570,493
Mercer International Inc. 12.875% 01OCT28	135,000	121,877	105,712
Mercer International Inc. 5.125% 01FEB29	975,000	807,836	749,278
Microsoft Corp. 2.675% 01JUN60	1,100,000	875,722	862,357
National CineMedia LLC 5.75% 15AUG26	450,000	197,439	5,283
New Flyer Holdings Inc. 9.25% 01JUL30	1,000,000	1,370,300	1,527,492
NFI Group Inc. 5% 15JAN27	1,040,000	876,675	1,048,384
North American Construction Group Ltd. 7.75% 01MAY30	500,000	501,667	514,792
Phoenix Aviation Capital Ltd. 9.25% 15JUL30	250,000	342,088	367,212
Premium Brands Holdings Corp. 4.20% 30SEP27	565,000	521,042	563,928
Premium Brands Holdings Corp. 5.40% 30SEP29	100,000	90,000	102,192
Premium Brands Holdings Corp. 5.50% 31MAR30	568,000	594,180	582,549
Pyxus Holdings Inc. 8.50% 31DEC27	546,562	689,401	690,988
Rogers Communications Inc. 3.65% 31MAR27	100,000	100,228	100,357
Rogers Communications Inc. 5% 17DEC81	2,000,000	2,010,000	2,010,096
Royal Bank of Canada 4.20%	300,000	300,000	298,308
Sabre Financial Borrower LLC 11.125% 15JUN29	600,000	833,703	900,276
Sabre GLBL Inc. 11.125% 15JUL30	100,000	112,544	136,438
Seaspan Corp. 5.50% 01AUG29	675,000	813,527	941,457
Sherritt International Corp. 9.25% 30NOV31	2,020,000	1,137,529	969,600
Spanish Broadcasting System Inc. 9.75% 01MAR26	600,000	507,781	553,995
Sunoco LP 5.875% 15JUL27	250,000	351,850	355,247
Telesat Canada / Telesat LLC 5.625% 06DEC26	625,000	504,587	794,592
The Bank of Nova Scotia 3.70% 27JUL81	100,000	99,500	99,697
The GEO Group Inc. 8.625% 15APR29	50,000	67,470	74,035
Balance to carry forward		$ 28,112,300	$ 27,216,983

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

FULCRA CREDIT OPPORTUNITIES FUND
Statement of Investment Portfolio (Unaudited) (Continued)
(Expressed in Canadian Dollars)

