

**Globevest Capital
Real Estate 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 Real Estate 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 2023-06-30	Audited 2022-12-31
	\$	\$
ASSETS		
Current		
Investments	150,312	140,300
Margin deposits on derivative financial instruments	218	990
Cash	6,601	5,813
Subscriptions of units receivable	1,968	1,306
Transactions awaiting settlement		303
	<u>159,099</u>	<u>148,712</u>
LIABILITIES		
Current		
Unrealized depreciation on derivative financial instruments	806	16
Management fees payable	174	169
Redemptions of units payable	428	164
Other accrued expenses	173	374
	<u>1,581</u>	<u>723</u>
Net assets attributable to holders of redeemable units	<u>157,518</u>	<u>147,989</u>
Net assets attributable to holders of redeemable units per series		
Series F1	53,402	52,023
Series O	104,116	95,966
	<u>157,518</u>	<u>147,989</u>
Units outstanding		
Series F1	3,930,750	3,941,184
Series O	7,832,749	7,409,663
	<u>11,763,499</u>	<u>11,350,847</u>
Net assets attributable to holders of redeemable units per series per unit		
Series F1	13.59	13.20
Series O	13.29	12.95

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 Real Estate Fund

Interim Comprehensive Income

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

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

(Unaudited)

	<u>2023</u>	<u>2022</u>
	\$	\$
Revenue		
Interest	14	16
Dividends		22
Net realized gains on sale of investments and derivative financial instruments	5,796	2,711
Net realized foreign exchange gain (loss)	(236)	246
Net change in unrealized appreciation of investments and derivative financial instruments	<u>159</u>	<u>5,692</u>
	<u>5,733</u>	<u>8,687</u>
Expenses		
Management fees	1,091	743
Recordkeeping	39	32
Unitholder reporting costs	62	39
Custodial fees	4	2
Accounting and audit fees	71	60
Administrative fees	375	
Commissions and other portfolio transaction costs	<u>2</u>	<u>(2)</u>
	<u>1,644</u>	<u>874</u>
Increase in net assets attributable to holders of redeemable units	<u>4,089</u>	<u>7,813</u>
Increase in net assets attributable to holders of redeemable units per series		
Series F1	1,518	2,459
Series O	<u>2,571</u>	<u>5,354</u>
	<u>4,089</u>	<u>7,813</u>
Average number of redeemable units outstanding during the period per series		
Series F1	3,899,555	2,722,355
Series O	7,495,322	6,252,714
Increase in net assets attributable to holders of redeemable units per series per unit		
Series F1	0.39	0.90
Series O	0.34	0.86

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

Globevest Capital Real Estate Fund

Interim Changes in Net Assets Attributable to Holders of Redeemable Units

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

(In thousands of Canadian dollars, except number of units)

(Unaudited)

	Series F1		Series O	
	2023	2022	2023	2022
	\$	\$	\$	\$
Balance, beginning of period	52,023	29,504	95,966	66,322
Increase in net assets attributable to holders of redeemable units	1,518	2,459	2,571	5,354
Capital unit transactions (a)				
Proceeds from units issued for cash	2,098	6,898	9,165	15,436
Amounts paid on redemption of units	(2,237)	(83)	(3,586)	(2,080)
	(139)	6,815	5,579	13,356
Increase in net assets attributable to holders of redeemable units for the period	1,379	9,274	8,150	18,710
Balance, end of period	53,402	38,778	104,116	85,032
Capital unit transactions (a) (number of units)				
Units outstanding, beginning of period	3,941,184	2,509,049	7,409,663	5,715,240
Units issued for cash	155,449	560,555	695,579	1,281,284
Units redeemed	(165,883)	(6,904)	(272,493)	(171,633)
Units outstanding, end of period	3,930,750	3,062,700	7,832,749	6,824,891

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

Globevest Capital Real Estate Fund

Interim Cash Flows

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

(In thousands of Canadian dollars)

(Unaudited)

