

# YTM Capital Fixed Income Alternative Fund

## Interim Financial Statements

For the period ended June 30, 2021

(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)

\_\_\_\_\_  
August 27, 2021

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 June 30, 2021 (Unaudited)

	June 30, 2021	December 31, 2020
<b>ASSETS</b>		
<b>Current assets</b>		
Investments owned, at fair value	\$ 3,621,541	\$ 18,484,091
Investments owned, at fair value pledged as collateral	162,518,945	100,018,690
Accrued interest receivable	736,452	822,293
Cash	196,076	226,461
Subscriptions receivable	52,585	8,247
Expense reimbursement receivable	41,766	41,766
Prepaid expenses	56,281	7,630
	<u>167,223,646</u>	<u>119,609,178</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Investments sold short, at fair value	118,116,093	72,625,998
Accrued liabilities	217,569	168,243
Redemptions payable	276,069	4,854
Payable for interests on investments sold short	326,719	178,152
Distributions payable	43,408	209
Payable for investments purchased	12,730	–
	<u>118,992,588</u>	<u>79,977,456</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 48,231,058</u>	<u>\$ 46,631,722</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 4,505,626	\$ 4,289,748
Series F	43,725,432	42,341,974
	<u>\$ 48,231,058</u>	<u>\$ 46,631,722</u>
<b>Number of Redeemable Units Outstanding (Note 3)</b>		
Series A	446,500	425,659
Series F	4,286,908	4,175,398
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 10.09	\$ 10.08
Series F	10.20	10.14

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

"Daniel Child" Director

"David Burbach" Director

"Karl Burnham" Director

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

# YTM Capital Fixed Income Alternative Fund

## Statements of Comprehensive Income

For the six months ended June 30, 2021 (Unaudited)

	June 30, 2021	June 30, 2020
<b>Income</b>		
Interest for distribution purposes	\$ 1,557,851	\$ 1,127,408
Dividends	156,008	–
Other income	625	–
Net realized (loss) gain on investments	(162,818)	(122,718)
Net change in unrealized (depreciation) appreciation on investments	119,769	(389,795)
Interest expenses on investments sold short	(535,542)	(407,924)
	<u>1,135,893</u>	<u>206,971</u>
<b>Expenses</b>		
Management fees (Note 4)	264,180	109,401
Interest and borrowing fees	164,258	130,131
Performance fees (Note 4)	99,275	12,198
Administration fees	74,952	59,708
Filing fees	14,686	6,355
Audit fees	13,885	14,456
Independent review committee fees	6,533	12,477
Commissions and other portfolio transaction costs	6,417	–
Less: Waived expenses	–	(7,258)
	<u>644,186</u>	<u>337,468</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 491,707</u>	<u>\$ (130,497)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series (Note 8)</b>		
Series A	\$ 27,971	\$ (15,214)
Series AF	–	(26,070)
Series F	463,736	66,460
Series FF	–	(155,673)
	<u>\$ 491,707</u>	<u>\$ (130,497)</u>
<b>Increase in Net Assets Attributable to Holders of Redeemable Units per Unit (Note 8)</b>		
Series A	\$ 0.06	\$ (0.10)
Series AF	–	(0.16)
Series F	0.11	0.07
Series FF	–	(0.11)

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 June 30, 2021 (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*	Redemption of redeemable units*	Distributions to holders of redeemable units	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2021</b>							
Series A	\$ 4,289,748	\$ 27,971	\$ 769,800	\$ (573,351)	\$ (22,508)	\$ 13,966	\$ 4,505,626
Series F	42,341,974	463,736	6,772,621	(5,778,118)	(217,626)	142,845	43,725,432
	<u>\$ 46,631,722</u>	<u>\$ 491,707</u>	<u>\$ 7,542,421</u>	<u>\$ (6,351,469)</u>	<u>\$ (240,134)</u>	<u>\$ 156,811</u>	<u>\$48,231,058</u>

