

BELLWETHER FIXED INCOME FUND

FINANCIAL STATEMENTS

For the year ended December 31, 2023

(in Canadian dollars)

Independent Auditor's Report

To the Unitholders of the
Bellwether Fixed Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Bellwether Fixed Income Fund, which comprise the statement of financial position as at December 31, 2023, the statement of comprehensive income, changes in net assets attributable to holders of redeemable units and cash flows for the year then ended, a schedule of investment portfolio as at December 31, 2023, and a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Bellwether Fixed Income Fund as at December 31, 2023, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting 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.

Trustee's and Manager's Responsibility for the Financial Statements

The Trustee and the Manager are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as the Trustee and the Manager determines are 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, the Trustee and the Manager are 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.

The Trustee and the Manager 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 the Trustee's and the Manager'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 the Trustee and the Manager 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.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Richard Clarke, CPA, CA.

Death + Co. LLP

Chartered Professional Accountants
Licensed Public Accountants

Mississauga, Ontario
March 22, 2024

Bellwether Fixed Income Fund

Statement of Financial Position As at December 31, 2023

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash	\$ 61,012,890	\$ 30,847,971
Investments owned, at fair value (Cost:\$314,671,644 - 2022:\$263,556,931)	288,518,520	234,104,721
Contributions receivable (Note 13)	694,875	1,198,110
Dividends receivable	1,226,472	63,640
Interest receivable	214,325	86,913
	<u>351,667,082</u>	<u>266,301,355</u>
LIABILITIES		
Current liabilities		
Accrued expenses	71,592	55,066
Redemptions payable (Note 13)	234,364	204,796
Due to related fund	10	10
	<u>305,966</u>	<u>259,872</u>
Net Assets Attributable to Holders of Redeemable Units	\$ 351,361,116	\$ 266,041,483
Number of Redeemable Units Outstanding	38,310,610	29,967,204
Net Assets Attributable to Holders of Redeemable Units per Unit	\$ 9.17	\$ 8.88

Approved :



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Trustee:

Bellwether Fixed Income Fund

Statement of Comprehensive Income For the year ended December 31, 2023

	2023	2022
Income		
Dividends	\$ 2,664,758	\$ 981,348
Change in unrealized gain (loss) on investments and foreign currency	3,234,631	(22,644,142)
Realized gain (loss) on sale of investments and foreign currency	178,611	(1,745,489)
Interest income for distribution purposes	18,191,320	6,111,859
	<u>24,269,320</u>	<u>(17,296,424)</u>
Expenses		
Operating costs (Note 6)	913,584	700,684
Commissions and other portfolio transaction costs (Note 7)	5,606	1,227
Management fees (Note 6)	—	7
	<u>919,190</u>	<u>701,918</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 23,350,130</u>	<u>\$ (17,998,342)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series		
Series F	\$ —	\$ 83
Series O	<u>23,350,130</u>	<u>(17,998,425)</u>
	<u>\$ 23,350,130</u>	<u>\$ (17,998,342)</u>
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series F	\$ —	\$ 0.04
Series O	0.64	(0.67)

Bellwether Fixed Income Fund

Statement of Cash Flows

For the year ended December 31, 2023

	2023	2022
Cash provided by (used in):		
Operating Activities		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 23,350,130	\$ (17,998,342)
Adjustments for non-cash items		
Commissions and other portfolio transaction costs	5,606	1,227
Change in unrealized (gain) loss on investments and foreign currency	(3,234,631)	22,644,142
Realized (gain) loss on sale of investments and foreign currency	(178,611)	1,745,489
Change in non-cash balances	0	
Decrease in contributions receivable	503,235	103,942
Increase in dividends receivable	(1,162,832)	(13,735)
Increase in interest receivable	(127,412)	(86,913)
Decrease in payable for investments purchased	-	(10,000,000)
Increase in accrued expenses	16,526	10,335
Increase in redemptions payable	29,568	65,135
Proceeds from sale of investments	131,322	193,041
Purchase of investments	(51,137,485)	(42,172,866)
Cash used in operating activities	(31,804,584)	(45,508,545)
Financing Activities		
Proceeds from issuances of redeemable units	92,194,648	74,393,270
Amount paid on redemption of redeemable units	(30,138,308)	(22,634,734)
Distributions to unitholders, net of reinvestments	(86,837)	(56,587)
Cash provided by financing activities	61,969,503	51,701,949
Increase in cash during the year	30,164,919	6,193,404
Cash beginning of year	30,847,971	24,654,567
Cash end of year	\$ 61,012,890	\$ 30,847,971
Supplemental information*		
Interest received	\$ 18,063,908	\$ 6,024,946
Dividends received, net of withholding taxes	1,501,926	967,613

