

Interim Financial Statements (unaudited)
For the six month periods ended June 30, 2020 and 2019

Lysander-Slater Preferred Share ActivETF



SLATER
ASSET MANAGEMENT



Lysander-Slater Preferred Share ActivETF

Interim Financial Statements Six-Month Period Ended June 30, 2020 (unaudited)

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Interim Statements of Financial Position (unaudited)

As at	30-Jun-20	31-Dec-19
Assets		
Financial assets at fair value through profit or loss*	\$ 57,273,245	\$ 82,603,415
Cash and cash equivalents	1,074,443	1,916,420
Due from investment dealers	533,530	655,433
Accrued dividends	35,207	90,075
Other assets	25,673	–
Total assets	\$ 58,942,098	\$ 85,265,343
Liabilities		
Due to investment dealers	\$ –	\$ 447,470
Accrued management fees	31,438	46,974
Other accrued expenses	7,993	29,701
Distributions payable to holders of redeemable units	281,146	287,070
Total liabilities	\$ 320,577	\$ 811,215
Net assets attributable to holders of redeemable units	\$ 58,621,521	\$ 84,454,128
Number of redeemable units outstanding		
	8,269,000	9,569,000
Net assets attributable to holders of redeemable units per unit		
	\$ 7.09	\$ 8.83
* Financial assets at fair value through profit or loss at cost	\$ 66,264,418	\$ 87,017,797

Interim Statements of Comprehensive Income (unaudited)

For the periods ended	30-Jun-20	30-Jun-19
Income		
Dividend income	\$ 1,932,683	\$ 2,787,110
Realized and unrealized gain (loss) on investments		
Net realized gain (loss) on investments	(10,948,480)	(2,966,382)
Net foreign exchange gain (loss) on cash	(654)	504
Net other gain (loss)	4,499	1,717
Change in appreciation (depreciation) unrealized on investments	(4,576,791)	(1,936,155)
Total operating income	\$ (13,588,743)	\$ (2,113,206)
Expenses		
Management fees	\$ 214,701	\$ 328,258
Commissions and other portfolio transaction costs	172,843	161,543
Operating fees	104,452	56,503
Harmonized sales tax	32,811	46,956
Other expenses	208	33
Total operating expenses	\$ 525,015	\$ 593,293
Expense reimbursement	\$ (25,673)	\$ –
Total net operating expenses	499,342	593,293
Change in net assets attributable to holders of redeemable units	\$ (14,088,085)	\$ (2,706,499)
Change in net assets attributable to holders of redeemable units per unit		
	\$ (1.61)	\$ (0.24)

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Interim Statements of Changes in Net Assets Attributed to Holders of Redeemable Units (unaudited)

For the periods ended	30-Jun-20	30-Jun-19
Net assets attributable to holders of redeemable units, beginning of period	\$ 84,454,128	\$ 97,590,059
Change in net assets attributable to holders of redeemable units from operations	(14,088,085)	(2,706,499)
Distributions to unitholders of redeemable units		
From net investment income	\$ (1,797,283)	\$ (2,430,597)
Total distributions	\$ (1,797,283)	\$ (2,430,597)
Redeemable unit transactions		
Proceeds from redeemable units issued	\$ 3,499,400	\$ 12,354,436
Cost of units redeemed	(13,446,639)	(7,205,409)
Change in net assets attributable to holders of redeemable units for the period	(25,832,607)	11,931
Net assets attributable to holders of redeemable units, end of period	\$ 58,621,521	\$ 97,601,990

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Interim Statements of Cash Flows (unaudited)

For the periods ended	30-Jun-20	30-Jun-19
Cash flows from (used in) operating activities		
Change in net assets attributable to holders of redeemable units	\$ (14,088,085)	\$ (2,706,499)
Adjustments for:		
Foreign exchange loss/(gain) on cash and cash equivalents	654	(504)
Net realized loss/(gain) on sales of investments and derivatives	10,948,480	2,966,382
Change in unrealized (appreciation) depreciation of investments and derivatives	4,576,791	1,936,155
Purchase of investments	(47,390,959)	(53,636,744)
Proceeds from the sale and maturity of investments	56,870,291	49,056,660
Accrued dividends	54,868	(140,918)
Other receivables	(25,673)	-
Other liabilities	(37,244)	(41,229)
Net cash from (used in) operating activities	\$ 10,909,123	\$ (2,566,697)
Cash flows from (used in) financing activities		
Distributions paid to holders of redeemable units	\$ (1,803,207)	\$ (2,422,116)
Proceeds from issuances of redeemable units	3,499,400	12,354,436
Amounts paid on redemption of redeemable units	(13,446,639)	(7,205,409)
Net cash from (used in) financing activities	\$ (11,750,446)	\$ 2,726,911
Foreign exchange (loss) on cash and cash equivalents	\$ (654)	\$ 504
(Decrease) Increase in cash and cash equivalents during the period	(841,323)	160,214
Balance of cash and cash equivalents, beginning of the period	1,916,420	822,279
Cash and cash equivalents at the end of period	\$ 1,074,443	\$ 982,997
Supplementary disclosures on cash flow from operating activities		
Dividends received, net of withholding taxes	\$ 1,987,551	\$ 2,646,192

