

# YTM Capital Fixed Income Alternative Fund

## Financial Statements

For the year ended February 29, 2024



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For the year ended February 29, 2024

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## Independent auditor's report

To the Unitholders and Trustee of YTM Capital Fixed Income Alternative Fund (the Fund)

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at February 29, 2024 and February 28, 2023 and its financial performance and its cash flows for the years then ended in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

#### What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at February 29, 2024 and February 28, 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
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### 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 report.

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

#### Independence

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

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### Other information

Management is responsible for the other information. The other information comprises the Annual Management Report of Fund Performance.

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



Our opinion on the financial statements does not cover the other information and we do 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, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards, and for such internal control as management 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, management 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 management 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.

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### **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 these financial statements.

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 management.
- Conclude on the appropriateness of management'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 the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We 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.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
May 22, 2024

# YTM Capital Fixed Income Alternative Fund

## Statements of Financial Position

As at February 29, 2024 and February 28, 2023

	2024	2023
<b>ASSETS</b>		
<b>Current assets</b>		
Investments owned, at fair value pledged as collateral	\$ 544,831,445	\$ 238,263,366
Accrued interest receivable	4,930,757	1,995,432
Cash	799,900	2,946,355
Subscriptions receivable	649,950	605,450
Receivable for investments sold	23,841,178	10,085,348
Expense reimbursement receivable	41,766	41,766
Prepaid expenses	47,355	25,189
	<u>575,142,351</u>	<u>253,962,906</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Margin payable	58,836,463	522,073
Investments sold short, at fair value	343,699,191	172,858,807
Accrued liabilities	871,031	493,428
Redemptions payable	126,136	30,908
Payable for investment purchased	22,501,789	10,359,595
Interest payable on investments sold short	3,020,552	1,070,492
Distributions payable	84,062	3,322
Unrealized loss on credit default swaps	371,121	143,409
	<u>429,510,345</u>	<u>185,482,034</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 145,632,006</u>	<u>\$ 68,480,872</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 10,345,296	\$ 5,492,320
Series TA	1,011,145	172,097
Series F	115,274,546	62,271,161
Series TF	19,001,019	545,294
	<u>\$ 145,632,006</u>	<u>\$ 68,480,872</u>
<b>Number of Redeemable Units Outstanding (Note 3)</b>		
Series A	998,717	536,307
Series TA	97,590	16,809
Series F	10,776,520	5,928,155
Series TF	1,822,382	53,211
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 10.36	\$ 10.24
Series TA	10.36	10.24
Series F	10.70	10.50
Series TF	10.43	10.25

Approved by the Board of Directors of the Manager, YTM Capital Asset Management Ltd.

"Daniel Child" Director

"Karl Burnham" Director

"David Burbach" Director

# YTM Capital Fixed Income Alternative Fund

## Statements of Comprehensive Income

For the years ended February 29, 2024 and February 28, 2023

	2024	2023
<b>Income</b>		
Interest for distribution purposes	\$ 14,064,458	\$ 7,009,111
Net realized gain (loss) on investments, including foreign exchange adjustments and derivatives	2,604,246	(2,223,875)
Net change in unrealized appreciation on investments, including derivatives	1,868,506	2,218,287
Other income	2,630	72,560
Interest expenses on investments sold short	(4,924,573)	(2,224,760)
Dividends	31,359	111,461
	<u>13,646,626</u>	<u>4,962,784</u>
<b>Expenses</b>		
Interest and borrowing fees	1,788,492	625,418
Performance fees accrued (Note 4)	1,742,320	378,189
Management fees accrued (Note 4)	1,128,714	596,479
Administration fees	248,589	216,913
Audit fees	58,278	52,937
Filing fees	50,432	84,636
Independent review committee fees	28,084	21,914
Commissions and other portfolio transaction costs	607	980
	<u>5,045,516</u>	<u>1,977,466</u>
<b>Increase in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 8,601,110</u>	<u>\$ 2,985,318</u>
<b>Increase in Net Assets Attributable to Holders of Redeemable Units per Series (Note 8)</b>		
Series A	\$ 523,261	\$ 215,369
Series TA	44,288	1,429
Series F	7,679,694	2,756,430
Series TF	353,867	12,090
	<u>\$ 8,601,110</u>	<u>\$ 2,985,318</u>
<b>Weighted Average of Redeemable Units Outstanding During the period</b>		
Series A	698,197	463,043
Series TA	49,336	5,313
Series F	8,742,767	4,924,576
Series TF	316,847	18,509
<b>Increase in Net Assets Attributable to Holders of Redeemable Units per Unit (Note 8)</b>		
Series A	\$ 0.75	\$ 0.47
Series TA	0.90	0.27
Series F	0.88	0.56
Series TF	1.12	0.65

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

# YTM Capital Fixed Income Alternative Fund

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

For the years ended February 29, 2024 and February 28, 2023

	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued and switch-in*	Redemption of redeemable units and switch-out*	Distributions to holders of redeemable units from investment income***	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>February 29, 2024</b>							
Series A	\$ 5,492,320	\$ 523,261	\$ 5,338,494	\$ (847,951)	\$ (391,551)	\$ 230,723	\$ 10,345,296
Series TA	172,097	44,288	885,479	(63,330)	(31,243)	3,854	1,011,145
Series F	62,271,161	7,679,694	66,536,279	(18,890,589)	(5,566,164)	3,244,165	115,274,546
Series TF	545,294	353,867	18,523,838	(212,396)	(232,549)	22,965	19,001,019
	<u>\$ 68,480,872</u>	<u>\$ 8,601,110</u>	<u>\$ 91,284,090</u>	<u>\$ (20,014,266)</u>	<u>\$ (6,221,507)</u>	<u>\$ 3,501,707</u>	<u>\$ 145,632,006</u>

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended February 29, 2024 were \$419,101 and \$(419,101), respectively.

	Net assets attributable to holders of redeemable units, beginning of year	Increase in net assets attributable to holders of redeemable units	Proceeds from redeemable units issued and switch-in**	Redemption of redeemable units and switch-out**	Distributions to holders of redeemable units from investment income***	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>February 28, 2023</b>							
Series A	\$ 4,485,828	\$ 215,369	\$ 1,211,861	\$ (420,738)	\$ –	\$ –	\$ 5,492,320
Series TA	–	1,429	192,000	(20,439)	(893)	–	172,097
Series F	44,065,914	2,756,430	23,568,744	(8,119,927)	–	–	62,271,161
Series TF	–	12,090	540,000	(2,000)	(4,805)	9	545,294
	<u>\$ 48,551,742</u>	<u>\$ 2,985,318</u>	<u>\$ 25,512,605</u>	<u>\$ (8,563,104)</u>	<u>\$ (5,698)</u>	<u>\$ 9</u>	<u>\$ 68,480,872</u>

\*\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended February 28, 2023 were \$165,362 and \$(165,362), respectively.