*Included as a part of cash flows from operating activities

Bellwether Fixed Income Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the year ended December 31, 2023

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued*	Distribution of net investment income to unitholders	Redemption of redeemable units*	Reinvestment of distribution	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
2023	\$ 266,041,483	\$ 92,194,648	\$ (13,543,102)	\$ (30,138,308)	\$ 13,456,265	\$ 23,350,130	\$ 351,361,116

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2023 were \$nil and \$nil, respectively.

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued**	Distribution of net investment income to unitholders	Redemption of redeemable units**	Reinvestment of distribution	Increase (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
2022							
Series F	\$ –	\$ 21,652	\$ –	\$ (21,735)	\$ –	\$ 83	\$ –
Series O	232,337,876	74,393,270	(10,050,059)	(22,634,651)	9,993,472	(17,998,425)	266,041,483
	<u>\$ 232,337,876</u>	<u>\$ 74,414,922</u>	<u>\$ (10,050,059)</u>	<u>\$ (22,656,386)</u>	<u>\$ 9,993,472</u>	<u>\$ (17,998,342)</u>	<u>\$ 266,041,483</u>

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2022 were \$21,652 and \$(21,652), respectively.

Bellwether Fixed Income Fund

Schedule of Investment Portfolio

As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian fixed income				
2,000	AltaGas Ltd. Preferred Shares 3.26%	\$ 34,233	\$ 46,000	0.01
2,000,000	Bank of Montreal 7.057%	2,015,500	2,003,460	0.57
2,000,000	Bank of Montreal 7.325% 26NOV82	1,969,500	2,003,100	0.57
2,000,000	Bank of Montreal 7.373%	1,979,000	2,015,700	0.58
11,330	Bank of Montreal Preferred Shares 4.85%	280,757	276,452	0.08
556,592	BCE Inc. Preferred Shares 5.08%	10,246,859	9,456,498	2.70
5,000	Brookfield Corp. Preferred Shares 4.437%	89,600	88,150	0.03
2,200	Brookfield Corp. Preferred Shares 4.75%	54,620	44,088	0.01
33,500	Brookfield Corp. Preferred Shares 4.80%	845,430	652,580	0.19
3,000	Brookfield Corp. Preferred Shares 5%	65,460	61,770	0.02
4,800	Brookfield Corp. Preferred Shares 5.061%	97,227	99,792	0.03
3,000,000	Canadian Government Bond 3% 01OCT25	2,896,275	2,953,845	0.84
4,500,000	Canadian Government Bond 3.25% 01DEC33	4,189,500	4,564,125	1.30
30,000	Canadian Imperial Bank of Commerce Preferred Shares 3.75%	676,878	526,200	0.15
17,000	Emera Inc. Preferred Shares 4.25%	425,000	305,830	0.09
6,500	Enbridge Inc. Preferred Shares 3.415%	90,994	104,390	0.03
9,000	Enbridge Inc. Preferred Shares 4%	141,560	154,800	0.04
2,700	Enbridge Inc. Preferred Shares 4.90%	62,754	54,945	0.02
1,521,500	Horizons Active Preferred Share ETF	13,946,686	11,578,615	3.31
209,385	Intact Financial Corp. Preferred Shares 6.012%	5,353,974	4,524,810	1.29
3,000,000	National Bank of Canada 7.50% 16NOV82	3,006,000	3,009,810	0.86
25,000	National Bank of Canada Preferred Shares 3.90%	564,477	441,250	0.13
2,600	National Bank of Canada Preferred Shares 4.60%	56,784	56,654	0.02
1,000,000	Royal Bank of Canada 4.20%	932,500	772,070	0.22
5,000	TC Energy Corp. Preferred Shares 3.479%	69,473	69,550	0.02
1,300	TC Energy Corp. Preferred Shares 6.92%	16,455	19,097	0.01
3,000,000	The Bank of Nova Scotia 7.023% 27JUL82	2,985,500	2,964,780	0.85
1,000,000	The Toronto-Dominion Bank 5.75%	978,000	857,730	0.24
3,000,000	The Toronto-Dominion Bank 7.232%	3,036,100	3,009,660	0.86
1,000,000	The Toronto-Dominion Bank 7.283% 31OCT82	985,450	1,003,190	0.29
30,000	The Toronto-Dominion Bank Preferred Shares 3.75%	679,773	549,300	0.16
5,000	The Toronto-Dominion Bank Preferred Shares 4.70%	115,850	113,300	0.03
		<u>58,888,169</u>	<u>54,381,541</u>	<u>15.55</u>
Canadian investment funds				
1,680,125	Canso Corporate Value Fund	\$ 21,427,416	\$ 21,300,797	6.08
16,880,373	PIMCO Monthly Income Fund (Canada) Series N	234,356,059	212,836,182	60.76
		<u>255,783,475</u>	<u>234,136,979</u>	<u>66.84</u>