	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*	Redemption of redeemable units*	Distributions to holders of redeemable units	Reinvestments of distributions to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2020</b>							
Series A	\$ 955,824	\$ (15,214)	\$ 1,131,977	\$ (700)	–	–	\$ 2,071,887
Series AF	1,670,983	(26,070)	–	(125,874)	–	–	1,519,039
Series F	4,428,192	66,460	10,808,604	(930,142)	–	–	14,373,114
Series FF	14,218,675	(155,673)	–	(1,926,794)	–	–	12,136,208
	<u>\$ 21,273,674</u>	<u>\$ (130,497)</u>	<u>\$ 11,940,581</u>	<u>\$ (2,983,510)</u>	<u>\$ –</u>	<u>\$ –</u>	<u>\$ 30,100,248</u>

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2020 were \$166,816

# YTM Capital Fixed Income Alternative Fund

## Statements of Cash Flows

For the six months ended June 30, 2021 (Unaudited)

	June 30, 2021	June 30, 2020
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 491,707	\$ (130,497)
Adjustments for non-cash items		
Net realized (gain) loss on investments	162,818	122,718
Net change in unrealized depreciation (appreciation) on investments	(119,769)	389,795
Change in non-cash balances		
Accrued interest receivable	85,841	(299,806)
Expense reimbursement receivable	–	(1,252)
Prepaid expenses	(48,651)	(33,595)
Accrued liabilities	49,326	26,972
Payable for interest on investments sold short	148,567	62,549
Payable for investments purchased	12,730	–
Proceeds from sale of investments	239,644,480	167,777,848
Purchase of investments	<u>(241,835,139)</u>	<u>(176,627,581)</u>
Cash used in operating activities	<u>(1,408,090)</u>	<u>(8,712,849)</u>
<b>Financing Activities</b>		
Proceeds from issuance of redeemable units	7,498,083	11,553,081
Amount paid on redemption of redeemable units	(6,080,254)	(2,833,906)
Distributions to the holders of redeemable units, net of reinvested distributions	<u>(40,124)</u>	<u>–</u>
Cash provided by financing activities	<u>1,377,705</u>	<u>8,719,175</u>
(Decrease) Increase in cash during the period	(30,385)	6,326
Cash, beginning of period	<u>\$ 226,461</u>	<u>\$ 279,050</u>
<b>Cash, end of period</b>	<u><u>\$ 196,076</u></u>	<u><u>\$ 285,376</u></u>
<b>Supplemental information*</b>		
Interest paid	\$ 391,220	\$ 251,787
Interest received	1,604,962	760,240
Dividends received, net of withholding taxes	156,008	–

