

YTM Capital Fixed Income Alternative Fund

Interim Financial Statements

For the period ended August 31, 2023

(Unaudited)



YTM Capital Fixed Income Alternative Fund

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For the period ended August 31, 2023 (Unaudited)

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MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by **YTM Capital Asset Management Ltd.** in its capacity as the Manager of the Fund. The Fund's Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Manager. The significant accounting policies which the Trustee believes are appropriate for the Trust are described in Note 2 to the unaudited interim financial statements.

On behalf of the Trustee, YTM Capital Asset Management Ltd.

Daniel Child (Signed)

October 27, 2023

Date

NOTICE TO UNITHOLDERS

The Auditors of the Trust have not reviewed these financial statements.

YTM Capital Asset Management Ltd., the Manager and Trustee of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

YTM Capital Fixed Income Alternative Fund

Statements of Financial Position

As at August 31, 2023 (Unaudited)

	August 31, 2023	February 28, 2023
ASSETS		
Current assets		
Investments owned, at fair value pledged as collateral	\$ 345,802,744	\$ 238,263,366
Accrued interest receivable	2,930,116	1,995,432
Cash	818,726	2,946,355
Subscriptions receivable	853,694	605,450
Receivable for investments sold	4,394,952	10,085,348
Expense reimbursement receivable	41,766	41,766
Prepaid expenses	35,720	25,189
	<u>354,877,718</u>	<u>253,962,906</u>
LIABILITIES		
Current liabilities		
Margin payable	8,839,411	522,073
Investments sold short, at fair value	235,756,013	172,858,807
Accrued liabilities	487,091	493,428
Redemptions payable	56,464	30,908
Payable for investment purchased	4,749,981	10,359,595
Payable for interests on investments sold short	1,583,795	1,070,492
Distributions payable	9,222	3,322
Unrealized loss on credit default swaps	306,401	143,409
	<u>251,788,378</u>	<u>185,482,034</u>
Net Assets Attributable to Holders of Redeemable Units	<u>103,089,340</u>	<u>68,480,872</u>
Net Assets Attributable to Holders of Redeemable Units per Series		
Series A	\$ 7,345,776	\$ 5,492,320
Series TA	406,637	172,097
Series F	93,614,931	62,271,161
Series TF	1,721,996	545,294
	<u>\$ 103,089,340</u>	<u>\$ 68,480,872</u>
Number of Redeemable Units Outstanding (Note 3)		
Series A	718,250	536,307
Series TA	39,970	16,809
Series F	8,882,153	5,928,155
Series TF	168,317	53,211
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series A	\$ 10.23	\$ 10.24
Series TA	10.17	10.24
Series F	10.54	10.50
Series TF	10.23	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 six-months ended August 31, 2023 (Unaudited)

	August 31, 2023	August 31, 2022
Income		
Interest for distribution purposes	\$ 5,755,717	\$ 2,815,755
Net realized gain (loss) on investments, including foreign exchange adjustments and derivatives	699,336	(337,531)
Net change in unrealized depreciation on investments, including derivatives	(784,948)	(756,626)
Interest expenses on investments sold short	(1,965,039)	(1,027,972)
Dividends	–	102,614
	<u>3,705,066</u>	<u>796,240</u>
Expenses		
Management fees (Note 4)	472,225	281,468
Interest and borrowing fees	457,396	304,018
Performance fees (Note 4)	433,475	–
Administration fees	126,498	116,357
Audit fees	34,331	14,115
Filing fees	25,020	39,025
Independent review committee fees	14,004	10,477
Commissions and other portfolio transaction costs	132	980
	<u>1,563,081</u>	<u>766,440</u>
Increase in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 2,141,985</u>	<u>\$ 29,800</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series (Note 8)		
Series A	\$ 125,836	\$ (19,144)
Series TA	5,348	–
Series F	1,985,597	48,944
Series TF	25,204	–
	<u>\$ 2,141,985</u>	<u>\$ 29,800</u>
Weighted Average of Redeemable Units Outstanding During the Period		
Series A	611,704	446,398
Series TA	24,127	–
Series F	7,473,757	4,670,182
Series TF	87,913	–
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit (Note 8)		
Series A	\$ 0.21	\$ (0.04)
Series TA	0.22	–
Series F	0.27	0.01
Series TF	0.29	–