\*\*\* Detailed distribution to unitholders of redeemable units

	2024	2023
<b>Series A</b>		
From net investment income	\$ (391,551)	\$ –
From return on capital	–	–
	<u>(391,551)</u>	<u>–</u>
<b>Series TA</b>		
From net investment income	\$ (27,547)	\$ (893)
From return on capital	(3,696)	–
	<u>(31,243)</u>	<u>(893)</u>
<b>Series F</b>		
From net investment income	\$ (5,566,164)	\$ –
From return on capital	–	–
	<u>(5,566,164)</u>	<u>–</u>
<b>Series TF</b>		
From net investment income	\$ (203,134)	\$ (4,805)
From return on capital	(29,415)	–
	<u>(232,549)</u>	<u>(4,805)</u>



# YTM Capital Fixed Income Alternative Fund

## Statements of Cash Flows

For the years ended February 29, 2024 and February 28, 2023

	2024	2023
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 8,601,110	\$ 2,985,318
Adjustments for non-cash items		
Net realized (gain) loss on investments, including foreign exchange adjustments and derivatives	(2,604,246)	2,223,875
Net change in unrealized depreciation on investments including derivatives	(1,868,506)	(2,218,287)
Change in non-cash balances		
Accrued interest receivable	(2,935,325)	(889,748)
Dividends receivable	-	15,156
Prepaid expenses	(22,166)	(1,865)
Accrued liabilities	377,603	290,774
Interest payable on investments sold short	1,950,060	313,690
Proceeds from sale of investments, including derivatives	1,750,031,386	701,715,053
Purchase of investments, including derivatives	<u>(1,882,693,711)</u>	<u>(719,533,871)</u>
Cash used in operating activities	<u>(129,163,795)</u>	<u>(15,099,905)</u>
<b>Financing Activities</b>		
Proceeds from issuance of redeemable units	90,820,489	24,753,460
Amount paid on redemption of redeemable units	(19,499,937)	(8,511,394)
Distributions to the holders of redeemable units, net of reinvested distributions	<u>(2,639,060)</u>	<u>(2,407)</u>
Cash provided by financing activities	<u>68,681,492</u>	<u>16,239,659</u>
(Decrease) Increase in cash during the year	(60,482,303)	1,139,754
Foreign exchange gain (loss) on cash	21,458	(10,635)
Cash, beginning of year	<u>2,424,282</u>	<u>1,295,163</u>
<b>Cash, end of year</b>	<u>\$ (58,036,563)</u>	<u>\$ 2,424,282</u>
Cash	799,900	2,946,355
Margin Payable	<u>(58,836,463)</u>	<u>(522,073)</u>
	<u>(58,036,563)</u>	<u>2,424,282</u>
<b>Supplemental information*</b>		
Interest paid	\$ 3,763,446	\$ 1,920,990
Interest received	10,799,633	5,797,487
Dividends received, net of withholding taxes	31,359	126,617

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

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio

As at February 29, 2024

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian fixed income</b>				
1,350,000	Algonquin Power Co. 2.85% 15JUL31	\$ 1,117,435	\$ 1,171,394	0.80
2,200,000	Algonquin Power Co. 4.09% 17FEB27	2,074,088	2,144,229	1.47
4,200,000	Alimentation Couche-Tard Inc. 4.603% 25JAN29	4,200,000	4,203,737	2.89
850,000	AltaGas Ltd. 4.638% 15MAY26	850,000	845,290	0.58
3,350,000	Artis Real Estate Investment Trust 5.60% 29APR25	3,350,000	3,276,065	2.25
8,900,000	AT&T Inc. 4% 25NOV25	8,753,506	8,739,710	6.00
1,625,000	Athene Global Funding 5.805% 09APR24	1,624,594	1,624,105	1.12
8,775,000	Bank of America Corp. 3.515% 24MAR26	8,603,416	8,618,453	5.92
7,350,000	Bank of Montreal 2.077% 17JUN30	6,889,548	7,061,585	4.85
14,030,000	Bank of Montreal 2.88% 17SEP29	13,655,287	13,849,854	9.51
3,025,000	Bank of Montreal 4.537% 18DEC28	3,025,000	3,003,703	2.06
875,000	Bell Canada Inc. 3.80% 21AUG28	807,319	846,850	0.58
800,000	Brookfield Infrastructure Finance ULC 5.71% 27JUL30	800,000	828,935	0.57
1,600,000	Brookfield Renewable Partners ULC 5.88% 09NOV32	1,673,568	1,696,576	1.16
150,000	Bruce Power LP 4% 21JUN30	149,895	144,182	0.10
675,000	Bruce Power LP 4.70% 21DEC27	674,764	676,478	0.46
640,000	Canadian Credit Card Trust II 1.869% 24NOV24	640,000	620,192	0.43
1,160,000	Canadian Credit Card Trust II 2.719% 24NOV24	1,140,697	1,120,641	0.77
10,225,000	Canadian Imperial Bank of Commerce 2.95% 19JUN29	9,978,813	10,152,096	6.97
7,500,000	Canadian Imperial Bank of Commerce 5% 07DEC26	7,499,550	7,547,625	5.18
4,675,000	Canadian Imperial Bank of Commerce 5.30% 16JAN34	4,674,813	4,694,448	3.22
5,100,000	Canadian Tire Corp Ltd. 6.079609% 14SEP26	5,100,000	5,106,528	3.51
2,275,000	Canadian Western Bank 5.261% 20DEC25	2,275,000	2,278,981	1.56
1,925,000	Canadian Western Bank 5.949% 29JAN34	1,925,000	1,924,172	1.32
1,875,000	Capital Power Corp. 4.986% 23JAN26	1,832,828	1,867,931	1.28
600,000	Capital Power Corp. 5.973% 25JAN34	599,928	619,116	0.43
1,550,000	CARDS II Trust 2.809% 15JAN25	1,489,968	1,507,685	1.04
1,525,000	CARDS II Trust 3.609% 15JAN25	1,525,000	1,483,901	1.02
2,200,000	CARDS II Trust 6.08% 15MAY25	2,200,000	2,199,142	1.51
2,450,000	Cenovus Energy Inc. 3.50% 07FEB28	2,296,709	2,348,717	1.61
6,275,000	Cenovus Energy Inc. 3.60% 10MAR27	6,059,333	6,083,111	4.18
3,175,000	Central 1 Credit Union 5.417% 29SEP25	3,177,670	3,179,921	2.18
3,075,000	Central 1 Credit Union 5.877% 10NOV26	3,075,000	3,127,244	2.15
2,400,000	Chartwell Retirement Residences 6% 08DEC26	2,398,176	2,418,312	1.66
2,100,000	CI Financial Corp. 7% 02DEC25	2,110,403	2,136,603	1.47
11,935,000	CNH Industrial Capital Canada Ltd. 1.50% 01OCT24	11,547,929	11,685,917	8.02
2,375,000	Coast Capital Savings Federal Credit Union 6.131% 25NOV24	2,375,000	2,378,990	1.63
450,000	CT Real Estate Investment Trust 5.828% 14JUN28	449,969	462,609	0.32
2,275,000	Daimler Trucks Finance Canada Inc. 5.77% 25SEP28	2,274,113	2,361,564	1.62
6,350,000	Daimler Trucks Finance Canada Inc. 2.14% 13DEC24	6,048,321	6,204,966	4.26
9,614,000	Daimler Trucks Finance Canada Inc. 5.18% 19SEP25	9,537,559	9,626,210	6.61
1,050,000	Dream Industrial Real Estate Investment Trust 5.383% 22MAR28	1,054,735	1,062,201	0.73
3,075,000	Dream Industrial Real Estate Investment Trust 5.7775% 17JUN24	3,075,000	3,075,646	2.11
1,375,000	Dream Summit Industrial LP 2.15% 17SEP25	1,266,073	1,315,009	0.90
925,000	Dream Summit Industrial LP 5.111% 12FEB29	925,000	928,358	0.64
1,475,000	Eagle Credit Card Trust 1.546% 17JUN26	1,325,819	1,370,688	0.94
1,450,000	Enbridge Gas Inc. 5.46% 06OCT28	1,450,000	1,516,106	1.04
875,000	Enbridge Gas Inc. 5.70% 06OCT33	875,000	946,969	0.65