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

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equities</b>				
5,765	Bank of Montreal Preferred Shares 4.85%	\$ 147,757	\$ 147,065	0.30
7,000	Canadian Western Bank Preferred Shares 6.25%	177,310	177,520	0.37
1,300	National Bank of Canada Preferred Shares 5.40%	32,845	32,877	0.07
3,200	The Bank of Nova Scotia Preferred Shares 4.85%	82,096	82,208	0.17
114,000	The Bank of Nova Scotia Preferred Shares 5.50%	2,902,138	2,887,620	5.99
103,300	The Toronto-Dominion Bank Preferred Shares 4.85%	2,645,827	2,623,820	5.44
		5,987,973	5,951,110	12.34
<b>Canadian fixed income</b>				
925,000	Aeroports de Montreal 3.441% 26APR51	928,354	983,716	2.04
625,000	Aeroports de Montreal 3.919% 26SEP42	754,644	704,547	1.46
625,000	AIMCo Realty Investors LP 3.367% 01JUN27	699,106	675,863	1.40
300,000	Algonquin Power Co. 2.85% 15JUL31	299,976	304,956	0.63
625,000	Allied Properties Real Estate Investment Trust 1.726% 12FEB26	625,000	616,415	1.28
525,000	AltaGas Ltd. 1.227% 18MAR24	525,000	523,126	1.08
1,000,000	AltaGas Ltd. 2.075% 30MAY28	1,000,000	978,900	2.03
250,000	AltaGas Ltd. 2.166% 16MAR27	250,000	249,723	0.52
800,000	AltaGas Ltd. 2.609% 16DEC22	829,144	819,016	1.70
575,000	Artis Real Estate Investment Trust 3.824% 18SEP23	575,000	589,283	1.22
1,225,000	Bank of Montreal 1.551% 28MAY26	1,225,000	1,219,108	2.53
650,000	Bank of Montreal 1.758% 10MAR26	650,000	654,888	1.36
1,125,000	Barclays PLC 2.166% 23JUN27	1,125,000	1,124,775	2.33
625,000	BCI QuadReal Realty 1.073% 04FEB26	625,000	611,925	1.27
250,000	Bell Canada 2.20% 29MAY28	249,693	249,960	0.52
650,000	Bell Canada 3% 17MAR31	649,441	664,125	1.38
2,125,000	Bell Canada 3.35% 22MAR23	2,211,887	2,198,695	4.56
5,931,000	Brookfield Property Finance ULC 4.115% 19OCT21	6,009,065	5,973,940	12.39
150,000	Bruce Power LP 4% 21JUN30	149,895	166,557	0.35
1,275,000	Canadian Imperial Bank of Commerce 0.660052% 04MAR25	1,275,000	1,275,969	2.65
4,200,000	Canadian Imperial Bank of Commerce 0.665% 10JUN24	4,200,000	4,204,620	8.72
925,000	Canadian Imperial Bank of Commerce 1.10% 19JAN26	924,325	904,067	1.87
925,000	Canadian Imperial Bank of Commerce 1.96% 21APR31	924,695	925,490	1.92
450,000	Canadian Imperial Bank of Commerce 2% 17APR25	449,658	459,572	0.95
100,000	Canadian Imperial Bank of Commerce 2.01% 21JUL30	99,962	101,037	0.21
400,000	Canadian Imperial Bank of Commerce 2.43% 09JUN23	397,884	411,620	0.85
1,000,000	Canadian Imperial Bank of Commerce 3.45% 04APR28	1,032,260	1,041,460	2.16
2,050,000	Canadian Natural Resources Ltd. 3.31% 11FEB22	2,107,701	2,081,673	4.32
725,000	Canadian Tire Corp Ltd. 3.167% 06JUL23	756,624	753,565	1.56
625,000	Canadian Western Bank 0.75431% 28APR23	625,250	625,831	1.30
400,000	Canadian Western Bank 1.57% 14SEP23	400,000	403,784	0.84
250,000	Central 1 Credit Union 2.391% 30JUN31	250,000	250,655	0.52
3,950,000	Central 1 Credit Union 3.06% 14OCT26	3,981,806	3,974,925	8.24
1,395,000	Choice Properties Real Estate Investment Trust 3.196% 07MAR23	1,447,849	1,442,583	2.99
4,000,000	Coast Capital Savings Federal Credit Union 0.855% 09DEC22	4,000,000	4,007,280	8.31
1,100,000	Cogeco Cable Inc. 4.175% 26MAY23	1,159,741	1,154,131	2.39
3,100,000	Concentra Bank 1.462% 17MAY24	3,100,000	3,100,744	6.43
1,650,000	Crombie Real Estate Investment Trust 4.066% 21NOV22	1,723,108	1,713,756	3.55



# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
600,000	Daimler Canada Finance Inc. 3.30% 16AUG22	624,336	617,118	1.28
3,075,000	Dream Industrial Real Estate Investment Trust 0.785% 17JUN24	3,075,000	3,077,491	6.38
250,000	Dream Industrial Real Estate Investment Trust 2.057% 17JUN27	250,000	249,275	0.52
375,000	Eagle Credit Card Trust 1.546% 17JUN26	375,000	373,650	0.77
375,000	Enbridge Pipelines Inc. 2.82% 12MAY31	374,708	379,399	0.79
250,000	Enbridge Pipelines Inc. 4.20% 12MAY51	249,915	262,908	0.55
700,000	ENMAX Corp. 2.922% 18OCT22	700,000	718,046	1.49
2,950,000	Equitable Bank 1.774% 21SEP23	2,960,700	2,977,229	6.17
1,025,000	Equitable Bank 1.939% 10MAR25	1,025,000	1,026,640	2.13
1,500,000	Equitable Bank 2.948% 26SEP22	1,548,270	1,535,175	3.18
1,025,000	Fairfax Financial Holdings Ltd. 3.95% 03MAR31	1,027,522	1,065,467	2.21
1,100,000	Federation des Caisses Desjardins du Quebec 1.093% 21JAN26	1,100,000	1,074,733	2.23
1,225,000	Federation des Caisses Desjardins du Quebec 2.856% 26MAY30	1,280,321	1,275,838	2.65
600,000	First Capital Realty Inc. 3.95% 05DEC22	626,058	622,794	1.29
375,000	First Capital Realty Inc. 4.43% 31JAN22	385,672	382,526	0.79
1,850,000	First National Financial Corp. 3.582% 25NOV24	1,926,566	1,932,862	4.01
1,475,000	Ford Credit Canada Co. 2.71% 23FEB22	1,483,282	1,483,717	3.08
350,000	Ford Credit Canada Ltd. 3.279% 02JUL21	351,183	350,000	0.73
400,000	Fortified Trust 2.889% 23JAN23	399,992	412,332	0.85
250,000	Fortis Inc. 2.18% 15MAY28	249,870	252,108	0.52
3,850,000	GE Capital Canada Funding Co. 0.84% 15FEB22	3,847,380	3,850,539	7.98
1,300,000	General Motors Financial of Canada Ltd. 5.95% 14MAY24	1,497,509	1,463,085	3.03
650,000	Genworth MI Canada Inc. 4.242% 01APR24	700,453	694,577	1.44
975,000	Glacier Credit Card Trust 1.388% 22SEP25	975,000	969,794	2.01
575,000	Greater Toronto Airports Authority 2.73% 03APR29	596,304	604,469	1.25
975,000	Heathrow Funding Ltd. 2.694% 13OCT27	977,114	993,496	2.06
125,000	Heathrow Funding Ltd. 3.726% 13APR33	125,000	130,811	0.27
1,900,000	Honda Canada Finance Inc. 2.50% 04JUN24	1,970,262	1,969,046	4.08
375,000	Hyundai Capital Canada Inc. 2.008% 12MAY26	375,000	376,181	0.78
625,000	Intact Financial Corp. 1.207% 21MAY24	625,000	624,538	1.29
575,000	Intact Financial Corp. 4.125% 31MAR81	575,900	591,704	1.23
1,825,000	Inter Pipeline Ltd. 2.608% 13SEP23	1,895,843	1,876,356	3.89
250,000	John Deere Financial Inc. 1.63% 09APR26	249,975	250,075	0.52
625,000	Laurentian Bank of Canada 1.15% 03JUN24	624,856	621,188	1.29
600,000	Laurentian Bank of Canada 1.603% 06MAY26	600,000	602,598	1.25
1,025,000	Manulife Bank of Canada 1.337% 26FEB26	1,025,000	1,015,129	2.10
4,000,000	MCAP Commercial LP 3.384% 26NOV27	4,034,960	4,043,680	8.38
975,000	MCAP Commercial LP 3.743% 25AUG25	1,012,479	1,016,789	2.11
1,300,000	Molson Coors International LP 2.84% 15JUL23	1,351,987	1,340,066	2.78
1,075,000	Morguard Corp. 4.204% 27NOV24	1,077,492	1,083,955	2.25
450,000	National Bank of Canada 1.573% 18AUG26	449,996	450,527	0.93
500,000	National Bank of Canada 4.05% 15AUG81	500,000	501,250	1.04
1,250,000	National Grid Electricity Transmission PLC 2.301% 22JUN29	1,250,000	1,248,675	2.59
3,675,000	Nissan Canada Financial Services Inc. 3.15% 14SEP21	3,702,108	3,692,162	7.66
925,000	Nissan Canada Inc. 1.626% 18MAR24	925,904	922,059	1.91
1,250,000	North West Redwater Partnership / NWR Financing Co., Ltd. 1.20% 01DEC23	1,249,613	1,251,438	2.59

