

Financial Statements of

**FULCRA CREDIT  
OPPORTUNITIES FUND**

and Independent Auditor's Report thereon

Year ended December 31, 2024



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## INDEPENDENT AUDITOR'S REPORT

To the unitholders of Fulcra Credit Opportunities Fund

### ***Opinion***

We have audited the financial statements of Fulcra Credit Opportunities Fund (the "Fund"), which comprise:

- the statements of financial position as at December 31, 2024 and 2023
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "***Auditor's Responsibilities for the Audit of the Financial Statements***" section of our auditor's report.

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Other Information***

The Manager is responsible for the other information. Other information comprises the information included in the Annual Management Report of Fund Performance for the Fund filed with the relevant



March 31, 2025

Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance for the Fund filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

***Responsibilities of the Manager and Those Charged with Governance for the Financial Statements***

The Manager is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



March 31, 2025

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, stylized font. Below the signature is a horizontal line.

Chartered Professional Accountants

Vancouver, Canada  
March 31, 2025

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Financial Position  
(Expressed in Canadian Dollars)

December 31, 2024, with comparative information for 2023

	2024	2023
<b>Assets</b>		
Cash	\$ 7,834,341	\$ 1,655,434
Subscriptions receivable	20,000	15,185,000
Interest receivable	541,846	595,875
Prepaid expenses	1,416	—
Investments	40,069,059	47,395,618
Derivatives: Forward contracts (note 9)	—	99,529
	48,466,662	64,931,456
<b>Liabilities</b>		
Due to brokers	\$ —	\$ 818,201
Distributions payable	158,183	642,861
Management fees payable (note 5)	37,432	49,874
Other accrued liabilities	96,543	49,979
Derivatives: Forward contracts (note 9)	60,646	—
Performance fees payable (note 5)	19	112,167
	352,823	1,673,082
Net assets attributable to holders of redeemable units	\$ 48,113,839	\$ 63,258,374

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Financial Position (Continued)  
(Expressed in Canadian Dollars)

December 31, 2024, with comparative information for 2023

	2024	2023
Net assets attributable to holders of redeemable units per class:		
Class A - Master Series	\$ 7,096,777	\$ 10,121,986
Class C - Master Series	281,641	300,897
Class D - Master Series	2,217,917	3,860,725
Class D - May 2023 Series	—	23,334
Class D - July 2023 Series	—	94,400
Class D - January 2024 Series	24,496	25,000
Class F - Master Series*	31,516,258	29,628,738
Class F - January 2022 Series*	—	107,051
Class F - February 2022 Series*	1,069,740	1,024,607
Class F - March 2022 Series*	—	372,598
Class F - May 2022 Series*	—	44,241
Class F - September 2022 Series*	—	964,271
Class F - October 2022 Series*	—	104,600
Class F - January 2023 Series*	—	21,733
Class F - April 2023 Series*	—	1,069,676
Class F - September 2023 Series*	—	29,831
Class F - October 2023 Series*	—	102,109
Class F - December 2023 Series*	—	202,577
Class F - January 2024 Series*	166,171	15,160,000
Class F - February 2024 Series*	88,402	—
Class F - March 2024 Series*	15,470	—
Class F - April 2024 Series*	12,876	—
Class F - May 2024 Series*	10,268	—
Class F - June 2024 Series*	294,572	—
Class F - July 2024 Series*	51,371	—
Class F - August 2024 Series*	98,965	—
Class F - November 2024 Series*	128,901	—
Class F - December 2024 Series*	20,014	—
Class F - January 2025 Series*	20,000	—
Class I - January 2025 Series	5,000,000	—
	<b>\$ 48,113,839</b>	<b>\$ 63,258,374</b>

\* Class B was renamed to Class F in 2024

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

"Kelvin Kwong" (signed) Director

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Comprehensive Income  
(Expressed in Canadian Dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Interest income	\$ 3,826,834	\$ 3,762,551
Dividend income	46,981	198,957
Other income (note 11)	442,652	31,567
Net foreign currency gains (losses)	38,815	(580,380)
Net realized gains (losses) on investments	(2,048,899)	1,274,160
Net change in unrealized appreciation (depreciation) on investments	993,880	382,627
	3,300,263	5,069,482
Expenses:		
Management fees (note 5)	\$ 524,088	\$ 455,227
Operating expenses	161,723	62,211
Audit fees (note 12)	64,240	32,908
Professional fees	48,129	19,425
Custodian fees	21,121	(16,926)
Brokerage commissions	16,378	10,346
Independent review committee fees	9,999	11,940
Performance fees (note 5)	22	112,103
Withholding taxes (note 4)	—	32,660
	845,700	719,894
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 2,454,563	\$ 4,349,588

