

BELLWETHER ALTERNATIVE INCOME FUND

FINANCIAL STATEMENTS

For the six-month ended June 30, 2024

(Unaudited)

(in Canadian dollars)

Bellwether Alternative Income Fund

Statement of Financial Position As at June 30, 2024 (Unaudited)

	June 30, 2024	December 31, 2023
ASSETS		
Current assets		
Cash and cash equivalents	\$ 37,787,479	\$ 3,038,154
Interest receivable	541,064	(19,282)
Dividends receivable	164,697	2,458,293
Investments owned, at fair value (Cost:\$415,181,223 - 2023:\$411,705,565)	436,335,110	428,918,314
Contributions receivable (Note 13)	1,122,116	726,320
	<u>475,950,466</u>	<u>435,121,799</u>
LIABILITIES		
Current liabilities		
Accrued expenses	140,463	133,475
Redemptions payable (Note 13)	943,180	234,623
Management fees payable	50	-
	<u>1,083,693</u>	<u>368,098</u>
Net Assets Attributable to Holders of Redeemable Units	<u>\$ 474,866,773</u>	<u>\$ 434,753,701</u>
Net Assets Attributable to Holders of Redeemable Units per Series		
Series F	\$ 81,757	\$ -
Series O	<u>474,785,016</u>	<u>434,753,701</u>
	<u>\$ 474,866,773</u>	<u>\$ 434,753,701</u>
Number of Redeemable Units Outstanding		
Series F	8,156	-
Series O	44,481,062	40,915,796
Net Assets Attributable to Holders of Redeemable Units per Unit		
Series F	\$ 10.02	\$ -
Series O	10.67	10.63

Approved :



Trustee:

Bellwether Alternative Income Fund

Statement of Comprehensive Income For the six-months ended June 30, 2024 (Unaudited)

	2024	2023
Income		
Interest income for distribution purposes	\$ 13,150,585	\$ 12,874,121
Dividends	928,891	756,011
Change in unrealized gain (loss) on investments and foreign currency	3,953,438	(1,407,086)
Realized gain on sale of investments and foreign currency	317,245	13,926
Change in unrealized depreciation of forward contracts	–	(265,826)
Net realized loss on forward contracts	–	(281,650)
	<u>18,350,159</u>	<u>11,689,496</u>
Expenses		
Operating costs (Note 6)	899,972	737,599
Commissions and other portfolio transaction costs (Note 7)	287	2,032
Management fees (Note 6)	57	–
Withholding tax	1	121,084
	<u>900,317</u>	<u>860,715</u>
Increase in Net Assets Attributable to Holders of Redeemable Units	<u>\$ 17,449,842</u>	<u>\$ 10,828,781</u>
Increase in Net Assets Attributable to Holders of Redeemable Units per Series		
Series F	\$ 521	\$ –
Series O	<u>17,449,321</u>	<u>10,828,781</u>
	<u>\$ 17,449,842</u>	<u>\$ 10,828,781</u>
Increase in Net Assets Attributable to Holders of Redeemable Units per Unit		
Series F	\$ 0.06	\$ –
Series O	0.42	0.28

Bellwether Alternative Income Fund

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the six-months ended June 30, 2024 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	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 period
June 30, 2024							
Series F	\$ -	\$ 81,236	\$ (329)	\$ -	\$ 329	\$ 521	\$ 81,757
Series O	\$ 434,753,701	\$ 43,338,331	\$ (15,725,787)	\$ (20,562,335)	\$ 15,531,785	\$ 17,449,321	\$ 474,785,016
	\$ 434,753,701	\$ 43,419,567	\$ (15,726,116)	\$ (20,562,335)	\$ 15,532,114	\$ 17,449,842	\$ 474,866,773

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2024 were \$81,236 and \$(81,236), respectively.

	Net assets attributable to holders of redeemable units, beginning of period	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 period
June 30, 2023							
Series O	\$ 389,342,169	\$ 27,688,082	\$ (12,148,927)	\$ (16,952,586)	\$ 12,005,325	\$ 10,828,781	\$ 410,762,844

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2023 were \$nil and \$nil, respectively.