Interim Schedule of Investment Portfolio as at June 30, 2020 (unaudited)

Par Value/Number of Shares	Average Cost (\$)	Fair Value (\$)
Preferred Shares (95.5%)		
20,875	\$ 397,207	\$ 356,441
51,095	826,269	550,804
40,254	810,450	806,288
49,459	1,118,535	778,979
40,444	760,412	569,047
12,732	252,356	252,730
39,376	699,101	615,447
34,529	682,824	636,715
34,701	803,162	796,041
29,343	634,224	566,026
24,000	581,605	583,200
72,680	1,820,149	1,824,268
35,927	843,367	840,692
38,549	576,550	412,474

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Interim Schedule of Investment Portfolio as at June 30, 2020 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
Preferred Shares (95.5%)									
<i>Cont'd</i>									
17,988	BCE Inc., Preferred, Series 'AH', Variable Rate, Convertible, Perpetual		273,815	192,651	8,605	Brookfield Asset Management Inc., Preferred, Series '8', Variable Rate, Perpetual		147,750	91,213
10,743	BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual		176,811	114,091	27,500	Brookfield Asset Management Inc., Preferred, Series '42', Variable Rate, Perpetual		394,350	371,250
46,623	BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual		660,031	529,171	3,335	Brookfield Asset Management Inc., Preferred, Series '44', Variable Rate, Perpetual		78,721	80,707
600	BCE Inc., Preferred, Series 'AO', Variable Rate, Perpetual		9,771	10,188	1,300	Brookfield Asset Management Inc., Preferred, Series '48', Variable Rate, Perpetual		29,582	30,121
28,006	BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual		433,820	299,664	4,773	Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual		105,040	96,701
9,794	Brookfield Asset Management Inc., 4.40%, Preferred, Series '38', Perpetual		169,284	128,693	8,144	Brookfield Infrastructure Partners L.P., Preferred, Series '11', Variable Rate, Perpetual		178,369	165,405
21,100	Brookfield Asset Management Inc., 4.75%, Preferred, Class 'A', Series '18', Perpetual		444,922	443,100	26,487	Brookfield Office Properties Inc., 6.15%, Preferred, Class 'AAA', Series 'N', Perpetual		410,213	254,275
4,752	Brookfield Asset Management Inc., 4.85%, Preferred, Class 'A', Series '36', Perpetual		98,820	101,645	19,000	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual		353,721	228,950
23,546	Brookfield Asset Management Inc., Preferred, Class 'A', Series '13', Floating Rate		273,694	177,066	33,441	Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual		649,763	365,845
14,828	Brookfield Asset Management Inc., Preferred, Class 'A', Series '24', Variable Rate, Convertible, Perpetual		251,014	167,556	16,757	Brookfield Office Properties Inc., Preferred, Series 'P', Variable Rate, Convertible, Perpetual		292,396	167,067
18,533	Brookfield Asset Management Inc., Preferred, Class 'A', Series '26', Variable Rate, Convertible, Perpetual		295,323	212,203	7,905	Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual		152,424	110,828
600	Brookfield Asset Management Inc., Preferred, Class 'A', Series '40', Variable Rate, Perpetual		8,573	8,766					

