

Globevest Capital Balanced Fund
Financial Statements
December 31, 2023 and 2022

| | |
|--|---------|
| Independent Auditor's Report | 2 - 4 |
| Financial Statements | |
| Comprehensive Income | 5 |
| Changes in Net Assets Attributable to Holders of Redeemable Units | 6 |
| Cash Flows | 7 |
| Financial Position | 8 |
| Investment Portfolio | 9 |
| Derivative Financial Instruments (Table 1) | 10 |
| Notes to Financial Statements | 11 - 23 |

Independent Auditor's Report

Raymond Chabot
Grant Thornton LLP
Suite 2000
National Bank Tower
600 De La Gauchetière Street West
Montréal, Quebec
H3B 4L8

T 514-878-2691

To the Unitholders of
Globevest Capital Balanced Fund

Opinion

We have audited the financial statements of Globevest Capital Balanced Fund (hereafter "the Fund"), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to financial statements, including material accounting policy information, and the investment portfolio and the table of derivative financial instruments as at December 31, 2023.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (hereafter "IFRS Accounting Standards").

Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern;

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Raymond Chabot Grant Thornton LLP¹

Montréal
March 28, 2024

¹ CPA auditor, public accountancy permit no. A126944

Globevest Capital Balanced Fund

Comprehensive Income

Years ended December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

| | <u>2023</u> | <u>2022</u> |
|--|-------------|--------------|
| | \$ | \$ |
| Income | | |
| Interest | 216 | 238 |
| Dividends | 24 | 81 |
| Net realized loss on sale of investments and derivative financial instruments | (421) | (785) |
| Net realized foreign exchange loss | (2) | (35) |
| Net change in unrealized appreciation of investments and derivative financial instruments | 1,091 | 1,584 |
| | <u>908</u> | <u>1,083</u> |
| Expenses | | |
| Management fees | 209 | 251 |
| Unitholder reporting costs | 36 | 36 |
| Recordkeeping | 73 | 68 |
| Custodian fees | 25 | 22 |
| Audit and accounting fees | 37 | 7 |
| Commissions and other portfolio transaction costs | 33 | 10 |
| Withholding expenses | | 2 |
| Other expenses | | 1 |
| | <u>413</u> | <u>397</u> |
| Increase in net assets attributable to holders of redeemable units | <u>495</u> | <u>686</u> |
| Increase in net assets attributable to holders of redeemable units per series | | |
| Series F1 | 471 | 657 |
| Series F2 | 24 | 29 |
| | <u>495</u> | <u>686</u> |
| Average number of redeemable units outstanding during the year per series | | |
| Series F1 | 2,310,045 | 2,559,726 |
| Series F2 | 77,846 | 80,019 |
| Increase in net assets attributable to holders of redeemable units per series, per unit | | |
| Series F1 | 0.20 | 0.26 |
| Series F2 | 0.31 | 0.37 |

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

Globevest Capital Balanced Fund

Changes in Net Assets Attributable to Holders of Redeemable Units

Years ended December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

| | Series F1 | | Series F2 | |
|--|-----------|-----------|-----------|---------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$ | \$ | \$ | \$ |
| Balance, beginning of year | 22,338 | 24,700 | 904 | 830 |
| Increase in net assets attributable to holders of redeemable units | 471 | 657 | 24 | 29 |
| Capital unit transactions (a) | | | | |
| Proceeds from units issued for cash | 598 | 2,518 | 40 | 110 |
| Amounts paid on redemption of units | (3,034) | (5,537) | (108) | (65) |
| | (2,436) | (3,019) | (68) | 45 |
| Increase (decrease) in net assets attributable to holders of redeemable units for the year | (1,965) | (2,362) | (44) | 74 |
| Balance, end of year | 20,373 | 22,338 | 860 | 904 |
| (a) Capital unit transactions (number of units) | | | | |
| Units outstanding, beginning of year | 2,352,755 | 2,674,929 | 81,415 | 77,241 |
| Units issued for cash | 62,246 | 273,272 | 3,586 | 10,138 |
| Units redeemed | (315,236) | (595,446) | (9,704) | (5,964) |
| Units outstanding, end of year | 2,099,765 | 2,352,755 | 75,297 | 81,415 |