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 six months ended August 31, 2023 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	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 period
August 31, 2023							
Series A	\$ 5,492,320	\$ 125,836	\$ 2,028,266	\$ (249,913)	\$ (120,226)	\$ 69,493	\$ 7,345,776
Series TA	172,097	5,348	236,000	–	(6,808)	–	406,637
Series F	62,271,161	1,985,597	34,231,795	(4,251,357)	(1,512,618)	890,353	93,614,931
Series TF	545,294	25,204	1,181,000	(4,612)	(24,890)	–	1,721,996
	<u>\$ 68,480,872</u>	<u>\$ 2,141,985</u>	<u>\$ 37,677,061</u>	<u>\$ (4,505,882)</u>	<u>\$ (1,664,542)</u>	<u>\$ 959,846</u>	<u>\$ 103,089,340</u>

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended August 31, 2023.

	Net assets attributable to holders of redeemable units, beginning of period	Increase (decrease) 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 period
August 31, 2022							
Series A	\$ 4,485,828	\$ (19,144)	\$ 216,610	\$ (279,300)	\$ –	\$ –	\$ 4,403,994
Series F	44,065,914	48,944	7,818,866	(4,209,127)	–	–	47,724,597
	<u>\$ 48,551,742</u>	<u>\$ 29,800</u>	<u>\$ 8,035,476</u>	<u>\$ (4,488,427)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 52,128,591</u>

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended August 31, 2022 were \$92,296 and \$(92,296), respectively.

YTM Capital Fixed Income Alternative Fund

Statements of Cash Flows

For the six-months ended August 31, 2023 (Unaudited)

	August 31, 2023	August 31, 2022
Cash provided by (used in):		
Operating Activities		
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 2,141,985	\$ 29,800
Adjustments for non-cash items		
Net realized gain (loss) on investments	(699,336)	337,531
Net change in unrealized depreciation on investments	784,948	756,626
Change in non-cash balances		
Receivable for investments sold	5,690,396	–
Accrued interest receivable	(934,684)	(366,280)
Dividends receivable	–	15,156
Prepaid expenses	(10,531)	(17,839)
Accrued liabilities	(6,337)	(61,713)
Payable for interest on investments sold short	513,303	(22,765)
Payable for investments purchased	(5,609,614)	–
Proceeds from sale of investments, including derivatives	664,637,204	285,847,711
Purchase of investments, including derivatives	<u>(709,223,702)</u>	<u>(289,711,948)</u>
Cash used in operating activities	<u>(42,716,368)</u>	<u>(3,193,721)</u>
Financing Activities		
Proceeds from issuance of redeemable units	37,241,318	7,733,956
Amount paid on redemption of redeemable units	(4,292,827)	(4,482,177)
Distributions to the holders of redeemable units, net of reinvested distributions	(698,796)	–
Cash provided by financing activities	<u>32,249,695</u>	<u>3,251,779</u>
Increase in cash during the period	(10,466,673)	58,058
Foreign exchange (loss) gain on cash	21,706	(5,727)
Cash, beginning of period	2,424,282	1,295,163
(Bank indebtedness) Cash, end of period	<u>\$ (8,020,685)</u>	<u>\$ 1,347,494</u>
Cash	818,726	1,483,597
Margin Payable	<u>(8,839,411)</u>	<u>(136,103)</u>
	<u>(8,020,685)</u>	<u>1,347,494</u>
Supplemental information*		
Interest paid	\$ 1,511,665	\$ 1,051,724
Interest received	4,821,032	2,357,276
Dividends received, net of withholding taxes	–	117,770