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Interim Schedule of Investment Portfolio as at June 30, 2020 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
Preferred Shares (95.5%)									
<i>Cont'd</i>									
17,500	Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual		270,375	263,375	27,008	Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual		416,004	347,323
21,000	Canadian Imperial Bank of Commerce, Preferred, Series '45', Variable Rate, Perpetual		381,990	384,090	30,118	Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual		448,586	379,788
16,840	Canadian Utilities Ltd., 5.25%, Preferred, Series 'EE', Perpetual		390,660	412,917	46,315	Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual		731,992	568,748
73,802	Canadian Utilities Ltd., Preferred, Series 'FF', Variable Rate, Perpetual		1,795,831	1,774,938	43,497	Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual		620,076	513,265
23,341	Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual		463,628	347,664	4,008	Enbridge Inc., Preferred, Series '19', Variable Rate, Perpetual		83,590	85,771
64,779	Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual		815,680	583,011	27,635	Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual		336,717	299,287
1,468	Element Fleet Management Corp., Preferred, Series 'I', Variable Rate, Perpetual		31,758	31,430	39,327	Fairfax Financial Holdings Ltd., 5.00%, Preferred, Series 'K', Perpetual		830,538	597,377
55,801	Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual		936,318	582,004	29,723	Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual		607,967	426,525
38,753	Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual		848,658	617,335	43,465	Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual		712,631	461,598
53,958	Emera Inc., Preferred, Series 'H', Variable Rate, Perpetual		1,330,965	1,343,015	44,233	Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual		761,881	537,431
3	Enbridge Inc., Preferred, Series '1', Variable Rate, Perpetual		90	71	14,565	Fortis Inc., 4.75%, Preferred, Series 'J', Perpetual		319,045	326,256
2,156	Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual		31,433	25,204	7,305	Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual		139,355	102,270
7,936	Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual		125,398	98,565	15,427	Fortis Inc., Preferred, Series 'I', Floating Rate, Perpetual		246,420	139,614
					24,610	George Weston Ltd., 5.20%, Preferred, Series 'IV', Perpetual		589,510	594,085
					93,444	George Weston Ltd., 5.80%, Preferred, Series 'I', Perpetual		2,385,657	2,354,790

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Interim Schedule of Investment Portfolio as at June 30, 2020 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)
Preferred Shares (95.5%)									
<i>Cont'd</i>									
32,627	Great-West Lifeco Inc., 5.15%, Preferred, Series 'Q', Perpetual		767,660	743,243	12,289	Pembina Pipeline Corp., Preferred, Class 'A', Series '21', Variable Rate, Perpetual		276,059	239,636
45,898	Great-West Lifeco Inc., 5.80%, Preferred, Series 'M', Perpetual		1,157,920	1,146,532	20,100	Pembina Pipeline Corp., Preferred, Class 'A', Series '23', Variable Rate, Perpetual		481,907	414,462
53,105	Great-West Lifeco Inc., 5.90%, Preferred, Series 'F', Perpetual		1,343,716	1,335,060	21,235	Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual		504,676	431,920
22,126	Great-West Lifeco Inc., Preferred, Series 'O', Floating Rate, Perpetual		293,174	191,832	41,409	Pembina Pipeline Corp., Preferred, Series '9', Variable Rate, Perpetual		858,170	629,417
28,528	Husky Energy Inc., Preferred, Series '1', Variable Rate, Perpetual		309,382	172,594	10,816	Power Corp. of Canada, 5.00%, Preferred, Series 'D', Perpetual		242,121	236,330
24,357	Husky Energy Inc., Preferred, Series '5', Variable Rate, Perpetual		441,406	276,939	37,691	Power Financial Corp., 4.80%, Preferred, Series 'S', Perpetual		802,878	791,511
18,646	Husky Energy Inc., Preferred, Series '7', Variable Rate, Perpetual		356,793	191,867	26,554	Power Financial Corp., 4.95%, Preferred, Series 'K', Perpetual		563,555	566,928
63,571	Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'G', Variable Rate, Convertible, Perpetual		1,178,551	1,017,136	33,178	Power Financial Corp., 6.00%, Preferred, Series 'I', Perpetual		832,776	829,450
33,961	Manulife Financial Corp., Preferred, Class '1', Series '5', Variable Rate, Convertible, Perpetual		639,266	539,980	23,491	Power Financial Corp., Preferred, Series 'A', Floating Rate, Perpetual		305,407	224,574
90,469	Manulife Financial Corp., Preferred, Series '21', Variable Rate, Perpetual		2,219,472	2,238,204	25,215	Royal Bank of Canada, 4.45%, Preferred, Series 'AF', Perpetual		601,114	636,931
59,595	Manulife Financial Corp., Preferred, Series '23', Variable Rate, Perpetual		1,292,508	1,251,495	46,227	Royal Bank of Canada, 4.90%, Preferred, Series 'W', Convertible, Perpetual		1,092,640	1,120,080
50,457	Northland Power Inc., Preferred, Series '1', Variable Rate, Perpetual		932,593	605,484	41,167	Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual		780,197	654,967
33,542	Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual		640,129	418,604	49,291	Royal Bank of Canada, Preferred, Series 'BK', Variable Rate, Perpetual		1,215,761	1,200,236
					71,434	Royal Bank of Canada, Preferred, Series 'BM', Variable Rate, Perpetual		1,782,416	1,797,279