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

Globevest Capital Balanced Fund

Cash Flows

Years ended December 31, 2023 and 2022

(In thousands of Canadian dollars)

| | <u>2023</u> | <u>2022</u> |
|---|-------------|-------------|
| | \$ | \$ |
| OPERATING ACTIVITIES | | |
| Increase in net assets attributable to holders of redeemable units | 495 | 686 |
| Changes in operating assets and liabilities | | |
| Net realized foreign exchange loss | 2 | 35 |
| Net realized loss on sale of investments and derivative financial instruments | 421 | 785 |
| Net change in unrealized appreciation of investments and derivative financial instruments | (1,091) | (1,584) |
| Investments purchased | (2,177) | (9,529) |
| Proceeds from sale of investments | 2,962 | 12,673 |
| Proceeds from sale of derivative financial instruments | 176 | (198) |
| Derivative financial instruments purchased | (64) | 231 |
| Net change in operating assets and liabilities | 229 | 2,413 |
| Changes in non-cash items | | |
| Margin deposits and deficits on derivative financial instruments | 739 | 8 |
| Interest receivable | 14 | (19) |
| Dividends receivable | | 1 |
| Other receivables | (23) | 1 |
| Management fees payable | 21 | 3 |
| Other accrued expenses | 9 | 2 |
| Net change in non-cash items | 760 | (4) |
| Cash flows from operating activities | 1,484 | 3,095 |
| FINANCING ACTIVITIES | | |
| Proceeds from units issued | 650 | 2,616 |
| Amounts paid on redemption of units | (2,142) | (5,647) |
| Cash flows from financing activities | (1,492) | (3,031) |
| Net increase (decrease) in cash | (8) | 64 |
| Foreign exchange loss | (2) | (35) |
| Cash, beginning of year | 32 | 3 |
| Cash, end of year | 22 | 32 |
| Interest income received included in operating activities | 230 | 219 |
| Dividends received included in operating activities | 24 | 82 |

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

Globevest Capital Balanced Fund

Financial Position

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

| | <u>2023</u> | <u>2022</u> |
|--|------------------|------------------|
| | \$ | \$ |
| ASSETS | | |
| Current | | |
| Investments | 23,081 | 23,274 |
| Cash | 22 | 32 |
| Margin deposits on derivative financial instruments | | 3 |
| Interest receivable | 37 | 51 |
| Subscription of units receivable | | 12 |
| Other receivables | 56 | 33 |
| | <u>23,196</u> | <u>23,405</u> |
| LIABILITIES | | |
| Current | | |
| Unrealized depreciation on derivative financial instruments (Table 1) | 34 | |
| Margin deficits on derivative financial instruments | 736 | |
| Management fees payable | 82 | 61 |
| Redemptions of units payable | 1,000 | |
| Other accrued expenses | 111 | 102 |
| | <u>1,963</u> | <u>163</u> |
| Net assets attributable to holders of redeemable units | <u>21,233</u> | <u>23,242</u> |
| Net assets attributable to holders of redeemable units per series | | |
| Series F1 | 20,373 | 22,338 |
| Series F2 | 860 | 904 |
| | <u>21,233</u> | <u>23,242</u> |
| Units outstanding | | |
| Series F1 | 2,099,765 | 2,352,755 |
| Series F2 | 75,297 | 81,415 |
| | <u>2,175,062</u> | <u>2,434,170</u> |
| Net assets attributable to holders of redeemable units per series, per unit | | |
| Series F1 | 9.70 | 9.49 |
| Series F2 | 11.42 | 11.10 |

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

On behalf of the Board of Directors of Globevest Capital Ltée,

Director

Director

Globevest Capital Balanced Fund Investment Portfolio

December 31, 2023

(In Canadian dollars)