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at February 29, 2024

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	<b>Canadian fixed income (continued)</b>			
3,726,000	Equitable Bank 1.983% 09MAY24	\$ 3,617,238	\$ 3,703,495	2.54
1,875,000	Federation des Caisses Desjardins du Quebec 2.856% 26MAY30	1,810,350	1,821,450	1.25
3,450,000	Federation des Caisses Desjardins du Quebec 4.407% 19MAY27	3,389,155	3,419,606	2.35
11,975,000	Federation des Caisses Desjardins du Quebec 5.20% 01OCT25	11,999,060	12,000,507	8.24
2,675,000	Federation des Caisses Desjardins du Quebec 5.467% 17NOV28	2,675,000	2,755,839	1.89
1,350,000	Federation des Caisses Desjardins du Quebec 5.475% 16AUG28	1,350,000	1,393,092	0.96
4,725,000	Finning International Inc. 4.778% 13FEB29	4,725,000	4,753,019	3.26
10,500,000	First Capital Realty Inc. 4.79% 30AUG24	10,335,565	10,455,060	7.18
1,300,000	First Capital Realty Inc. 5.572% 01MAR31	1,300,000	1,311,076	0.90
1,675,000	First National Financial Corp. 3.582% 25NOV24	1,600,965	1,647,463	1.13
1,950,000	First National Financial Corp. 7.293% 08SEP26	1,949,981	2,001,090	1.37
2,525,000	Ford Credit Canada Co. 5.668% 20FEB30	2,525,000	2,552,523	1.75
3,525,000	Ford Credit Canada Co. 6.326% 10NOV26	3,525,000	3,604,313	2.47
12,825,000	Ford Credit Canada Co. 8.57% 21MAR24	12,884,370	12,841,673	8.82
1,715,000	Fortified Trust 3.308% 23MAR24	1,663,910	1,711,759	1.18
950,000	Glacier Credit Card Trust 4.958% 20SEP27	950,000	957,534	0.66
3,000,000	HomeEquity Bank 7.108% 11DEC26	3,000,000	3,022,590	2.08
1,475,000	Honda Canada Finance Inc. 3.444% 23MAY25	1,432,933	1,448,952	0.99
1,575,000	Honda Canada Finance Inc. 4.899% 21FEB29	1,575,000	1,594,136	1.09
1,250,000	Hyundai Capital Canada Inc. 4.813% 01FEB27	1,250,000	1,251,925	0.86
950,000	Hyundai Capital Canada Inc. 4.895% 31JAN29	950,000	955,377	0.66
2,525,000	iA Financial Corp Inc. 5.685% 20JUN33	2,528,075	2,585,373	1.78
1,325,000	Inter Pipeline Ltd. 5.71% 29MAY30	1,325,000	1,351,142	0.93
625,000	Laurentian Bank of Canada 1.15% 03JUN24	624,856	618,469	0.42
1,785,000	Manulife Bank of Canada 2.864% 16FEB27	1,680,872	1,700,302	1.17
8,950,000	Manulife Financial Corp. 3.049% 20AUG29	8,741,020	8,857,636	6.08
450,000	Manulife Financial Corp. 4.10% 19MAR82	450,000	355,149	0.24
4,775,000	Manulife Financial Corp. 5.054% 23FEB34	4,775,000	4,784,216	3.29
1,275,000	Manulife Financial Corp. 5.409% 10MAR33	1,270,639	1,298,626	0.89
550,000	Manulife Financial Corp. 7.117% 19JUN82	550,000	551,260	0.38
2,650,000	MCAP Commercial LP 3.384% 26NOV27	2,364,383	2,419,344	1.66
975,000	MCAP Commercial LP 3.743% 25AUG25	1,012,479	941,343	0.65
1,000,000	Mercedes-Benz Finance Canada Inc. 5.12% 27JUN28	1,000,000	1,022,580	0.70
2,675,000	Morgan Stanley 1.779% 04AUG27	2,471,459	2,482,480	1.70
1,075,000	Morguard Corp. 4.204% 27NOV24	1,077,492	1,057,069	0.73
3,000,000	National Bank of Canada 2.237% 04NOV26	2,761,830	2,819,520	1.94
5,825,000	National Bank of Canada 4.968% 07DEC26	5,824,350	5,855,873	4.02
3,675,000	National Bank of Canada 5.023% 01FEB29	3,746,221	3,721,379	2.56
1,575,000	National Bank of Canada 5.279% 15FEB34	1,574,969	1,579,961	1.08
11,000,000	National Bank of Canada 5.296% 03NOV25	11,046,230	11,051,810	7.59
4,830,000	Nissan Canada Inc. 1.626% 18MAR24	4,772,563	4,823,045	3.31
2,475,000	North West Redwater Partnership / NWR Financing Co., Ltd. 3.20% 24APR26	2,364,615	2,400,131	1.65
975,000	OMERS Realty Corp. 4.96% 10FEB31	975,000	987,997	0.68
225,000	Pembina Pipeline Corp. 3.53% 10DEC31	224,962	203,641	0.14
1,575,000	Pembina Pipeline Corp. 5.21% 12JAN34	1,573,913	1,574,701	1.08
375,000	Primaris Real Estate Investment Trust 4.727% 30MAR27	357,112	369,769	0.25
4,925,000	Prologis Inc. 4.70% 01MAR29	4,915,692	4,928,398	3.38

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at February 29, 2024

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
1,050,000	Reliance LP 2.67% 01AUG28	\$ 923,244	\$ 944,675	0.65
4,800,000	Reliance LP 3.836% 15MAR25	4,713,584	4,727,376	3.25
1,425,000	RioCan Real Estate Investment Trust 2.576% 12FEB25	1,354,633	1,390,216	0.95
950,000	RioCan Real Estate Investment Trust 5.47% 01MAR30	949,962	956,118	0.66
6,000,000	Royal Bank of Canada 3.369% 29SEP25	5,787,720	5,856,180	4.02
4,425,000	Royal Bank of Canada 4.632% 01MAY28	4,277,426	4,425,664	3.04
4,850,000	Royal Bank of Canada 5.228% 24JUN30	4,865,545	4,996,373	3.43
2,650,000	Smart Real Estate Investment Trust 2.987% 28AUG24	2,593,927	2,620,002	1.80
3,075,000	SmartCentres Real Estate Investment Trust 5.354% 29MAY28	2,983,038	3,091,175	2.12
4,975,000	Sun Life Financial Inc. 2.38% 13AUG29	4,796,491	4,911,967	3.37
625,000	Sun Life Financial Inc. 5.50% 04JUL35	624,356	644,781	0.44
11,525,000	Suncor Energy Inc. 5.60% 17NOV25	11,543,564	11,629,878	7.99
5,450,000	Sysco Canada Inc. 3.65% 25APR25	5,264,809	5,358,331	3.68
2,375,000	TELUS Corp. 4.95% 18FEB31	2,368,041	2,386,471	1.64
13,500,000	The Bank of Nova Scotia 2.836% 03JUL29	13,214,980	13,386,060	9.19
1,000,000	The Bank of Nova Scotia 3.70% 27JUL81	786,940	782,240	0.54
7,825,000	The Bank of Nova Scotia 4.68% 01FEB29	7,822,574	7,814,358	5.37
1,600,000	The Bell Telephone Co of Canada or Bell Canada 5.15% 14NOV28	1,598,672	1,630,768	1.12
4,825,000	The Bell Telephone Co of Canada or Bell Canada 5.85% 10NOV32	5,052,290	5,123,137	3.52
2,400,000	The Goldman Sachs Group Inc. 3.307% 31OCT25	2,327,344	2,368,560	1.63
9,900,000	The Goldman Sachs Group Inc. 5.95% 29APR25	9,863,100	9,902,970	6.80
3,225,000	The Goldman Sachs Group Inc. 6.36% 21MAR24	3,236,062	3,226,193	2.22
6,150,000	The Toronto-Dominion Bank 3.105% 22APR30	5,910,707	6,006,275	4.12
9,800,000	The Toronto-Dominion Bank 3.224% 25JUL29	9,595,237	9,717,386	6.67
1,500,000	The Toronto-Dominion Bank 4.859% 04MAR31	1,487,670	1,495,200	1.03
1,400,000	The Toronto-Dominion Bank 5.491% 08SEP28	1,400,000	1,447,782	0.99
2,000,000	The Toronto-Dominion Bank 5.75% 31JAN25	1,968,440	2,001,520	1.37
2,600,000	Thomson Reuters Corp. 2.239% 14MAY25	2,487,363	2,517,528	1.73
1,250,000	TMX Group Ltd. 4.678% 16AUG29	1,250,000	1,261,463	0.87
1,575,000	TMX Group Ltd. 4.836% 18FEB32	1,575,000	1,596,483	1.10
950,000	TMX Group Ltd. 4.97% 16FEB34	950,000	967,632	0.66
200,000	Tourmaline Oil Corp. 2.529% 12FEB29	200,000	180,778	0.12
4,700,000	TransCanada PipeLines Ltd. 5.7375% 09JUN24	4,702,636	4,703,196	3.23
925,000	Transcontinental Inc. 2.667% 03FEB25	925,000	901,126	0.62
5,375,000	Verizon Communications Inc. 2.375% 22MAR28	4,784,970	4,943,979	3.39
5,175,000	VW Credit Canada Inc. 2.05% 10DEC24	4,897,744	5,052,301	3.47
3,125,000	VW Credit Canada Inc. 5.80% 17NOV25	3,166,375	3,162,688	2.17
15,900,000	Wells Fargo & Co. 4.168% 28APR26	15,672,118	15,703,317	10.78
		462,890,647	467,458,585	320.96
<b>Canadian Money Market</b>				
6,550,000	Enbridge Inc CP 15APR2024	6,502,447	6,504,428	4.47
11,475,000	Enbridge Inc CP 16APR2024	11,390,167	11,393,629	7.82
4,100,000	Enbridge Inc CP 17APR2024	4,069,660	4,069,660	2.79
6,425,000	ENMAX Corp CP 22MAR2024	6,394,867	6,402,902	4.40
6,550,000	ENMAX Corp CP 03APR2024	6,514,106	6,514,106	4.47
2,500,000	Nova Scotia Power Inc CP 01MAR2024	2,488,150	2,499,618	1.72
3,700,000	Nova Scotia Power Inc CP 05MAR2024	3,680,131	3,697,162	2.54