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Interim Schedule of Investment Portfolio as at June 30, 2020 (unaudited)

Par Value/Number of Shares			Average Cost (\$)	Fair Value (\$)	Par Value/Number of Shares		Average Cost (\$)	Fair Value (\$)
Preferred Shares (95.5%)								
<i>Cont'd</i>								
34,843	Sun Life Financial Inc., 4.75%, Preferred, Class 'A', Series '1', Perpetual		773,588	781,180	25,000	Great-West Lifeco Inc.	607,873	595,000
82,674	Sun Life Financial Inc., Preferred, Class 'A', Series '12R', Variable Rate, Convertible, Perpetual		1,655,570	1,272,353	11,594	Manulife Financial Corp.	268,897	214,141
39,807	TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual		658,508	451,809	4,636	Sun Life Financial Inc.	284,024	231,290
10,586	TC Energy Corp., Preferred, Series '2', Floating Rate, Perpetual		146,886	101,096	9,223	TELUS Corp.	237,444	210,008
39,305	TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual		595,038	338,809	Total		\$ 1,419,829	\$ 1,267,193
82,597	TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual		1,645,447	1,172,877	Transaction costs			
21,677	TC Energy Corp., Preferred, Series '13', Variable Rate, Perpetual		549,412	538,457		Transaction costs	\$ (101,815)	\$
57,424	Thomson Reuters Corp., Preferred, Series 'II', Floating Rate		758,372	579,695	Total transaction costs		\$ (101,815)	\$
33,687	Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual		619,867	562,910	Total investment portfolio (97.7%)		\$ 66,264,418	\$ 57,273,245
71,602	Toronto-Dominion Bank (The), Preferred, Series '12', Variable Rate, Perpetual		1,774,335	1,794,346		Cash and cash equivalents (1.8%)	\$	\$ 1,074,443
10,078	TransAlta Corp., Preferred, Series 'B', Floating Rate, Perpetual		145,954	82,841		Other assets less liabilities (0.5%)		273,833
22,025	TransAlta Corp., Preferred, Series 'E', Variable Rate, Perpetual		364,009	292,933	Net assets		\$	\$ 58,621,521
Total			\$ 64,946,404	\$ 56,006,052				
Equities (2.2%)								
249	Bank of Nova Scotia	\$	18,951	\$ 13,989				
65	Canadian Utilities Ltd., Class 'A'		2,152	2,197				
11	Fortis Inc.		488	568				

Lysander-Slater Preferred Share ActivETF

Notes to the interim financial statements for the six-month period ended June 30, 2020 (unaudited)

1. Formation of Fund

The address of the Fund's registered office is 3080 Yonge St., Suite 3037, Toronto, Ontario.

Lysander Funds Limited (the "Manager" or "Lysander") is the manager and trustee of the Fund and is responsible for providing or arranging the provision of all general management and administrative services required by the Fund in its day-to-day operations, including but not limited to, calculating and reporting the net asset value of the Fund, preparing all offering documents, unitholder recordkeeping and other administrative services.

Lysander-Slater Preferred Share ActivETF (the "Fund") was established as a trust on July 28, 2015 in accordance with the Declaration of Trust dated July 28, 2015. The Fund commenced operations on August 10, 2015.

The Fund is an exchange-traded mutual fund under the laws of the Province of Ontario. The Fund is authorized to issue an unlimited number of redeemable, transferable Units, each of which represents an equal, undivided interest in the Fund.

The Fund's objective is to seek to generate income while preserving investor capital by investing primarily in preferred shares in Canadian entities that are listed on a Canadian stock exchange.

The portfolio manager of the Fund is Slater Asset Management Inc. ("Portfolio Manager").

2. Basis of Presentation

These interim financial statements (the "financial statements") have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standards Board ("IASB"). These financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and do not include all of the information and disclosures required in the annual financial statements. These financial statements should be read in conjunction with the Fund's annual financial statements and accompanying note disclosures.