Bellwether Alternative Income Fund

Statement of Cash Flows

For the six-months ended June 30, 2024 (Unaudited)

	2024	2023
Cash provided by (used in):		
Operating Activities		
Increase in Net Assets Attributable to Holders of Redeemable Units	\$ 17,449,842	\$ 10,828,781
Adjustments for non-cash items		
Commissions and other portfolio transaction costs	287	2,032
Change in unrealized (gain) loss on investments and foreign currency	(3,953,438)	1,407,086
Realized gain on sale of investments and foreign currency	(317,245)	(13,926)
Change in unrealized depreciation of forward contracts	–	265,826
Change in non-cash balances		
Increase in interest receivable	(560,346)	(43,908)
Decrease (increase) in dividends receivable	2,293,596	(34,012)
Increase in contributions receivable	(395,796)	(887,305)
Increase in accrued expenses	6,988	4,795
Increase in redemptions payable	708,557	324,361
Increase in management fees payable	50	–
Proceeds from sale of investments	12,663,702	5,514,774
Purchase of investments	(15,897,543)	(31,231,624)
Cash provided by (used in) operating activities	<u>11,998,654</u>	<u>(13,863,120)</u>
Financing Activities		
Proceeds from issuances of redeemable units	43,338,331	27,688,082
Distributions to unitholders, net of reinvestments	(194,002)	(143,602)
Amount paid on redemption of redeemable units	(20,481,099)	(16,952,586)
Cash provided by financing activities	<u>22,663,230</u>	<u>10,591,894</u>
Increase (decrease) in cash and cash equivalents during the period	34,661,884	(3,271,226)
Foreign exchange gain on cash	87,441	5,079
Cash and cash equivalents, beginning of period	<u>3,038,154</u>	<u>13,785,927</u>
Cash and cash equivalents, end of period	<u>\$ 37,787,479</u>	<u>\$ 10,519,780</u>
Supplemental information*		
Interest received	\$ 12,605,109	\$ 12,830,213
Dividends received, net of withholding taxes	840,462	600,914

*Included as a part of cash flows from operating activities

Bellwether Alternative Income Fund

Schedule of Investment Portfolio As at June 30, 2024 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
Canadian equity				
55,000	AltaGas Ltd.	\$ 949,236	\$ 1,700,050	0.36
Canadian fixed income				
2,000,000	Ag Growth International Inc. 5.20% 31DEC27	2,000,000	2,063,760	0.43
80,000	Canadian Imperial Bank of Commerce Preferred Shares 5.878%	1,964,924	1,928,000	0.41
100,000	Cargojet Inc. 5.75% 30APR25	100,000	99,305	0.02
99,500	ECN Capital Corp. Preferred Shares 6.25%	2,025,215	1,721,350	0.36
129,700	Element Fleet Management Corp. Preferred Shares 5.903%	2,792,219	3,241,203	0.68
56,000	Element Fleet Management Corp. Preferred Shares 6.21%	1,160,404	1,400,000	0.29
332,700	Enbridge Inc. Preferred Shares 4.376%	5,250,723	6,321,300	1.33
103,600	Enbridge Inc. Preferred Shares 4.46%	1,921,317	1,811,964	0.38
19,800	Pembina Pipeline Corp. Preferred Shares 5.20%	357,711	467,478	0.10
3,058,824	York – Eastlake Lands 12.5% 18JUN2024	3,058,824	3,058,824	0.64
		<u>20,631,337</u>	<u>22,113,184</u>	<u>4.64</u>
Canadian investment funds				
18,206	CHP BIM Limited Partnership - Class A	18,206,016	26,623,544	5.61
7,860	CHP Master I Limited Partnership	7,994,236	8,406,119	1.77
2,401,145	Cortland Credit Strategies LP Class F	28,125,091	28,246,346	5.95
790,899	Ninepoint Canadian Senior Debt Fund Class S	8,115,083	9,889,000	2.08
1,412,483	Oaktree Strategic Credit Trust (Canadian Feeder) - Class F	33,928,120	34,277,358	7.22
2,337,545	PIMCO Monthly Income Fund Canada	32,311,883	29,220,721	6.15
224,060	PIMCO Tactical Opportunities Canada Fund L.P. - Class D	23,099,640	24,393,381	5.14
70,664	PIMCO Tactical Opportunities Canada Fund L.P. - Class M	7,187,961	8,005,345	1.69
3,290,429	RiverRock Mortgage Investment Corporation Class F	32,904,292	32,904,292	6.93
418,278	Trez Capital High Yield #3	4,182,781	4,182,781	0.88
1,150,000	Trez Capital Prime Trust Class I	11,500,000	11,500,000	2.42
3,400,000	Trez Capital Yield Trust US Class I	33,954,869	34,000,000	7.16
550,000	Trez Capital Yield Trust Class I	5,500,000	5,500,000	1.16
		<u>247,009,972</u>	<u>257,148,887</u>	<u>54.16</u>