* Included as a part of cash flows from operating activities

YTM Capital Fixed Income Alternative Fund

Schedule of Investment Portfolio

As at August 31, 2023 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian fixed income				
750,000	AIMCo Realty Investors LP 2.195% 04NOV26	\$ 750,000	\$ 681,120	0.66
1,350,000	Algonquin Power Co. 2.85% 15JUL31	1,117,435	1,126,399	1.09
2,200,000	Algonquin Power Co. 4.09% 17FEB27	2,074,088	2,088,371	2.03
850,000	AltaGas Ltd. 4.638% 15MAY26	850,000	830,220	0.81
2,675,000	ARC Resources Ltd. 3.465% 10MAR31	2,340,226	2,325,912	2.26
4,460,000	Artis Real Estate Investment Trust 3.824% 18SEP23	4,396,841	4,453,131	4.32
3,350,000	Artis Real Estate Investment Trust 5.60% 29APR25	3,350,000	3,211,544	3.12
2,800,000	Bank of Montreal 6.034% 07SEP33	2,800,000	2,799,999	2.72
800,000	Brookfield Infrastructure Finance ULC 5.71% 27JUL30	800,000	802,623	0.78
150,000	Bruce Power LP 4% 21JUN30	149,895	139,592	0.14
675,000	Bruce Power LP 4.70% 21DEC27	674,764	660,655	0.64
1,850,000	CAE Inc. 5.541% 12JUN28	1,850,000	1,839,270	1.78
640,000	Canadian Credit Card Trust II 1.869% 24NOV24	640,000	603,200	0.59
1,160,000	Canadian Credit Card Trust II 2.719% 24NOV24	1,140,697	1,087,094	1.05
2,950,000	Canadian Imperial Bank of Commerce 2% 17APR25	2,768,014	2,782,529	2.70
10,225,000	Canadian Imperial Bank of Commerce 2.95% 19JUN29	9,880,888	9,979,498	9.68
3,000,000	Canadian Imperial Bank of Commerce 5.50% 14JAN28	2,998,470	3,003,330	2.91
3,150,000	Canadian Western Bank 5.7975% 22JAN24	3,150,000	3,150,504	3.06
1,525,000	CARDS II Trust 3.609% 15JAN25	1,525,000	1,455,353	1.41
2,200,000	CARDS II Trust 6.08% 15MAY25	2,200,000	2,172,544	2.11
2,450,000	Cenovus Energy Inc. 3.50% 07FEB28	2,296,709	2,292,171	2.22
2,025,000	Cenovus Energy Inc. 3.60% 10MAR27	1,941,991	1,924,398	1.87
400,000	CGI Inc. 2.10% 18SEP28	399,905	345,524	0.34
1,925,000	Choice Properties Real Estate Investment Trust 2.848% 21MAY27	1,771,592	1,756,004	1.70
1,225,000	Choice Properties Real Estate Investment Trust 3.556% 09SEP24	1,193,591	1,198,026	1.16
1,300,000	Choice Properties Real Estate Investment Trust 5.699% 28FEB34	1,299,909	1,297,842	1.26
1,350,000	CI Financial Corp. 7% 02DEC25	1,350,000	1,353,740	1.31
7,225,000	CNH Industrial Capital Canada Ltd. 1.50% 01OCT24	6,950,215	6,896,768	6.69
2,400,000	CNH Industrial Capital Canada Ltd. 5.50% 11AUG26	2,396,107	2,398,512	2.33
7,775,000	Coast Capital Savings Federal Credit Union 5.83% 27OCT23	7,770,150	7,773,523	7.54
2,375,000	Coast Capital Savings Federal Credit Union 6.131% 25NOV24	2,375,000	2,358,779	2.29
5,590,000	Daimler Trucks Finance Canada Inc. 1.85% 15DEC23	5,483,566	5,532,255	5.37
5,300,000	Daimler Trucks Finance Canada Inc. 2.14% 13DEC24	5,019,585	5,060,811	4.91
7,025,000	Daimler Trucks Finance Canada Inc. 5.18% 19SEP25	6,933,036	6,945,056	6.74
325,000	Dream Industrial Real Estate Investment Trust 3.968% 13APR26	325,000	309,709	0.30
3,075,000	Dream Industrial Real Estate Investment Trust 5.6475% 17JUN24	3,075,000	3,066,206	2.97
500,000	Dream Summit Industrial LP 1.82% 01APR26	448,145	451,740	0.44
1,375,000	Dream Summit Industrial LP 2.15% 17SEP25	1,266,073	1,275,835	1.24
725,000	Eagle Credit Card Trust 5.134% 17JUN28	725,000	715,546	0.69
3,325,000	Enbridge Pipelines Inc. 8.20% 15FEB24	3,372,780	3,357,618	3.26
3,726,000	Equitable Bank 1.983% 09MAY24	3,617,238	3,622,231	3.51
725,000	Federation des Caisses Desjardins du Quebec 1.093% 21JAN26	725,000	654,813	0.64
1,050,000	Federation des Caisses Desjardins du Quebec 5.20% 01OCT25	1,049,402	1,040,802	1.01
1,350,000	Federation des Caisses Desjardins du Quebec 5.475% 16AUG28	1,350,000	1,356,534	1.32
5,000,000	First Capital Realty Inc. 3.90% 30OCT23	4,962,400	4,986,100	4.84
1,000,000	First Capital Realty Inc. 4.79% 30AUG24	978,730	983,740	0.95
1,675,000	First National Financial Corp. 3.582% 25NOV24	1,600,965	1,613,025	1.56
1,950,000	First National Financial Corp. 7.293% 08SEP26	1,949,981	1,958,171	1.90