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Comprehensive Income (Continued)  
(Expressed in Canadian Dollars)

Year ended December 31, 2024, with comparative information for 2023

	2024	2023
Increase (decrease) in net assets attributable to holders of redeemable units per class:		
Class A - Master Series	\$ 353,974	\$ 716,512
Class C - Master Series	10,340	69,868
Class D - Master Series	122,170	230,886
Class D - May 2023 Series	—	(1,816)
Class D - July 2023 Series	—	(7,460)
Class D - January 2024 Series	977	—
Class F - Master Series*	1,368,311	2,999,221
Class F - January 2022 Series*	—	6,468
Class F - February 2022 Series*	45,134	300,920
Class F - March 2022 Series*	—	22,703
Class F - May 2022 Series*	—	2,765
Class F - September 2022 Series*	3	65,354
Class F - October 2022 Series*	—	5,826
Class F - January 2023 Series*	—	(1,139)
Class F - April 2023 Series*	3	(62,317)
Class F - September 2023 Series*	—	(2,889)
Class F - October 2023 Series*	—	2,109
Class F - December 2023 Series*	1	2,577
Class F - January 2024 Series*	538,332	—
Class F - February 2024 Series*	2,952	—
Class F - March 2024 Series*	470	—
Class F - April 2024 Series*	376	—
Class F - May 2024 Series*	268	—
Class F - June 2024 Series*	7,130	—
Class F - July 2024 Series*	1,371	—
Class F - August 2024 Series*	1,836	—
Class F - November 2024 Series*	901	—
Class F - December 2024 Series*	14	—
	\$ 2,454,563	\$ 4,349,588

\* Class B was renamed to Class F in 2024



# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
(Expressed in Canadian Dollars)

Year ended December 31, 2024, with comparative information for 2023

		Net assets	Increase / (decrease) in net assets attributable to holders of redeemable units	Proceeds from units issued	Reinvestment of distribution	Cost of units redeemed	Series conversion	Distribution paid to holders of redeemable units	Net assets December 31, 2024
		January 1, 2024							
Class A - Master Series	\$	10,121,986	\$ 353,974	\$ —	\$ 459,262	\$ (3,320,713)	\$ —	\$ (517,732)	\$ 7,096,777
Class C - Master Series		300,897	10,340	—	165	(13,989)	—	(15,772)	281,641
Class D - Master Series		3,860,725	122,170	—	124,796	(1,847,804)	117,735	(159,705)	2,217,917
Class D - May 2023 Series		23,334	—	—	—	—	(23,334)	—	—
Class D - July 2023 Series		94,400	—	—	—	—	(94,400)	—	—
Class D - January 2024 Series		25,000	977	—	—	—	—	(1,481)	24,496
Class F - Master Series*		29,628,738	1,368,311	—	1,375,580	(1,997,830)	3,018,693	(1,877,234)	31,516,258
Class F - January 2022 Series*		107,051	—	—	—	—	(107,051)	—	—
Class F - February 2022 Series*		1,024,607	45,134	—	61,366	—	—	(61,367)	1,069,740
Class F - March 2022 Series*		372,598	—	—	—	—	(372,598)	—	—
Class F - May 2022 Series*		44,241	—	—	—	—	(44,241)	—	—
Class F - September 2022 Series*		964,271	3	—	—	—	(964,274)	—	—
Class F - October 2022 Series*		104,600	—	—	—	—	(104,600)	—	—
Class F - January 2023 Series*		21,733	—	—	—	—	(21,733)	—	—
Class F - April 2023 Series*		1,069,676	3	—	—	—	(1,069,679)	—	—
Class F - September 2023 Series*		29,831	—	—	—	—	(29,831)	—	—
Class F - October 2023 Series*		102,109	—	—	—	—	(102,109)	—	—
Class F - December 2023 Series*		202,577	1	—	—	—	(202,578)	—	—
Class F - January 2024 Series*		15,160,000	538,332	—	719,402	(15,531,459)	—	(720,104)	166,171
Class F - February 2024 Series*		—	2,952	85,450	5,100	—	—	(5,100)	88,402
Class F - March 2024 Series*		—	470	15,000	826	—	—	(826)	15,470
Class F - April 2024 Series*		—	376	12,500	634	—	—	(634)	12,876
Class F - May 2024 Series*		—	268	10,000	464	—	—	(464)	10,268
Class F - June 2024 Series*		—	7,130	300,000	—	—	—	(12,558)	294,572
Class F - July 2024 Series*		—	1,371	50,000	1,920	—	—	(1,920)	51,371
Class F - August 2024 Series*		—	1,836	100,000	—	—	—	(2,871)	98,965
Class F - November 2024 Series*		—	901	128,000	1,488	—	—	(1,488)	128,901
Class F - December 2024 Series*		—	14	20,000	130	—	—	(130)	20,014
Class F - January 2025 Series*		—	—	20,000	—	—	—	—	20,000
Class I - January 2025 Series		—	—	5,000,000	—	—	—	—	5,000,000
	\$	63,258,374	\$ 2,454,563	\$ 5,740,950	\$ 2,751,133	\$ (22,711,795)	\$ —	\$ (3,379,386)	\$ 48,113,839