Bellwether Alternative Income Fund

Schedule of Investment Portfolio (Cont'd)

As at June 30, 2024 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
U.S. investment funds				
6,227,875	Crestline Opportunity Fund IV Offshore FT, L.P.	\$ 7,357,711	\$ 10,279,379	2.16
8,282,382	Crestline Opportunity Fund V Offshore FT/FNT, L.P.	11,173,338	12,670,337	2.67
11,331,402	Crestline Specialty Lending II (CAN), LP	14,984,075	10,216,630	2.15
12,049,619	Crestline Specialty Lending III (FT), LP	15,687,303	17,592,141	3.70
16,031,172	North Haven Credit Partners III Offshore Feeder L.P.	20,618,849	24,499,943	5.16
100,000	North Haven Private Income Fund A iCapital Canada Access Trust - Class F	13,249,500	13,769,950	2.90
10,800,000	PIMCO BRAVO Fund IV Offshore Feeder II, L.P.	14,021,940	11,606,393	2.44
33,002	Rivers Investments, LLC	42,831,212	47,894,216	10.09
50,000	Trez Capital High Yield Fund #4 LP	6,666,750	6,844,000	1.44
		<u>146,590,678</u>	<u>155,372,989</u>	<u>32.71</u>
	Total investments owned	415,181,223	436,335,110	91.87
	Commissions and other portfolio transaction costs	<u>(19,112)</u>	<u>—</u>	<u>—</u>
	Net investments owned	<u>\$ 415,162,111</u>	436,335,110	91.87
	Other assets, net		<u>38,531,663</u>	<u>8.13</u>
	Net Assets Attributable to Holders of Redeemable Units		<u>\$ 474,866,773</u>	<u>100.00</u>

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

1. Formation of the Fund

The Bellwether Alternative Income Fund (the "Fund") is an open-ended mutual fund trust. The Fund was established by a Declaration of Trust dated December 1, 2016, and commenced operations on March 3, 2017. 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 superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes, primarily by investing in third-party funds and/or limited partnerships with portfolios comprised of asset-based loans of companies based primarily in Canada and/or the United States.

National Bank Financial Inc. is the custodian of the Funds. SGGG Fund Services Inc. is the record keeper and valuation services agent for the Funds.

2. Basis of Presentation

These interim financial statements have been prepared in compliance with IFRS Accounting Standards and 'International Accounting Standard 34, Financial Reporting (together "IFRS") 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, 2023 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 August 21, 2024 which is the date on which the financial statements were authorized for issue by the Trustee.

3. Summary of Material Accounting Policy Information

The following summarizes the material accounting policy information 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.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

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.

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 and cash equivalents

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

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

Financial Instruments

The Fund's financial instruments include cash and cash equivalents, interest receivable, dividends receivable, investments, contributions receivable, accrued expenses and redemptions payable. Investments and foreign exchange forward contracts 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.

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 year end is determined by the fair value of that investment less the average cost of the investment.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

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.

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 period.

Increase in Net Assets Attributable to Holders per Unit

Increase in Net Assets attributable to holders of redeemable units per unit is based on the increase in Net Assets attributable to holders of redeemable units attributed to each series of units, divided by the weighted average number of units outstanding of that series during the period. 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 and 2022, the Funds had realized capital losses available to carry forward to future years as follows:

	2023	2022
Bellwether Alternative Income Fund	\$ 3,092,103	\$ 3,092,103

As at December 31, 2023 and 2022, the Fund has no non-capital losses available to carry forward.