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
525,000	Ontario Teachers' Finance Trust 1.10% 19OCT27	523,556	509,198	1.06
375,000	Ottawa MacDonald-Cartier International Airport Authority 2.698% 05MAY31	375,000	382,159	0.79
450,000	Pembina Pipeline Corp. 2.56% 01JUN23	449,960	462,096	0.96
4,592,000	Pembina Pipeline Corp. 3.43% 10NOV2021	4,715,408	4,624,557	9.59
625,000	Pembina Pipeline Corp. 3.77% 24OCT22	650,112	647,731	1.34
2,725,000	Penske Truck Leasing Canada Inc. 2.85% 07DEC22	2,825,377	2,797,567	5.80
1,375,000	Reliance LP 2.67% 01AUG28	1,375,380	1,390,551	2.88
950,000	RioCan Real Estate Investment Trust 1.974% 15JUN26	950,000	939,949	1.95
1,275,000	RioCan Real Estate Investment Trust 3.746% 30MAY22	1,321,410	1,308,864	2.71
625,000	Rogers Communications Inc. 4% 06JUN22	645,194	643,419	1.33
375,000	Royal Bank of Canada 1.67% 28JAN33	375,000	363,165	0.75
100,000	Royal Bank of Canada 2.328% 28JAN27	98,399	102,866	0.21
5,000,000	Royal Bank of Canada 2.352% 02JUL24	5,255,700	5,165,850	10.71
350,000	Royal Bank of Canada 2.74% 25JUL29	350,000	363,465	0.75
675,000	Saputo Inc. 1.415% 19JUN26	675,000	660,251	1.37
250,000	Saputo Inc. 2.242% 16JUN27	250,000	251,848	0.52
1,500,000	SmartCentres Real Estate Investment Trust 1.74% 16DEC25	1,500,000	1,481,430	3.07
500,000	Summit Industrial Income REIT 1.82% 01APR26	499,755	496,205	1.03
1,850,000	Summit Industrial Income REIT 2.15% 17SEP25	1,875,826	1,874,087	3.89
625,000	Summit Industrial Income REIT 2.25% 12JAN27	624,906	628,488	1.30
625,000	TELUS Corp. 2.85% 13NOV31	623,450	627,394	1.30
2,500,000	TELUS Corp. 3.35% 15MAR23	2,599,308	2,585,750	5.36
150,000	Teranet Holdings LP 3.544% 11JUN25	150,000	159,530	0.33
2,225,000	Teranet Holdings LP 3.646% 18NOV22	2,316,736	2,300,895	4.77
300,000	The Bank of Nova Scotia 3.70% 27JUL81	300,000	300,627	0.62
4,900,000	The Goldman Sachs Group Inc. 0.805% 29APR25	4,900,000	4,911,319	10.18
3,225,000	The Toronto-Dominion Bank 1.888% 08MAR28	3,225,000	3,221,807	6.68
1,225,000	The Toronto-Dominion Bank 2.496% 02DEC24	1,279,757	1,273,620	2.64
300,000	Thomson Reuters Corp. 2.239% 14MAY25	300,000	307,893	0.64
150,000	TMX Group Ltd. 2.016% 12FEB31	150,000	145,922	0.30
250,000	Tourmaline Oil Corp. 2.077% 25JAN28	250,000	244,370	0.51
2,025,000	Toyota Credit Canada Inc. 2.31% 23OCT24	2,096,426	2,092,574	4.34
2,825,000	TransCanada PipeLines Ltd. 0.725% 09JUN24	2,825,180	2,829,520	5.87
625,000	TransCanada PipeLines Ltd. 2.97% 09JUN31	624,788	632,263	1.31
1,875,000	TransCanada PipeLines Ltd. 3.80% 05APR27	2,041,944	2,038,669	4.23
350,000	Ventas Canada Finance Ltd. 1.03% 12NOV21	350,000	350,595	0.73
450,000	VW Credit Canada Inc. 1.20% 25SEP23	449,879	450,968	0.94
625,000	WSP Global Inc. 2.408% 19APR28	625,000	630,125	1.31
		150,909,049	150,593,362	312.23
<b>Canadian Money Market</b>				
3,500,000	Enbridge Inc. CP 19JUL2021	\$ 3,497,270	\$ 3,498,559	7.25
5,200,000	Enbridge Inc. CP 22JUL2021	5,196,048	5,197,585	10.78
900,000	Enbridge Inc. CP 7JUL2021	899,739	899,870	1.87
		9,593,057	9,596,014	19.90
<b>Total investments owned</b>		166,490,079	166,140,486	344.47