| | Coupon rate | Maturity date | Nominal value | Cost | Fair value | Net assets |
|---|-------------|---------------|---------------|-------------------|-------------------|---------------|
| | | | \$ | \$ | \$ | % |
| Canadian bonds | | | | | | |
| Corporate bonds | | | | | | |
| Alimentation Couche-Tard Inc. | 3.060% | 2024-07-26 | 100,000 | 97,940 | 98,785 | |
| Bell MTS Inc. | 4.000% | 2024-05-27 | 100,000 | 98,650 | 99,455 | |
| Canadian Imperial Bank of Commerce | 4.375% | 2080-10-28 | 50,000 | 46,375 | 47,373 | |
| Capital Power Corp. | 7.950% | 2082-09-09 | 141,000 | 142,079 | 138,599 | |
| CI Financial Corp. | 7.000% | 2025-12-02 | 250,000 | 251,540 | 255,217 | |
| Enbridge Inc. | 5.375% | 2077-09-27 | 280,000 | 268,645 | 263,937 | |
| First West Credit Union | 9.186% | 2033-08-09 | 80,000 | 85,104 | 84,668 | |
| Ford Credit Canada Co. | 6.777% | 2025-09-15 | 100,000 | 100,100 | 102,195 | |
| IA Financial Corp. Inc. | 6.611% | 2082-06-30 | 50,000 | 48,750 | 49,449 | |
| Inter Pipeline Ltd. | 6.625% | 2079-11-19 | 410,000 | 411,335 | 388,250 | |
| Manulife Financial Corp. | 7.117% | 2082-06-19 | 50,000 | 49,775 | 49,917 | |
| National Bank of Canada | 7.500% | 2082-11-16 | 300,000 | 298,750 | 298,846 | |
| Royal Bank of Canada | 2.740% | 2029-07-25 | 100,000 | 96,878 | 98,345 | |
| Toronto-Dominion Bank (The) | 4.859% | 2031-03-04 | 100,000 | 97,830 | 100,037 | |
| Toronto-Dominion Bank (The) | 7.283% | 2082-10-31 | 300,000 | 296,063 | 300,136 | |
| TransAlta Corp. | 7.300% | 2029-10-22 | 150,000 | 176,857 | 158,695 | |
| TransCanada Trust | 4.650% | 2077-05-18 | 400,000 | 368,125 | 365,728 | |
| Videotron Ltd. | 5.750% | 2026-01-15 | 200,000 | 207,325 | 199,863 | |
| | | | | <u>3,142,121</u> | <u>3,099,495</u> | <u>14.60</u> |
| Total Canadian bonds | | | | <u>3,142,121</u> | <u>3,099,495</u> | <u>14.60</u> |
| International bonds | | | | | | |
| United States | | | | | | |
| Bank of America Corp. | 6.033% | 2027-09-15 | 100,000 | 99,700 | 98,653 | |
| Citigroup Inc. | 5.698% | 2027-05-24 | 340,000 | 347,672 | 337,086 | |
| Goldman Sachs Group Inc. (The) | 5.950% | 2025-04-29 | 70,000 | 69,993 | 70,209 | |
| Total international bonds | | | | <u>517,365</u> | <u>505,948</u> | <u>2.38</u> |
| Total bonds | | | | <u>3,659,486</u> | <u>3,605,443</u> | <u>16.98</u> |
| Investment funds | | | | | | |
| Champlain RPA | | | 2,000,000 | 1,545,722 | 2,057,400 | |
| Globevest Capital Real Estate Fund, Series F1 | | | 1,236,376 | 12,959,096 | 17,417,738 | |
| Total units | | | | <u>14,504,818</u> | <u>19,475,138</u> | <u>91.72</u> |
| Transaction costs | | | | <u>(120,204)</u> | | |
| Total investments | | | | <u>18,044,100</u> | <u>23,080,581</u> | <u>108.70</u> |
| Unrealized depreciation on derivative financial instruments (Table 1) | | | | | (33,643) | |
| Margin deficits on derivative financial instruments | | | | | (736,064) | (3.47) |
| Other net assets, less liabilities | | | | | (1,078,239) | (5.08) |
| Total net assets | | | | | <u>21,232,635</u> | <u>100.00</u> |

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

Globevest Capital Balanced Fund

Derivative Financial Instruments (Table 1)

December 31, 2023

(In Canadian dollars)

| | Expiry date | Number of contracts | Book value \$ | Fair value \$ | Net assets % |
|--|-------------|------------------------|------------------|------------------|-----------------|
| Put options – short position | | | | | |
| American put options | | | | | |
| Bank of Nova Scotia | 2024-06-22 | (20) | (5,583) | (1,126) | |
| BCE Inc. | 2024-06-22 | (10) | (1,905) | (928) | |
| BCE Inc. | 2025-01-18 | (20) | (4,940) | (3,975) | |
| Canadian Imperial Bank of Commerce | 2024-06-22 | (15) | (3,179) | (199) | |
| Novo Nordisk AS, ADR | 2024-06-22 | (10) | (6,285) | (4,108) | |
| NVIDIA Corp. | 2024-06-22 | (3) | (13,702) | (11,925) | |
| Pfizer Inc. | 2024-09-21 | (10) | (2,462) | (1,524) | |
| Royal Bank of Canada | 2024-04-20 | (7) | (1,599) | (186) | |
| Tesla Motors Inc. | 2024-06-22 | (10) | (18,375) | (8,148) | |
| Toronto-Dominion Bank (The) | 2024-09-21 | (10) | (4,224) | (1,524) | |
| Total put options – short position | | | (62,254) | (33,643) | (0.16) |
| Total unrealized depreciation on derivative financial instruments | | | (62,254) | (33,643) | (0.16) |

