

# **Globevest Capital Balanced Fund**

## **Interim Financial Statements**

**June 30, 2023**

(Unaudited)

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## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements have been prepared by Globevest Capital Ltée in its capacity as the Manager of the Fund. The Fund's Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Manager. The significant accounting policies which the Manager believes are appropriate for the Fund are described in Note 3 to the unaudited interim financial statements.

## **NOTICE TO UNITHOLDERS**

**The Auditors of the Fund have not reviewed these financial statements.**

Globevest Capital, the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that, if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

## Globevest Capital Balanced Fund

### Comprehensive Income

For the periods of six-month ended June 30, 2023 and 2022

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

(Unaudited)

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>Revenue</b>		
Interest	130	109
Dividends	21	37
Net realized losses on sale of investments and derivative financial instruments	(155)	(314)
Net realized foreign exchange loss		(29)
Net change in unrealized appreciation of investments and derivative financial instruments	<u>243</u>	<u>467</u>
	<u>239</u>	<u>270</u>
<b>Expenses</b>		
Management fees	109	132
Unitholder reporting costs	18	17
Recordkeeping	36	31
Custodian fees	14	10
Audit and accounting fees	18	(12)
Commissions and other portfolio transaction costs	3	3
Withholding expenses		1
	<u>198</u>	<u>182</u>
<b>Increase in net assets attributable to holders of redeemable units</b>	<u>41</u>	<u>88</u>
<b>Increase in net assets attributable to holders of redeemable units per series</b>		
Series F1	37	83
Series F2	4	5
	<u>41</u>	<u>88</u>
<b>Average number of redeemable units outstanding during the period per series</b>		
Series F1	2,352,020	2,657,184
Series F2	78,944	80,198
<b>Increase in net assets attributable to holders of redeemable units per series, per unit</b>		
Series F1	0.02	0.03
Series F2	0.05	0.06

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

## Globevest Capital Balanced Fund

### Interim Changes in Net Assets Attributable to Holders of Redeemable Units

For the periods of six-month ended June 30, 2023 and 2022

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

(Unaudited)

	Series F1		Series F2	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance, beginning of period	22,338	24,700	904	830
Increase in net assets attributable to holders of redeemable units	37	83	4	5
Capital unit transactions (a)				
Proceeds from units issued for cash	577	2,218		40
Amounts paid on redemption of units	(854)	(2,794)	(71)	(1)
	(277)	(576)	(71)	39
Increase (decrease) in net assets attributable to holders of redeemable units for the period	(240)	(493)	(67)	44
Balance, end of period	22,098	24,207	837	874
(a) Capital unit transactions (number of units)				
Units outstanding, beginning of period	2,352,755	2,674,929	81,415	77,241
Units issued for cash	60,017	241,581		3,748
Units redeemed	(89,443)	(303,735)	(6,390)	(139)
Units outstanding, end of period	2,323,329	2,612,775	75,025	80,850

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

## Globevest Capital Balanced Fund

### Interim Cash Flows

For the periods of six-month ended June 30, 2023 and 2022

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

(Unaudited)

	<u>2023</u>	<u>2022</u>
	\$	\$
<b>OPERATING ACTIVITIES</b>		
Increase in net assets attributable to holders of redeemable units	41	88
Changes in operating assets and liabilities		
Net realized foreign exchange loss		29
Net realized loss (gains) on sale of investments and derivative financial instruments	155	314
Net change in unrealized appreciation of investments and derivative financial instruments	(243)	(467)
Investments purchased	(1,093)	(7,508)
Proceeds from sale of investments	702	9,046
Proceeds from sale of derivative financial instruments		(175)
Derivative financial instruments purchased	(18)	205
Net change in operating assets and liabilities	(497)	1,444
Changes in non-cash items		
Margin deposits on derivative financial instruments	660	(67)
Interest receivable	12	(12)
Dividends receivable		(5)
Other receivables	(11)	12
Management fees payable	10	(6)
Other accrued expenses	(13)	(45)
Net change in non-cash items	658	(123)
Cash flows from operating activities	202	1,409
<b>FINANCING ACTIVITIES</b>		
Proceeds from units issued	589	2,228
Amounts paid on redemption of units	(925)	(2,840)
Cash flows from financing activities	(336)	(612)
<b>Net change in cash</b>	(134)	797
Foreign exchange loss		(29)
Cash, beginning of period	32	3
Cash (bank overdraft), end of period	(102)	771
Interest revenue received included in operating activities	142	97
Dividends received included in operating activities	21	7