Bellwether Fixed Income Fund

Schedule of Investment Portfolio (Cont'd) As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
	Total investments owned	\$ 314,671,644	\$ 288,518,520	82.39
	Commissions and other portfolio transaction costs	<u>(29,202)</u>	<u>—</u>	<u>—</u>
	Net investments owned	\$ <u>314,642,442</u>	288,518,520	82.39
	Other assets, net		<u>61,753,861</u>	<u>17.61</u>
	Net Assets Attributable to Holders of Redeemable Units		\$ <u>350,272,381</u>	<u>100.00</u>

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

1. Formation of the Fund

The Bellwether Fixed Income Fund (the "Fund") is an open-ended mutual fund trust created under the laws of Ontario pursuant to a declaration of trust dated September 1, 2020 and commenced operations on November 27, 2020. The address of the Fund's registered office is 1295 Cornwall Road, Unit A3, Oakville, Ontario, L6J 7T5.

Bellwether Investment Management Inc. (the "Manager" or the "Trustee") is the manager and trustee of the Fund. The Manager is responsible for directing the affairs and managing the business of the Fund, including management of the Fund's investment portfolio, and for administering or arranging for the administration of the day-to-day operations of the Fund, including providing or arranging for the provision of investment advice, establishment of brokerage arrangements and bookkeeping and other administrative services for the Fund.

The investment objective of the Fund is to achieve maximum total investment return, consistent with preservation of capital and prudent investment management through stable income and long-term capital appreciation primarily through investments in debt obligations and other evidences of indebtedness of Canadian, US, and International issuers. The Fund's investments will be comprised of a diversified mix of fixed income and income-oriented instruments issued or guaranteed by governments or their subdivisions, agencies, government-sponsored enterprises, or corporations.

To achieve its investment objective, the Manager may allocate capital to invest in securities, strategies and funds (the "Portfolio") managed directly by itself and by certain third-party managers selected by the Manager (each an "Underlying Fund"). The Portfolio may be comprised of an actively managed selection of asset-backed securities, convertible securities, corporate bonds, debentures, delayed funding loans, derivatives, Government bonds, inflation indexed bonds, loan participations and assignments, notes or other evidences of indebtedness, obligations of International agencies or supranational entities, preferred shares, revolving credit facilities, repurchase agreements and reverse repurchase agreements, residuals, securities, structured notes, treasuries, bank certificates of deposit, fixed income deposits, and bankers acceptances.

Fidelity Clearing Canada ULC is the custodian of the Fund. SGGG Fund Services Inc. is the record keeper and valuation services agent of the Fund.