\* Class B was renamed to Class F in 2024

# FULCRA CREDIT OPPORTUNITIES FUND

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

(Expressed in Canadian Dollars)

Year ended December 31, 2024, with comparative information for 2023

		Increase / (decrease) in net assets								
	Net assets January 1, 2023	attributable to holders of redeemable units	Proceeds from units issued	Reinvestment of distribution	Cost of units redeemed	Series conversion	Distribution paid to holders of redeemable units	Net assets December 31, 2023		
Class A - Master Series	\$ 10,179,494	\$ 716,512	\$ 185,000	\$ 821,635	\$ (1,001,035)	\$ —	\$ (779,620)	\$ 10,121,986		
Class C - Master Series	563,472	69,868	275,000	18,730	(542,447)	—	(83,726)	300,897		
Class D - Master Series	3,639,806	230,886	—	288,991	(32,288)	—	(266,670)	3,860,725		
Class D - May 2023 Series	—	(1,816)	22,221	1,304	—	—	1,625	23,334		
Class D - July 2023 Series	—	(7,460)	90,001	4,994	—	—	6,865	94,400		
Class D - January 2024 Series	—	—	25,000	—	—	—	—	25,000		
Class F - Master Series*	36,793,480	2,999,221	—	2,239,183	(9,114,218)	—	(3,288,928)	29,628,738		
Class F - January 2022 Series*	98,200	6,468	—	9,764	—	—	(7,381)	107,051		
Class F - February 2022 Series*	2,939,547	300,920	—	127,897	(2,000,000)	—	(343,757)	1,024,607		
Class F - March 2022 Series*	341,606	22,703	—	34,204	—	—	(25,915)	372,598		
Class F - May 2022 Series*	40,494	2,765	—	4,026	—	—	(3,044)	44,241		
Class F - September 2022 Series*	973,858	65,354	—	—	—	—	(74,941)	964,271		
Class F - October 2022 Series*	96,437	5,826	—	9,541	—	—	(7,204)	104,600		
Class F - January 2023 Series*	—	(1,139)	20,000	1,657	—	—	1,215	21,733		
Class F - April 2023 Series*	—	(62,317)	1,000,000	68,233	—	—	63,760	1,069,676		
Class F - September 2023 Series*	—	(2,889)	29,201	1,143	—	—	2,376	29,831		
Class F - October 2023 Series*	—	2,109	100,000	3,483	—	—	(3,483)	102,109		
Class F - December 2023 Series*	—	2,577	200,000	5,799	—	—	(5,799)	202,577		
Class F - January 2024 Series*	—	—	15,160,000	—	—	—	—	15,160,000		
	\$ 55,666,394	\$ 4,349,588	\$ 17,106,423	\$ 3,640,584	\$ (12,689,988)	\$ —	\$ (4,814,627)	\$ 63,258,374		

\* Class B was renamed to Class F in 2024

# FULCRA CREDIT OPPORTUNITIES FUND

## Statement of Cashflows

(Expressed in Canadian Dollars)

Year ended December 31, 2024, with comparative information for 2023

	2023	2023
Cash provided by (used in):		
Operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 2,454,563	\$ 4,349,588
Adjustments for non-cash items:		
Foreign currency (gains) losses	(38,815)	580,380
Net realized (gains) losses on investments	2,048,899	(1,274,160)
Net change in unrealized (appreciation) depreciation on investments	(993,880)	(382,627)
Change in non-cash balances:		
(Increase) decrease in interest receivable	54,029	393,009
(Increase) decrease in dividends receivable	—	3,918
(Increase) decrease in prepaid expenses	(1,416)	79
Increase (decrease) in due to brokers	(818,201)	814,052
Increase (decrease) in management fees payable	(12,442)	1,503
Increase (decrease) in other accrued liabilities	46,564	(119,046)
Increase (decrease) in performance fees payable	(112,148)	112,135
Proceeds from sale of investments	86,780,205	51,704,746
Purchase of investments	(80,348,490)	(43,488,565)
Net cash from operating activities	9,058,868	12,695,012
Financing activities:		
Proceeds from issuance of redeemable units	20,905,950	1,921,423
Payments on redemption of redeemable units	(22,711,795)	(12,691,142)
Distributions paid to holders of redeemable units	(1,112,931)	(531,182)
Net cash from financing activities	(2,918,776)	(11,300,901)
Net increase (decrease) in cash during the year	\$ 6,140,092	\$ 1,394,111
Foreign exchange gain (loss) on cash	38,815	(580,380)
Cash, beginning of year	1,655,434	841,703
Cash, end of year	\$ 7,834,341	\$ 1,655,434
Supplemental information:		
Interest paid	\$ 73	\$ 21
Interest received	3,880,863	4,155,560
Dividends received, net of withholding taxes	46,981	170,215