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

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

1 - THE FUND

The Fund is an open-ended mutual fund established under the laws of the province of Quebec by Declaration of Trust on January 26, 2005. Globevest Capital Ltée (hereafter "the Manager") manages the Fund and is responsible for the investment management of the Fund. CIBC Mellon Trust Company (hereafter "the Trustee") is the trustee of the Fund. CIBC Mellon Global Securities Services Company (hereafter "the Custodian") is the custodian of the Fund.

The address of the Fund's registered office and its principal place of business is:
1005 Lionel-Daunais Street, suite 104, Boucherville, Quebec, J4B 0B1.

The fundamental investment objective of the Fund is to provide unitholders with exposure, through the use of secured put options written by the Fund or other strategies, to the performance of a portfolio of equity securities of senior Canadian and global issuers for 65% of its portfolio. The put options will be secured by a portfolio of bonds of Canadian provinces and cities and investment grade bonds of Canadian and global issuers.

These financial statements were approved and authorized for publication by the Board of Directors of the Manager on March 28, 2024.

2 - MATERIAL ACCOUNTING POLICIES

Basis of presentation

These financial statements are presented in Canadian dollars and have been prepared in compliance with IFRS Accounting Standards as well as the standards governed by Regulation 81-106 respecting Investment Fund Continuous Disclosure.

Valuation of investments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Derivative financial instruments and investments are classified at fair value through profit or loss (FVTPL).

All other financial assets and liabilities are classified at amortized cost. Fair value of investments and derivative financial instruments are measured using the same accounting policies as those used to measure the net asset value (NAV) transactions with unitholders.

The change in appreciation (depreciation) of the fair value of investments and derivative financial instruments (including unrealized gains and losses on foreign exchange) and the average cost are included in the net assets attributable to holders of redeemable units and in the statement of comprehensive income under Net change in unrealized appreciation of investments and derivative financial instruments.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

2 - MATERIAL ACCOUNTING POLICIES (Continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) is based on quoted market prices at the close of trading on the reporting date. 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.

Furthermore, the Manager exercises its judgment in selecting the appropriate valuation technique for financial instruments that are not listed on an active market. The valuation techniques used are those that are currently applied by market participants. These methods and procedures may vary. The fair value of the level 3 investment is determined based on the value provided by the sponsor of the investment, unless there is an objective and verifiable reason to deviate from this value provided. Financial statements of the investment are received on an annual basis when available. These values are independently assessed internally to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair value of the aforementioned securities and interests may be materially different from the value that would have been used had a ready market for the investment existed. The fair value of such securities is affected by the perceived credit risk of the issuer, predictability of cash flows and the length of time to maturity.

Derivative financial instruments

Derivative financial instruments consist of option contracts, which are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. Option contracts that are not traded in an active market are valued based on the results of valuation techniques using observable market inputs where possible, on such basis and in such manner established by the Manager. The premium received or paid on options written or purchased is recorded at cost. The unrealized gain or loss is reflected in the statement of comprehensive income as Net change in unrealized appreciation of investments and derivative financial instruments. The gain or loss on sale or expiry of options is reflected in the statement of comprehensive income as Net realized loss on sale of investments and derivative financial instruments.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

2 - MATERIAL ACCOUNTING POLICIES (Continued)

Financial instruments – short positions

The Fund can enter into short positions by borrowing securities and selling them on the open market. The value of the short positions is recorded as liabilities in the statement of financial position. The Fund may experience a loss if the price of the security sold short increases between the date that the short position is initiated and the date that it is settled. The Fund will realize a gain if the price of the security for which the Fund has taken a short position decreases between the date that the short position is initiated and the date that it is settled. The unrealized gain or loss is the difference between the proceeds received and the value of the financial instruments – short positions as at the date of evaluation and is recorded in Net change in unrealized appreciation of investments and derivative financial instruments in the statement of comprehensive income and in Unrealized depreciation on derivative financial instruments in the statement of financial position. The Fund records a realized gain or loss when short positions are closed out.

Securities and cash may be segregated and used as collateral for the value of the Fund's obligation under short positions. Interest on securities borrowed is accrued on a daily basis on outstanding short positions.