YTM Capital Fixed Income Alternative Fund

Schedule of Investment Portfolio

As at August 31, 2023 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian fixed income (continued)				
5,000,000	Ford Credit Canada Co. 3.50% 30NOV23	\$ 4,905,000	\$ 4,962,300	4.81
1,075,000	Fortified Trust 3.308% 23MAR24	1,034,150	1,056,575	1.02
3,375,000	General Motors Financial of Canada Ltd. 1.70% 09JUL25	3,099,831	3,124,980	3.03
950,000	Glacier Credit Card Trust 4.958% 20SEP27	950,000	932,634	0.90
2,075,000	Glacier Credit Card Trust 5.681% 20SEP28	2,075,000	2,092,119	2.03
2,150,000	Honda Canada Finance Inc. 5.1475% 26FEB24	2,134,490	2,150,086	2.09
800,000	Hyundai Capital Canada Inc. 2.008% 12MAY26	722,744	726,320	0.70
825,000	Hyundai Capital Canada Inc. 3.196% 16FEB27	825,000	758,373	0.74
2,525,000	iA Financial Corp Inc. 5.685% 20JUN33	2,528,075	2,507,704	2.43
1,325,000	Inter Pipeline Ltd. 5.71% 29MAY30	1,325,000	1,306,238	1.27
625,000	Laurentian Bank of Canada 1.15% 03JUN24	624,856	604,506	0.59
1,725,000	Loblaw Cos Ltd. 4.488% 11DEC28	1,701,536	1,679,357	1.63
700,000	Manulife Bank of Canada 2.378% 19NOV24	674,786	673,981	0.65
1,785,000	Manulife Bank of Canada 2.864% 16FEB27	1,680,872	1,648,448	1.60
450,000	Manulife Financial Corp. 4.10% 19MAR82	450,000	328,910	0.32
1,275,000	Manulife Financial Corp. 5.409% 10MAR33	1,270,639	1,255,646	1.22
550,000	Manulife Financial Corp. 7.117% 19JUN82	550,000	533,000	0.52
1,675,000	Master Credit Card Trust II 3.391% 21DEC23	1,675,000	1,661,885	1.61
4,225,000	Master Credit Card Trust II 4.473% 21DEC23	4,225,000	4,185,370	4.06
2,650,000	MCAP Commercial LP 3.384% 26NOV27	2,364,383	2,317,240	2.25
975,000	MCAP Commercial LP 3.743% 25AUG25	1,012,479	917,543	0.89
1,000,000	Mercedes-Benz Finance Canada Inc. 5.12% 27JUN28	1,000,000	991,110	0.96
8,000,000	Morgan Stanley 3% 07FEB24	7,866,320	7,912,160	7.68
1,075,000	Morguard Corp. 4.204% 27NOV24	1,077,492	1,020,164	0.99
12,225,000	National Bank of Canada 2.58% 03FEB25	11,675,984	11,706,416	11.36
8,025,000	National Bank of Canada 5.219% 14JUN28	8,013,460	7,957,109	7.72
925,000	Nissan Canada Inc. 1.626% 18MAR24	925,904	904,030	0.88
2,000,000	North West Redwater Partnership / NWR Financing Co., Ltd. 3.20% 22JUL24	1,947,850	1,957,860	1.90
2,475,000	North West Redwater Partnership / NWR Financing Co., Ltd. 3.20% 24APR26	2,364,615	2,352,710	2.28
225,000	Pembina Pipeline Corp. 3.53% 10DEC31	224,962	194,245	0.19
1,050,000	Reliance LP 2.67% 01AUG28	923,244	909,437	0.88
7,426,000	RioCan Real Estate Investment Trust 3.209% 29SEP23	7,442,488	7,412,188	7.19
4,900,000	RioCan Real Estate Investment Trust 3.287% 12FEB24	4,818,268	4,839,338	4.69
1,300,000	RioCan Real Estate Investment Trust 5.962% 01OCT29	1,299,558	1,289,964	1.25
3,700,000	Rogers Communications Inc. 3.65% 31MAR27	3,512,312	3,463,755	3.36
8,987,000	Rogers Communications Inc. 3.80% 02NOV23	8,926,017	8,957,702	8.69
4,185,000	Rogers Communications Inc. 4% 13MAR24	4,141,350	4,148,632	4.02
8,849,000	Royal Bank of Canada 1.936% 01MAY25	8,324,364	8,337,174	8.09
3,800,000	Royal Bank of Canada 5.228% 24JUN30	3,800,000	3,775,376	3.66
3,800,000	Royal Bank of Canada 5.341% 23JUN26	3,800,000	3,786,738	3.67
3,300,000	Stantec Inc. 5.393% 27JUN30	3,253,659	3,278,121	3.18
4,975,000	Sun Life Financial Inc. 2.38% 13AUG29	4,796,491	4,813,362	4.67
625,000	Sun Life Financial Inc. 5.50% 04JUL35	624,356	618,419	0.60
5,450,000	Sysco Canada Inc. 3.65% 25APR25	5,264,809	5,276,908	5.12
8,500,000	The Bank of Nova Scotia 2.836% 03JUL29	8,206,860	8,278,235	8.03
1,000,000	The Bank of Nova Scotia 3.70% 27JUL81	786,940	725,690	0.70