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Investment Portfolio  
(Expressed in Canadian Dollars)

As of December 31, 2024

Number of shares/units	Investments owned		Average cost		Fair value
Canadian equities:					
100	Aimia Inc. Preferred Shares 0%	\$	1,868	\$	1,869
12,900	Aimia Inc. Preferred Shares 6.01%		230,713		219,688
17,989	Chemtrade Logistics Income Fund		132,837		196,800
9,406	Connacher Oil and Gas Ltd		129,253		206,932
214,695	Dundee Corp.		369,266		307,014
377,700	Sherritt International Corp.		190,428		60,432
340,800	Tidewater Midstream and Infrastructure Ltd.		77,233		51,120
			1,131,598		1,043,855
Canadian fixed income:					
200,000	Cascades Inc/Cascades USA Inc. 5.125% 15JAN25	\$	199,900	\$	200,255
342,500	Chemtrade Logistics Income Fund 7% 30JUN28		336,527		364,745
90,000	Chorus Aviation Inc. 6% 30JUN26		86,454		90,423
300,000	Cineplex Inc. 7.75% 01MAR30		296,166		409,500
1,450,000	Corus Entertainment Inc. 5% 11MAY28		791,890		594,500
1,340,000	Corus Entertainment Inc. 6% 28FEB30		744,675		536,000
1,476,000	Dye & Durham Ltd. 3.75% 01MAR26		1,430,030		1,431,828
1,000,000	Gibson Energy Inc. 5.25% 22DEC80		857,438		976,589
500,000	John Deere Financial Inc. 2.41% 14JAN25		490,250		499,807
700,000	Keyera Corp. 5.95% 10MAR81		627,900		708,703
1,105,000	NFI Group Inc. 5% 15JAN27		921,678		1,050,441
1,496,000	Premium Brands Holdings Corp. 4.20% 30SEP27		1,369,943		1,471,265
181,000	Premium Brands Holdings Corp. 4.65% 30APR25		177,584		180,729
100,000	Premium Brands Holdings Corp. 5.40% 30SEP29		90,000		99,500
1,100,000	Rogers Communications Inc. 3.10% 15APR25		1,085,730		1,098,772
1,000,000	Rogers Communications Inc. 5% 17DEC81		934,224		1,002,064
300,000	Royal Bank of Canada 4.20%		300,000		270,424
818,392	Sherritt International Corp. 10.75% 31AUG29		648,617		323,265
1,000,000	Sherritt International Corp. 8.50% 30NOV26		749,261		525,000
414,000	SNC-Lavalin Group Inc. 7% 12JUN26		414,978		430,657
1,164,392	Source Energy Services Canada LP 10.50% 15MAR25		1,203,394		1,167,303
700,000	Tamarack Valley Energy Ltd. 7.25% 10MAY27		680,148		709,917
1,040,000	Tidewater Midstream and Infrastructure Ltd. 8% 30JUN29		1,007,143		676,000
1,135,000	Videotron Ltd. 5.625% 15JUN25		1,133,619		1,139,080
			16,577,549		15,956,767
U.S. equities:					
6,475	Altera Infrastructure LP	\$	688,054	\$	279,767
60,095	Eventbrite Inc.		268,873		290,834
8,000	Guitar Center Holdings, Inc. - Series A PFD		1,143,089		345,684
18,266	National CineMedia Inc.		138,355		174,695
1,398	Rite Aid Corp.		140,324		100,680
95,304	Rite Aid Corp. CSMR Trust Units		62,808		1,373
			2,441,503		1,193,033

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Investment Portfolio (Continued)

(Expressed in Canadian Dollars)