# YTM Capital Fixed Income Alternative Fund

## Schedule of Investment Portfolio (cont'd)

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian fixed income</b>				
(3,850,000)	Canadian Government Bond 0.25% 01APR24	\$ (3,818,143)	\$ (3,808,727)	(7.90)
(6,245,000)	Canadian Government Bond 0.25% 01MAR26	(6,068,220)	(6,038,540)	(12.52)
(3,000,000)	Canadian Government Bond 0.50% 01DEC30	(2,743,521)	(2,766,030)	(5.73)
(825,000)	Canadian Government Bond 0.50% 01MAR22	(826,972)	(826,658)	(1.71)
(8,350,000)	Canadian Government Bond 0.50% 01SEP25	(8,356,955)	(8,220,408)	(17.04)
(11,525,000)	Canadian Government Bond 0.75% 01SEP21	(11,543,497)	(11,536,179)	(23.92)
(9,630,000)	Canadian Government Bond 1% 01JUN27	(9,761,273)	(9,583,680)	(19.87)
(10,450,000)	Canadian Government Bond 1% 01SEP22	(10,485,301)	(10,534,332)	(21.84)
(100,000)	Canadian Government Bond 1.25% 01JUN30	(104,264)	(99,282)	(0.21)
(2,650,000)	Canadian Government Bond 1.25% 01MAR25	(2,711,925)	(2,695,395)	(5.59)
(2,100,000)	Canadian Government Bond 1.50% 01FEB22	(2,132,382)	(2,115,855)	(4.39)
(3,425,000)	Canadian Government Bond 1.50% 01JUN23	(3,517,037)	(3,493,808)	(7.24)
(4,115,000)	Canadian Government Bond 1.50% 01JUN26	(4,242,903)	(4,217,381)	(8.74)
(1,200,000)	Canadian Government Bond 1.50% 01JUN31	(1,198,386)	(1,206,636)	(2.50)
(6,330,000)	Canadian Government Bond 1.50% 01SEP24	(6,521,158)	(6,491,162)	(13.46)
(6,875,000)	Canadian Government Bond 1.75% 01MAR23	(7,074,485)	(7,028,725)	(14.57)
(3,425,000)	Canadian Government Bond 2% 01DEC51	(3,411,305)	(3,552,033)	(7.36)
(6,135,000)	Canadian Government Bond 2% 01JUN28	(6,532,284)	(6,479,112)	(13.43)
(7,325,000)	Canadian Government Bond 2% 01SEP23	(7,641,293)	(7,559,913)	(15.67)
(400,000)	Canadian Government Bond 2.25% 01JUN25	(430,083)	(422,464)	(0.88)
(1,675,000)	Canadian Government Bond 2.25% 01JUN29	(1,804,458)	(1,803,406)	(3.74)
(2,825,000)	Canadian Government Bond 2.25% 01MAR24	(2,983,833)	(2,948,368)	(6.11)
(8,275,000)	Canadian Government Bond 2.50% 01JUN24	(8,872,042)	(8,718,209)	(18.08)
(5,175,000)	Canadian Government Bond 2.75% 01JUN22	(5,333,197)	(5,292,938)	(10.97)
(650,000)	Royal Bank of Canada 4% 24FEB81	(669,500)	(676,852)	(1.40)
		<u>(118,784,417)</u>	<u>(118,116,093)</u>	<u>(244.87)</u>
	<b>Total investments sold short</b>	(118,784,417)	(118,116,093)	(244.87)
	Commissions and other portfolio transaction costs	(2,511)	–	–
	<b>Net investments owned</b>	<u>\$ 47,703,151</u>	48,024,393	99.60
	<b>Other assets, net</b>		206,665	0.40
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 48,231,058</u>	<u>100.00</u>

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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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.

These financial statements for the period ended June 30, 2021 were authorized for issue by the Manager on August 27, 2021.

### 2. Summary of Significant Accounting Policies

#### Basis of Preparation

These financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting and International Financial Reporting Standards ("IFRS") as issued by 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 mid-market price for the purpose of determining the net asset value per unit for subscriptions and redemptions. For financial reporting purposes, the Fund uses the mid-market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstance 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").

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### *Financial Instruments (continued)*

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, redemptions payable and payable for investments purchased.

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.

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

June 30, 2021 (Unaudited)

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### 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 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 rate. 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.

#### **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 year, 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 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 carryforwards for income tax purposes. Capital and non-capital loss carryforwards are reported in note 9.

Capital losses may be carried back three years and forwards 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.



# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### **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.

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

Increase (Decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) 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 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.

During the period ended June 30, 2021, the Fund's leverage position ranged from 140% to 292% (December 31, 2020 - 142% to 276%) of the Fund's NAV. The low end of the range occurred at March and the high end of the range was reached in June. 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., and, to a lesser extent, margin borrowing.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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### 2. Significant Accounting Policies (Continued)

#### 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 units 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 A Founders ("Series AF"), Series F, Series F Founders ("Series FF") and Series I. The Fund offered Series AF and Series FF at the start of Fund operations (the "Founders Period"). Only Series A and Series F are now available for purchase. Series A units are available to retail investors and Series F 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 June 30, 2021, only Series A and Series F 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.