June 30, 2026

Description	Number of units / shares	Average cost	Fair value
Corporate bonds (70.3%) (continued):			
Balance carried forward		$ 28,112,300	$ 27,216,983
The Hertz Corp. 12.625% 15JUL29	250,000	316,384	289,320
The Toronto-Dominion Bank 3.60% 31OCT81	200,000	198,190	198,592
Tidewater Midstream and Infrastructure Ltd. 8% 30JUN29	750,000	690,149	877,500
TransCanada PipeLines Ltd. 3.80% 05APR27	400,000	401,312	401,702
Venture Global LNG Inc. 9%	650,000	810,925	901,960
Wolfspeed Inc. 13.875% 23JUN30	449,569	685,674	709,133
Wolfspeed Inc. 7% 15JUN31	600,109	682,354	778,833
		$ 31,897,288	$ 31,374,023
Term loans (17.8%):			
1261229 BC Ltd. 10.5668% 25SEP30	729,640	$ 1,003,940	$ 1,003,417
Connacher Term Loan B 30JUL28	46,729	57,763	69,946
Corus Entertainment Inc. 5% 11MAY28	1,375,000	750,930	419,375
Corus Entertainment Inc. 6% 28FEB30	1,590,000	819,675	484,950
Diamond Sports Net LLC 12% 03JAN28	515,509	686,724	131,810
Dye & Durham Corp. 7.8997% 14APR31	449,783	543,660	514,328
JELD-WEN Inc. 6.0733% 28JUL28	871,244	1,010,503	1,065,112
Pyxus Holdings Inc. / Intabex Netherlands B.V. 13.4411% 31DEC27	494,684	670,605	702,698
Pyxus Holdings Inc. 13.4411% 27DEC27	367,026	483,438	495,292
Qvantel Oy Floating Rate Senior Secured Notes 31DEC2030	325,121	447,268	461,834
Spanish Broadcasting System Interim DIP Loan 9.75% 31DEC2026	39,871	53,972	54,987
Spencer Spirit IH LLC 7.6525% 15JUL31	343,875	466,108	490,612
The EW Scripps Co. 10.2216% 30JUN28	398,210	557,969	566,717
The Hertz Corp. 8.9302% 30JUN28 TLB	97,886	122,722	99,332
The Hertz Corp. 8.9302% 30JUN28 TLC	493,427	618,621	500,277
Tronox Finance LLC 6.4646% 30SEP31	496,222	494,345	585,934
WW International Inc. 11.1196% 24JUN30	291,549	359,401	310,115
		$ 9,147,644	$ 7,956,736
Equities (6.6%):			
Acadian Timber Corp.	11,900	$ 173,362	$ 210,629
Altera Infrastructure LP	6,475	688,054	298,904
Canfor Corp.	21,250	270,725	286,449
Connacher Oil and Gas Ltd	9,406	72,817	297,418
Diamond Sports Net LLC	4,730	60,249	3,359
Getty Images Holdings Inc.	100,000	176,162	122,163
GrafTech International Ltd.	1,998	30,773	16,774
Mood Media LLC	147,142	153,001	–
Qvantel Oy	144,357	1,280,492	1,158,871
Rite Aid Corp. CSMR Trust Units	95,304	62,808	1,354
Sherritt International Corp.	377,700	190,428	69,875
Shutterstock Inc.	7,000	133,990	138,712
West Fraser Timber Co., Ltd.	3,400	296,030	326,434
		$ 3,588,891	$ 2,930,942
Government bonds (1.3%):			
Canadian Government Bond 4% 01AUG26	500,000	$ 501,325	$ 500,711
United States Treasury Strip Principal 0% 15NOV55	250,000	85,777	83,790
		$ 587,102	$ 584,501

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

FULCRA CREDIT OPPORTUNITIES FUND

Statement of Investment Portfolio (Unaudited) (Continued)
(Expressed in Canadian Dollars)

June 30, 2026

Description	Number of units / shares	Average cost / proceeds on sale	Fair value
Other securities (0.3%)			
Wolfspeed Inc. Put $50 15JAN27	1,500	$ 36,234	$ 37,927
Wolfspeed Inc. Put $60 15JAN27	1,500	40,356	53,375
Qvantel Oy Warrants EUR$5.16 31OCT2030	38,667	20,472	20,537
		$ 97,062	$ 111,839
Total investments, gross		$ 45,317,987	$ 42,958,041
Commissions and other portfolio transaction costs		(4,435)	-
Total investments (96.3%)		$ 45,313,552	$ 42,958,041
Other securities, sold short (-0.1%):			
Wolfspeed Inc. Call $60 15JAN27	(1,500)	$ (39,713)	$ (30,044)
Wolfspeed Inc. Call $70 15JAN27	(1,500)	(43,367)	(27,167)
		$ (83,080)	$ (57,211)
Total investments, sold short (-0.1%)		$ (83,080)	$ (57,211)
Derivatives, forward contracts (-0.1%)			(40,437)
Other assets, net (3.9%)			1,779,439
Net assets attributable to holders of redeemable units (100.0%)			$ 44,639,832

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

1. **Organization:**

   Fulcra Credit Opportunities Fund (the “Fund”) is a mutual fund trust formed under the laws of the Province of British Columbia. The Fund is domiciled in Canada, and the address of the Fund’s registered office is Suite 1201 - 333 Seymour Street, Vancouver, B.C., V6B 5A6. The Fund is managed by Fulcra Asset Management Inc. (the “Manager”).

   The investment objective of the Fund is to generate income and long-term capital appreciation through investing primarily in debt and income-generating equity securities.

2. **Basis of preparation:**

   (a) Statement of compliance:

   These interim financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) Accounting Standards as published by the International Accounting Standards Board (“IASB”).

   These financial statements do not include all the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund’s annual financial statements and accompanying note disclosures.

   The financial statements were authorized for issue by the Manager on August 18, 2026.

   (b) Functional and presentation currency:

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

   (c) Use of critical estimates and judgment:

   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. Revisions to estimates are recognized in the year in which the estimates are revised and in any future period affected.