As of December 31, 2024

Number of shares/units	Investments owned	Average cost	Fair value
	U.S. fixed income:		
500,000	Bausch Health Americas Inc. 10.0061% 01FEB27	\$ 684,901	\$ 705,771
190,291	Borr IHC Ltd / Borr Finance LLC 10.375% 15NOV30	253,755	265,863
2,100,000	Briggs & Stratton Corp. 6.875% 15DEC20	1,412,678	22,686
300,000	Calumet Specialty Products Partners LP 11% 15APR26	420,400	436,440
150,000	CNG Holdings Inc. 14.50% 30JUN26	157,877	194,447
757,000	CNG Holdings Inc. 14.50% 30JUN26	1,032,871	981,310
46,729	Connacher Term Loan B	57,763	70,924
537,000	Conuma Resources Ltd. 13.125% 01MAY28	694,711	792,805
3,180,000	Diamond Sports Group LLC 5.375% 15AUG26	1,949,638	22,902
40,781	Diamond Sports Group LLC 13.419% 25MAY26	52,231	11,748
153,257	Diamond Sports Group LLC 5% 02AUG27	208,035	237,300
358,665	Directv Financing LLC 10.3241% 02AUG27	445,269	519,187
900,000	eG Global Finance PLC 12% 30NOV28	1,262,889	1,451,244
350,000	Enova International Inc. 11.25% 15DEC28	470,857	544,816
275,000	Eventbrite Inc. 5% 01DEC25	380,076	392,977
150,000	First Quantum Minerals Ltd. 8.625% 01JUN31	180,515	222,673
200,000	GFL Environmental Inc. 5.125% 15DEC26	275,859	286,770
550,000	Golar LNG Ltd. 7% 20OCT25	652,243	800,947
400,000	Guitar Center Inc. 8.50% 15JAN26	539,373	492,825
961,000	KAR Auction Services Inc. 5.125% 01JUN25	1,258,669	1,381,782
450,000	National CineMedia LLC 5.75% 15AUG26	197,439	5,357
600,000	NOVA Chemicals Corp. 5% 01MAY25	836,463	860,676
1,346,000	Optiva Inc. 9.75% 20JUL25	1,345,190	1,841,776
250,000	Parkland Corp. 5.875% 15JUL27	345,091	356,917
367,026	Pyxus Holdings Inc. 13.4411% 27DEC27	483,438	470,494
244,684	Pyxus Holdings Inc. 13.4411% 31DEC27	322,292	354,192
576,562	Pyxus Holdings Inc. 8.50% 31DEC27	727,242	685,122
98,278	Rite Aid Corp. 12.05718% 30AUG31	66,993	137,271
290,218	Rite Aid Corp. 15% 30AUG31	14,919	342,334
211,309	Rite Aid Corp. 15% 30AUG31	285,006	181,809
250,000	Seaspan Corp. 5.50% 01AUG29	270,923	336,634
600,000	Spanish Broadcasting System Inc. 9.75% 01MAR26	507,781	575,205
350,000	Spencer Spirit IH LLC 10.8319% 25JUN31	474,410	510,424
250,000	Telesat Canada / Telesat LLC 4.875% 01JUN27	202,009	202,301
800,000	Telesat Canada / Telesat LLC 5.625% 06DEC26	645,871	650,442
356,470	The GEO Group Inc. 10.5698% 14APR29	485,491	523,068
50,000	The GEO Group Inc. 8.625% 15APR29	67,470	76,138
97,886	The Hertz Corp. 8.9302% 30JUN28	122,722	127,332
502,517	The Hertz Corp. 8.9302% 30JUN28	630,017	654,134
500,000	United States Treasury Note/Bond 3.50% 30SEP29	672,695	693,398
550,000	United States Treasury Note/Bond 4.125% 31MAR29	773,160	784,590
100,000	Vermilion Energy Inc. 5.625% 15MAR25	136,538	143,855
	Balance to carry forward	22,003,770	20,348,886

# FULCRA CREDIT OPPORTUNITIES FUND

Statement of Investment Portfolio (Continued)

(Expressed in Canadian Dollars)

As of December 31, 2024

Number of shares/units	Investments owned	Average cost	Fair value
	U.S. fixed income (continued):		
	Balance carried forward	\$ 22,003,770	\$ 20,348,886
901,355	WildBrain Ltd 11.28299% 23JUL29	1,215,371	1,298,267
14,458	WildBrain Ltd 11.28299% 23JUL29 (Revolving)	19,277	20,824
125,000	WW International Inc. 4.50% 15APR29	83,531	36,836
500,000	WW International Inc. 8.9353% 13APR28	461,050	170,591
		23,782,999	21,875,404
Total investments owned (gross)		\$ 43,933,649	\$ 40,069,059
Less: Commissions and other portfolio transaction costs		(1,629)	–
Total investments owned		\$ 43,932,020	\$ 40,069,059
Unrealized gain (loss) on foreign exchange forward contracts			(60,646)
Other assets, net			8,105,426
Net Assets Attributable to Holders of Redeemable Units			\$ 48,113,839

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 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.