Distributions

All distributions on redeemable units of a series will be reinvested automatically in additional units of the same series, without charge, 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 basis to each registered unitholder, determined as of the close of business on the date of 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.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

4. Critical Accounting Estimates and Judgments

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment 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 judgments 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.

Fair value measurement of securities not quoted in an active market

The Fund may hold financial instruments that are not quoted in active markets and are valued using valuation techniques that make use of observable data, to the extent practicable. Various valuation techniques are utilized, depending on a number of factors, including 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. Key inputs and assumptions used are company specific and may include estimated discount rates and expected price volatilities. Changes in key inputs could affect the reported fair value of these financial instruments held by the Fund.

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.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

As of June 30, 2024, and 2023 only units of Series F and O had been in issue. The changes in outstanding redeemable units during the period ended June 30, 2024, and 2023 are summarized as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemptions of Redeemable Units	Reinvestments of Units	Redeemable Units, end of period
June 30, 2024					
Series F	–	8,123	–	33	8,156
Series O	40,915,796	4,019,528	(1,910,594)	1,456,332	44,481,062
June 30, 2023					
Series O	37,437,284	2,642,983	(1,612,170)	1,158,234	39,626,331

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

The Manager of the Fund is entitled to a Management Fee. The applicable Management Fee relating to Series A Units of the Fund is equal to (1/12) of 1.50% of the average Net Asset Value of the Fund relating to such series during each month. The applicable Management Fee relating to the Series F Units of the Fund is equal to (1/12) of 1.00% of the average Net Asset Value of the Fund relating to such series during each month. Management fees relating to the Series O Units of the Fund are paid directly by the unitholder and are not charged to the Fund.

As at June 30, 2024, the total outstanding management fees payable to the Manager was \$50 (December 31, 2023 - \$Nil). The total management fees expense for the period ended June 30, 2024 was \$57 (2023 - \$Nil).

Operating Expenses

The operating expenses charged to the Bellwether Alternative Income Fund will be capped at 60 basis points per annum.

Other Transactions

Glen Road Trust

Glen Road Trust (GRT) is an open-ended, unincorporated investment trust. The Fund considers GRT to be a related party as two of the trustees of GRT are also board members of Lorne Park Capital Partners Inc. (LPC), and BIM is a wholly-owned subsidiary of LPC.

During the period ended June 30, 2024 the Fund sold Nil (2023 – 54,567) units of GRT at a price of \$Nil per unit, for total proceeds of \$Nil (2023 - \$507,473). Also, the Fund received interest income for distribution purposes of \$Nil (2023 - \$7,068) from GRT.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

7. Brokerage Commissions and Other Transaction Costs

The Fund paid \$287 (2023 - \$2,032) brokerage commissions and other transaction costs for portfolio transactions during the period ended June 30, 2024.

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 June 30, 2024 and 2023 the Fund did not have soft costs.

8. Risks Associated with Financial Instruments

The investment objective of the Fund is to achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes, primarily by investing in third-party funds and/or limited partnerships with portfolios comprised of asset based loans of companies based primarily in Canada and/or the United States. The Fund intends to allocate capital to invest in securities and funds (the "Portfolio") managed by certain third-party managers selected by the Manager from time to time who will employ various credit strategies across the credit quality spectrum (each an "Underlying Fund").

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 daily 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

The Fund invests in monetary assets denominated in U.S. dollars. These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Fund utilizes foreign exchange forward contracts to economically hedge the management of currency risk associated with its investment in foreign securities. The objective is to protect the Fund from the possibility of capital losses on foreign currency-denominated investments due to increases in the value of the Canadian dollar. However, credit and market risks associated with foreign exchange forward contracts potentially expose the Fund to losses.

As at June 30, 2024 and December 31, 2023, the Fund did not hold any forward contracts. The table below indicate the foreign currency to which the Fund had exposure directly on its trading monetary and non-monetary assets and liabilities, as well as the underlying principal amount of foreign exchange contracts:

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

June 30, 2024		Currency risk-exposed holdings (including derivatives)*		Foreign exchange contracts	Net exposure	% of net assets
United States dollar	\$	169,118,529	\$	-	169,118,529	35.61

December 31, 2023		Currency risk-exposed holdings (including derivatives)*		Foreign exchange contracts	Net exposure	% of net assets
United States dollar	\$	147,802,981	\$	-	147,802,981	34.18

*Amounts reflect the carrying value of monetary and non-monetary items (including notional amount of forward foreign currency contracts).