Investment transactions, transaction costs, and income and expenses

Investment transactions are accounted for as of the trade date – the date on which the Fund commits to purchase or sell the investment. The cost of investments represents the amount paid for each security and is determined as per the average cost basis. The realized gain (loss) on investment transactions and the unrealized appreciation (depreciation) on investments are computed as per the average cost basis, which excludes transaction costs.

Income and expenses are recorded using the accrual basis of accounting. The interest income presented in the statement of comprehensive income is the nominal interest amount received by the Fund. Except for zero coupon bonds, which are amortized on a straight-line basis, the Fund does not amortize the premiums paid or discounts received upon the purchase of fixed income securities. Dividends are recognized as income at the ex-dividend date.

Commission costs incurred in the purchase and sale of securities by the Fund and the other portfolio transaction costs are recognized in the statement of comprehensive income.

Other financial assets and liabilities

Cash, margin deposits on derivative financial instruments, interest receivable, subscriptions of units receivable and other receivables are classified and measured at amortized cost. Similarly, management fees payable, redemptions of units payable and other accrued expenses are classified and measured at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term maturity.

Units outstanding are classified as financial liabilities since they meet the criteria for that classification.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

2 - MATERIAL ACCOUNTING POLICIES (Continued)

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or when the Fund has significantly transferred the risk and financial reward of their participation (ownership). Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Realized gains and losses are recognized based on the average cost method and included in the statement of comprehensive income of the period in which they occur.

Impairment of financial assets

Financial assets measured at amortized cost must be depreciated by the amount of expected credit losses. Given the very short maturity of these financial assets, the financial strength of the counterparties involved and the history of losses incurred, the Manager believes that the risk of loss is very low. For this reason, no impairment was recorded for financial assets measured at amortized cost.

Foreign currency translation

The reporting currency of the Fund is the Canadian dollar. The fair value of investments and other assets and liabilities denominated in a foreign currency is translated into Canadian dollars at the rate of exchange prevailing on each valuation date.

The Fund's investment portfolio may consist of securities that are traded in foreign markets. The proceeds from the sale of such securities will be realized in the respective currency. Unhedged foreign currency positions are subject to gains and losses due to fluctuations in the respective exchange rates. Purchases and sales of investments denominated in foreign currency and related dividend and interest income are translated into the reporting currency at the rate of exchange prevailing on the respective date of the transaction. Foreign exchange gains and losses on the sale of investments are included in the statement of comprehensive income. Unrealized foreign exchange gains and losses on investments are included in Net change in unrealized appreciation of investments and derivative financial instruments in the statement of comprehensive income.

Valuation of redeemable units

The NAV per unit is calculated at 4:00 p.m. (Eastern time) on each valuation date by dividing net asset value attributable to each series by the number of units outstanding for the corresponding series. The "valuation date" means (i) the last business day in each calendar month; (ii) such other business days on which the Manager calculates or has to calculate the NAV; (iii) such other business days on which the Manager determines that the NAV is required to be calculated for any purpose; and (iv) December 31 of each year.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

2 - MATERIAL ACCOUNTING POLICIES (Continued)

Increase in net assets attributable to holders of redeemable units per series, per unit

The increase in net assets attributable to holders of redeemable units per series, per unit reported in the statement of comprehensive income is calculated as the increase (decrease) in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the year.

Taxation

Under the Income Tax Act (Canada), the Fund is defined as a unit trust. All of the Fund's net assets for tax purposes and a sufficient portion of the net capital gains realized in any period must be distributed to holders of redeemable units to ensure that no income tax is payable by the Fund.

The Fund does not record income taxes. Hence, the tax benefit of capital and non-capital losses has not been reflected in the statement of financial position as a deferred income tax asset.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis, and the related withholding taxes, if any, are shown as a separate expense in the statement of comprehensive income.

3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment and to make estimates and assumptions about the recognition and measurement of the Fund's assets and liabilities and its income and expenses. The following discusses the most significant accounting judgments and estimates that management has made in preparing the Fund's financial statements.

Significant judgments

The following are significant management judgments in applying the accounting policies of the Fund that have the most significant effect on the financial statements.