On November 27, 2023, the Fund filed a simplified prospectus with the British Columbia Securities Commission. The receipt of the final filing completed the conversion of the Fund into an Alternative Mutual Fund under the rules of National Instrument 81-102 – Investment Funds.

## 2. Basis of preparation:

### (a) Statement of compliance:

These financial statements have been prepared in compliance with IFRS Accounting Standards. The financial statements were authorized for issue by the Manager on March 31, 2025.

### (b) Functional and presentation currency:

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

### (c) Use of 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.

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 3. Material accounting policy information (continued):

### (a) Financial instruments (continued):

#### (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.

#### (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 statement 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.



# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 3. Material accounting policy information (continued):

### (a) Financial instruments (continued):

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

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 at 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 fair value through profit or loss, in which case transaction costs are expensed as incurred.

### (c) Redeemable units:

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Fund has designated redeemable units as financial liabilities at FVTPL because they are managed and their performance is evaluated on a fair value basis. The Fund's redeemable units are measured at their redemption amount, provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Distributions to holders of redeemable units are recognized in statement of changes in net assets attributable to holders of redeemable units when they are authorized and no longer at the discretion of the Manager. The Fund issues multiple classes of redeemable units, which are redeemable at the holder's option and do not have identical features and, therefore, are classified as financial liabilities.

### (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 statement of comprehensive income.

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 3. Material accounting policy information (continued):

### (e) Income recognition:

Interest income is accounted for on an accrual 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.

## 4. Withholding taxes:

Certain dividend and interest income received by the Fund are subject to withholding tax imposed in the country of origin. During the year ended December 31, 2024, the Fund incurred \$nil (2023 - \$32,660) withholding taxes.

## 5. Related party transactions:

### (a) Management fees:

The Manager receives a monthly management fee, payable in arrears, equal to:

- (i) 1/12 of 1.50% of the aggregate Net Asset Value of the Class A Units;
- (ii) 1/12 of 1.50% of the aggregate Net Asset Value of the Class C Units;
- (iii) 1/12 of 1.15% of the aggregate Net Asset Value of the Class D Units; and
- (iv) 1/12 of 0.75% of the aggregate Net Asset Value of the Class F Units.

No management fees are charged to Class I units. Class I unit holders pay management fees directly to the Manager. The Manager may, at its sole discretion, offer management fee rebates to unitholders, payable in the form of special distributions.

The management fees incurred during the year amounted to \$524,088 (2023 - \$455,227). Management fees payable as at December 31, 2024 were \$37,432 (2023 - \$49,874).

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 5. Related party transactions (continued):

### (b) Performance fees:

In addition to management fees, the Manager is entitled to receive from the Fund an annual performance fee in respect of Class D and Class F redeemable units equal to 15% of the amount by which the Net Asset Value per Class D and Class F redeemable unit exceed a threshold annualized increase of 5% over the High Water Mark.

The High Water Mark for a Class D and Class F redeemable unit as at any date means: (i) during the fiscal year in which the redeemable unit is issued, its subscriptions price; (ii) during the subsequent fiscal year, the greater of its subscription price or the net asset value per redeemable unit as of the first day of such subsequent fiscal year if the Manager received a performance fee in respect of such redeemable unit for the prior fiscal year; and (iii) during all subsequent fiscal years, the higher of the net asset value per redeemable unit as at the first day of such fiscal year and any previous fiscal year.

Performance fees for the year ended December 31, 2024 were \$22 (2023 - \$112,103). Performance fees payable as at December 31, 2024 were \$19 (2023 - \$112,167).

### (c) Unit holdings:

As at December 31, 2024, directors and officers of the Manager owned 52,009 units of the Fund (2023 - 46,800). In addition, the Lysander-Fulcra Corporate Securities Fund, an investment fund for which the Manager acts as portfolio advisor, owned 500,000 Class I units of the Fund as at December 31, 2024 (2023 - Nil).