3. Material accounting policy information:

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

(i) Recognition and measurement:

Financial instruments are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. All financial instruments are measured at fair value on initial recognition. Measurement in subsequent periods depends on the classification of the financial instrument.

Financial instruments are required to be classified into one of the following categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss.

(ii) Amortized cost:

A financial instrument is measured at amortized cost if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial instruments classified as amortized cost are recognized initially at fair value plus any directly attributable transaction costs. The Fund uses the expected credit loss model as the impairment model for financial assets measured at amortized cost.

At each reporting date, the Fund measures the loss allowance on such financial instruments classified as amortized cost at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses.

The Fund classifies all financial instruments other than investments and derivatives as amortized cost.

3. Material accounting policy information (continued):

(a) Financial instruments (continued):

(iii) Fair value through other comprehensive income ("FVOCI"):

A financial instrument is measured at FVOCI if it meets both of the following conditions:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Fund has not classified any of its financial instruments as FVOCI.

(iv) Fair value through profit or loss ("FVTPL"):

All financial instruments not classified as measured at amortized cost or FVOCI (as described above) are measured at FVTPL. Financial instruments classified as FVTPL are subsequently measured at fair value at each reporting period with changes in fair value recognized in the Statements of Comprehensive Income in the period in which they occur.

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 instruments 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 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 may, on initial recognition, irrevocably elect to measure financial instruments that otherwise meets the requirements to be measured at amortized cost or at FVOCI as of FVTPL when doing so results in more relevant information.

The Fund's derivatives and investments are classified as FVTPL.

(b) Transaction costs:

Transaction costs are included in the initial carrying amount of financial instruments, except for financial instruments classified as FVTPL, in which case transaction costs are expensed as incurred.

3. Material accounting policy information (continued):

(c) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities in accordance with the substance of the contractual terms of the instruments. Redeemable units issued by the Fund are classified as financial liabilities measured at FVTPL. Redeemable units provide investors with the right to require redemption for cash, subject to available liquidity, at a unit price based on the Fund's net asset value ("NAV") per unit.

The Fund issues redeemable units in multiple classes and series. Each class is established to accommodate different fee structures. Within each class, units may be issued in multiple series for the purposes of calculating performance fees for individual investors.

Performance fees are calculated and accrued at the series level in accordance with the Fund's offering documents. Upon crystallization of performance fees, the net assets of the applicable series are re-designated (or merged) into a continuing series of the same class (called the "Master Series") based on the NAV per unit at the date of the merger.

(d) Foreign exchange:

The financial statements of the Fund are denominated in Canadian dollars. 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 are recognized in the Statements of Comprehensive Income.

(e) Income recognition:

Interest 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.

Dividend income is recognized on the date that the right to receive payment is established, which for quoted equity securities is usually the ex-dividend date.

Portfolio transactions are recorded on the trade date. Realized gains and losses arising from the sale of investments are determined on the average cost basis of the respective investments.

(f) Income taxes:

The Fund qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and 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.

3. Material accounting policy information (continued):

(g) Future accounting policy changes:

IFRS 18 will replace IAS 1: *Presentation and disclosure in financial statements* and applies for annual reporting periods beginning on or after January 1, 2027. The new standard introduces the following key new requirements:

- entities are required to classify all income and expenses into five categories in the statements of income (loss) and comprehensive income (loss), namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change.
- management-defined performance measures ("MPMs") are disclosed in a single note in the financial statements.

Enhanced guidance is provided on how to group information in the financial statements. In addition, all entities are required to use the operating profit subtotal as the starting point for the statements of cash flows when presenting operating cash flows under the indirect method.

The Manager is still in the process of assessing the impact of the new standard, particularly with respect to the structure of the Fund's Statements of Comprehensive Income, the Statements of Cash Flows and the additional disclosures required for MPM. The Manager is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as "other".

4. Withholding taxes:

Certain dividend and interest income received by the Fund are subject to withholding tax imposed in the country of origin.

5. Related party transactions:

(a) Management and performance fees:

The management fees incurred during the six months ended June 30, 2026, amounted to $183,162 (2025 - $175,670). Management fees payable as of June 30, 2026, were $32,780 (December 31, 2025 - $36,330).

Performance fees for the six months ended June 30, 2026, were $771 (2025 - $38,001). Performance fees payable as of June 30, 2026, were $735 (2025 - $117,087).