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at February 29, 2024

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian Money Market (continued)</b>				
1,250,000	Nova Scotia Power Inc CP 07MAR2024	1,243,288	1,248,658	0.86
625,000	Nova Scotia Power Inc CP 11MAR2024	621,744	623,947	0.43
1,875,000	Nova Scotia Power Inc CP 12MAR2024	1,865,231	1,871,552	1.29
1,100,000	Nova Scotia Power Inc CP 15MAR2024	1,094,830	1,097,498	0.75
2,700,000	Nova Scotia Power Inc CP 18MAR2024	2,686,446	2,692,607	1.85
950,000	Nova Scotia Power Inc CP 19MAR2024	945,231	947,254	0.65
1,725,000	Nova Scotia Power Inc CP 22MAR2024	1,717,169	1,719,257	1.18
3,250,000	Nova Scotia Power Inc CP 25MAR2024	3,235,733	3,237,700	2.22
1,650,000	Nova Scotia Power Inc CP 27MAR2024	1,642,757	1,643,256	1.13
1,600,000	TransCanada Pipelines Ltd. CP 04MAR2024	1,588,512	1,599,043	1.10
13,575,000	TransCanada Pipelines Ltd. CP 28MAR2024	13,428,184	13,517,902	9.28
6,125,000	TransCanada Pipelines Ltd. CP 4APR2024	6,040,046	6,092,681	4.18
		77,148,699	77,372,860	53.13
	<b>Total investments owned</b>	540,039,346	544,831,445	374.09

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian fixed income</b>				
(5,625,000)	Canadian Government Bond 0.25% 01MAR26	(5,166,722)	(5,216,737)	(3.58)
(6,425,000)	Canadian Government Bond 0.50% 01DEC30	(5,225,057)	(5,280,642)	(3.63)
(53,725,000)	Canadian Government Bond 0.50% 01SEP25	(50,340,630)	(50,777,646)	(34.87)
(6,700,000)	Canadian Government Bond 1% 01JUN27	(6,171,560)	(6,156,495)	(4.23)
(36,975,000)	Canadian Government Bond 1% 01SEP26	(34,200,763)	(34,429,270)	(23.64)
(8,775,000)	Canadian Government Bond 1.25% 01JUN30	(7,490,381)	(7,675,580)	(5.27)
(39,150,000)	Canadian Government Bond 1.25% 01MAR25	(37,609,048)	(37,907,771)	(26.03)
(4,050,000)	Canadian Government Bond 1.25% 01MAR27	(3,747,548)	(3,762,815)	(2.58)
(5,525,000)	Canadian Government Bond 1.50% 01APR25	(5,334,302)	(5,347,482)	(3.67)
(1,675,000)	Canadian Government Bond 1.50% 01DEC31	(1,439,177)	(1,448,406)	(0.99)
(15,250,000)	Canadian Government Bond 1.50% 01JUN26	(14,445,542)	(14,436,108)	(9.91)
(200,000)	Canadian Government Bond 1.50% 01JUN31	(176,914)	(174,470)	(0.12)
(29,545,000)	Canadian Government Bond 1.50% 01SEP24	(28,726,323)	(29,075,825)	(19.97)
(2,000,000)	Canadian Government Bond 2% 01DEC51	(1,929,144)	(1,505,980)	(1.03)
(1,175,000)	Canadian Government Bond 2% 01JUN28	(1,114,807)	(1,102,937)	(0.76)
(6,775,000)	Canadian Government Bond 2% 01JUN32	(6,008,648)	(6,048,585)	(4.15)
(20,075,000)	Canadian Government Bond 2.25% 01JUN25	(19,401,676)	(19,546,225)	(13.42)
(2,750,000)	Canadian Government Bond 2.25% 01JUN29	(2,577,877)	(2,588,163)	(1.78)
(875,000)	Canadian Government Bond 2.75% 01JUN33	(776,738)	(823,918)	(0.57)
(3,250,000)	Canadian Government Bond 2.75% 01SEP27	(3,129,452)	(3,149,543)	(2.16)
(7,005,000)	Canadian Government Bond 3% 01NOV24	(6,867,944)	(6,922,901)	(4.75)
(2,925,000)	Canadian Government Bond 3.25% 01DEC33	(2,864,627)	(2,868,665)	(1.97)
(47,075,000)	Canadian Government Bond 3.25% 01SEP28	(46,465,837)	(46,388,176)	(31.85)
(15,925,000)	Canadian Government Bond 3.50% 01MAR28	(15,721,124)	(15,840,438)	(10.88)
(12,000,000)	Canadian Government Bond 4% 01MAR29	(12,217,184)	(12,234,077)	(8.40)
(22,925,000)	Canadian Government Bond 4.50% 01NOV25	(23,029,549)	(22,990,336)	(15.79)
		(342,178,574)	(343,699,191)	(236.00)

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at February 29, 2024

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
	<b>Total investments sold short</b>	\$ (342,178,574)	\$ (343,699,191)	(236.00)
	Commissions and other portfolio transaction costs	(568)	–	–
	<b>Net investments owned</b>	<u>\$ 197,860,204</u>	201,132,254	138.09
	<b>Credit default swaps</b>			
	CDX.NA.IG.41 December 20, 2028 notional USD 13,360,770		(371,121)	(0.25)
	<b>Other liabilities, net</b>		<u>(55,129,127)</u>	(37.84)
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 145,632,006</u>	<u>100.00</u>

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 1. The Fund

YTM Capital Fixed Income Alternative Fund (the "Fund") is an open-ended unit trust formed under the laws of the Province of Ontario by a Master Declaration of Trust dated as of May 22, 2019. The address of the Fund's registered head office is 295 Robinson Street, Suite 202, Oakville, ON L6J 1G7. The Fund commenced operations on June 24, 2019.