2. Basis of Presentation

These financial statements have been prepared in compliance with IFRS Accounting Standards as published by the International Accounting Standards Board ("IASB"). The Fund reports under this basis of accounting as required by Canadian Securities Legislation and Canadian Accounting Standards Board. These financial statements should be read in conjunction with annual financial statements for the year ended December 31, 2022 which have been prepared in accordance with IFRS.

These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value. The policies applied in these financial statements are based on IFRS issued and outstanding as of March 22, 2024 which is the date on which the financial statements were authorized for issue by the Trustee.

3. Material Accounting Policy Information

The following summarizes the material accounting policy information of the Fund:

Current adoptions and accounting standards issued

IAS 1: Presentation of Financial statements has been amended to require Fund to disclose material rather than significant accounting policies and the amendments are effective for the annual periods beginning on or after January 1, 2023. As per the amendment, a Fund shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in a Fund's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Accordingly, accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors has been amended to introduce a new definition of accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. The Fund did not have any impact due to this amendment.

Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after the current reporting period and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Fund.

Valuation of Investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Fund's Offering Memorandum, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or ask price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

Investment entity

The Fund has determined that it is an investment entity as defined by IFRS 10, Consolidated Financial Statements ("IFRS 10") and the amendments to IFRS 10, as the following conditions exist:

- (i) The Fund has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- (ii) The Fund has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and
- (iii) The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

As an investment entity, the Fund is exempted from consolidating particular subsidiaries and instead is required to measure its investments in these particular subsidiaries at FVTPL.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

Classification

The Fund classifies its investments in debt and equity securities and derivatives as financial assets and financial liabilities at FVTPL in accordance with IFRS 9, Financial Instruments ("IFRS 9").

The Fund classifies its investments at FVTPL based on the Fund's business model for managing those financial assets in accordance with the Fund's documented investment strategy. The portfolio of investments is managed, and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments have been classified as FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and financial liabilities are classified as subsequently measured at amortized cost. Under this method, financial assets and financial liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. A financial asset is classified as subsequently measured at amortized cost only if both of the following criteria are met:

- (i) The asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- (ii) The contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding

Cash

Cash is comprised of cash on deposits with financial institutions and bank overdraft is carried at amortized cost which approximates fair value.

Financial Instruments

The Fund's financial instruments include cash, contributions receivable, investments, dividends receivable, interest receivable, accrued expenses, redemptions payable and due to related fund. Investments are classified at FVTPL and valued based on the policies described under the heading "Valuation of Investments". All other financial instruments are classified as subsequently measured at amortized cost and recorded at cost or amortized cost. Financial Liabilities are carried at amortized cost, which closely approximates their fair values given their short-term nature. Please refer to Note 8 for a discussion of the management of financial risks.

Recognition/derecognition

The Fund recognizes financial assets or financial liabilities designated as trading securities on the trade date – the date it commits to purchase or sell short the instruments. From this date, any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Other financial assets are derecognized when, and only when, the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

Fair Value Measurement

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

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

Refer to Note 9 for fair value measurement analysis.

Investment Transactions and Revenue Recognition

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date. Realized gain/loss on sale of investments and unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

The unrealized gain or loss on each investment held by the Fund at period end is determined by the fair value of that investment less the average cost of the investment.

Distributions from income trust holdings (“trusts”) are recorded on the ex-distribution date and the components of the distributions are recorded as dividends, capital gains or a return of capital as appropriate and on the basis of the best information available to the Manager. Distributions from trusts that are a return of capital reduce the average cost of the trusts reported on the Schedule of Investment Portfolio.

To the extent that a Fund incurs withholding taxes imposed by certain countries on investment income and capital gains generated in that country, the revenue from such income or gains is recorded net of withholding taxes in the Statement of Comprehensive Income.

Foreign Currency Translation

The functional and presentation currency of the Fund is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 12:00pm Eastern Standard Time (the “noon rate”) on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

Net Assets Attributable to Holders per Unit

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

Increase (Decrease) in Net Assets Attributable to Holders per Unit

Increase (decrease) in Net Assets attributable to holders of redeemable units per unit is based on the increase (decrease) in Net Assets attributable to holders of redeemable units attributed to each series of units, divided by the weighted average number of units outstanding of that series during the year. Refer to Note 11 for the calculation.