YTM Capital Fixed Income Alternative Fund

Schedule of Investment Portfolio

As at August 31, 2023 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian fixed income (continued)				
6,850,000	The Bank of Nova Scotia 5.50% 29DEC25	\$ 6,845,137	\$ 6,833,423	6.63
1,225,000	The Bank of Nova Scotia 5.679% 02AUG33	1,224,829	1,209,271	1.17
1,600,000	The Bell Telephone Co of Canada or Bell Canada 5.15% 14NOV28	1,598,672	1,593,184	1.55
1,600,000	The Bell Telephone Co of Canada or Bell Canada 5.85% 10NOV32	1,726,352	1,648,960	1.60
2,400,000	The Goldman Sachs Group Inc. 3.307% 31OCT25	2,327,344	2,329,176	2.26
9,900,000	The Goldman Sachs Group Inc. 5.87% 29APR25	9,863,100	9,861,093	9.57
3,225,000	The Goldman Sachs Group Inc. 6.2675% 21MAR24	3,236,062	3,238,448	3.14
2,575,000	The Toronto-Dominion Bank 1.943% 13MAR25	2,428,756	2,437,341	2.36
4,225,000	The Toronto-Dominion Bank 3.224% 25JUL29	4,096,391	4,121,403	4.00
2,000,000	The Toronto-Dominion Bank 5.2925% 31JAN25	1,968,440	1,998,900	1.94
2,275,000	The Walt Disney Co. 3.057% 30MAR27	2,225,410	2,114,112	2.05
2,600,000	Thomson Reuters Corp. 2.239% 14MAY25	2,487,363	2,462,252	2.39
1,150,000	Toronto Hydro Corp. 2.52% 25AUG26	1,072,398	1,073,870	1.04
200,000	Tourmaline Oil Corp. 2.529% 12FEB29	200,000	173,798	0.17
4,700,000	TransCanada PipeLines Ltd. 5.5425% 09JUN24	4,702,636	4,695,488	4.55
925,000	Transcontinental Inc. 2.667% 03FEB25	925,000	877,686	0.85
5,175,000	VW Credit Canada Inc. 2.05% 10DEC24	4,897,744	4,939,538	4.79
3,800,000	VW Credit Canada Inc. 2.85% 26SEP24	3,664,706	3,684,860	3.57
1,225,000	Westcoast Energy Inc. 3.43% 12SEP24	1,194,816	1,197,021	1.16
		315,614,688	314,538,249	305.13
Canadian Money Market				
5,875,000	Enbridge Inc. CP 12SEP2023	5,861,664	5,864,331	5.69
6,900,000	Enbridge Inc. CP 18SEP2023	6,865,569	6,880,633	6.67
4,200,000	Enbridge Inc. CP 21SEP2023	4,183,746	4,186,347	4.06
		16,910,979	16,931,311	16.42
U.S. fixed income				
10,600,000	Bank of Montreal 4.338% 05OCT28	14,051,517	14,333,184	13.90
	Total investments owned	346,577,184	345,802,744	335.45