YTM Capital Asset Management Ltd. is the manager ("Manager"), promoter and Trustee of the Fund.

The investment objective of the Fund is to provide maximum risk adjusted returns over the long term and to preserve capital, by investing primarily in fixed-income securities, cash, and by entering into derivatives arrangements. The Fund uses alternative strategies including engaging in physical short sales, cash borrowing for investment purposes, and may use derivatives, in the process creating leverage.

The Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("NI 81-102"), which are designed, in part, to ensure that the investments of alternative mutual funds are diversified and relatively liquid and to ensure the proper administration of alternative mutual funds. The Manager intends to manage the Fund in accordance with these restrictions and practices or to obtain relief from the securities regulatory authorities before implementing any variations. The following provides a description of the exemptions that the Fund has obtained from the provisions of NI 81-102.

In order to permit the Fund to short sell "government securities" as that term is defined in NI 81-102, up to a maximum of 300% of the Fund's net asset value ("NAV"), the Fund has obtained an exemption from:

- (i) subparagraph 2.6.1(1)(c)(v) of NI 81-102, which restricts the Fund from selling a security short if, at the time, the aggregate market value of the securities sold short by the Fund exceeds 50% of the Fund's NAV; and
- (ii) section 2.6.2 of NI 81-102, which states that the Fund may not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transactions, the aggregate value of cash borrowing combined with the aggregate market value of the securities sold short by the Fund would exceed 50% of the Fund's NAV.

On December 15, 2021 the Fund's Master Declaration of Trust was amended and restated to reflect the change in the financial year end from December 31st to the last day in February.

The Statements of Financial Position are as at February 29, 2024 and February 28, 2023, and Statements of Comprehensive Income, Statements of Changes in Net Assets Attributable to Holders of Redeemable Units and Statements of Cash Flows are for the year ended February 29, 2024 and February 28, 2023, and the Schedule of Investment Portfolio is as at February 29, 2024.

These financial statements for the year ended February 29, 2024 were authorized for issue by the Manager on May 22, 2024.

### 2. Material Accounting Policy Information

#### Basis of Preparation

Effective January 1, 2023, the Funds adopted the IAS 1 amendment with regards to disclosure of material accounting policies. This amendment did not have a material impact on these financial statements.

There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023 that have a material effect on the financial statements of the Fund.

These financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board, ("IFRS Accounting Standards).

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value.

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated:

#### Valuation of Investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. Investment positions are based on the last available traded market price for the purpose of determining the net asset value per unit for subscriptions and redemptions.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 2. Material Accounting Policy Information (Continued)

#### *Valuation of Investments (continued)*

If no sales are reported on the valuation day, such financial asset or financial liability is valued at the average of the current bid and ask prices. For financial reporting purposes, the Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

#### **Financial Instruments**

##### **(a) Classification**

The Fund classifies its investments at fair value through profit or loss ("FVTPL").

The Fund classifies its investments at FVTPL based on the Fund's business model for managing those financial assets in accordance with the Fund's documented investment strategy and objective. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Investments that are recorded as financial liabilities such as short sales are also classified as fair value through profit and loss.

The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model objective.

The Fund classifies financial assets and financial liabilities other than its investments into the following categories:

Financial assets are classified as subsequently measured at amortized cost and recorded at amortized cost: Accrued interest receivable, subscriptions receivable, receivable for investments sold and expense reimbursement receivable.

Financial liabilities are classified as subsequently measured at amortized cost and recorded at amortized cost: Accrued liabilities, payable for investments purchased, payable for interest on investments sold short, distributions payable and redemptions payable.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair market value through profit and loss.

The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount.

##### **(b) Recognition / derecognition**

The Fund recognizes financial instruments at fair value upon initial recognition. Transaction costs are expensed as incurred in the Statements of Comprehensive Income. Regular purchases and sales of financial assets are recognized at their trade date. Any gains and losses arising from changes in fair value of the assets or liabilities at fair value through profit and loss are presented in the Statements of Comprehensive Income with net-realized loss on investments including foreign exchange adjustments and derivatives.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset have expired, or the Fund has transferred all the risks and rewards of ownership. The Fund derecognizes financial liabilities when the Fund's obligations are discharged, cancelled or they expire. Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value.

All other assets and liabilities are carried at amortized cost; their carrying values are a reasonable approximation of fair value.



# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 2. Material Accounting Policy Information (Continued)

#### *Financial Investments (continued)*

##### **(c) Classification of fair value measurement**

IFRS 13 “Fair Value Measurement” requires the Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurement. The fair value hierarchy has the following levels:

**Level 1** Quoted (unadjusted) prices in active markets for identical financial assets or financial liabilities

**Level 2** Inputs other than quoted prices included in Level 1 that are observable either directly (i.e. prices) or indirectly (i.e. derived from prices)

**Level 3** Inputs for the financial asset or financial liability that are not based on observable market data (i.e. unobservable inputs)

Refer to Note 6 for more information.

##### **(d) Offsetting Financial Instruments**

Financial assets and financial liabilities are offset and the net amount reported 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.

#### **Investment Transactions and Income Recognition**

Investment transactions are accounted for on the trade date which is the date that an order is executed. Income from investments is recognized on an accrual basis. Realized gains and losses from investments and unrealized appreciation/depreciation from investments, including derivatives are calculated on an average cost basis. Interest income for distribution purposes is accrued daily based on coupon rate and dividend income is recognized on the ex-dividend date. The net asset value of each series of units is based on that series of units’ proportionate share of the assets of the Fund, less that series of units’ proportionate share of the common liabilities of the Fund and less any liabilities attributable to that series of units.

Investment income and net realized and unrealized gains or losses are allocated on a pro-rata basis to each series of units based on the relative net assets of each series to the total net assets of the Fund.

Expenses of the Fund are allocated on a pro-rata basis to each series of units based on the relative net assets of each series to the total net assets of the Fund, except expenses and fees applicable only to a specific series of units, which are deducted from the net asset value of that series of units only.

Amounts due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the Statements of Financial Position date respectively.

#### **Credit default swaps**

Changes in the value of swap agreements are recorded in unrealized appreciation or depreciation in value of investments, including derivatives. Premiums received or paid from swap agreements are included in interest income for distribution purposes and interest expense on securities sold short, respectively. When swap agreements expire or are closed out, gains or losses are included in net realized gain or loss on sale of investments including foreign exchange adjustments and derivatives.

#### **Impairment of Financial Assets**

IFRS 9 uses an expected credit loss model, which requires the use of the lifetime expected credit loss provision for all other assets. At each reporting date, the Fund shall measure the loss allowance on financial assets at amortized cost at an amount equal to the lifetime expected credit losses based on credit risk. Losses on financial assets at amortized cost, if any, are recognized in the Statements of Comprehensive Income.

#### **Cash and Cash Equivalents**

Cash (Bank indebtedness) includes cash in hand, bank indebtedness, deposits held at call with banks and other short term investments in an active market with original maturities of three months or less and bank overdrafts.