Taxation of the Fund

The Fund qualifies as a unit trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its investment income, including net realized capital gains, for the calendar year in which its net investment income or sufficient net realized capital gains are not paid or payable to its unitholders as at the end of the calendar year. It is the intention of the Manager that all annual net investment income and sufficient net taxable capital gains will be distributed to unitholders on a calendar year basis such that Canadian income taxes payable by the Fund will be minimized.

In any year in which the Fund realizes a net capital loss, caused when realized capital losses exceed realized capital gains, the Fund may carry forward that net capital loss balance to reduce net realized capital gains in subsequent years.

As at December 31, 2023, the Fund has no capital losses (2022 - \$nil) and no non capital losses (2022 - \$nil) to carry forward.

Distributions

All distributions on redeemable units of a series will be reinvested automatically in additional units of the same series, at the series net asset value per unit determined as of the date of distribution unless the unitholder otherwise directs in writing. The unitholder may, by written request, receive the distribution payment by cheque or electronic transfer. All distributions are made on a pro rata in accordance with the number of units held by unitholders on the record date determined for the purpose of the distribution. When redemptions occur during the calendar year, the unitholder may have taxable income and capital gains attributed to them up to the date of redemption.

4. Critical Accounting Estimates and Judgements

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgement in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. The following discusses the most significant accounting judgements and estimates that the Fund has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Fund's investments are classified as FVTPL.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

5. Redeemable Units of the Fund

Unitholders' equity is considered to be the source of capital for the Fund. The Fund's objectives in managing capital are to safeguard the Fund's ability to continue as a going concern, to provide financial capacity and flexibility to meet its strategic objectives and to provide an adequate return to unitholders commensurate with the level of risk while maximizing the distributions to unitholders.

Since both the income and expenses of the Fund are reasonably predictable and since the Fund does not have any externally imposed capital requirements, the Trustee believes that the current level of distributions, capital and capital structure is sufficient to sustain ongoing operations. The Trustee actively monitors the cash position and financial performance of the Fund to ensure there are resources to meet current distribution levels.

The Fund may issue an unlimited number of units, which may be divided into an unlimited number of series. The Fund currently offers Series A, Series F and Series O Units. Series A Units may be purchased through investment dealers. Series F Units may be purchased either from investment dealers or directly from the Manager. Series O Units may only be purchased directly from the Manager. Series O Units are available to institutional investors and other selected investors who enter into a managed account agreement with the Manager. The managed account agreement stipulates the negotiated management fee that will be paid by the investor directly to the Manager.

Redeemable Units of each Fund are redeemable at the option of the unitholders in accordance with the provisions of the Offering Memorandum at their Net Asset Value Per Unit and do not have any nominal or par value.

As at December 31, 2023 and 2022, only units of Series O had been in issue. The changes in outstanding redeemable units during the years ended December 31, 2023, and 2022 is summarized as follows:

	Redeemable Units, beginning of year	Redeemable Units Issued	Redemptions of Redeemable Units	Reinvestments of Units	Redeemable Units, end of year
2023					
Series O	29,967,204	10,189,550	(3,337,840)	1,491,696	38,310,610
2022					
Series F	–	2,165	(2,165)	–	–
Series O	23,334,660	7,984,868	(2,467,471)	1,115,147	29,967,204

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

6. Related Party Transactions

The Fund considers its related parties to consist of key members and senior officers, including their close family members, and companies controlled or significantly influenced by such individuals, and reporting shareholders and their affiliates which may exert significant influence over the Fund's activities.

Bellwether Investment Management Inc.

Bellwether Investment Management Inc. (BIM) is the fund manager of the Fund. Both management fees and operating expenses are paid to BIM by the Fund.