The financial statements were authorized for issue by Lysander's board of directors on August 24, 2020.

3. Significant Accounting Policies

The significant accounting policies of the Fund are as follows:

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term investments in an active market with original maturities of three months or less, bank overdrafts and money market funds with daily liquidity and all highly liquid financial instruments that mature within three months of being purchased.

Financial instruments

The Fund accounts for its financial instruments in accordance with IFRS 9 Financial Instruments ("IFRS 9"), which include cash and cash equivalents, investments at fair value through profit or loss, accrued interest, reimbursement receivable, subscriptions receivable, redemption payable, due to/from investment dealer, receivable/payable from forward exchange contracts and accrued expenses.

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL"):

Financial Assets

The Fund classifies its investments in debt and equity securities and open-ended investment funds based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. The Fund has not taken the option to irrevocably designate any of its equity securities at fair value through other comprehensive income ("FVOCI"). Consequently, these financial assets are mandatorily measured at FVTPL.

Financial Liabilities

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives and short positions are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial assets and financial liabilities at amortized cost:

The financial assets and liabilities measured at amortized cost include cash collateral posted on derivative positions, accrued income, due to and from brokers and other short term receivables and payables.

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Notes to the interim financial statements for the six-month period ended June 30, 2020 (unaudited)

IFRS 9 requires the expected credit loss model ("ECL") as the impairment model for financial assets measured at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material or considered impaired.

The Fund classifies financial instruments carried at fair value using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. 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 asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2020 and December 31, 2019, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended June 30, 2020 and

December 31, 2019, if applicable, are included in the notes to the financial statements of the Fund.

Recognition/Derecognition

At initial recognition, financial assets and liabilities are measured at fair value. Transaction costs on financial assets and liabilities at fair value through profit or loss are expensed as incurred in the statement of comprehensive income.

Subsequent to initial recognition, financial assets and liabilities at fair value through profit or loss are measured at fair value.

If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified as Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is reclassified as Level 3. The Manager assesses transfers at the time of an event that may cause reason for re-assessment of levelling. 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 asset or liability. The determination of what constitutes observable requires significant judgment by the Fund. The Fund considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources. The classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2020 and December 31, 2019, as applicable, is disclosed in the notes to the financial statements of the Fund. Significant transfers between levels are also disclosed in the notes to the financial statements of the Fund, where applicable. The reconciliation of level 3 fair value measurements for the periods ended June 30, 2020 and December 31, 2019, if applicable, are included in the notes to the financial statements of the Fund.

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities at fair value through profit or loss are derecognized when the obligation specified in the contract is discharged, cancelled or expired.

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the disposition of investments, and unrealized appreciation and depreciation of investments, are

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Notes to the interim financial statements for the six-month period ended June 30, 2020 (unaudited)

determined on an average cost basis and are included in the statement of comprehensive income.

Realized gains and losses related to options are included in net realized gain/(loss) on options at fair value through profit or loss. Realized gains and losses relating to written options may arise from expiration of written options whereby realized gains are equivalent to the premium received and from the exercise of written covered call options in addition to the realized gain or losses from disposition of the related investments at the exercise price of the option.

Fair value measurements

The securities in the Fund's Portfolio are measured at FVTPL. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the period-end date. The quoted market price used for financial assets and financial liabilities of the Fund is the last traded price provided such price is within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Fund will determine the points within the bid-ask spread that are most representative of the fair value. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques commonly used by market participants making the maximum use of observable inputs and relying as little as possible on unobservable inputs. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date.

Where available, valuation techniques use market observable assumptions and inputs. If such data is not available, inputs may be derived by reference to similar assets in active markets, from recent prices for comparable transactions or from other observable market data. When measuring fair value, the Fund selects the non-market-observable inputs to be used in its valuation techniques, based on a combination of historical experience, derivation of input levels based on similar products with observable price levels and knowledge of current market conditions and valuation approaches. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, i.e., an exit price at the measurement date from the perspective of a market participant that holds the asset or owes the liability. Therefore, unobservable inputs reflect the assumptions that market

participants would use when pricing the asset or liability, including assumptions about risk. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk. Unlisted debt securities are valued based on observable inputs such as the prices provided by an independent reputable pricing services company who prices the securities based on recent transactions and quotes received from market participants and through incorporating observable market data and using standard market convention practices. Unlisted debt securities for which current quotations are not readily available are valued using another valuation technique as described below.