(b) Unit holdings:

As of June 30, 2026, directors and officers of the Manager owned 59,746 units of the Fund (December 31, 2025 – 57,699). In addition, the Lysander-Fulcra Corporate Securities Fund, an investment fund for which the Manager acts as portfolio advisor, owned 566,191 Class I units of the Fund as of June 30, 2026 (December 31, 2025 – 542,719).

6. Capital management:

The redeemable units issued by the Fund represent the capital of the Fund. The Fund is not subject to any internally or externally imposed restrictions on its capital. The Fund's objectives in managing the redeemable units are to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

7. Redeemable units:

The Fund is authorized to issue an unlimited number of units in five distinct classes of units - Class A, Class C, Class D, Class F, and Class I. Class I units are only available to investors who have separately entered into an agreement with the Manager and who meet certain other conditions as may be determined by the Manager from time to time. The unit transactions for the Fund during the six months ended June 30, 2026, and 2025 were as follows:

	Outstanding redeemable units, beginning of period	Redeemable units issued for cash	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Merger of series	Outstanding redeemable units, end of period
2026						
Class A - Master Series	594,573	-	(22,429)	19,103	-	591,247
Class C - Master Series	26,316	-	-	-	-	26,316
Class D - Master Series	106,128	-	-	2,705	-	108,833
Class F - Master Series	2,462,049	-	(285,269)	61,579	-	2,238,359
Class F - Oct 2025 Series	321,234	-	(255,413)	5,143	-	70,964
Class F - Feb 2026 Series	-	108,748	-	-	-	108,748
Class F - Mar 2026 Series	-	33,522	-	-	-	33,522
Class F - Apr 2026 Series	-	15,124	-	-	-	15,124
Class F - Jun 2026 Series	-	37,054	-	-	-	37,054
Class F - Jul 2026 Series	-	60,147	-	-	-	60,147
Class I - Jan 2025 Series	542,719	-	-	23,472	-	566,191

7. Redeemable units (continued):

	Outstanding redeemable units, beginning of period	Redeemable units issued for cash	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Merger of series	Outstanding redeemable units, end of period
2025						
Class A - Master Series	603,041	-	(40,726)	20,895	-	583,210
Class C - Master Series	24,768	-	-	893	-	25,661
Class D - Master Series	186,332	-	(86,107)	3,513	-	103,738
Class D - Jan 2024 Series	2,062	-	-	87	-	2,149
Class D - Mar 2025 Series	-	751	-	18	-	769
Class F - Master Series	2,580,027	-	(427,646)	80,574	-	2,232,955
Class F - Feb 2022 Series	88,270	-	(90,488)	2,218	-	-
Class F - Jan 2024 Series	13,443	-	-	530	-	13,973
Class F - Feb 2024 Series	7,232	-	(4,343)	235	-	3,124
Class F - Mar 2024 Series	1,260	-	-	55	-	1,315
Class F - Apr 2024 Series	1,055	-	-	45	-	1,100
Class F - May 2024 Series	838	-	-	36	-	874
Class F - Jun 2024 Series	23,940	-	-	-	-	23,940
Class F - Jul 2024 Series	4,210	-	-	180	-	4,390
Class F - Aug 2024 Series	8,034	-	-	-	-	8,034
Class F - Nov 2024 Series	10,501	-	-	455	-	10,956
Class F - Dec 2024 Series	1,622	-	-	71	-	1,693
Class F - Jan 2025 Series	1,637	-	-	72	-	1,709
Class F - Febr 2025 Series	-	19,551	-	728	-	20,279
Class F - Apr 2025 Series	-	91,170	-	-	-	91,170
Class F - Jul 2025 Series	-	16,580	-	-	-	16,580
Class I - Jan 2025 Series	500,000	-	-	23,728	-	523,728

8. Financial risk management:

(a) Risk management framework:

The Manager has discretionary authority to manage the assets in accordance with the Fund's investment objectives.

The investment objective of the Fund is to generate income and long-term capital appreciation through investments primarily in debt and income generating equity securities. In seeking to achieve the Fund's investment objective, the Manager will employ a value-based fundamental research process.