The Manager reclassified Series AF units to Series A unit and Series FF units to Series F units on September 30, 2020, after which time investors who were in Series AF and Series FF paid fees at the Series A and Series F rates.



# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

### 3. Redeemable Units (Continued)

Unitholder transactions during the period ended June 30, 2021 and 2020 were as follows:

	Units, beginning of period	Redeemable units issued	Redemption of redeemable units	Reinvestments of units	Redeemable units, end of year
<b>June 30, 2021</b>					
Series A	425,659	76,177	(56,721)	1,385	446,500
Series AF	4,175,398	664,535	(567,055)	14,030	4,286,908
<b>June 30, 2020</b>					
Series A	93,510	112,928	(71)	–	206,367
Series AF	164,670	–	(12,640)	–	152,030
Series F	432,529	1,082,926	(92,592)	–	1,422,863
Series FF	1,402,092	–	(193,306)	–	1,208,786

#### 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 year, net of any available loss carry forwards from prior years, exceeds the aggregate amount of the regular monthly distributions made in the year to unitholders, the Fund may also be required to pay one or more special distributions in such 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 F 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, the management fees earned, inclusive of applicable taxes, was \$264,180 (June 30, 2020 – \$103,395). The Manager waived its right to collect \$nil (June 30, 2020 - \$6,006) 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 and Series F 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.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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

#### Performance Fees (continued)

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.

#### 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 June 30, 2021, management fees of \$264,180 (June 30, 2020 - \$103,395) and performance fees of \$99,275 (June 30, 2020 - \$12,198) were earned by the Manager. At the period-end, \$39,103 (December 31, 2020 - \$39,176) was due to the Manager relating to management fees and \$54,469 (December 31, 2020 - \$53,248) relating to performance fees.

As at June 30, 2021, 7,843 (December 31, 2020 - 7,804) Series A units, nil (December 31, 2020 - nil) Series AF units, 7,860 (December 31, 2020 - 7,821) Series F units and nil (December 31, 2020 - nil) Series FF units were held by a Partner, or a person related to a Partner, of the Manager.

### 6. Fair Value Hierarchy

The fair value of the Fund's financial assets and financial liabilities as at June 30, 2021 and December 31, 2020 is as follows:

June 30, 2021	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 5,951,110	–	–	\$ 5,951,110
Fixed Income	–	\$ 150,593,362	–	150,593,362
Money Market	–	9,596,014	–	9,596,014
	\$ 5,951,110	\$ 160,189,376	–	\$ 166,140,486
<b>Liabilities</b>				
Fixed Income	–	\$ 118,116,093	–	\$ 118,116,093
	–	\$ 118,116,093	–	\$ 118,116,093
<b>December 31, 2020</b>				
<b>Assets</b>				
Fixed Income	–	\$ 109,509,579	–	\$ 109,509,579
Money Market	–	8,993,202	–	8,993,202
	–	\$ 118,502,781	–	\$ 118,502,781
<b>Liabilities</b>				
Fixed Income	–	\$ 71,350,832	–	\$ 71,350,832
Money Market	–	1,275,166	–	1,275,166
	–	\$ 72,625,998	–	\$ 72,625,998

There was no level transfer during the periods ended June 30, 2021 and December 31, 2020.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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### 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 June 30, 2021 and December 31, 2020 had a credit rating of AA. At June 30, 2021 and December 31, 2020, 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

June 30, 2021 (Unaudited)

### 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.

June 30, 2021

Debt Instruments by Credit Rating	% of Credit Exposure
AAA	1.2%
AA	9.7%
A	16.0%
BBB	72.6%
BB	0.5%
	<u>100%</u>

December 31, 2020

Debt Instruments by Credit Rating	% of Credit Exposure
AAA	0.8%
AA	7.9%
A	10.4%
BBB	80.5%
BB	0.4%
	<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

June 30, 2021 (Unaudited)

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

#### Liquidity Risk (continued)

The Fund's contractual obligations are as follows:

##### June 30, 2021

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 217,569	\$ 217,569
Redemptions payable	276,069	–	276,069
Payable for interest Investments sold short	–	326,719	326,719
Investments sold short, at fair value	118,116,093	–	118,116,093
Distributions payable	–	43,408	43,408
Payable for investments purchased	12,730	–	12,730
Redeemable units*	48,231,058	–	48,231,058

\*Redeemed units are payable within 90 days.