Management Fees

In consideration for the management and administrative services performed, the Manager receives from the Fund, a monthly management fee in respect of the Series A units and the Series F units. The assets of the Fund relating to the Series A units are subject to a management fee equal to one-twelfth (1/12) of 1.50% of the average net asset value of the Fund relating to such series during each month, plus applicable taxes. The assets of the Fund relating to the Series F units are subject to a management fee equal to one-twelfth (1/12) of 0.75% of the average net asset value of the Fund relating to such series during each month, plus applicable taxes. No management fees are charged to the Fund with respect to the Series O Units.

Operating Expenses

The Fund pays for all of its operating expenses. The principal components of the Fund's operating expenses include accounting, audit and legal fees, brokerage commissions, administration costs, trustee fees, interest and bank charges.

The Manager may from time to time pay for certain operating expenses of the Fund to maintain the Fund's management expense ratio at competitive levels. The operating expenses charged to the Bellwether Fixed Income Fund will be capped at 50 basis points per annum.

Sales Charge

When an investor buys Series A units or Series F units of the Fund through a dealer, a sales charge of up to 5% of the subscription amount is deducted from the purchase order and paid by the investor to the dealer. This sales charge is negotiated between the investor and the representative of the dealer. The remaining amount is invested in the applicable series of units.

Trailer Fee

The Manager pays a trailer fee to each dealer with respect to Series A units of the Fund that are held by such dealer's clients at the end of each calendar quarter to compensate that dealer for the ongoing services it is providing to these clients. Trailer fees are calculated at the end of each month at a rate of 75 basis points per annum of the average net asset value of the Series A units of the Fund held by the clients of the dealer during that month. The Manager, at its discretion, may discontinue or otherwise differentiate this fee among dealers at any time and from time to time.

BELLWETHER FIXED INCOME FUND

Notes to Financial Statements

For the year ended December 31, 2023

7. Brokerage Commissions and Other Transaction Costs

The Fund paid \$5,606 (2022 - \$1,227) brokerage commissions and other transaction costs for portfolio transactions for the year ended December 31, 2023.

In addition to covering brokerage services on security transactions, commissions paid to certain brokers may also cover goods and services provided to the manager other than order execution (soft costs).

As of December 31, 2023 and 2022, the Fund did not have soft costs.

8. Risks Associated with Financial Instruments

The Fund is exposed to various types of risks that are associated with their investment strategies, financial instruments and the markets in which they invest. These financial risks include market risk (which includes currency risk, interest rate risk and other price risk), credit risk, and liquidity risk.

The Manager of the Fund seeks to minimize these risks by employing experienced portfolio managers who manage the security portfolios of the Fund on a regular basis according to market events and the Fund's investment objectives. The Manager further moderates these risks through a careful selection of securities within specified limits and the Fund's market price risk is managed through diversification of the investment portfolio. The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objective.

These risks and related risk management practices employed by the Fund are further discussed below:

(i) Currency Risk

Currency risk is the risk that the value of financial instruments denominated in currencies other than the functional currency of a Fund will fluctuate due to changes in foreign exchange rates.

The Fund holds assets, including cash, short-term investments and equities, which are denominated in US Dollars. The Canadian Dollar is the functional currency of the Fund. The Fund is therefore exposed to currency risk because the value of the securities denominated in US Dollars fluctuates due to changes in the exchange rate between the Canadian and US Dollar.

At December 31, 2023 and 2022, the Fund did not have significant exposure to currency risk.

(ii) Interest Rate Risk

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

The majority of the Fund's financial assets and liabilities are interest bearing thus interest rate risk arises that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is a minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short term market interest rates.

At December 31, 2023 and 2022, the Fund did not have significant exposure to interest rate risk.

BELLWETHER FIXED INCOME FUND

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For the year ended December 31, 2023

(iii) Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager monitors the Fund's overall market positions on a daily basis and positions are maintained within established ranges as disclosed in the Fund's Offering Memorandum.