#### **Functional and presentation currency**

The Fund’s unitholders are mainly Canadian residents, with the subscriptions and redemptions of the redeemable units denominated in Canadian dollars. The Fund invests in Canadian and U.S. dollars and other foreign denominated securities, as applicable. The performance of the Fund is measured and reported to the investors in Canadian dollars.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 2. Material Accounting Policy Information (Continued)

#### *Functional and presentation currency (continued)*

The Manager considers the Canadian dollar as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

#### **Foreign Currency Translation**

Income, expense and investment transactions in foreign currencies are translated at the rate of exchange prevailing at the transaction date. Financial assets and liabilities denominated in currencies other than the Canadian dollar are translated at the applicable exchange rates prevailing at the reporting date which is the last business day of each calendar month. Resulting exchange differences are recognized in the Statements of Comprehensive Income.

#### **Income Taxes**

The Fund qualifies as a "mutual fund trust" within the meaning of the Income Tax Act (Canada). The Fund is subject to applicable federal and provincial taxes on the amount of its net income for tax purposes for the taxation year (which ends each December 31), including net realized taxable capital gains, to the extent such net income for tax purposes has not been paid or made payable to unitholders in the taxation year.

Distributions of all net taxable income and sufficient amounts of net realized capital gains for each taxation year will be paid to unitholders so that the Fund will not be subject to income tax. As a result, the Fund has determined that it is in substance not taxable and therefore does not record income taxes in the Statements of Comprehensive Income nor does it recognize any deferred tax assets or liabilities in the Statements of Financial Position.

As at the Fund's taxation year end, the Fund did not have capital and/or non-capital loss carry forward for income tax purposes.

Capital losses, if any, may be carried back three years and forward indefinitely to be applied against capital gains. Non-capital losses, if any, may be carried back three years and forward up to 20 years to reduce taxable income.

#### **Net Assets Attributable to Holders of Redeemable Units per Unit**

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series by the total number of units of that particular series outstanding at the end of the year.

As at February 29, 2024 and February 28, 2023, there are no differences between net assets attributable to holders of redeemable units per unit, as calculated for transaction purposes and under IFRS.

#### **Increase in Net Assets Attributable to Holders of Redeemable Units Per Unit**

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each series, divided by the weighted average number of units outstanding of that series during the year.

#### **Related Parties**

For the purpose of these financial statements, a party is considered related to the Fund if such party or the Fund has the ability to, directly or indirectly, control or exercise significant influence over the other entity's financial and operating decisions, or if the Fund and such party are subject to common significant influence. Related parties may be individuals or other entities.

#### **Classification of Redeemable Units Issued by the Fund**

IAS 32 "Financial Instruments: Presentation" requires that redeemable units of the Fund, which are considered puttable instruments, be classified as either financial liabilities or equity instruments. The Fund has multiple series with features such as management fees that are not identical. The puttable instruments of the Funds do not meet the identical features criteria to be classified as equity and therefore must be classified as financial liabilities.

#### **Critical Estimates and Judgements**

In the application of the Fund's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily available from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 2. Material Accounting Policy Information (Continued)

#### *Critical Estimates and Judgements (continued)*

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects that period, or in the period of the revision and future periods if the revision affects both current and future periods.

#### **Collateral**

For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Fund classifies that asset in its Statements of Financial Position separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

#### **Leverage**

The Fund can create leverage by selling securities short, borrowing cash, or by using derivatives to generate investment exposure that would otherwise not be available. The maximum aggregate exposure created by leverage is 300% of the Fund's NAV. Leverage is calculated by adding together (i) market value of securities sold short; (ii) the amount of cash borrowed for investment purposes; and (iii) the notional value of derivatives positions used for non-hedging purposes, divided by the Fund's NAV. The Fund has received from securities regulators a partial exemption from the National Instrument 81-102 rule that limits short sales to 50% of a fund's NAV. The Fund is permitted short sell up to 300% of its NAV in "government securities" as that term is defined in NI 81-102.

During the year ended February 29, 2024, the Fund's leverage position ranged from 213% to 307% (February 28, 2023 - 242% to 306%) of the Fund's NAV. The low end of the range occurred on May 26, 2023 and the high end of the range was reached in December 8, 2023. The primary sources of leverage were the physical short positions in Government of Canada bonds, which is governed by a prime brokerage agreement between the Fund and BMO Nesbitt Burns Inc. (BMO), and, to a lesser extent, margin borrowing.

#### **Margin Borrowing**

Margin borrowing is recognized at fair value net of transaction costs incurred. It is subsequently valued at amortized cost; any difference is recognized in the Statements of Comprehensive Income over the year of the borrowing using the effective interest method.

The Fund has a margin borrowing facility for investment purposes that is based on margin rates as determined by the Investment Industry Regulatory Organization of Canada (IIROC).

The margin borrowing facility has no maturity and bears interest at Canadian overnight rates plus agreed spread with BMO. The margin borrowing facility can be settled by the Fund at its discretion without any penalty. Margin borrowing is payable on demand.

Margin borrowing is secured by certain assets of the Fund.

The carrying value of the margin borrowing, if any, approximates its fair value and is shown as margin borrowing in the Statements of Financial Position.

### 3. Redeemable Units

Each unit of the Fund represents an interest in the net assets of the Fund. Each unit of the Fund is entitled to one vote at any meeting of unitholders of the Fund. Each unit of the Fund is also entitled, subject to any management fee distributions, to participate on a pro rata basis in any distribution made by the Fund. Fractional units of the Fund are proportionately entitled to all the same rights as other units of that series of the Fund, except that they are non-voting. All units of the Fund are fully paid when issued and are generally not transferable. Units of the Fund are redeemable at the option of the unitholder owning such units. The number of units of the Fund that may be issued is unlimited. The units of the Fund are issued and redeemable at the NAV of the Fund on a daily basis. There are no differences between the NAV per unit of each series of the Fund and Net Assets Attributable to Holders of Redeemable Units per Unit of each series of the Fund.

The Fund has created Series A, Series TA, Series F, Series TF and Series I. Series A and Series TA units are available to retail investors and Series F and Series TF unit are available to retail investors who have a fee-based account. Series I units are issued to certain investors at the Manager's discretion. As at February 29, 2024, only Series A, Series TA, Series F and Series TF were issued.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

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If the purchase of units or redemption of units order is received by the Manager before 4:00 p.m. (Toronto Time) on any valuation day (being any day the Toronto Stock Exchange is open, the "Valuation Day"), the order will be processed at the unit price calculated later that day. Otherwise, the order will be processed at the unit price calculated on the next Valuation Day. The proceeds of redemption of units are sent to the unitholders at latest in two business days after the Valuation Day used to process the sell order. Any interest earned on the proceeds of an order to redeem before the proceeds are received by the unitholder will be credited to the Fund, not to the unitholder's account. Redemption proceeds are paid in the Canadian dollars.

Under exceptional circumstances the Fund may be unable to process a redemption order. This would most likely occur if market trading has been suspended on stock exchanges, options exchanges or futures exchanges on which more than 50% by value of the Fund's assets are listed and if the Fund's portfolio securities cannot be traded on any other exchange that represents a reasonably practical alternative. During these periods, units will also not be issued or reclassified.

If a unitholder redeems units of the Fund within 30 days of purchasing such units, the Fund may deduct and retain, for the benefit of the remaining unitholders in the Fund, 2% of the net asset value of the units of the particular series of the Fund being redeemed.

Unitholders may reclassify all or part of their investment from one series of units to another series of units, as long as the unitholders are eligible to hold that series of units. If the reclassification order is received by the Manager before 4:00 p.m. (Toronto Time) on any Valuation Day, the order will be processed at the unit price calculated later that day. Otherwise, the order will be processed at the unit price calculated on the next Valuation Day.