The Fund uses widely recognized valuation techniques for determining the fair value of financial instruments that are not actively traded and quoted. The most frequently applied valuation techniques include: i) discounted value of expected cash flows, ii) relative value, iii) option pricing methodologies, iv) private placement financing technique v) internally developed models and vi) market activity. In some cases, it may be reasonable and appropriate to value at cost, where there has been no material subsequent event affecting value. Discounted value of expected cash flows is a valuation technique that measures fair value using estimated expected future cash flows from assets or liabilities and then discounts these cash flows using a discount rate or discount margin that reflects the credit and/or funding spreads required by the market for instruments with similar risk and liquidity profiles to produce a present value. When using such valuation techniques, expected future cash flows are estimated using an observed or implied market price for the future cash flows or by using industry standard cash flow projection models. The discount factors within the calculation are generated using industry standard yield curve modeling techniques and models. Relative value models measure fair value based on the market prices of equivalent or comparable assets or liabilities, making adjustments for differences between the characteristics of the observed instrument and the instrument being valued. Option pricing models incorporate assumptions regarding the behavior of future price movements of an underlying referenced asset or assets to generate a probability-weighted future expected payoff for the option. The resulting probability-weighted expected payoff is then discounted using discount factors generated from industry standard yield curve modeling techniques and models. The option pricing model may be implemented using a closed form analytical formula or other mathematical techniques (e.g., binomial tree or Monte Carlo simulation). For more complex instruments and instruments for which there is no active market, fair values may be estimated using a combination of

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observed transaction prices, if any, consensus pricing services and relevant broker quotes. Consideration is given to the nature of the quotes (e.g., indicative or firm) and the relationship of recently evidenced market activity to the prices provided by consensus pricing services. Private placement financings are instances where a company raises capital through an offering of additional securities in the private markets. Pertinent details of such offering, including the terms of such offering, the issue price, and total capital raised are considered when assessing the reasonability that the issue price of such offering approximates fair value. In contrast to public offerings on a recognized exchange, private placement financings are not available to the general public. The Fund also uses internally developed models, which are typically based on valuation methods and techniques recognized as standard within the industry. Assumptions and inputs used in valuation techniques include benchmark interest rate curves, credit and funding spreads used in estimating discount rates, bond and equity prices, equity index prices, foreign exchange rates, levels of market volatility and correlation. In situations where there is limited market activity for the asset or liability near the measurement date, the most recent transaction price may be used.

Income recognition

Dividend income is recognized when the Fund's right to receive the payment has been established, normally being the ex-dividend date. Dividend income is recognized gross of withholding tax, if any.

The interest income for distribution purposes shown on the statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis. The interest income for distribution purposes is the tax basis of calculating the interest received and which is subject to tax.

Offsetting financial instruments

Financial assets and 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.

Accounting estimates

In the application of the Fund's accounting policies, the Fund is required to make judgments, 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 relevant. The most significant

estimates relate to the valuation of investments. Actual results could differ from these estimates.

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

Net assets attributable to holders of redeemable units

Units issued and outstanding represent the capital of the Fund, with each unit representing an equal and rateable share in the assets allocated to the Fund. Please refer to Note 6 for discussion of management fee rates. The redeemable units are classified as financial liabilities and are measured at the redemption amounts.

Units of the Fund are listed on the Toronto Stock Exchange ("TSX") and investors may buy and sell units on the TSX, or any other exchange on which such units are traded, through registered brokers and designated brokers in the province or territory where the investor resides. Investors may incur customary brokerage commissions in buying and selling units.

Units of the Fund may be purchased or redeemed at a price per unit equal to the net asset value ("NAV") of a unit of the Fund on each valuation date by the designated brokers. Please refer to the Prospectus dated July 28, 2020 for further details.

Net asset value per unit

The net asset value per unit of the Fund is computed by dividing the NAV by the total number of units outstanding at the time. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with holders of redeemable units.

Foreign currency translation

Foreign currency amounts are translated into the Fund's functional currency as follows: fair value of investments, forward currency contracts and other financial assets and liabilities, at the closing rate of exchange on each business day; income and expenses, and purchases, sales and settlements of investments, at the rate of exchange prevailing on the respective dates of such transactions.