The Fund's other price risk is affected by changes in actual market prices. As at December 31, 2023 and 2022, if the FTSE TMX Universe Bond Index had increased or decreased by 5%, with all other variables held constant, then the approximate increase or decrease to Net Assets would have been as follows:

Market Sensitivity Analysis	December 31, 2023		December 31, 2022	
	Estimated Impact on net assets attributable to holders of redeemable units		Estimated Impact on net assets attributable to holders of redeemable units	
Bellwether Fixed Income Fund	\$	10,098,148	\$	8,193,665

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

(iv) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge a commitment that it has entered into with a Fund. The fair value of a financial instrument takes into account the credit rating of its issuer.

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

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

At December 31, 2023 and 2022 the Fund held fixed income securities for which the credit rating breakdown is as follows:

Debt instruments by credit rating*	% of the net asset value	
	December 31, 2023	December 31, 2022
AAA	57.32	50.32
AA	2.20	2.36
A	3.87	3.66
BBB/BAA	16.64	15.20
BB	7.22	11.67
B	2.95	3.84
Below B	4.97	6.88
Not Rated	4.83	5.94

*Excludes cash

BELLWETHER FIXED INCOME FUND

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For the year ended December 31, 2023

(v) Liquidity Risk

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

The Fund's exposure to liquidity risk is concentrated in the Fund's ability to satisfy the weekly cash redemptions of units. Further liquidity risk arises from the fact that redeemable units are redeemable on demand at the unitholder's option. The Fund's investments are considered not readily realizable and less liquid. However, the Fund retains sufficient cash positions to maintain liquidity.

At December 31, 2023 and 2022 the Fund did not have significant exposure to liquidity risk.

9. Classification of financial instruments – fair value measurements:

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of December 31, 2023 and 2022:

December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets				
Fixed Income	\$ 54,381,541	\$ –	\$ –	\$ 54,381,541
Investment Fund	21,300,797	212,836,182	–	234,136,979
	\$ 75,682,338	\$ 212,836,182	\$ –	\$ 288,518,520

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets				
Fixed Income	\$ 25,735,084	\$ –	\$ –	\$ 25,735,084
Investment Fund	19,487,763	188,881,874	–	208,369,637
	\$ 45,222,847	\$ 188,881,874	\$ –	\$ 234,104,721

10. Involvement with unconsolidated structured entities:

The table below describes the types of structured entities that the Fund does not consolidate but in which they hold an interest.

December 31, 2023

Strategy	Number of Investee Funds	Net Asset Value of Investee Fund (range and weighted avg)	Investment fair value	% of net assets attributable to holders of redeemable units
Diversified	2	\$26,017 million	\$ 234,136,979	81.20%
			\$ 234,136,979	81.20%

December 31, 2022

Strategy	Number of Investee Funds	Net Asset Value of Investee Fund (range and weighted avg)	Investment fair value	% of net assets attributable to holders of redeemable units
Diversified	2	\$24,548 million	\$ 208,369,637	78.33%
			\$ 208,369,637	78.33%

BELLWETHER FIXED INCOME FUND

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For the year ended December 31, 2023

The investment objective of the Fund is to achieve maximum total investment return, consistent with preservation of capital and prudent investment management through stable income and long-term capital appreciation primarily through investments in debt obligations and other evidences of indebtedness of Canadian, US, and International issuers.

The Fund finances its operations by issuing redeemable units which are puttable at the holder's option and entitle the holder to a proportional stake in the Fund's net assets.

The change in fair value of the investment in the Fund is included in the Statement of Comprehensive Income in net gains/losses on financial instruments and derivatives held at FVTPL.

11. Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the year ended December 31, 2023 and 2022 is calculated as follows:

	Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Year	Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit
December 31, 2023			
Series O	\$ 23,350,130	36,214,904\$	0.64
<hr/>			
December 31, 2022			
Series F	\$ 83	2,165\$	0.04
Series O	(17,998,425)	26,926,092	(0.67)

12. Filing Exemption

The Fund has advised the Ontario Securities Commission that the Fund is relying on the exemption from the filing requirements pursuant to Section 2.11 of National Instrument 81-106.

13. Contributions receivable and redemptions payable

Contributions receivable and redemptions payable consists of units purchased/redeemed during the year for which cash has not been received/paid at year end.