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

## Globevest Capital Balanced Fund

### Interim Financial Position

As at June 30, 2023 and December 31, 2022

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

	Unaudited June 30, 2023 \$	Audited December 31, 2022 \$
<b>ASSETS</b>		
Current		
Investments	23,774	23,274
Cash		32
Margin deposits on derivative financial instruments		3
Interest receivable	39	51
Subscription of units receivable		12
Other receivables	44	33
	<u>23,857</u>	<u>23,405</u>
<b>LIABILITIES</b>		
Current		
Unrealized depreciation on derivative financial instruments (Table 1)	3	
Bank overdraft	102	
Margin deficits on derivative financial instruments	657	
Management fees payables	71	61
Other accrued expenses	89	102
	<u>922</u>	<u>163</u>
Net assets attributable to holders of redeemable units	<u>22,935</u>	<u>23,242</u>
Net assets attributable to holders of redeemable units per series		
Series F1	22,098	22,338
Series F2	837	904
	<u>22,935</u>	<u>23,242</u>
Units outstanding		
Series F1	2,323,329	2,352,755
Series F2	75,025	81,415
	<u>2,398,354</u>	<u>2,434,170</u>
Net assets attributable to holders of redeemable units per series, per unit		
Series F1	9.51	9.49
Series F2	11.16	11.10

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

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

\_\_\_\_\_  
Director

\_\_\_\_\_  
Director

## Globevest Capital Balanced Fund Investment Portfolio

June 30, 2023

(In Canadian dollars)

(Unaudited)

	Coupon rate	Maturity date	Nominal value	Average cost	Fair value	Net assets
			\$	\$	\$	%
<b>BONDS</b>						
<b>Canadian bonds</b>						
Corporate						
Alimentation Couche-Tard Inc.	3,060 %	2024-07-26	100,000	97,940	97,436	0.42
Bank of Montreal	7,373 %	2049-12-31	680,000	709,511	669,019	2.92
Canadian Imperial Bank of Commerce	4,375 %	2080-10-28	50,000	46,375	45,947	0.20
Canadian Western Bank	6,000 %	2081-04-30	200,000	205,000	172,617	0.75
Capital Power Corp.	7,950 %	2082-09-09	141,000	142,079	138,133	0.60
Enbridge Inc.	5,375 %	2077-09-27	280,000	268,645	256,802	1.12
Ford Credit Canada Co.	6,777 %	2025-09-15	100,000	100,100	99,802	0.44
Inter Pipeline Ltd.	6,625 %	2079-11-19	410,000	411,335	373,914	1.63
Manulife Financial Corp.	7,117 %	2082-06-19	50,000	49,775	48,485	0.21
National Bank of Canada	7,500 %	2082-11-16	200,000	199,900	196,119	0.86
Royal Bank of Canada	2,740 %	2029-07-25	100,000	96,878	96,655	0.42
Toronto-Dominion Bank (The)	7,283 %	2082-10-31	150,000	147,938	147,328	0.64
TransAlta Corp.	7,300 %	2029-10-22	150,000	176,857	155,396	0.68
TransCanada Trust	4,650 %	2077-05-18	400,000	368,126	356,195	1.55
Videotron Ltd.	5,750 %	2026-01-15	500,000	518,312	494,668	2.16
				3,538,771	3,348,516	14.60
<b>Total Canadian bonds</b>				3,538,771	3,348,516	14.60
<b>International bonds</b>						
United States						
Citigroup Inc.	5,698 %	2027-05-24	520,000	531,734	517,366	2.26
Sears Holding Corp.	6,625 %	2018-10-15	367,000	338,143	36,342	0.16
				869,877	553,708	2.42
<b>Total International bonds</b>				869,877	553,708	2.42
<b>Total bonds</b>				4,408,648	3,902,224	17.02
<b>EQUITIES</b>						
<b>Canadian equities</b>						
Financial services						
Bank of Nova Scotia			1,600	103,888	106,048	0.46
				103,888	106,048	0.46
<b>Investment funds</b>						
Champlain RPA			2,000,000	1,545,722	2,214,000	9.65
Globevest Capital Real Estate Fund, Series 'F1'			1,291,902	13,516,458	17,551,556	76.53
				15,062,180	19,765,556	86.18
<b>Total Canadian equities</b>				15,166,068	19,871,604	86.64
<b>Total equities</b>				15,166,068	19,871,604	86.64
<b>Total investments before transactional cost</b>				19,574,716		
Transaction costs				(2,538)		
<b>Total investments</b>				19,572,178	23,773,828	103.66
Unrealized depreciation on derivative financial instruments (Table 1)					(2,539)	(0.01)
Margin deficits on derivative financial instruments					(657,012)	(2.86)
Other Assets, less Liabilities					(179,294)	(0.79)
<b>Total net assets attributable to holders of redeemable units</b>					22,934,983	100.00