Foreign currency forward contracts

The value of the foreign currency forward contracts is the gain or loss that would be realized if the position in the forward contract was closed out in accordance with its terms. The unrealized gains or losses on the forward contract are reported as part of the change in unrealized appreciation or depreciation on forwards in the statement of comprehensive income. Foreign

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currency forward contracts manage exposure to foreign currency gains and losses arising from short and long-term investments denominated in foreign currencies.

Taxation

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada). The Fund is subject to tax on its net taxable income, including net realized capital gains, for the calendar year which is not paid or payable to its unitholders as of the end of the calendar year. It is the intention of the Fund to pay all of its net taxable income and net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable. Therefore, no provision for income taxes has been made in these financial statements.

As at December 31, 2019, the Fund had \$4,918,172 (December 31, 2018 - Nil) net capital losses and no non-capital losses (December 31, 2018 - Nil).

Distributions

The Fund makes distributions of net income monthly and any net realized capital gains annually. These are recognized in the statement of changes in net assets attributable to holders of redeemable units.

Critical accounting estimates and judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Determination of Functional Currency

'Functional currency' is the currency of the primary economic environment in which the Fund operates. If indicators of the primary economic environment are mixed, then the Fund uses its judgment to determine the functional currency that most faithfully represents the economic effect of the underlying transactions, events, and conditions. The Fund's subscriptions and redemptions are denominated in Canadian Dollars ("CAD"). Accordingly, the Fund has determined that the functional currency of the Fund is CAD unless noted otherwise.

Fair Value Measurement of Derivatives and Securities Not Quoted in an Active Market

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined as disclosed in Fair Value Measurement section in Note 3.

Future changes in accounting standards

As of June 30, 2020, there are no future standards that could have a material or significant impact on the Fund.

4. Expenses

The Fund is responsible for the payment of all expenses related to its operations, including but not limited to audit fees, Independent Review Committee fees, fund administration fees, filing fees, redeemable unitholder reporting and custodian fees plus harmonized sales tax. At their discretion, the Manager or the Portfolio Manager may pay certain of the expenses of the Fund but any such payments shall not oblige the Manager or the Portfolio Manager to make similar future payments. All expenses are recognized in the statement of comprehensive income on the accrual basis.

5. Issuance and Redemption of Units

The Fund is authorized to issue an unlimited number of transferable, redeemable units of beneficial interest, each of which represents an equal undivided interest in the net assets of the Fund. Each unit entitles the holder to the same rights and obligations as a holder of any other unit and no holder of units is entitled to any privilege, priority or preference in relation to any other holder of units. Each holder of units is entitled to one vote for each whole unit held and is entitled to participate equally with respect to any and all distributions made by the Fund, including distributions of net income and net realized capital gains, if any. On termination or liquidation of the Fund, the holders of outstanding units of record are entitled to receive on a pro rata basis all of the assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund. The units of the Fund are issued and redeemed at their NAV.

During the periods ended June 30, 2020 and 2019, the number of units issued, redeemed and outstanding were as follows:

For the periods ended	30-Jun-20	30-Jun-19
Units outstanding at beginning of period	9,569,000	10,769,000
Redeemable units issued	550,000	1,350,000
Redeemable units redeemed	(1,850,000)	(800,000)
Units outstanding at end of period	8,269,000	11,319,000

6. Related Party Transactions

The Manager is responsible for the day-to-day management of the Fund and its investment portfolio in compliance with the Fund's constating documents. The Manager pays for certain investment management services and provides certain administrative services required by the Fund. As compensation

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for its services the Manager is entitled to receive a management fee.

At December 31, 2019, the Manager, the majority shareholder of the Manager, the Manager's directors and officers together with certain immediate family members had an ownership interest in the Fund amounting to 0.0% (December 31, 2018 – 0.0%)

The Manager is entitled to receive from the Fund a management fee which is calculated daily and payable monthly at an annualized rate of up to 0.65%, exclusive of any applicable taxes.

During the period ended June 30, 2020, the Manager paid the Portfolio Manager \$107,351 (June 30, 2019 - \$164,129) for managing the Portfolio of the Fund. As at June 30, 2020, the amount payable to the Portfolio Manager was \$46,964 (December 31, 2019 - \$72,164).