##### December 31, 2020

Financial liabilities	< 1 month	< 3 months	Total
Accrued liabilities	\$ –	\$ 168,243	\$ 168,243
Redemptions payable	4,854	–	4,854
Payable for interest Investments sold short	–	178,152	178,152
Investments sold short, at fair value	72,625,998	–	72,625,998
Distributions payable	–	209	209
Redeemable units*	46,631,722	–	46,631,722

\*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 June 30, 2021 and December 31, 2020, 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:

##### June 30, 2021

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 34,338,006	\$ (19,771,630)	\$ 14,566,376
1-3 years	54,745,099	(44,092,082)	10,653,017
3-5 years	34,827,058	(28,085,350)	6,741,708
Greater than 5 years	36,279,213	(26,167,031)	10,112,182
Sensitivity	72,550		

##### December 31, 2020

Debt Instruments by Maturity Date	Long Positions	Short Positions	Net
Less than 1 year	\$ 42,603,603	\$ (12,987,946)	\$ 29,615,657
1-3 years	24,062,689	(25,011,044)	(948,355)
3-5 years	18,356,367	(19,931,506)	(1,575,139)
Greater than 5 years	33,480,122	(14,695,502)	18,784,620
Sensitivity	40,950		

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.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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

#### 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.

June 30, 2021

Market segment	Long Position	Short Position
Government	0%	99%
Financial	57%	1%
Energy	18%	0%
Consumer, Cyclical	9%	0%
Consumer, Non-cyclical	7%	0%
Communications	5%	0%
Industrial	3%	0%
Utilities	1%	0%

December 31, 2020

Market segment	Long Position	Short Position
Government	0%	100%
Financial	69%	0%
Consumer, Cyclical	17%	0%
Energy	6%	0%
Consumer, Non-cyclical	5%	0%
Utilities	2%	0%
Communications	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 June 30, 2021, had the market prices of the Fund's 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 \$595,111 (December 31, 2020 - nil).

#### 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 June 30, 2021 and December 31, 2020, the Fund did not have any significant exposure to foreign currencies.

June 30, 2021	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies			
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
US Dollar	\$	18,201	\$-	\$ 18,201	\$ 910	\$-	\$ 910
% of Net Assets Attributable to Holders of Redeemable Units		0	-	0	0	-	0

Monetary exposure is net of both long and short positions.

# YTM Capital Fixed Income Alternative Fund

## Notes to Financial Statements

June 30, 2021 (Unaudited)

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

#### Currency Risk (continued)

December 31, 2020	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Currency	Monetary	Non-Monetary	Total	Monetary	Non-Monetary
US Dollar	\$ 12,499	\$ 7,147	\$ 19,646	\$ 625	\$ 357	\$ 982
% of Net Assets Attributable to Holders of Redeemable Units	0	0	0	0	0	0

Monetary exposure is net of both long and short positions.

#### COVID-19 Risk

The impact of the coronavirus ("COVID-19") outbreak on the financial performance of the Fund's investments will depend on future developments, including the duration and spread of the outbreak and related advisories and restrictions. These developments and the impact of COVID-19 on the financial markets and the overall economy are still highly uncertain and cannot be predicted. If the financial markets and/or the overall economy are impacted for an extended period, the Fund's future investment results may be adversely affected.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2021 and 2020 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
<b>June 30, 2021</b>			
Series A	\$ 27,971	\$ 437,295	\$ 0.06
Series F	463,736	4,273,472	0.11
<b>June 30, 2020</b>			
Series A	\$ (15,214)	\$ 156,631	\$ (0.10)
Series AF	(26,070)	158,025	(0.16)
Series F	66,460	893,169	0.07
Series FF	(155,673)	1,367,624	(0.11)

### 9. Income Tax

As at the tax year ended December 31, 2020 and 2019, the Fund has non-capital losses of \$nil available for carry-forward and \$nil capital losses available for carry-forward.