Functional currency

The Manager considers the Canadian dollar to be the functional currency in which the Fund operates, because it is the currency which, in its opinion, most faithfully represents the economic effects of the underlying transactions, events and conditions of the Fund. Moreover, the Canadian dollar is the currency in which the Fund assesses its performance. The Fund issues and redeems its units in Canadian dollars.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Classification of units

According to IAS 32 *Financial Instruments: Presentation*, units must be classified as liabilities in the Fund's statement of financial position, unless all conditions enabling their classification as equity are met. Because the conditions described hereafter are not met, all of the Fund's units are presented as liabilities. Except for the issuer's contractual obligation to repurchase or to redeem the units in cash or another financial asset, the unit characteristics do not include a contractual obligation to deliver cash or any other financial asset to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Fund. Furthermore, the unit characteristics do not include a contractual obligation that may be and that will be equity-settled by the Fund itself.

Investment entity

It was determined that the Fund meets the definition of an investment entity as per IFRS 10 *Consolidated Financial Statements* and, as a result, investments in structured entities are valued at FVTPL. An investment entity is an entity that: obtains funds from one or more investors, with the responsibility of providing them with investment management services; declares to its investors its mission to invest in portfolios with the sole objective of generating returns in the form of capital gains and/or investment income; and assesses the performance of almost all of its investments on a fair-value basis. The most important judgment used to determine that the Fund meets the aforementioned definition is that fair value is used as the principal measurement criterion to assess the performance of nearly all of the Fund's investments.

Estimation uncertainties

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

Fair value of financial instruments

IFRS Accounting Standards stipulate that the Manager must determine the traded market price by considering the characteristic that is most representative of fair value, based on the specific facts and circumstances. The Manager has taken the position that when the last traded market price does not fall within that day's bid-ask spread, investments are measured at the point within the bid-ask spread which is the most representative of fair value, based on the specific facts and circumstances.

Furthermore, the Manager exercises its judgment in selecting the appropriate valuation technique for financial instruments that are not listed on an active market. The valuation techniques used are those that are commonly used by market participants.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

4 - REDEEMABLE UNITS

Units of the Fund, which are redeemable at the option of the unitholder in accordance with the provisions of the Declaration of Trust, do not have any nominal or par value and the number of units which may be issued is unlimited. Units of the Fund are issued or redeemed on a monthly basis at the NAV per unit determined after the purchase order or redemption request is received by the Manager.

Units issued and outstanding represent the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than minimum subscription requirements. Changes in the Fund's capital during the year are reflected in the statement of changes in net assets attributable to holders of redeemable units. The Manager is responsible for managing the capital of the Fund in accordance with its investment objectives and for managing its liquidity needs in order to meet redemption requests as discussed in Note 8.

At the end of each quarter, income distributions are reinvested in additional units and recorded to the account of the unitholders prorated to the number of units held by them.

5 - MANAGEMENT FEES

The Manager of the Fund provides investment and administrative services. In exchange for these services, each series of the Fund pays monthly management fees to the Manager based on a percentage of the NAV. The maximum annual management fees are indicated in the following table:

| | <u>%</u> |
|-----------|----------|
| Series F1 | 1.35 |
| Series F2 | 0.85 |

6 - FINANCIAL RISK MANAGEMENT

Financial risk factors

Risk management

The Fund faces various financial risks: credit risk, market risk, liquidity risk and concentration risk.

The Fund may use derivative instruments to achieve its investment objectives, moderate certain risk exposures or increase potential returns and risks. The Manager monitors all risks on a daily basis using a proprietary database system. The system gives the risk profile of the Fund by giving metrics for the asset mix, industry diversification, option delta, foreign exchange exposure, as well as the maturity profile of fixed income securities.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

6 - FINANCIAL RISK MANAGEMENT (Continued)

Credit risk

Credit risk is the risk that the counterparty to a financial instrument fails to fulfil an obligation and leads the other party to suffer a financial loss.

The Fund's credit risk is derived primarily from bond investments. Generally, the carrying amount of the Fund's financial assets exposed to credit risk represents the maximum amount exposed to credit risk. Certain mutual fund units also indirectly expose the Fund to credit risk.

– Bond investments:

The Fund manages the credit risk by investing mostly in bonds having a credit rating of BBB or below and by diversifying across many issuers. Also, the exposure to any particular corporate issuer is less than 3% of the Fund's assets.

The Fund invested in financial instruments having the following credit rating:

| Credit rating | Percentage of net assets | |
|---------------|--------------------------|------|
| | 2023 | 2022 |
| | % | % |
| A | 1.40 | 0.77 |
| BBB | 10.00 | 9.24 |
| Below BBB | 5.58 | 7.77 |
| Other | – | 1.00 |

Additionally, credit risk with respect to cash and margin deposits on derivative financial instruments is considered to be negligible because these financial instruments are held by a reputable financial institution with a quality external credit rating.