Unitholder transactions during the years ended February 29, 2024 and February 28, 2023 were as follows:

	Redeemable Units, beginning of year	Redeemable Units issued	Redemption of Redeemable Units	Reinvestments of Units	Redeemable Units, end of year
<b>February 29, 2024</b>					
Series A	536,307	522,553	(82,926)	22,783	998,717
Series TA	16,809	86,581	(6,175)	375	97,590
Series F	5,928,155	6,329,015	(1,791,614)	310,964	10,776,520
Series TF	53,211	1,787,400	(20,455)	2,226	1,822,382
<b>February 28, 2023</b>					
Series A	456,985	122,098	(42,776)	–	536,307
Series TA	–	18,809	(2,000)	–	16,809
Series F	4,413,930	2,326,962	(812,737)	–	5,928,155
Series TF	–	53,405	(195)	1	53,211

### Distributions

The Manager currently intends that the Fund makes periodic distributions to unitholders, at the discretion of the Manager. If the Fund's net income for tax purposes, including net realized taxable capital gains, for any taxation year, net of any available loss carry forwards from prior years, exceeds the aggregate amount of the regular monthly distributions made in the taxation year to unitholders, the Fund may also be required to pay one or more special distributions in such taxation year to Unitholders as is necessary to ensure that the Fund will not be liable for income tax on such amounts under the Tax Act.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

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### 4. Management Fees, Performance Fees and Expenses

#### Management Fees

Pursuant to the management agreement between the Fund and the Manager, the Manager is to provide advisory services to the Fund. For this service, the Fund has agreed to pay the Manager a management fee, which is calculated and accrued daily, based on the percentage of the net asset value of the series of units, plus applicable taxes, and is payable on the last day of each calendar month.

Annual management fees vary by series, as described below:

Series A units: 1.90% per annum

Series TA units: 1.90% per annum

Series F units: 0.90% per annum

Series TF units: 0.90% per annum

Series I units: Negotiated by the investor and paid directly by the investor to the Manager. The management fee rate will not exceed the management fee payable on Series A units.

All management fees are subject to applicable taxes and are paid by the Fund each month. For the year ended February 29, 2024, the management fees accrued, inclusive of applicable taxes, was \$1,128,714 (February 28, 2023 - \$596,479). The Manager waived its right to collect \$nil (February 28, 2023 - \$nil) of management fees during the year.

#### Performance Fees

The Manager is eligible to receive a performance fee in respect of each series. The Fund pays the Manager a performance fee each calendar quarter (a "Performance Fee Determination Period") equal to 15% of the Net Profit (as defined below) of Series A, Series TA, Series F and Series TF units, subject to the High Watermark (as defined below), plus applicable taxes. The performance fee is calculated and accrued for each series on a daily basis during each Performance Fee Determination Period and, with respect to an intra-quarter redemption of units of a series, on the relevant redemption date.

Net Profit means, in respect of any series for any Performance Fee Determination Period, the amount calculated by deducting the initial NAV per unit of the series for that Performance Fee Determination Period from the closing NAV per unit of such series for that Performance Fee Determination Period and multiplying the resulting amount by the total number of the units of such series outstanding at the close of business on the last business day in that Performance Fee Determination Period (and, with respect to an intra-quarter redemption, on the relevant redemption date). In calculating Net Profit, the impact of any distributions paid during the Performance Fee Determination Period will be eliminated.

No performance fee shall be paid in respect of a series unless the Series NAV per unit exceeds the highest NAV per unit in respect of which a performance fee has been previously paid for that series or, in the case of the start of a Series, unless the Series NAV per unit exceeds the initial NAV per unit (the "High Watermark") and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the High Watermark.

Investors in Series I units may negotiate a performance fee (in accordance with applicable regulatory requirements) to be paid by the investor that is different than the one described above or no performance fee at all.

All performance fees are subject to applicable taxes and are paid by the Fund each month. For the year ended February 29, 2024, the performance fees accrued, inclusive of applicable taxes, was \$1,742,320 (February 28, 2023 - \$378,189).

#### Expenses

The Fund pays expenses relating to its operation including professional fees, IRC fees, investment transaction costs and administrative costs relating to the issue and redemption of units as well as the cost of financial and other reports and compliance with all applicable laws, regulations and policies.

#### Auditor Fees

For the year ended February 29, 2024, fees paid or payable to PricewaterhouseCoopers LLP and other PwC Network firms for audit services to public interest entity funds managed by YTM Capital Asset Management Ltd. were \$31,351. Fees for other services were \$17,120.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 5. Related Party Transactions

For the year ended February 29, 2024, management fees of \$1,128,714 (year ended February 28, 2023 - \$596,479) and performance fees of \$1,742,320 (year ended February 28, 2023 - \$378,189) were earned by the Manager. At the year end, \$98,459 (as at February 28, 2023 - \$45,788) were accrued to the Manager relating to management fees and \$481,602 (as at February 28, 2023 - \$283,054) relating to performance fees.

As at February 29, 2024, nil (February 28, 2023 - 7,863) Series A units and 8,357 (February 28, 2023 - 7,885) Series F units were held by a shareholder, or a person related to a shareholder, of the Manager.

### 6. Fair Value Hierarchy

The fair value of the Fund's financial assets and financial liabilities as at February 29, 2024 and February 28, 2023 is as follows:

February 29, 2024	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Fixed Income	\$ -	\$ 467,458,585	-	\$ 467,458,585
Money Market	-	77,372,860	-	77,372,860
	\$ -	\$ 544,831,445	-	\$ 544,831,445
<b>Liabilities</b>				
Fixed Income	-	\$ 343,699,191	-	\$ 343,699,191
Credit Default Swap	371,121	371,121	-	371,121
	\$ 371,121	\$ 344,070,312	-	\$ 344,070,312

February 28, 2023	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity	\$ 248,900	-	-	\$ 248,900
Fixed Income	-	\$ 226,338,689	-	226,338,689
Money Market	-	11,675,777	-	11,675,777
	\$ 248,900	\$ 238,014,466	-	\$ 238,263,366
<b>Liabilities</b>				
Fixed Income	-	\$ 172,858,807	-	\$ 172,858,807
Credit Default Swap	-	143,409	-	143,409
	-	\$ 173,002,216	-	\$ 173,002,216

There was no level transfer during the year ended February 29, 2024 and February 28, 2023.

### 7. Financial Instruments and Risk Management

The Fund may use various forms of leverage that increases the effect of any investment value changes on capital. These include the use of short sales, margin borrowing and derivatives. While borrowing and leverage present opportunities for increasing total return, they have the effect of potentially increasing losses as well.

If the gains on financial assets made with borrowed funds are less than the costs of the leverage or, under certain circumstances, if the borrowing is terminated by the applicable lenders or counterparties in advance of its stated term, the value of the Fund's net assets attributable to holders of redeemable units will decrease. Therefore, any event that adversely affects the value of an investment by the Fund would be magnified to the extent leverage is employed. The cumulative effect of the use of leverage in a market that moves adversely to a leveraged investment could result in a substantial loss which would be greater than if leverage were not used.

The Manager mitigates the risks outlined above by investing in investment grade bonds that typically have a short maturity profile.

The Fund's investments are exposed to various types of risk including credit risk, liquidity risk and market risk (including currency risk, interest rate risk and price risk). These risks and related risk management practices employed by the Fund are described below:

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 7. Financial Instruments and Risk Management (Continued)

#### Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Where the Fund invests in debt instruments, this represents the main concentration of credit risk. The market value of debt instruments includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the fund.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one prime broker, namely BMO Nesbitt Burns Inc. BMO Nesbitt Burns Inc. is a member of major securities exchanges including the NYSE, NASDAQ and TMX exchanges, and at February 29, 2024 and February 28, 2023 had a credit rating of AA. As at February 29, 2024 and February 28, 2023, substantially all cash and cash equivalents, balances due from broker and investments are placed in custody with BMO.