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

## Globevest Capital Balanced Fund

### Derivative Financial Instruments (Table 1)

June 30, 2023  
(In Canadian dollars)  
(Unaudited)

	Expiry date	Number of options	Book value \$	Faire value \$	Net assets %
<b>Put options – American options</b>					
NVIDIA Corp.	2024-01-20	(5)	(11,619)	(1,368)	
Tesla Inc.	2024-01-20	(4)	(6,025)	(1,171)	
<b>Total of put options – short position</b>			<u>(17,644)</u>	<u>(2,539)</u>	<u>(0.01)</u>
<b>Total unrealized depreciation of derivative financial instruments</b>			<u>(17,644)</u>	<u>(2,539)</u>	<u>(0.01)</u>

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



# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### **1 - THE FUND**

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

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

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

These interim financial statements were approved and authorized for publication by the Board of Directors of the Manager on August 25, 2023.

### **2 - SIGNIFICANT ACCOUNTING POLICIES**

#### **Basis of presentation**

These interim financial statements are presented in Canadian dollars and have been prepared in compliance with International Financial Reporting Standards (IFRS) and International Accounting Standard IAS 34 *Interim Financial Reporting* as well as the standards governed by *Regulation 81-106 respecting Investment Fund Continuous Disclosure*.

#### **Valuation of investments**

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

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

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value, based on the specific facts and circumstances.

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

#### **Derivative financial instruments**

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **Financial instruments – short positions**

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

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

#### **Investment transactions, transaction costs, and income and expenses**

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

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

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

#### **Other financial assets and liabilities**

Cash, interest receivable and other receivables are classified and measured at amortized cost. Similarly, bank overdraft, management fees payable and other accrued expenses are classified and measured at amortized cost. Amortized cost approximates fair value for these assets and liabilities due to their short-term maturity.

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

#### **Derecognition**

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

#### **Impairment of financial assets**

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

#### **Foreign currency translation**

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

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

#### **Valuation of redeemable units**

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### **2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The increase in net assets attributable to holders of redeemable units per series per unit reported in the interim statements of comprehensive income is calculated as the increase in net assets attributable to holders of redeemable units divided by the weighted average number of units outstanding during the period.

#### **Taxation**

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

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

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

### **3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS**

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

#### **Significant judgments**

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

##### *Functional currency*

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

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### 3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

#### *Classification of units*

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

#### *Investment entity*

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

#### **Estimation uncertainties**

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

#### *Fair value of financial instruments*

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

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### **4 - REDEEMABLE UNITS**

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

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

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

### **5 - MANAGEMENT FEES AND TRAILER FEES**

#### **Management fees**

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

	%
Series F1	1.35
Series F2	0.85

### **6 - FINANCIAL RISK MANAGEMENT**

#### **Financial risk factors**

##### *Risk management*

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

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

#### Credit risk

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

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

#### – Bond investments:

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

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

Credit rating	Percentage of the Fund's total net assets	
	2023-06-30	2022-12-31
	%	%
A	2.05	0.77
BBB	9.32	9.24
Below BBB	4.73	7.77
Other	0.91	1.00

