

DAVIS-REA FIXED INCOME FUND

December 31, 2025

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This Annual Management Report of Fund Performance contains financial highlights but does not contain the audited annual financial statements of the Davis-Rea Fixed Income Fund. You can get a copy of the audited annual financial statements of the Davis-Rea Fixed Income Fund at your request and, at no cost, by calling Davis-Rea Ltd. at (416) 324-2200 or at (877) 391-9929, by writing to us at 23 Bedford Road, Suite 100, Toronto, Ontario, M5R 2J9, or by visiting our website at www.davisrea.com or SEDAR+ at www.sedarplus.ca.

Securityholders may also contact us using one of these methods to request a copy of the Davis-Rea Fixed Income Fund's proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

MANAGEMENT DISCUSSION OF FUND PERFORMANCE

Investment Objective and Strategies

The investment objective of the Davis-Rea Fixed Income Fund (the “Fund”) is to preserve capital while providing income and some capital gains by primarily investing in bonds and other fixed income securities with a strong credit rating.

The fixed income investments held by the Fund may include government securities, corporate securities and bonds issued by foreign governments and issuers. Usually, we will not invest the Fund in such investments unless they have a credit rating of B or higher. The duration of any fixed income investment held by the Fund will also vary depending on our assessment of the direction of interest rates. At our discretion, the Fund may also hold cash and/or short-term money market instruments, preferred shares and convertible debentures. Davis-Rea may also use derivatives from time to time to hedge against the changes in currency, losses from movements in the stock or bond markets or to realize additional gains.

Risk

The Fund is subject to a number of risks that have not changed over the last year. These risks include the Fund not being able to obtain its investment objective, general economic conditions, interest rate fluctuations and liquidity constraints. See the prospectus of the Fund for a full description of the risks that the Fund may be exposed to. The Fund has a risk rating of low.

Results of Operations

The Fund’s net asset value rose to approximately \$31.86 million as of December 31, 2025, from \$30.23 million as of December 31, 2024. The increase in net assets was attributable to approximately \$1.32 million in net investment income and realized and unrealized gains, together with net inflows of \$314 thousand.

The Class O units returned +4.35% for the year. Over the same period, the iShares Core Canadian Universe Bond Index ETF returned +2.59%. Returns for other classes were similar, adjusted for differences in fees and expenses. See the Financial Highlights and Past Performance sections for additional information.

Bond markets experienced shifting expectations regarding monetary policy during the year. Early in the year, declining yields supported returns as markets anticipated rate cuts. As the year progressed, central banks balanced moderating inflation with resilient labour markets, contributing to periods of yield curve steepening. Corporate credit markets strengthened during the year, with credit spreads tightening to historically low levels.

The Fund maintained a focus on high-quality corporate and government issuers, with average credit quality remaining approximately A- throughout the year. Credit exposure contributed positively to performance as spreads tightened. Duration was actively managed within a relatively short-to-intermediate range, helping to moderate the impact of rising longer-term Canadian bond yields later in the year. Duration increased modestly during the third quarter before being reduced slightly in the fourth quarter as the yield curve steepened.

Portfolio activity was primarily focused on reinvesting maturities and selectively adding exposure where valuations were attractive. During the fourth quarter, the Fund participated in several new issues, including a large investment-grade corporate bond issuance, which contributed positively to performance. The Fund’s yield declined during the first half of the year as rates fell and spreads tightened, before increasing modestly in the fourth quarter as longer-term yields moved higher. Liquidity levels remained consistent with the Fund’s capital preservation mandate.

Overall, the Fund’s results reflected income generation, credit spread tightening, and disciplined duration management in a year characterized by evolving monetary policy expectations and resilient credit markets.

Recent Developments

There were no material changes to the Fund during the year ended December 31, 2025, including to its investment objective, investment strategies, risk rating, fee structure, service providers, or portfolio management team.

Subsequent to December 31, 2025, the Fund has made routine portfolio adjustments in the normal course of portfolio management. Cash levels, duration, and sector exposures have been adjusted within the parameters of the Fund’s investment mandate. There have been no material changes to the Fund’s operations or structure.