	<u>2023</u>	<u>2022</u>
	\$	\$
OPERATING ACTIVITIES		
Increase in net assets attributable to holders of redeemable units	4,089	7,813
Changes in operating assets and liabilities		
Net realized foreign exchange loss (gain)	236	(246)
Net realized gain on sale of investments and derivative financial instruments	(2,683)	(4,094)
Net change in unrealized appreciation of investments and derivative financial instruments	(159)	(5,692)
Investments purchased	(13,924)	(59,927)
Proceeds from sale of investments	7,847	39,867
Net change in operating assets and liabilities	<u>(8,683)</u>	<u>(30,092)</u>
Changes in non-cash items		
Margin deposits on derivative financial instruments	772	(1,414)
Dividends receivable		2
Management fees payable	5	27
Other accrued expenses	(201)	(41)
Net change in non-cash items	<u>576</u>	<u>(1,426)</u>
Cash flows from operating activities	<u>(4,018)</u>	<u>(23,705)</u>
FINANCING ACTIVITIES		
Proceeds from units issued	10,601	23,887
Amounts paid on redemption of units	(5,559)	(2,301)
Cash flows from financing activities	<u>5,042</u>	<u>21,586</u>
Net increase (decrease) in cash	<u>1,024</u>	<u>(2,119)</u>
Net realized foreign exchange gain (loss)	(236)	246
Cash, beginning of period	5,813	54
Cash (bank overdraft), end of period	<u>6,601</u>	<u>(1,819)</u>
Dividends received included in the operating activities	<u>–</u>	<u>24</u>
Interest revenue received included in the operating activities	<u>14</u>	<u>16</u>

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

Globevest Capital Real Estate Fund Investment Portfolio

June 30, 2023

(In Canadian dollars)

	<u>Nominal value</u> \$	<u>Cost</u> \$	<u>Fair value</u> \$	<u>Net assets</u> %
Canadian equities				
Investment Funds				
Champlain RPA	2,700,000	2,065,866	2,988,900	
Globevest Capital Real Estate L.P. Fund	76,433,230	105,712,703	123,821,046	
Globevest Immobilier S.E.C.	16,901,388	19,012,211	23,502,076	
		<u>126,790,780</u>	<u>150,312,022</u>	95.43
Total canadian equities		<u>126,790,780</u>	<u>150,312,022</u>	95.43
Total equities		<u>126,790,780</u>	<u>150,312,022</u>	95.43
Total investments		<u>126,790,780</u>	<u>150,312,022</u>	95.43
Transactions costs		(1,405)		
Total investments		<u>126,789,375</u>	<u>150,312,022</u>	95.43
Derivative financial instruments				
Forward foreign currency contracts (Table 1)			(806,293)	(0.51)
Unrealized depreciation on derivative financial instruments			<u>(806,293)</u>	<u>(0.51)</u>
Margin deposits on derivative financial instruments			218,357	0.14
Other Assets, less Liabilities			7,793,904	4.95
Total net assets attributable to holders of redeemable units			<u>157,517,990</u>	<u>100.00</u>

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

Globevest Capital Real Estate Fund**Derivative Financial Instruments – Forward Foreign Currency Contracts (Table 1)**

June 30, 2023

(In Canadian dollars)

(Unaudited)

	<u>Settlement date</u>	<u>Currency buys</u>	<u>Book value</u>	<u>Currency sells</u>	<u>Book value</u>	<u>Fair value</u>	<u>Net assets</u>
			\$		\$	\$	%
Bank of New York Mellon	2023-07-31	CAD	111,749,500	USD	(112,555,793)	(806,293)	
Total of derivative financial instruments – Forward foreign currency contracts						<u>(806,293)</u>	<u>(0.51)</u>

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

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

1 - THE FUND

The Fund was established under the laws of the province of Ontario by a Declaration of Trust dated November 1, 2019 (hereafter the "Trust Agreement"). The Fund is authorized to issue an unlimited number of Series "O" units and Series "F1" units (collectively, the "Units").

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 a high level of income by investing in a portfolio of rental properties, REIT's, real-estate based issuers, equities and debt securities

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. Investments are measured at fair value through profit or loss (FVTPL).

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

The change in appreciation 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 Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

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 marketable securities) is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

Investments in private real estate funds include, among others private market investments made pursuant to agreements of partnerships. The fair value of these investments is equal to the value provided by the general partner of the Fund unless there is a specific and objectively verifiable reason for doing so which it varies from the value provided by the general partner. The funds' financial statements audited by independent auditors and are obtained when available.

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 include, but are not limited to, performing comparisons with prices of comparable or similar securities, performing discounted cash flow analysis, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indicators of value. 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 if a ready market for the investment existed. The fair value of such securities is affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

Derivative financial instruments

Derivative financial instruments are recorded at fair value.

Derivative financial instruments consist of option contracts and forward foreign currency contracts, which are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. Derivative financial instruments 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 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 on sale of investments and derivative financial instruments.

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments – short positions

The Fund can enter into short positions by borrowing securities and selling them on an active 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 of investments and derivative financial instruments in the interim statements of comprehensive income and in the Unrealized 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. 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 interim statements of comprehensive income.

Other financial assets and liabilities

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

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

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

2 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition

Financial assets are derecognized when the contractual rights to the cash flows from the investments have expired or when the Fund has significantly transferred the risk and financial reward of their participation (ownership). Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expired. Realized gains and losses are recognized based on the average cost method and included in the 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 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 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 causes to be calculated the NAV; (iii) such other business days on which the Manager determines that NAV is required to be calculated for any purpose; and (iv) December 31 of each period.