The Manager does not subscribe to the academic and conventional view that the risk of a security is best measured in terms of the volatility of its quoted market price, and hence, in order to minimize risk, one must endeavor to minimize volatility. Rather, the Manager believes that permanent capital impairment risk is minimized when the discount between the true intrinsic value of the portfolio and its quoted market price is maximized. As a result, the Manager endeavors to minimize risk by maximizing this "margin of safety"; thereby minimizing the downside risk and maximizing the upside potential.

8. Financial risk management (continued):

(b) Credit risk:

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. It arises principally from debt securities held, cash and cash equivalents, and other receivables due to the Fund. The carrying value of these financial instruments as recorded in the Statements of Financial Position reflects the Fund’s maximum exposure to credit risk.

The Fund may engage in transactions pursuant to which it will enter into forward contracts with counterparties. Either the Fund or the counterparties to the Fund may default on their obligations, causing losses to the Fund. To minimize the Fund's counterparty risk, the Manager utilizes counterparties with high credit ratings.

As of June 30, 2026, the Fund's forward contracts are transacted with financial institutions with a minimum credit rating of A (December 31, 2025 - A).

Credit risk is monitored daily by the Manager. The majority of the credit risk to which the Fund is exposed is concentrated in debt securities. Credit risk arising from other financial instruments is not considered significant.

As of June 30, 2026, and December 31, 2025, the Fund was invested in debt securities with the following credit quality:

	2026	2025	2026	2025
AAA	$ 1,363,068	$ 2,900,160	4%	7%
BBB	1,098,656	1,165,701	3%	3%
BB	4,906,388	5,911,113	12%	14%
B	11,973,170	11,203,415	30%	26%
CCC	4,790,676	3,066,967	12%	7%
CC	794,592	685,150	2%	1%
D	904,325	1,074,275	2%	2%
Not Rated	14,084,385	17,096,965	35%	40%
Total	**$ 39,915,260**	**$ 43,103,746**	**100%**	**100%**

8. Financial risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, including estimated redemptions of units, without incurring unacceptable losses or risking damage to the Fund's reputation.

Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of. The Fund retains sufficient cash and cash equivalent positions to maintain adequate liquidity.

The Fund's redeemable units are due on demand. The Fund's remaining non-derivative liabilities are due within one year of the end of the reporting period of the Fund. The following were the contractual maturities of derivative instruments as of June 30, 2026, and December 31, 2025:

	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month
June 30, 2026	$ (40,437)	$ (40,437)	$ (40,437)
December 31, 2025	(55,395)	(55,395)	(55,395)

(d) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Fund's income or the fair value of its holdings of financial instruments.

(i) Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate as a result of changes in market interest rates. The Manager manages interest rate risk through careful selection of securities and diversification within the Fund.

A summary of the Fund's fixed income investments categorized by the earlier of contractual re-pricing or maturity date, is as follows:

	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
June 30, 2026	$ 3,482,384	$ 13,906,818	$ 13,334,823	$ 9,191,235	$ 39,915,260
December 31, 2025	8,424,614	13,032,756	14,678,649	6,967,727	43,103,746

8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk:

Currency risk is the risk that the value of financial instruments denominated in currencies other than the Canadian dollar, which is the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Trading in foreign markets exposes the Fund to currency risk as the price in local terms is converted to Canadian dollars to determine fair value.

Investments denominated in currencies other than the Canadian dollar, which is the Fund's functional currency, expose the Fund to fluctuations in foreign exchange rates. Trading in foreign markets exposes the Fund to currency risk as the price in local terms is converted to Canadian dollars to determine fair value. The Fund’s currency risk is managed daily by the Manager through careful selection of securities and diversification within the Fund, as well as the use of foreign currency forward contracts to hedge currency risk.

The Fund actively seeks investment opportunities in the U.S., subject to maintaining the investment mandate of the Fund.