# FULCRA CREDIT OPPORTUNITIES FUND

## Notes to Financial Statements

Year ended December 31, 2024

### 6. 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 years ended December 31, 2024, and 2023 are as follows:

	Outstanding redeemable units, beginning of year	Redeemable units issued for cash	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Series conversion	Outstanding redeemable units, end of year
<b>2024</b>						
Class A - Master	842,572	-	(278,163)	38,632	-	603,041
Class C - Master	25,961	-	(1,207)	14	-	24,768
Class D - Master	318,505	-	(152,275)	10,391	9,711	186,332
Class D - May 2023	1,897	-	-	-	(1,897)	-
Class D - July 2023	7,648	-	-	-	(7,648)	-
Class D - January 2024	2,062	-	-	-	-	2,062
Class F - Master*	2,385,779	-	(160,492)	111,667	243,073	2,580,027
Class F - January 2022*	8,571	-	-	-	(8,571)	-
Class F - February 2022*	83,248	-	-	5,022	-	88,270
Class F - March 2022*	29,836	-	-	-	(29,836)	-
Class F - May 2022*	3,534	-	-	-	(3,534)	-
Class F - September 2022*	77,296	-	-	-	(77,296)	-
Class F - October 2022*	8,416	-	-	-	(8,416)	-
Class F - January 2023*	1,735	-	-	-	(1,735)	-
Class F - April 2023*	85,065	-	-	-	(85,065)	-
Class F - September 2023*	2,323	-	-	-	(2,323)	-
Class F - October 2023*	8,001	-	-	-	(8,001)	-
Class F - December 2023*	15,785	-	-	-	(15,785)	-
Class F - January 2024*	1,220,720	-	(1,265,684)	58,407	-	13,443
Class F - February 2024*	-	6,818	-	414	-	7,232
Class F - March 2024*	-	1,193	-	67	-	1,260
Class F - April 2024*	-	1,003	-	52	-	1,055
Class F - May 2024*	-	800	-	38	-	838
Class F - June 2024*	-	23,940	-	-	-	23,940
Class F - July 2024*	-	4,053	-	157	-	4,210
Class F - August 2024*	-	8,034	-	-	-	8,034
Class F - November 2024*	-	10,380	-	121	-	10,501
Class F - December 2024*	-	1,611	-	11	-	1,622
Class F - January 2025*	-	1,637	-	-	-	1,637
Class I - January 2025	-	500,000	-	-	-	500,000

\* Class B was renamed to Class F in 2024.

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

## 6. Redeemable units (continued):

	Outstanding redeemable units, beginning of year	Redeemable units issued for cash	Redeemable units redeemed	Redeemable units issued on reinvestment of distributions	Series conversion	Outstanding redeemable units, end of year
<b>2023</b>						
Class A - Master	841,472	15,255	(82,140)	67,985	-	842,572
Class C - Master	46,765	22,204	(44,569)	1,561	-	25,961
Class D - Master	297,376	-	(2,565)	23,694	-	318,505
Class D - May 2023	-	1,791	-	106	-	1,897
Class D - July 2023	-	7,244	-	404	-	7,648
Class D - January 2024	-	2,062	-	--	-	2,062
Class F - Master*	2,920,324	-	(713,360)	178,815	-	2,385,779
Class F - January 2022*	7,794	-	-	777	-	8,571
Class F - February 2022*	233,314	-	(160,345)	10,279	-	83,248
Class F - March 2022*	27,113	-	-	2,723	-	29,836
Class F - May 2022*	3,214	-	-	320	-	3,534
Class F - September 2022*	77,296	-	-	-	-	77,296
Class F - October 2022*	7,654	-	-	762	-	8,416
Class F - January 2023*	-	1,603	-	132	-	1,735
Class F - April 2023*	-	79,668	-	5,397	-	85,065
Class F - September 2023*	-	2,234	-	89	-	2,323
Class F - October 2023*	-	7,728	-	273	-	8,001
Class F - December 2023*	-	15,333	-	452	-	15,785
Class F - January 2024*	-	1,220,720	-	-	-	1,220,720

\* Class B was renamed to Class F in 2024.

## 7. 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.

## 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.

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

## 8. Financial risk management (continued):

### (a) Risk management framework (continued):

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.

### (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 statement 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 a counterparty. Either the Fund or the counterparty to the Fund may default on their obligations and cause losses to the Fund. To minimize the Fund's counterparty risk, the Manager will utilize counterparties with high credit ratings.

As of December 31, 2024, the Fund's forward contracts are held at a financial institution with a rating of A (2023 - A).

Credit risk is monitored on a daily basis 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 December 31, 2024, and 2023, the Fund was invested in debt securities with the following credit quality:

	2024	2023	2024	2023
AAA	\$ 1,477,988	\$ 1,123,184	4%	3%
AA	-	650,282	0%	2%
A	499,807	-	1%	0%
BBB	2,508,277	3,672,285	7%	8%
BB	6,277,658	7,157,470	17%	16%
B	5,302,124	9,774,665	14%	22%
CCC	3,912,741	5,912,602	10%	13%
Not Rated	17,853,576	15,610,669	47%	36%
<b>Total</b>	<b>\$ 37,832,172</b>	<b>\$ 43,901,157</b>	<b>100%</b>	<b>100%</b>

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

## 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 at December 31, 2024, and 2023:

	Carrying amount	Gross nominal inflow (outflow)	Less than 1 month
2024	\$ (60,646)	\$ (60,646)	\$ (60,646)
2023	99,529	99,529	99,529