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

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



# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

#### Market risk

– Interest rate risk:

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

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

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

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

Maturity dates	Total exposure	
	2023-06-30	2022-12-31
	\$	\$
Less than 1 year	36	37
1 to 5 years	1,210	1,611
5 to 10 years	252	277
More than 10 years	2,404	2,440
	<u>3,902</u>	<u>4,365</u>

A change of plus or minus 1% in the interest rates, all other variables remaining unchanged, would impact the value of the bond portfolio by more or less \$390 as at June 30, 2023 and \$419 as at December 31, 2022. Actual results could differ from that sensitivity analysis and differences could be important. Certain mutual fund units also indirectly expose the Fund to interest risk;

– Currency risk:

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

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

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

	2023-06-30		
Financial instruments denominated in U.S. dollars	Amount	Percentage of net assets	Sensitivity
	CAN\$	%	CAN\$
Investments and cash	35	0.15	2

  

	2022-12-31		
Financial instruments denominated in U.S. dollars	Amount	Percentage of net assets	Sensitivity
	CAN\$	%	CAN\$
Investments and cash	38	0.16	2

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

– Other price risk:

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

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

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

The impact on the net assets attributable to holders of redeemable units of a change of 1% in the trade places as at June 30, 2023 and as at December 31, 2022, all other variables remaining unchanged, would have an impact of more or less \$199 and \$189 respectively.

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

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

#### Liquidity risk

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

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

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

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

#### Concentration risk

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

Market segment	2023-06-30	2022-12-31
	%	%
Canadian bonds		
Corporate	14.6	16.4
International bonds		
United States	2.4	2.4
Equities		
Financials	0.5	
Investment funds	86.2	81.4
	103.7	100.2

#### Hierarchy of financial instruments at fair value

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

- Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities, for which the investment managers have access on valuation date;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

- Level 3: Inputs for the asset or liability that are not based on observable market data.

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

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

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

	2023-06-30			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments	17,658	3,902	2,214	23,774
Liabilities				
Unrealized depreciation of derivative financial instruments	(3)			(3)
	<u>17,655</u>	<u>3,902</u>	<u>2,214</u>	<u>23,771</u>
				2022-12-31
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments	16,311	4,365	2,598	23,274

# Globevest Capital Balanced Fund

## Notes to Interim Financial Statements

June 30, 2023

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

(Unaudited)

### 6 - FINANCIAL RISK MANAGEMENT (Continued)

#### Level 3 reconciliation

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

During the 6 months period ended June 30, 2023, the reconciliation of Level 3 instruments measured using non observable inputs is presented as follows:

	<u>2023-06-30</u>	<u>2022-12-31</u>
	\$	\$
Fair value, beginning of period	2,598	2,525
Net change in unrealized appreciation	<u>(384)</u>	<u>73</u>
Fair value, end of period	<u><u>2,214</u></u>	<u><u>2,598</u></u>

### 7 - RELATED PARTY TRANSACTIONS

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

- Transactions on investment funds or discretionary accounts, all managed by the Manager;
- Engagement in cash transactions with related investment funds and discretionary accounts, all managed by the Manager;
- Purchase of the Trustee's and the Custodian's parent company securities.

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

During the six month periods ended June 30, 2023 and 2022, management fees were paid to the Manager. These transactions occurred in the normal course of operations and are measured at the exchange value, which is the amount established and agreed to by the related parties.

As at June 30, 2023 and December 31, 2022, amount of \$71 and \$61, respectively, are payable to the Manager and disclosed under the caption Management fees payable. For the periods ended June 30, 2023 and 2022 the Fund expensed management fees of \$109 and \$132 respectively to the Manager.

As at June 30, 2023, the Fund is holding units in investment funds managed by the Manager. The detail of those units is presented in the investment of portfolios.

# **Globevest Capital Balanced Fund**

## **Notes to Interim Financial Statements**

June 30, 2023

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

(Unaudited)

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### **8 - CAPITAL MANAGEMENT**

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

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

### **9 - ADDITIONAL INFORMATION**

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