At the reporting date, the carrying value of the Fund’s financial instruments held in individual foreign currencies expressed in Canadian dollars and as a percentage of its net assets were as follows:

June 30, 2026	Monetary	Non-monetary	Forward contracts	Net
Total exposure				
US Dollar	$ 28,868,554	$ 615,357	$ (29,368,953)	$ 114,958
Euro	304	1,179,408	(1,175,711)	4,001
	$ 28,868,858	$ 1,794,765	$ (30,544,664)	$ 118,959
As % of the Fund				
US Dollar	64.7%	1.4%	-65.8%	0.3%
Euro	0.0%	2.6%	-2.6%	0.0%
	64.7%	4.0%	68.4%	0.3%
December 31, 2025				
Total exposure				
US Dollar	$ 27,550,434	$ 577,683	$ (27,533,282)	$ 594,835
As % of the Fund				
US Dollar	57.8%	1.2%	-57.8%	1.2%

8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

As of June 30, 2026, and December 31, 2025, had the Canadian dollar strengthened or weakened by 5% in relation to all foreign currencies, with all other factors remaining constant, net assets attributable to holders of redeemable units would have approximately increased or decreased by:

June 30, 2026	Monetary	Non-monetary	Forward contracts	Net
Approximate impact				
US Dollar	$ 1,443,428	$ 30,768	$ (1,468,448)	$ 5,748
Euro	15	58,970	(58,786)	199
	$ 1,443,443	$ 89,738	$ (1,527,234)	$ 5,947
As % of the Fund				
US Dollar	3.2%	0.1%	-3.3%	0.0%
Euro	0.0%	0.1%	-0.1%	0.0%
	3.2%	0.2%	-3.4%	0.0%

December 31, 2025	Monetary	Non-monetary	Forward contracts	Net
Approximate impact				
US Dollar	$ 1,377,522	$ 28,884	$ (1,376,664)	$ 29,742
	$ 1,377,522	$ 28,884	$ (1,376,664)	$ 29,742
As % of the Fund				
US Dollar	2.9%	0.1%	-2.9%	0.1%
	2.9%	0.1%	-2.9%	0.1%

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

8. Financial risk management (continued):

(d) Market risk (continued):

(iii) Other price risk:

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

Price risk is managed by the Manager by diversifying the portfolio and economically hedging using derivative financial instruments such as options or futures contracts.

There were no significant concentrations of risk to issuers as of June 30, 2026. No exposure to any other individual issuer exceeded 5% of the net assets attributable to the holders of redeemable units.

As of June 30, 2026, had equity prices increased or decreased by 5%, with all other variables held constant, net assets attributable to redeemable units would have increased or decreased, respectively, by approximately $90,308 (December 31, 2025 - $128,330) or 0.2% (December 31, 2025 - 0.3%) of net assets attributable to redeemable units.

9. Derivative financial instruments:

The Fund may enter into various forward contracts as part of its investment strategy. Generally, a forward contract is a customized contract between two parties to purchase or sell an asset at a specified price on a future date. The Fund may use forward contracts to gain exposure to, or hedge against, changes in the value of equities, commodities, interest rates or foreign currencies. If market conditions move unexpectedly, the anticipated benefits of forward contracts may not be achieved, and a loss may be realized. The use of forward contracts involves the risk of imperfect correlation in movements in the price of forward contracts and the underlying instruments or commodities.

Forward contracts are offset and the net amount presented in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

The following table details the Fund's investments in forward contracts as of June 30, 2026, and December 31, 2025, related to hedging of the Fund’s investments:

	Settlement date	Currency bought	Currency sold	Forward rate	Fair value	Notional amount	Unrealized gain (loss)
June 30, 2026							
Contract #1	07/30/26	CAD	USD	1.4188	$ (29,368,953)	$ (29,334,301)	$ (34,652)
Contract #2	07/30/26	CAD	EUR	1.6217	(1,175,710)	(1,169,925)	(5,785)
					(30,544,663)	(30,504,226)	(40,437)
December 31, 2025							
Contract #1	01/29/26	CAD	USD	1.3698	$ (27,533,281)	$ (27,477,886)	$ (55,395)

10. Fair value of financial instruments:

(a) Valuation models:

The fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Fund determines fair values using other valuation techniques.

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, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs that are unobservable.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognized valuation models for determining the fair value of common and more simple financial instruments, such as forward currency 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, exchange-traded derivatives and simple over-the-counter derivatives such as forward currency contracts. 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. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

10. Fair value of financial instruments (continued):

(a) Valuation models (continued):

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Fund believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Fund and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa, such as interest rate swaps, fair values include adjustment for both own credit risk and counterparty credit risk.

Model inputs and values are calibrated against historical data and published forecasts and, when possible, against current or recent observed transactions and broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, and management judgment is required to select the most appropriate point in the range.