YTM Capital Fixed Income Alternative Fund

Schedule of Investment Portfolio

As at August 31, 2023 (Unaudited)

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
Canadian fixed income				
(9,400,000)	Canadian Government Bond 0.25% 01MAR26	\$ (8,486,652)	\$ (8,487,541)	(8.23)
(4,025,000)	Canadian Government Bond 0.50% 01DEC30	(3,237,363)	(3,223,581)	(3.13)
(6,250,000)	Canadian Government Bond 0.50% 01NOV23	(6,131,854)	(6,206,000)	(6.02)
(13,500,000)	Canadian Government Bond 0.50% 01SEP25	(12,471,902)	(12,456,450)	(12.08)
(8,525,000)	Canadian Government Bond 1% 01JUN27	(7,852,619)	(7,657,240)	(7.43)
(7,025,000)	Canadian Government Bond 1% 01SEP26	(6,556,316)	(6,393,453)	(6.20)
(10,187,000)	Canadian Government Bond 1.25% 01JUN30	(8,764,092)	(8,726,388)	(8.46)
(15,250,000)	Canadian Government Bond 1.25% 01MAR25	(14,471,254)	(14,484,145)	(14.05)
(3,750,000)	Canadian Government Bond 1.25% 01MAR27	(3,422,753)	(3,402,863)	(3.30)
(5,525,000)	Canadian Government Bond 1.50% 01APR25	(5,334,302)	(5,249,634)	(5.09)
(10,925,000)	Canadian Government Bond 1.50% 01JUN26	(10,373,268)	(10,152,712)	(9.85)
(200,000)	Canadian Government Bond 1.50% 01JUN31	(196,447)	(171,268)	(0.17)
(23,345,000)	Canadian Government Bond 1.50% 01SEP24	(22,546,800)	(22,563,876)	(21.89)
(2,000,000)	Canadian Government Bond 2% 01DEC51	(1,929,144)	(1,492,840)	(1.45)
(3,400,000)	Canadian Government Bond 2% 01JUN28	(3,225,823)	(3,136,262)	(3.04)
(1,625,000)	Canadian Government Bond 2% 01JUN32	(1,512,062)	(1,430,000)	(1.39)
(4,375,000)	Canadian Government Bond 2% 01SEP23	(4,295,684)	(4,375,000)	(4.24)
(10,950,000)	Canadian Government Bond 2.25% 01JUN25	(10,546,078)	(10,514,738)	(10.20)
(1,325,000)	Canadian Government Bond 2.25% 01JUN29	(1,245,031)	(1,227,997)	(1.19)
(1,975,000)	Canadian Government Bond 2.25% 01MAR24	(1,960,979)	(1,948,713)	(1.89)
(30,349,000)	Canadian Government Bond 2.50% 01JUN24	(29,888,677)	(29,792,096)	(28.90)
(1,275,000)	Canadian Government Bond 2.75% 01JUN33	(1,201,230)	(1,190,136)	(1.15)
(5,325,000)	Canadian Government Bond 2.75% 01SEP27	(5,116,101)	(5,076,908)	(4.92)
(10,555,000)	Canadian Government Bond 3% 01NOV24	(10,348,487)	(10,317,196)	(10.01)
(7,525,000)	Canadian Government Bond 3% 01OCT25	(7,292,402)	(7,290,897)	(7.07)
(7,650,000)	Canadian Government Bond 3.25% 01SEP28	(7,419,506)	(7,430,369)	(7.21)
(15,575,000)	Canadian Government Bond 3.50% 01MAR28	(15,483,038)	(15,285,772)	(14.83)
(11,975,000)	Canadian Government Bond 3.75% 01FEB25	(11,765,087)	(11,787,951)	(11.43)
		(223,074,951)	(221,472,026)	(214.82)
U.S. fixed income				
(10,600,000)	United States Treasury Bill 0% 05OCT23	\$ (14,153,713)	\$ (14,283,987)	(13.86)
	Total investments sold short	(237,228,664)	(235,756,013)	(228.68)
	Commissions and other portfolio transaction costs	(487)	–	–
	Net investments owned	\$ 109,348,033	110,046,731	106.77
Credit default swaps				
	CCDX.NA.JG.40 June 20, 2028 notional USD 14,534,558		(306,401)	(0.30)
	Other liabilities, net		(6,650,990)	(6.47)
	Net Assets Attributable to Holders of Redeemable Units		\$ 103,089,340	100.00