Related Party Transactions

Davis-Rea Ltd. (the “Manager”) is the manager and portfolio adviser for the Fund. The Manager is responsible for managing the day-to-day activities of the Fund and providing or arranging for all required administrative services of the Fund. In consideration for such services, certain classes of units of the Fund pay the Manager a monthly management fee based on the net asset value (“NAV”) of the applicable classes of units of the Fund, calculated daily. As no Class A or Class B units of the Fund have yet been issued, the Fund has not yet incurred any management fees. Each holder of Class O units of the Fund pays their management fee directly to us pursuant to their Class O investment management agreement. The Class N units of the Fund do not pay a management fee and may only be bought by another Davis-Rea Mutual Fund.

The Manager has also created an independent review committee (“**IRC**”) to review and provide impartial judgment on conflict of interest matters. The IRC reviews potential conflicts of interest referred to it by the Manager and makes recommendations on whether a course of action is fair and reasonable for the Fund. The IRC prepares an annual report of its activities for interested parties. A copy of the IRC’s report for 2025 is available at www.davisrea.com or at SEDAR+ at www.sedarplus.ca.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years ended December 31.

The Fund's Net Assets per Unit (\$)

For the Period Ended	Net Assets Beginning of Period ¹	Increase (Decrease) from Operations					Annual Distributions			Net Assets End of Period	
		Total Revenue	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total ²	From Net Realized Gain on Investments	From Net Investment Income	From Return of Capital		
Class F Units											
Dec. 31, 2025	6,773	13,313	4,521	10,807	(2,720)	16,879	–	10,390	–	10,390	822,511
Dec. 31, 2024	74,960	510	171	14	(408)	(55)	–	60	–	60	6,773
Dec. 31, 2023	–	501	307	177	3,079	3,450	–	407	–	407	74,960
Class O Units											
Dec. 31, 2025	30,227,538	1,194,186	181,245	637,610	(350,830)	1,299,721	–	1,012,458	–	1,012,458	31,042,576
Dec. 31, 2024	23,430,040	1,120,483	204,783	107,815	969,644	1,993,159	–	(907,374)	–	(907,374)	30,227,538
Dec. 31, 2023	18,199,618	827,066	135,205	(108,755)	816,998	1,400,104	–	703,542	–	703,542	23,430,040
Dec. 31, 2022	26,162,014	744,350	179,311	(153,943)	(1,269,362)	(858,266)	–	547,300	–	547,300	18,199,618
Dec. 31, 2021	31,257,236	886,914	148,320	(132,367)	(732,716)	(126,489)	–	746,948	–	746,948	26,162,014

¹ This information is derived from the Fund's unaudited semi-annual financial statements and audited annual financial statements. In the period the Fund or a class of units of the Fund is established, the financial information is provided from the date of inception to the end of the period.

² Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) in net assets from operations is based on the weighted average number of units outstanding over the fiscal period. This table is not intended to be a reconciliation of opening and closing net assets per unit.

Class A and Class B units of the Fund are offered by prospectus, but as at December 31, 2025 no units of either of these classes had yet been issued to the public.

Class F units of the Fund were previously offered by prospectus, but were not issued until October 25, 2023. Returns shown for 2024 are for the period from January 1, 2024 to February 27, 2024 and from April 30, 2024 to December 31, 2024.

Class O units of the Fund were first offered by prospectus on March 18, 2013 and were offered on an exempt basis from June 19, 2011.

Ratios and Supplemental Data

As at	Total Net Asset Value (\$) ¹	Number of Units Outstanding ¹	MER (%) ²	MER Before Waivers or Absorption (%)	Trading Expense Ratio (%) ³	Portfolio Turnover Rate (%) ⁴	Net Asset Value Per Unit (\$)
Class F Units							
Dec. 31, 2025	822,511	78,356	1.32	1.32	–	66.26	10.50
Dec. 31, 2024	6,773	649	1.09	1.09	–	32.00	10.43
Dec. 31, 2023	74,960	7,172	0.43	0.43	0.01	92.40	10.45
Class O Units							
Dec. 31, 2025	31,042,576	3,180,904	0.59	0.59	–	66.26	9.76
Dec. 31, 2024	30,227,538	3,126,776	0.73	0.73	–	32.00	9.67
Dec. 31, 2023	23,430,040	2,517,422	0.65	0.65	0.01	92.40	9.31
Dec. 31, 2022	18,199,618	2,016,748	0.84	0.84	–	50.51	9.02
Dec. 31, 2021	26,162,014	2,728,621	0.53	0.53	–	38.88	9.59

¹ This information is provided at the end of the period shown.