(b) Valuation framework:

The Fund has an established control framework with respect to the measurement of fair values. The Fund's investments are categorized in a three-tier hierarchy based on inputs to value the investments.

Third party information, such as broker quotes or pricing services, is used to measure fair value. The Manager obtains evidence from the third parties to support the fair value assessment obtained. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if several quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

10. Fair value of financial instruments (continued):

(c) Fair value hierarchy - financial instruments measured at fair value:

The table below analyzes financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy into which the fair value measurement is categorized. The amounts are based on the values recognized in the Statements of Financial Position.

	Level 1	Level 2	Level 3	Total
June 30, 2026				
Assets				
Bonds	$ 2,387,120	$ 37,066,306	$ 461,834	$ 39,915,260
Equities	1,171,036	601,035	1,158,871	2,930,942
Options	-	91,302	-	91,302
Warrants	-	-	20,537	20,537
	$ 3,558,156	$ 37,758,643	$ 1,641,242	$ 42,958,041
Liabilities				
Options	$ -	$ 57,211	$ -	$ 57,211
Forward contracts	-	40,437	-	40,437
	$ -	$ 97,648	$ -	$ 97,648
December 31, 2025				
Assets				
Bonds	$ 2,860,570	$ 40,243,176	$ -	$ 43,103,746
Equities	1,417,779	1,148,819	-	2,566,598
	$ 4,278,349	$ 41,391,995	$ -	$ 45,670,344
Liabilities				
Forward contracts	$ -	$ 55,395	$ -	$ 55,395
	$ -	$ 55,395	$ -	$ 55,395

The carrying amount of the Fund’s net assets attributable to redeemable units also approximates fair value as they are measured at the redemption amount and are classified as Level 2 in the fair value hierarchy. There were no transfers between levels during the six months ended June 30, 2026, and 2025.

10. Fair value of financial instruments (continued):

(c) Fair value hierarchy - financial instruments measured at fair value (continued):

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy for the six months ended June 30, 2026.

For the six months ended June 30,	**2026**	**2025**
Opening balance	$ -	$ -
Purchases	1,748,232	-
Change in unrealized appreciation (depreciation) included in comprehensive income	91,302	-
Closing balance	$ 1,641,242	$ -

(d) Significant unobservable inputs used in measuring fair value:

The table below sets out information about significant unobservable inputs used as at June 30, 2026, in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

Description	**Fair value**	**Valuation technique**	**Unobserv-able input**	**Reasonable possible shifts in inputs (10%)**	**Sensitivity to change in significant unobservable input**
Equities	$ 1,158,871	Pre/post-money Valuation	Enterprise value	$ 115,887	The estimated fair value would increase (decrease) if enterprise value increased (decreased)
Bonds	$ 461,834	Pre/post-money Valuation	Enterprise value	$ 46,183	The estimated fair value would increase (decrease) if enterprise value increased (decreased)
Warrants	$ 20,537	Pre/post-money Valuation	Enterprise value	$ 2,054	The estimated fair value would increase (decrease) if enterprise value increased (decreased)

Enterprise value represents the amount that market participants would pay when purchasing the company. The manager determines this value based on comparable arm's length transactions in shares of the respective company.

The Fund did not have any Level 3 financial instruments as at December 31, 2025.

10. Fair value of financial instruments (continued):

(e) Effects of unobservable input on fair value measurement:

Although the Fund believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to holders of redeemable units.

The favorable and unfavorable effects of using reasonably possible alternative assumptions for the valuation of unlisted private equity investments have been calculated by recalibrating the model values using unobservable inputs based on the Fund's ranges of possible estimates.

A 10% increase (decrease) in the enterprise value would increase (decrease) the fair value as at June 30, 2026, by $164,124.

(f) Financial instruments not measured at fair value:

The carrying values of any financial instruments not included in note 10(c) approximate their fair values 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.

11. Other income:

The Fund recognized other income of $75,816 (2025 - $120,697) during the six months ended June 30, 2026. Other income primarily consists of fees received from issuers of securities held by the Fund in connection with bankruptcy proceedings and corporate restructuring activities.

12. Fees paid to auditors:

For the six months ended June 30, 2026, fees paid or payable to the Fund's auditors and its network firms for the audit services to the Fund were $42,684 (2025 - $14,102).