Currency risk relates to the possibility that foreign exchange forward contracts change in value due to fluctuations in currency prices. The foreign exchange forward contracts are marked to market daily and the resulting unrealized gains or losses are recognized in the Statement of Financial Position.

The result of employing foreign exchange forward contracts is that the foreign exchange gains and losses in the securities portfolio move in opposite direction from the gains and losses in the hedging portfolio.

The tables below indicate the foreign currency to which the Fund had significant exposure as at June 30, 2024 and December 31, 2023 in Canadian dollar terms. The tables also illustrate the potential impact on the net assets attributable to holders of redeemable units if the Canadian dollar had strengthened or weakened by 5% in relation to the other currency, with all other variables held constant.

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
June 30, 2024						
U.S. Dollar	\$ 13,745,540	\$ 155,372,989	\$ 169,118,529	\$ 687,277	\$ 7,768,649	\$ 8,455,926
% of Net Assets						
Attributable to Holders of Redeemable Units	2.9	32.7	35.6	0.1	1.6	1.7

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
December 31, 2023						
U.S. Dollar	\$ 55,977	\$ 147,747,004	\$ 147,802,981	\$ 2,799	\$ 7,387,350	\$ 7,390,149
% of Net Assets						
Attributable to Holders						
of Redeemable Units	0.0	34.0	34.0	0.0	1.7	1.7

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

(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 but are not publicly traded, and therefore do not fluctuate with market interest rates movement. Due to the relatively short term nature of most of the non-public investments, investors will be subject to changes in the yield of the underlying securities but not to changes in market price. As a result, the Fund is not subject to significant interest rate risk due to fluctuations in the prevailing level of market interest rates.

As at June 30, 2024 and December 31, 2023, the Fund did not have significant exposure to interest rate risk.

(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 June 30, 2024 and December 31, 2023, 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:

	June 30, 2024	December 31, 2023
Market Sensitivity Analysis	Estimated Impact on net assets attributable to holders of redeemable units	Estimated Impact on net assets attributable to holders of redeemable units
Bellwether Alternative Income Fund	\$ 15,271,729	\$ 15,012,141

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

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

(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.

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.

The Fund also invests in cash and short-term investments. The Fund limits exposure to credit loss by placing cash and short-term investments with high credit quality government and financial institutions.

As at June 30, 2024 and December 31, 2023 the Fund held debt securities for which the credit rating breakdown is as follows:

Debt instruments by credit rating*	% of the net asset value	
	June 30, 2024	December 31, 2023
AAA	5.82%	6.30%
AA	0.08%	0.13%
A	-0.23%	-0.23%
BBB/BAA	0.67%	0.71%
BB	-0.02%	0.19%
B & Below	2.11%	2.12%
NR	88.04%	87.02%

* Excludes cash

(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 readily realizable and highly liquid. In addition, the Fund retains sufficient cash positions to maintain liquidity.

At June 30, 2024 and December 31, 2023, the Fund did not have significant exposure to liquidity risk.

(vi) Counterparty Credit Risk

The Fund is also exposed to counterparty credit risk from the use of forward contracts. This risk is managed by using counterparties who have a minimum credit rating of "A". Ongoing monitoring of credit events/rating developments occurs to ensure the sustainable credit quality of the counterparty. Various factors are considered in the assessment process, including fundamental components of the counterparty's profile (such as capital adequacy, asset quality, profitability and liquidity) and credit ratings assigned to the counterparty.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

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 June 30, 2024 and December 31, 2023:

June 30, 2024

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 1,700,050	\$ –	\$ –	1,700,050
Fixed Income	18,955,055	99,305	3,058,824	22,113,184
Investment Fund	–	157,206,080	255,315,796	412,521,876
	\$ 20,655,105	\$ 157,305,385	\$ 258,374,620	\$ 436,335,110

December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets				
Equities	\$ 1,669,200	\$ –	\$ –	1,669,200
Fixed Income	20,033,923	99,676	3,058,824	23,192,423
Investment Fund	–	151,249,900	252,806,791	404,056,691
	\$ 21,703,123	\$ 151,349,576	\$ 255,865,615	\$ 428,918,314

There were no transfers between levels during the six-months ended June 30, 2024.