The Fund has provided a general lien over a sub-set of assets held in custody in return for services including securities borrowing and cash borrowing. BMO Nesbitt Burns Inc. has the right to require collateral in respect of securities sold short and cash borrowing. The amount of collateral required is governed by IIROC rules. BMO Nesbitt Burns Inc. may sell or re-pledge the collateral it receives. The Fund is therefore also exposed to credit risk to BMO Nesbitt Burns Inc. to the extent that collateral provided has been sold or re-pledged.

The Fund has entered into a prime brokerage agreement with BMO Nesbitt Burns Inc., pursuant to which it has granted a security interest in its assets.

#### February 29, 2024

Debt Instruments by Credit Rating	% of Credit Exposure
AAA	0.4%
AA	2.8%
A	31.7%
BBB	64.7%
BB	0.4%
	<u>100%</u>

#### February 28, 2023

Debt Instruments by Credit Rating	% of Credit Exposure
AAA	1.2%
AA	4.7%
A	30.4%
BBB	61.2%
BB	2.5 %
	<u>100%</u>

The above credit risk exposure is presented as a percentage of investments owned at fair value as identified in the Schedule of Investment Portfolio.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 7. Financial Instruments and Risk Management (Continued)

#### Liquidity Risk

Liquidity risk is the risk of the Fund not being able to meet its obligations with respect to unit redemptions on time or at a reasonable price. The Fund is exposed to cash redemptions as detailed in Note 3. Investments can generally be easily disposed of and the Fund has the ability to borrow from the prime broker.

There is no guarantee that existing borrowing facilities or arrangements for obtaining leverage, will remain in place for the life of the Fund. The Fund's borrowing facilities are subject to a security interest in favour of the relevant creditors.

Following an event of default under such facilities, the creditors could direct sales of the collateral assets. The prices obtained in any such liquidation or foreclosure sales may not be sufficient to repay the Fund's obligations under the facilities, in which case the Fund may not have sufficient remaining funds to distribute.

Further, most leveraged transactions require the posting of collateral. A decrease in fair value of such financial assets may result in the lender, including derivative counterparties, requiring the Fund to post additional collateral or otherwise sell assets at a time when it may not be in the Fund's best interest to do so. A failure of the Fund to continue to post the required collateral could result in a disposition of Fund's assets at times and prices, which could be disadvantageous to the Fund and could result in substantial losses having a material adverse effect on the Fund. To the extent that a creditor has a claim on the Fund, such claim would be senior to the rights of the redeemable participating unitholders. This risk is mitigated by the facts that the margin requirement for most of the Fund's investments are less than 10%, that the Fund is invested in public investment grade bonds, and that the Fund hedges most interest rate risk so the price volatility of these investments is low.

Expiration or withdrawal of available financing for leverage positions, and the requirement to post collateral in respect of changes in the fair value of leveraged exposures, can rapidly result in adverse effects to the Fund's access to liquidity and its ability to maintain leveraged positions, and may cause the Fund to incur material losses.

The Fund's contractual obligations are as follows:

#### February 29, 2024

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 871,031	\$ 871,031
Redemptions payable	161,957	–	161,957
Payable for investment purchased	24,030,139	–	24,030,139
Payable for interest Investments sold short	3,020,552	–	3,020,552
Investments sold short, at fair value	343,699,191	–	343,699,191
Margin payable	58,566,344	–	58,566,344
Unrealized loss on credit default swaps	371,121	–	371,121
Distributions payable	84,062	–	84,062
Redeemable units*	145,632,006	–	145,632,006

\*Redeemed units are payable within 90 days.

#### February 28, 2023

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 493,428	\$ 493,428
Redemptions payable	30,908	–	30,908
Payable for investment purchased	10,359,595	–	10,359,595
Payable for interest Investments sold short	1,070,492	–	1,070,492
Margin payable	522,073	–	522,073
Investments sold short, at fair value	172,858,807	–	172,858,807
Unrealized loss on credit default swaps	143,409	–	143,409
Distributions payable	3,322	–	3,322
Redeemable units*	68,480,872	–	68,480,872

\*Redeemed units are payable within 90 days.



# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 7. Financial Instruments and Risk Management (Continued)

#### Interest Rate Risk

Interest rate risk arises from the possibility that changes in market interest rates will affect future cash flows or fair values of financial instruments.

As at February 29, 2024 and February 28, 2023, the Fund's exposure to debt instruments by maturity and the impact on Net Assets had the yield curve shifted higher in parallel by 25 basis points, with all other variables held constant ("sensitivity"), are as follows:

#### February 29, 2024

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 163,827,490	\$ (73,906,497)	\$ 89,920,993
1-3 years	175,123,125	(156,506,619)	18,616,506
3-5 years	73,816,768	(72,637,589)	1,179,179
Greater than 5 years	132,064,062	(40,648,486)	91,415,576
Sensitivity	97,433		

#### February 28, 2023

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 55,232,477	\$ (17,283,034)	\$ 37,959,443
1-3 years	91,653,319	(92,181,984)	(528,665)
3-5 years	36,546,191	(46,747,331)	(10,201,140)
Greater than 5 years	54,582,479	(16,646,458)	37,936,021
Sensitivity	13,850		

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

The Fund uses various forms of leverage that increase the Fund's interest costs. There is no guarantee that existing borrowing arrangements or other arrangements for obtaining leverage can be refinanced at rates as favourable to the Fund as those available in the past.

#### Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk.

#### February 29, 2024

Market segment	Long Position	Short Position
Government	0%	100%
Financial	57%	0%
Energy	14%	0%
Consumer, Cyclical	12%	0%
Utilities	8%	0%
Communications	5%	0%
Consumer, Non-cyclical	2%	0%
Diversified	1%	0%
Industrial	1%	0%

#### February 28, 2023

Market segment	Long Position	Short Position
Government	0%	100%
Financial	63%	0%
Consumer, Cyclical	16%	0%
Energy	12%	0%
Communications	4%	0%
Consumer, Non-cyclical	2%	0%
Industrial	2%	0%
Utilities	1%	0%

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 7. Financial Instruments and Risk Management (Continued)

#### Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Fund's investment objective and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

At February 29, 2024, had the market prices of the Fund's equity investments increased or decreased by 10% with all other variables held constant, the increase or decrease respectively in net assets attributable to holders of redeemable units would amount to approximately \$nil (February 28, 2023 – \$24,890).

#### Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. As at February 29, 2024 and February 28, 2023, the Fund did not have any significant exposure to foreign currencies.

### 8. Increase in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase in net assets attributable to holders of redeemable units per unit for the years ended February 29, 2024 and February 28, 2023 is calculated as follows:

	Increase in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Year	Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
<b>February 29, 2024</b>			
Series A	\$ 523,261	698,197	\$ 0.75
Series TA	44,288	49,336	0.90
Series F	7,679,694	8,742,767	0.88
Series TF	353,867	316,847	1.12
<b>February 28, 2023</b>			
Series A	\$ 215,369	463,043	\$ 0.47
Series TA	1,429	5,313	0.27
Series F	2,756,430	4,924,576	0.56
Series TF	12,090	18,509	0.65

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

February 29, 2024

### 9. Offsetting Financial Instruments

The Fund's arrangement with its brokers also permits offset of amounts receivable and payable in respect of securities purchased or sold in the normal course of business.

Financial assets and liabilities as at	Amounts offset			Amounts not offset		
	Gross assets (liabilities)	Gross assets (liabilities)	Net amounts per statement of financial position	Financial instruments	Collateral	Net amounts
<b>February 29, 2024</b>						
Credit default swaps	\$ 371,121	–	\$ 371,121	\$ 371,121	–	\$ 371,121
<b>February 28, 2023</b>						
Credit default swaps	\$ 143,409	–	\$ 143,409	\$ 143,409	–	\$ 143,409