7. Fair Value Hierarchy

The following fair value hierarchy table presents information about the Fund's assets measured at fair value, as described in Note 3, as at June 30, 2020 and December 31, 2019:

As at June 30, 2020	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	57,273,245	\$	-	\$	-	\$ 57,273,245
Total	\$	57,273,245	\$	-	\$	-	\$ 57,273,245
<hr/>							
As at December 31, 2019	Level 1		Level 2		Level 3		Total
Investments							
Equities	\$	82,603,415	\$	-	\$	-	\$ 82,603,415
Total	\$	82,603,415	\$	-	\$	-	\$ 82,603,415

8. Risk Management

The Fund's activities expose it to a variety of financial risks in the normal course of operations. These include credit risk, liquidity risk, and market risk. The value of the investments in the Fund's portfolio can fluctuate as a result of changes in interest rates, general economic conditions, supply and demand conditions relating to specific securities, or news relating to a specific issuer. In order to manage risk, the Portfolio Manager will diversify the portfolio based on industry and credit rating category. Significant risks that are relevant to the Fund are discussed below.

Credit risk

Credit risk is the risk of financial loss that could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations. The Fund's main exposure to credit risk consists of investments in preferred shares. The Fund is also exposed to counterparty risk from other assets, such as amounts due from investment dealer or subscriptions receivable. To manage this risk, the Portfolio Manager monitors the Fund's credit exposure and counterparty credit ratings.

The Fund measures credit risk and lifetime ECLs related to these trade receivables using historical analysis and forward looking information in determining the ECL.

As at June 30, 2020 and December 31, 2019, the Fund had directly invested in preferred shares with the following credit ratings:

As a % of net assets	30-Jun-20		31-Dec-19	
Credit exposure				
P2	%	60.6	%	47.4
P2/P3		12.3		19.8
P3		2.7		29.7

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Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations, including any redemption of units for cash. The Fund is exposed to possible daily redemptions at the then current NAV per unit. Liquidity risk is managed by investing a significant portion of the Fund's assets in investments that are traded in an active market and that can be readily sold. All liabilities of the Fund are due within one year.

The following table presents the Fund's liabilities according to their maturity date as at December 31, 2019 and 2018:

As at 30-Jun-2020	Less Than One Month		1-3 Months		3 Months – 1 Year	
Liquidity exposure						
Due to investment dealers	\$		\$	-	\$	-
Accrued management fees		31,438				-
Other accrued expenses		-		7,993		-
Distributions payable to holders of redeemable units		281,146		-		-
<hr/>						
As at 31-Dec-2019	Less Than One Month		1-3 Months		3 Months – 1 Year	
Liquidity exposure						
Due to investment dealers	\$	447,470	\$	-	\$	-
Accrued management fees		46,974		-		-
Other accrued expenses		-		29,701		-
Distributions payable to holders of redeemable units		287,070		-		-

Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a fund asset will fluctuate because of changes in market interest rates. To manage interest rate risk, the Portfolio Manager monitors exposures and may rebalance between different types of preferred shares depending on the interest rate environment. The Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

If interest rates had increased or decreased by 1% at June 30, 2020, with all other variables remaining constant, net assets of the Fund would have decreased or increased by approximately \$3,039,915 (December 31, 2019 - \$2,879,886).

Currency risk

Currency risk arises when the value of investments denominated in currencies other than CAD fluctuate due to changes in exchange rates. If applicable, the currency risk will typically be hedged by entering into foreign currency forward contracts, however some moderate currency exposure may be assumed if deemed to be beneficial to the Fund. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

The table below summarizes the Fund's net exposure (after hedging, if any) to currency risk as at:

	30-Jun-20		31-Dec-19		
Currency exposure					
US Dollars		%	0.5	%	2.0

As at June 30, 2020, if the CAD had strengthened or weakened by 1% in relation to the above currency, with all other factors remaining constant, the Fund's net assets would have decreased or increased by 0.01% (December 31, 2019 - 0.02%).

Price risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in a market or market segment. If applicable, this risk is managed through a careful selection of securities and other financial instruments within the parameters of the investment strategy and by maintaining a well-diversified portfolio. Exposure to price risk arises from investments in equity securities. If applicable, the Fund has calculated the sensitivity analysis below. Actual results may differ materially from this analysis.

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As at June 30, 2020 approximately 97.7% (December 31, 2019 - 97.8%) of the Fund's net assets were invested in these asset types. If prices of these investments had increased or decreased by 5% as at June 30, 2020 with all other factors remaining constant, net assets would have increased or decreased, by approximately \$2,863,662 (December 31, 2019 - \$4,130,171). In practice, actual results will differ from this sensitivity analysis and the difference could be material.



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