² The management expense ratio (MER) is based on total expenses for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

³ The trading expense ratio represents the total commissions and other portfolio transaction costs expressed as an annualized percentage of net asset value during the period.

⁴ The Fund's portfolio turnover rate indicates how actively the Fund's investments are traded. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all its investments once in the course of the relevant period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

The management fees for Class A units were changed to 1.25% from 1.75%, effective January 2, 2024.

The management fees and trailer fees for Class B units were changed to 1.70% from 2.00% and to 1.00% from 0.50%, respectively, effective January 2, 2024.

The management fees for Class F units were changed to 0.70% from 1.50%, effective January 2, 2024.

FINANCIAL HIGHLIGHTS (cont.)

Management Fees

The table below outlines the Fund's annual management fees and the trailer fees, if any, that the Manager pays to dealers who distribute units of the applicable class of the Fund (i.e., a percentage of the daily NAV of such class). The Manager is paid an annual management fee by each unitholder who invests in Class O units of the Fund pursuant to a Class O investment management agreement, which will not exceed the management fee that we receive from Class A units of the Fund. The Class N units of the Fund do not pay a management fee and may only be bought by another Davis-Rea Mutual Fund.

	Management Fee	Trailer Fee*
Class A	1.25%	N/A
Class B	1.70%	1.00%
Class F	0.70%	N/A
Class O	Negotiated	N/A
Class N	N/A	N/A

* Maximum rate as a percentage of management fees.

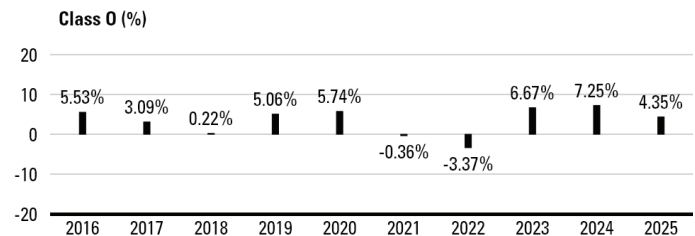
PAST PERFORMANCE

The following information takes into account all Class F management fees. It does not take into account any Class O management fees, which are paid to the Manager pursuant to a Class O investment management agreement.

The past performance indicated below assumes that all distributions made by the Fund in the periods shown were re-invested in additional units of the applicable class of the Fund. In addition, the past performance results shown below do not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. Finally, past performance does not necessarily indicate how the Fund will perform in the future.

Year-by-Year Returns (%)

The bar chart below shows the Fund's performance for each class of units in each of the years shown. It illustrates how the Fund's performance has changed from year to year. In percentage terms, the bar chart shows how much an investment made at the beginning of the period has increased or decreased by the end of the period. As Class F units of the Fund were not outstanding for all of 2023 and 2024, no performance data is available for those years.



Annual Compound Returns (%)

The following table shows the annual compound total returns for each class of units of the Fund for the last one year, three years, five years, ten years and since inception. The annual returns are compared to the returns of the iShares Core Canadian Universe Bond Index ETF ("Benchmark").

The comparison demonstrates how the Fund has generally achieved its investment objective of preserving capital and providing income to unitholders.

	Since Inception	1 Year	3 Years	5 Years	10 Years
Class F	6.71	3.53	-	-	-
Benchmark	6.61	2.59	-	-	-
Class O	3.88	4.35	6.08	2.82	3.36
Benchmark	2.62	2.59	4.38	-0.48	1.77

Class A and Class B units of the Fund are offered by prospectus, but as at December 31, 2025 no units of either of these classes had yet been issued to the public.

Class O units of the Fund were first offered by prospectus on March 18, 2013 and were offered on an exempt basis from June 19, 2011.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2025