During the year ended December 31, 2023, certain investment funds were transferred from Level 2 to Level 3 as a result of the continuous evaluation of the appropriateness of the levels. As at December 31, 2023, the fair value of investment funds was \$213,901,023. During the year ended December 31, 2023, investment fund was transferred from Level 1 to Level 2 as result of the continuous evaluation of the appropriateness of the levels. As at December 31, 2023, the fair value of investment funds was \$32,293,871.

The changes in investments measured at fair value using significant Level 3 inputs are reflected below:

June 30, 2024

	Total
Beginning Balance, January 01, 2024	\$ 255,865,615
Purchases	5,614,264
Sales	(5,926,506)
Realized gains included in net income	258,252
Change in unrealized appreciation included in net income	2,562,995
Ending Balance, June 30, 2024	\$ 258,374,620

December 31, 2023

	Total
Beginning Balance, January 01, 2023	\$ 37,536,250
Purchases	34,020,572
Sales	(507,473)
Net transfers into and/or out of Level 3	186,725,590
Change in unrealized depreciation included in net income	(1,909,324)
Ending Balance, December 31, 2023	\$ 255,865,615

Realized and unrealized gain (loss) recognized for Level 3 investments are reported in "Change in unrealized gain (loss) on investments and foreign currency" and "Realized gain on sale of investments and foreign currency" in the Statement of Comprehensive Income.

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

The significant unobservable inputs used in the fair value measurement of Level 3 investments were for the period ended June 30, 2024 and year ended December 31, 2023:

Description	Fair value at June 30, 2024	Fair value at December 31, 2023	Valuation technique	Unobservable input	Range (weighted average)	Sensitivity to changes in significant unobservable inputs
Investment Fund	\$ 255,315,796	\$ 252,806,791	Valued at Fair Value based on internal models and third party information during the recent year, or Cost.	Lack of market information throughout the year	No alternative assumption to disclose	Additional grey market activity
Fixed Income	\$ 3,058,824	\$ 3,058,824	Valued at Fair Value based on internal models and third party information during the recent year, or Cost.	Lack of market information throughout the year	No alternative assumption to disclose	Additional grey market activity

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.

June 30, 2024

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
Multi-residential real estate lending	6	\$2,789 million	\$ 85,348,249	19.71%
Retail real estate lending	3	2,302 million	4,187,052	0.97%
Office real estate lending	2	1,324 million	1,505,000	0.35%
Other real estate lending	4	2,588 million	6,949,596	1.60%
Private Credit	8	13,736 million	235,043,669	54.27%
Supply Chain finance	1	1,090 million	9,321,294	2.15%
Global Income	3	35,864 million	73,225,840	16.91%

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

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
Multi-residential real estate lending	5	\$2,782 million	\$ 76,593,547	18.15%
Industrial real estate lending	2	\$1,468 million	1,154,000	0.27%
Retail real estate lending	3	\$2,289 million	4,541,765	1.08%
Office real estate lending	2	\$1,468 million	764,500	0.18%
Other real estate lending	4	\$2,609 million	6,865,235	1.63%
Private Credit	8	\$9,478 million	231,030,407	54.75%
Supply Chain finance	1	\$1,150 million	8,967,893	2.13%
Global Income	3	\$33,116 million	77,198,168	18.30%

The objective of the Fund is to achieve superior risk-adjusted returns with minimal volatility and low correlation to most traditional asset classes, primarily by investing in third-party funds and/or limited partnerships with portfolios comprised of asset based loans of companies based primarily in Canada and/or the United States.

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 in net assets attributable to holders of redeemable units per unit

The increase in net assets attributable to holders of redeemable units per unit for the periods ended June 30, 2024 and 2023 is calculated as follows:

	Increase in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Period	Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
June 30, 2024			
Series F	\$ 521	8,141	\$ 0.06
Series O	17,449,321	41,893,484	0.42
June 30, 2023			
Class O	\$ 10,828,781	38,173,781	\$ 0.28

BELLWETHER ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the six-months ended June 30, 2024 (Unaudited)

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 period for which cash has not been received/paid at period end.