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

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.

Unless otherwise specified, Statements of Financial Position are as at August 31, 2023 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 period ended August 31, 2023 and August 31, 2022, and the Schedule of Investment Portfolio is as at August 31, 2023.

These financial statements for the period ended August 31, 2023 were authorized for issue by the Manager on October 27, 2023.

2. Summary of Significant Accounting Policies

Basis of Preparation

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

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 which are presented at fair value.

The following summarizes the accounting policies of the Fund:

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. 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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

2. Significant Accounting Policies (Continued)

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 and expense reimbursement receivable.

Financial liabilities are classified as subsequently measured at amortized cost and recorded at amortized cost: Accrual liabilities, 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 gain (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.

(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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

2. Significant Accounting Policies (Continued)

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 statement of comprehensive income.

Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, 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. 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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

2. Significant Accounting Policies (Continued)

Income Taxes (continued)

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 period.

As at August 31, 2023 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/period.

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.

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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

2. Significant Accounting Policies (Continued)

Leverage (continued)

During the period ended August 31, 2023, the Fund's leverage position ranged from 214% to 260% (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 March 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 period 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 August 31, 2023, only Series A, Series TA, Series F and Series TF were issued.

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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

3. Redeemable Units (Continued)

Unitholder transactions during the period ended August 31, 2023 and 2022 were as follows:

	Redeemable units, beginning of period	Redeemable units issued	Redemption of redeemable units	Reinvestments of units	Redeemable units, end of period
August 31, 2023					
Series A	536,307	199,674	(24,635)	6,904	718,250
Series TA	16,809	23,161	–	–	39,970
Series F	5,928,155	3,274,631	(406,692)	86,059	8,882,153
Series TF	53,211	115,562	(456)	–	168,317
August 31, 2022					
Series A	456,985	22,333	(28,657)	–	450,661
Series F	4,413,930	786,065	(425,016)	–	4,774,979

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.

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 period ended August 31, 2023, the management fees accrued, inclusive of applicable taxes, was \$472,225 (August 31, 2022 - \$281,468). The Manager waived its right to collect \$nil (August 31, 2022 - \$nil) of management fees during the period.

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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

4. Management Fees, Performance Fees and Expenses (Continued)

Performance Fees (Continued)

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 period ended August 31, 2023, the performance fees accrued, inclusive of applicable taxes, was \$433,475 (August 31, 2022 - \$nil).

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.

5. Related Party Transactions

For the period ended August 31, 2023, management fees of \$472,225 (period ended August 31, 2022 - \$281,468) and performance fees of \$433,475 (period ended August 31, 2022 - \$nil) were earned by the Manager. At the period-end, \$76,597 (as at February 28, 2023 - \$45,788) were accrued to the Manager relating to management fees and \$224,698 (as at February 28, 2023 - \$283,054) relating to performance fees.