	% of Net Asset Value
CANADIAN BONDS	
Corporate Bonds	
407 International Inc., 4.45%, 2031/08/14	1.61
Alimentation Couche-Tard Inc., 4.60%, 2029/01/25	1.63
Alimentation Couche-Tard Inc., Series '9', 3.86%, 2032/09/26	1.55
Bank of Montreal, 4.71%, 2027/12/07	1.62
Bell Canada, Series 'M-64', 3.65%, 2029/08/14	1.58
Brookfield Infrastructure Finance ULC, 3.41%, 2029/10/09	1.87
Brookfield Renewable Partners ULC, 3.63%, 2027/01/15	1.58
Canadian Pacific Railway Co., 2.54%, 2028/02/28	1.55
Canadian Pacific Railway Co., 4.00%, 2032/06/13	2.37
CGI Inc., 3.99%, 2027/09/07	1.59
CGI Inc., Callable, 2.10%, 2028/09/18	1.52
Chartwell Retirement Residences, Series 'E', 3.65%, 2028/05/06	1.58
Choice Properties REIT, 4.29%, 2030/01/16	1.61
Choice Properties REIT, Series 'W', 4.63%, 2035/08/08	2.36
Dollarama Inc., 3.85%, 2030/12/16	3.16
Dream Industrial REIT, Series 'C', 2.06%, 2027/06/17	1.55
Fortis Inc., 4.17%, 2031/09/09	2.40
Gildan Activewear Inc., 4.15%, 2030/11/22	1.59
Gildan Activewear Inc., 4.71%, 2031/11/22	1.62
Hydro One Inc., 3.94%, 2032/08/25	1.58
Hydro One Inc., 4.16%, 2033/01/27	1.60
Keyera Corp., 3.93%, 2028/06/21	1.59
Keyera Corp., Series '5', 3.70%, 2030/10/15	1.56
Keyera Corp., Series '6', 4.20%, 2033/04/15	1.56
Keyera Corp., Variable Rate, 5.95%, 2081/03/10	0.80
Loblaw Cos. Ltd., 2.28%, 2030/05/07	2.42
Loblaw Cos. Ltd., 3.56%, 2029/12/12	1.58
Loblaw Cos. Ltd., 4.49%, 2028/12/11	1.62
Metro Inc., 4.00%, 2029/11/27	1.60
Morguard Corp., Series 'I', 5.00%, 2028/10/14	1.59
Pembina Pipeline Corp., 3.71%, 2026/08/11	0.31
Pembina Pipeline Corp., 5.02%, 2032/01/12	1.65
Pembina Pipeline Corp., Variable Rate, Convertible, Callable, 4.80%, 2081/01/25	0.78
Royal Bank of Canada, 3.99%, 2031/07/22	3.19
Royal Bank of Canada, 4.28%, 2035/02/04	1.60
Sienna Senior Living Inc., 4.44%, 2029/10/17	1.61
SmartCentres REIT, 5.16%, 2030/08/01	1.64
SmartCentres REIT, Series 'AC', 3.60%, 2029/06/12	1.56
StorageVault Canada Inc., 5.50%, 2026/09/30	1.57
Tamarack Valley Energy Ltd., 6.88%, 2030/07/25	1.61
TMX Group Ltd., 4.68%, 2029/08/16	1.64
TMX Group Ltd., 4.84%, 2032/02/18	1.65
Toromont Industries Ltd., 3.76%, 2030/03/28	1.58
Toromont Industries Ltd., 3.84%, 2027/10/27	1.59
Tourmaline Oil Corp., Series '1', 2.08%, 2028/01/25	1.23
TransCanada PipeLines Ltd., 3.39%, 2028/03/15	1.58
	76.61

% of Net Asset Value

Provincial and Municipal Bonds	
Province of British Columbia, 1.55%, 2031/06/18	0.02
Province of Ontario, 1.35%, 2030/12/02	2.75
Province of Ontario, 3.65%, 2033/06/02	1.58
	5.98
TOTAL CANADIAN BONDS	82.59
FOREIGN BONDS	
Apple Inc., 1.25%, 2030/08/20	1.91
Costco Wholesale Corp., 1.60%, 2030/04/20	1.95
Honeywell International Inc., 4.25%, 2029/01/15	2.17
McDonald's Corp., 4.11%, 2032/08/21	1.58
Meta Platforms Inc., 4.20%, 2030/11/15	2.16
Meta Platforms Inc., 4.60%, 2032/11/15	2.17
Sunoco L.P., 4.38%, 2029/03/26	1.54
Thermo Fisher Scientific Inc., 5.00%, 2029/01/31	2.22
TOTAL FOREIGN BONDS	15.72
TOTAL BONDS	98.31
TOTAL COST AND FAIR VALUE OF INVESTMENTS	98.31
TOTAL INVESTMENTS	98.31
OTHER ASSETS AND LIABILITIES	1.69
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	100.00

Percentage shown relates to investments at fair value and Net Assets Attributable to Holders of Redeemable Units (Net Assets) as at December 31, 2025.

The Fund's summary of investment portfolio set out above will change due to ongoing portfolio transactions. A quarterly update is available on request.