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

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 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 interim financial statements.

Significant judgments

The following are significant management judgments in applying the accounting policies of the Fund that have the most significant effect on the 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 Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

3 - CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

Units classification

According to IAS 32 *Financial Instruments: Presentation*, units must be classified as liabilities in the Fund's interim 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 redeem the units in cash or another financial asset, the unit characteristics do not include a contractual obligation to give back 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 units' characteristics do not include a contractual obligation that may 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 be used as the main performance 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 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 currently applied by market participants.

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

(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 pro rata to the number of units held by them.

5 - MANAGEMENT FEES

Management fees

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

	<u>2023-06-30</u>	<u>2022-12-31</u>
	%	%
Series O	1.35	1.35
Series F1	0.85	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 Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

(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 instrument fails to fulfil an obligation and leads the other party to suffer a financial loss.

The Fund's credit risk from bond investment is considered to be negligible. The Fund did not hold any bond investments as of June 30, 2023 and less than 1% of the total net assets invested were exposed to credit risk which included financial instruments with no credit rating as at December 31, 2022. Certain investment fund units also indirectly expose the Fund to credit risk.

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

Market risk

– Interest rate risk:

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

The Fund's exposure to interest rate risk due to bond investments according to their maturities is negligible considering the Fund had no bond investments as of June 30, 2023 and a total exposure of \$250 for maturity dates of less than one year as of December 31, 2022.

– 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. However, the proportion of foreign investments is monitored daily. Certain investment fund units also indirectly expose the Fund to currency risk.

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

(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	(37,967)	(24)	(1,898)

	2022-12-31		
Financial instruments denominated in U.S. dollars	Amount	Percentage of net assets	Sensitivity
	CAN\$	%	CAN\$
Investments and cash	(111,011)	(75)	(5,551)

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, derivative financial instruments and investment funds are exposed to the volatility of market factors.

The other price risk is managed through diversification of the 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 December 31, 2022, all other variables remaining unchanged, would have an impact of more or less \$1,503 and \$1,404 respectively.

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

Liquidity risk

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

The Fund is exposed to liquidity risk because of unrealized depreciation on derivative financial instruments, management fees payable, redemptions of units payable and other accrued expenses.

Globevest Capital Real Estate Fund

Notes to Interim Financial Statements

June 30, 2022

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

(Unaudited)

6 - FINANCIAL RISK MANAGEMENT (Continued)

An important part of the Fund's investments are liquid ensuring that they can be sold at a fair price, if need be.

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

Concentration risk

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

Market segments	2023-06-30	2022-12-31
	%	%
Canadian bonds		0.2
Canadian equities		
Investment Fund	95.4	94.6
	95.4	94.8

Hierarchy of financial instruments at fair value

Financial instruments established at fair value in the interim 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 prices (unadjusted) in active markets for identical assets or liabilities, for which the investment managers have access on valuation date;
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly; and
- 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 to establish that at the closing date, a transfer between levels of the fair value hierarchy is deemed to have occurred.

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6 - FINANCIAL RISK MANAGEMENT (Continued)

The determination of what constitutes "observable" 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 of the Fund recorded at fair value:

				2023-06-30
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments			150,312	150,312
Unrealized depreciation on derivative financial instruments		(806)		(806)
	–	(806)	150,312	149,506
				2022-12-31
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Assets				
Investments			140,300	140,300
Unrealized depreciation on derivative financial instruments		(16)		(16)
	–	(16)	140,300	140,284

Level 3 reconciliation

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

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

	2023-06-30	2022-12-31
	\$	\$
Fair value, beginning of period	140,300	87,706
Net purchases	8,967	39,028
Net change in unrealized appreciation and net realized gains on sale of investments	1,045	13,566
Fair value, end of period	150,312	140,300

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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; and
- 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 to 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.

Management fees were paid to the Manager. These transactions occurred in the normal course of operations and the fees are measured at exchange value, which is the amount established and agreed to by the related parties.

As at June 30, 2023, an amount of \$174 is payable to the Manager and is disclosed under the caption Management fees payable (\$169 as at December 31, 2022). For the periods ended June 30, 2023 and 2022, the Fund expenses management fees of \$1,091 and \$743 to the Manager.

As at June 30, 2023, Globevest Capital Balanced Fund owns 1,291,902 units (1,235,694 units as at December 31, 2022) of the Fund for a total fair value of \$17,552 (\$16,311 as at December 2022).

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 six-month periods ended June 30, 2023 and 2022 are reflected in the interim statement of changes in net assets attributable to holders of redeemable units.

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

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9 - *ADDITIONAL INFORMATION*

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