### (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 repricing or maturity date, is as follows:

	Less than 1 year	1 to 3 years	3 to 5 years	Greater than 5 years	Total
2024	\$ 9,730,645	\$ 12,898,261	\$ 9,639,611	\$ 5,563,654	\$ 37,832,171
2023	\$ 10,124,415	\$ 19,939,631	\$ 10,959,798	\$ 2,877,313	\$ 43,901,157

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

## 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 on a daily basis 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:

Total exposure	Monetary	Non-Monetary	Forward Contracts	Net
<b>U.S. Dollars</b>				
2024	\$ 1,119,396	\$ 23,068,437	\$ (24,072,814)	\$ 115,019
2023	861,379	25,278,867	(25,248,692)	891,554
<b>As % of the Fund</b>				
2024	2.3%	47.9%	-50.0%	0.2%
2023	1.4%	40.0%	-40.0%	1.4%



# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

## 8. Financial risk management (continued):

(d) Market risk (continued):

(ii) Currency risk (continued):

At the reporting date, 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 decreased or increased as follows:

Approximate impact	Monetary	Non-Monetary	Forward Contracts	Net
<b>U.S. Dollars</b>				
2024	\$ 55,970	\$ 1,153,422	\$ (1,203,641)	\$ 5,751
2023	43,069	1,263,943	(1,262,435)	44,577
<b>% of the Fund</b>				
2024	0.1%	2.4%	-2.5%	0.0%
2023	0.1%	2.0%	-2.0%	0.1%

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

(iii) Other price risk:

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result 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 at December 31, 2024. No exposure to any other individual issuer exceeded 5% of the net assets attributable to the holders of redeemable units.

As at December 31, 2024, 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 \$111,844 (2023 - \$168,199) or 0.2% (2023 - 0.3%) of net assets attributable to redeemable units.

# FULCRA CREDIT OPPORTUNITIES FUND

## Notes to Financial Statements

Year ended December 31, 2024

### 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 statement 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 at December 31, 2024 and 2023 related to hedging of the Fund's investments:

	Settlement date	Currency bought	Currency sold	Forward rate	Fair value	Notional amount	Unrealized gain (loss)
2024	01/30/25	CAD	USD	1.4389	\$ (24,072,814)	\$ (24,012,168)	\$ (60,646)
2023	01/30/24	CAD	USD	1.3251	(25,248,692)	(25,348,221)	99,529

### 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.

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 10. Fair value of financial instruments (continued):

### (a) Valuation models (continued):

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.

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 a number of quotes for the same financial instrument have been obtained, then how fair value has been determined using those quotes.

# FULCRA CREDIT OPPORTUNITIES FUND

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## 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 statement of financial position.

December 31, 2024	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Bonds	\$ 7,558,959	\$ 30,273,212	\$ -	\$ 37,832,171
Equities	1,302,452	934,436	-	2,236,888
	<b>\$ 8,861,411</b>	<b>\$ 31,207,648</b>	<b>\$ -</b>	<b>\$ 40,069,059</b>

<b>Liabilities</b>				
Forward contracts	\$ -	\$ 60,646	\$ -	\$ 60,646
	<b>\$ -</b>	<b>\$ 60,646</b>	<b>\$ -</b>	<b>\$ 60,646</b>

December 31, 2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Forward contracts	\$ -	\$ 99,529	\$ -	\$ 99,529
Bonds	1,221,965	42,679,192	-	43,901,157
Equities	2,017,506	1,476,955	-	3,494,461
	<b>\$ 3,239,471</b>	<b>\$ 44,255,676</b>	<b>\$ -</b>	<b>\$ 47,495,147</b>

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.

During the year ended December 31, 2024, four bonds were transferred from Level 2 to Level 1, as the trade volume has increased. During the year ended December 31, 2023, one equity was transferred from Level 1 to Level 2, as the trade volume has reduced.

As at December 31, 2024, the Fund did not have any level 3 financial instruments.

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 year ended December 31, 2023:

For the year ended December 31, 2023	
Opening balance	\$ 6,200
Sales	(6,200)
<b>Ending balance</b>	<b>\$ -</b>

# FULCRA CREDIT OPPORTUNITIES FUND

Notes to Financial Statements

Year ended December 31, 2024

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## 10. Fair value of financial instruments (continued):

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

The Fund did not have any level 3 financial instruments at December 31, 2024 and 2023.

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

The Fund did not hold any Level 3 financial instruments at December 31, 2024 and 2023.

- (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 \$442,652 (2023 - \$31,567) during the year ended December 31, 2024. 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 year ended December 31, 2024, fees paid or payable to KPMG LLP and its network firms for the audit services to the Fund was \$64,240 (2023 - \$66,875).