The credit risk with respect to interest receivable and subscription of units receivable is considered to be negligible. All transactions are done through approved brokers. The risk of default is considered minimal as securities sold are delivered only once the broker has made payment, whereas payment on a purchase is made to the broker only once the securities have been delivered. The trade will fail if either party defaults on its obligation.

Market risk

– Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rates.

The bond investments bear interest at a fixed rate and the Fund is, therefore, exposed to the risk of changes in fair value resulting from interest rate fluctuations.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

6 - FINANCIAL RISK MANAGEMENT (Continued)

The Fund's bond investments are diversified across different maturities. The interest rate risk is therefore reduced.

The Fund's exposure to interest rate risk due to bond investments according to their maturities is as follows:

| Maturity dates | Total exposure | |
|--------------------|----------------|--------------|
| | 2023 | 2022 |
| | \$ | \$ |
| Less than 1 year | 198 | 37 |
| 1 year to 5 years | 1,063 | 1,611 |
| 5 to 10 years | 442 | 277 |
| More than 10 years | 1,902 | 2,440 |
| | <u>3,605</u> | <u>4,365</u> |

A change of plus or minus 1% in the interest rates, all other variables remaining unchanged, would impact the value of the bond portfolio by more or less \$339 (\$419 as at December 31, 2022). Actual results could differ from that sensitivity analysis and the difference could be important. Certain mutual fund units also indirectly expose the Fund to interest risk;

– Currency risk:

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Fund invests in foreign companies (mainly in U.S. dollars) and is subject to currency risk. The Fund does not hedge its currency risk exposure. However, the proportion of foreign investments is monitored daily. Certain mutual fund units also indirectly expose the Fund to currency risk.

The Fund's exposure to currency risk results from financial instruments denominated in U.S. dollars, and the impact on the net assets attributable to holders of redeemable units of an increase or a decrease of 5% of the exchange rate of the Canadian dollar compared to the U.S. dollar are as follows:

| Financial instruments denominated in U.S. dollars | 2023 | | |
|---|--------|--------------------------|-------------|
| | Amount | Percentage of net assets | Sensitivity |
| | CAN\$ | % | CAN\$ |
| Investments and cash | (33) | (0.16) | (2) |
| | | | 2022 |
| | Amount | Percentage of net assets | Sensitivity |
| | CAN\$ | % | CAN\$ |
| Investments and cash | 38 | 0.16 | 2 |

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

6 - FINANCIAL RISK MANAGEMENT (Continued)

Actual results could differ from that sensitivity analysis and the difference could be important;

– Other price risk:

Other price risk is the risk that the value of a financial instrument will fluctuate because of changes in market prices due to factors specific to the security, its issuer or any other factor affecting a market or market segment.

The Fund is exposed to other price risk since its investment funds and derivative financial instruments are exposed to the volatility of market factors.

The other price risk is managed through diversification of the investment portfolio's exposure ratio.

The impact on the net assets attributable to holders of redeemable units of a change of 1% in the trade markets as at December 31, 2023 and 2022, all other variables remaining unchanged, would be more or less \$195 and \$189, respectively.

Actual results could differ from that sensitivity analysis and the difference could be important. Certain mutual fund units also indirectly expose the Fund to other price risk.

Liquidity risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price.

The Fund is exposed to liquidity risk because of management fees payable, redemptions of units payable and other accrued expenses.

The vast majority of the Fund's investments are very liquid.

All the Fund's liabilities are due in the next year.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

6 - FINANCIAL RISK MANAGEMENT (Continued)

Concentration risk

Concentration risk arises as a result of securities having similar characteristics such as the geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk, expressed in terms of percentage of total net assets attributable to holders of redeemable units invested by sector:

| Market segments | 2023 | 2022 |
|---------------------|-------|-------|
| | % | % |
| Canadian bonds | | |
| Corporate | 14.6 | 16.4 |
| International bonds | | |
| United States | 2.4 | 2.4 |
| Investment funds | 91.7 | 81.4 |
| | 108.7 | 100.2 |

Hierarchy of financial instruments at fair value

Financial instruments established at fair value in the statement of financial position are classified using a three-level hierarchy, based on the quality of the inputs used to establish the fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The fair value hierarchy has the following three levels:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities, for which the investment managers have access on valuation date;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: inputs for the asset or liability that are not based on observable market data.

The classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the financial asset or liability. When on the date of the statement of financial position, the observable inputs used for a financial instrument are different from those used at the opening date, the Fund's policy is to establish that, at the closing date, a transfer between levels of the fair value hierarchy is deemed to have occurred.

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

6 - FINANCIAL RISK MANAGEMENT (Continued)

The determination of what constitutes "observable data" requires significant judgment by the Fund. The Fund considers observable data to be that of market data that are readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below illustrates the classification of the fair value hierarchy of the assets and liabilities of the Fund recorded at fair value:

| | | | | 2023 |
|---|---------------|--------------|--------------|---------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Investments | 17,418 | 3,605 | 2,058 | 23,081 |
| Unrealized depreciation on derivative financial instruments | | (34) | | (34) |
| | <u>17,418</u> | <u>3,571</u> | <u>2,058</u> | <u>23,047</u> |
| | | | | 2022 |
| | Level 1 | Level 2 | Level 3 | Total |
| | \$ | \$ | \$ | \$ |
| Assets | | | | |
| Investments | 16,311 | 4,365 | 2,598 | 23,274 |

Level 3 reconciliation

The table below summarizes the movement in financial instruments classified as Level 3.

During the year ended December 31, 2023, the reconciliation of Level 3 instruments measured using non-observable inputs is presented as follows:

| | 2023 | 2022 |
|---------------------------------------|--------------|--------------|
| | \$ | \$ |
| Fair value, beginning of year | 2,598 | 2,525 |
| Net change in unrealized appreciation | (540) | 73 |
| Fair value, end of year | <u>2,058</u> | <u>2,598</u> |

7 - RELATED PARTY TRANSACTIONS

The Manager is responsible for the management of the Fund's investment portfolio, including investment decisions relating to the Fund's assets. The Manager provides instructions which permit the Fund to make securities transactions as follows:

- Transactions on investment funds or discretionary accounts, all managed by the Manager;
- Engagement in cash transactions with related investment funds and discretionary accounts, all managed by the Manager;

Globevest Capital Balanced Fund

Notes to Financial Statements

December 31, 2023 and 2022

(In thousands of Canadian dollars, except per unit amounts)

7 - RELATED PARTY TRANSACTIONS (Continued)

- Purchase of the Trustee's and the Custodian's parent company securities.

The instructions require, from the securities transactions with the Manager's related parties, (i) to be free of influence and not reflect consideration relevant to a related entity of the Manager; (ii) to represent the Manager's judgment without any influence, in the best interest of the Fund; (iii) to be consistent with the Manager's policies and procedures; and (iv) to get a reasonable and appropriate result for the Fund.

During the years ended December 31, 2023 and 2022, management fees were paid to the Manager. These transactions occurred in the normal course of operations and are measured at the exchange value, which is the amount established and agreed to by the related parties.

For the years ended December 31, 2023 and 2022, the Fund expensed management fees of \$209 and \$251, respectively. As at December 31, 2023 and 2022, amounts of \$82 and \$61, respectively, are payable to the Manager and disclosed under Management fees payable.

As at December 31, 2023, the Fund is holding units in investment funds managed by the Manager, Globevest Capital Real Estate Fund. The detail of those units is presented in the investment portfolio.

As at December 31, 2023, directors, management and employees of the Manager directly or indirectly held 29,865 redeemable Series F1 units and 1,795 redeemable Series F2 units in the Fund and, as at December 31, 2022, 19,038 redeemable Series F1 units and 2,655 redeemable Series F2 units.

8 - CAPITAL MANAGEMENT

The Fund's capital corresponds to the net assets attributable to holders of redeemable units. The Fund's capital is managed in accordance with the Fund's investment objectives, policies and restrictions, as outlined in the Fund's offering memorandum. Changes in the Fund's capital during 2023 and 2022 are reflected in the statement of changes in net assets attributable to holders of redeemable units.

The Manager intends to choose and manage the investments using a disciplined fundamental approach that consists of an intensive and continuous research process for investment opportunities in a wide selection of financial instruments from different types of issuers (governments, companies and financial institutions). The Manager also determines the moment when the portfolios' securities must be traded for other issuers' securities or for securities with different maturities in order to improve the portfolios' return and/or limit risk.

9 - ADDITIONAL INFORMATION

In accordance with the exemption in Section 2.11 of the National Instrument 81-106, *Investment Fund Continuous Disclosure*, the Fund will not be filing its financial statements with the regulatory authorities.