As at August 31, 2023, nil (February 28, 2023 - 7,863) Series A units and 8,045 (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 August 31, 2023 and February 28, 2023 and is as follows:

August 31, 2023	Level 1	Level 2	Level 3	Total
Assets				
Fixed Income	–	\$ 328,871,433	–	\$ 328,871,433
Money Market	–	16,931,311	–	16,931,311
	–	\$ 345,802,744	–	\$ 345,802,744
Liabilities				
Fixed Income	–	\$ 235,756,013	–	\$ 235,756,013
Money market	–	306,401	–	306,401
	–	\$ 236,062,414	–	\$ 236,062,414

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

6. Fair Value Hierarchy (Continued)

February 28, 2023	Level 1	Level 2	Level 3	Total
Assets				
Equity	\$ 248,900	–	–	\$ 248,900
Fixed Income	–	\$ 226,338,689	–	226,338,689
Money Market	–	11,685,777	–	11,685,777
	\$ 248,900	\$ 238,014,466	–	\$ 238,263,366
Liabilities				
Fixed Income	–	\$ 172,858,807	–	\$ 172,858,807
Money market	–	143,409	–	143,409
	–	\$ 173,002,216	–	\$ 173,002,216

There was no level transfer during the period ended August 31, 2023 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:

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 August 31, 2023 and February 28, 2023 had a credit rating of AA. At August 31, 2023 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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

7. Financial Instruments and Risk Management (Continued)

Credit Risk (continued)

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.

August 31, 2023

Debt Instruments by Credit Rating	% of Credit Exposure
AAA	1.1%
AA	4.8%
A	26.2%
BBB	66.2%
BB	1.7%
	<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.

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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

7. Financial Instruments and Risk Management (Continued)

Liquidity Risk (continued)

The Fund's contractual obligations are as follows:

August 31, 2023

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 487,091	\$ 487,091
Redemptions payable	56,464	–	56,464
Payable for investment purchased	–	4,749,981	4,749,981
Payable for interest Investments sold short	–	1,583,795	1,583,795
Margin payable	8,839,411	–	8,839,411
Investments sold short, at fair value	235,756,013	–	235,756,013
Unrealized loss on credit default swaps	306,401	–	306,401
Distributions payable	–	9,222	9,222
Redeemable units*	103,089,340	–	103,089,340

*Redeemed units are payable within 90 days.

February 28, 2023

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 493,427	\$ 493,427
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.

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 August 31, 2023 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:

August 31, 2023

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 112,543,187	\$ (56,605,796)	\$ 55,937,391
1-3 years	119,318,194	(113,305,140)	6,013,054
3-5 years	39,367,788	(40,952,498)	(1,584,710)
Greater than 5 years	74,573,575	(24,892,579)	49,680,996
Sensitivity	25,846		

February 28, 2023

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 55,242,477	\$ (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.

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

7. Financial Instruments and Risk Management (Continued)

Interest Rate Risk (continued)

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.

August 31, 2023

Market segment	Long Position	Short Position
Government	0%	100%
Financial	65%	0%
Consumer, Cyclical	11%	0%
Energy	11%	0%
Communications	7%	0%
Consumer, Non-cyclical	2%	0%
Industrial	2%	0%
Diversified	1%	0%
Utilities	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%

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 August 31, 2023, 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).

YTM Capital Fixed Income Alternative Fund

Notes to Financial Statements

August 31, 2023

7. Financial Instruments and Risk Management (Continued)

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 August 31, 2023 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 year ended August 31, 2023 and 2022 is calculated as follows:

	Increase in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Period	Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
August 31, 2023			
Series A	\$ 125,836	\$ 661,704	\$ 0.21
Series TA	5,348	24,127	0.22
Series F	1,985,597	7,473,757	0.27
Series TF	25,204	87,913	0.29
August 31, 2022			
Series A	\$ (19,144)	\$ 446,398	\$ (0.04)
Series F	48,944	4,670,182	0.01

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
August 31, 2023						
Credit default swaps	\$ (306,401)	–	\$ (306,401)	\$ (306,401)	–	\$ (306,401)
February 28, 2023						
Credit default swaps	\$ (143,409)	–	\$ (143,409)	\$ (143,409)	–	\$ (143,409)