

DAVIS-REA FIXED INCOME FUND

*For the Years ended December 31, 2025 and 2024
(Expressed in Canadian Dollars)*

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Davis-Rea Fixed Income Fund

Opinion

We have audited the financial statements of Davis-Rea Fixed Income Fund (the "Fund"), which comprise the statements of financial position as at December 31, 2025 and 2024, and the statements of comprehensive income (loss), changes in net assets attributable to holders of redeemable units and cash flows for the years then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2025 and 2024, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance for the year ended December 31, 2025.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the report prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

RSM Canada LLP

Chartered Professional Accountants
Licensed Public Accountants
March 24, 2026
Toronto, Ontario

Statements of Financial Position

As at December 31, 2025 and 2024

(Expressed in Canadian Dollars)

	December 31 2025	December 31 2024
ASSETS		
Cash and cash equivalents	\$ 247,621	\$ 407,282
Investments at fair value	31,325,586	29,560,174
Accrued interest receivable	325,564	310,277
TOTAL ASSETS	31,898,771	30,277,733
LIABILITIES		
Accrued management fees	1,580	8
Accrued expenses	32,104	43,414
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS)	33,684	43,422
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (Note 5)		
	\$ 31,865,087	\$ 30,234,311
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER CLASS (Note 5)		
CLASS F	\$ 822,511	\$ 6,773
CLASS O	\$ 31,042,576	\$ 30,227,538
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT		
CLASS F	\$ 10.50	\$ 10.43
CLASS O	\$ 9.76	\$ 9.67

Approved on behalf of the Board of Directors of Davis-Rea Ltd., the Manager

John M. O'Connell

John M. O'Connell
Director
Davis-Rea Ltd.

JC O'Connell

JC O'Connell
Director
Davis-Rea Ltd.

Class A and Class B units of the Fund are offered by prospectus, but as of December 31, 2025 no units of either of these classes had yet been issued to the public. Class F units are presented for the periods from January 1, 2024 to February 27, 2024, and from April 30, 2024 to December 31, 2024, as the Class was not continuously offered during 2024. During 2025, Class F units were offered continuously for the entire year. Class O units of the Fund were offered by prospectus throughout 2024 and 2025.

Statements of Comprehensive Income (Loss)

For the years ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)

	2025	2024
INVESTMENT INCOME		
Interest income for distribution purposes	\$ 1,207,499	\$ 1,120,961
	1,207,499	1,120,961
NET GAIN (LOSS) ON INVESTMENTS		
Net realized gain (loss) on sale of investments	652,328	108,873
Net foreign exchange gain (loss) on cash and cash equivalents	(7,096)	1,444
Net other gain (loss)	725	364
Net change in unrealized appreciation (depreciation) of investments	(351,090)	966,418
	294,867	1,077,099
NET INVESTMENT INCOME (LOSS)	1,502,366	2,198,060
EXPENSES		
Administration fees	35,715	35,755
Audit fees	32,168	31,232
Custodial fees	19,591	17,129
Harmonized sales tax	21,825	20,902
Independent review committee fees	10,846	5,655
Interest expense	278	1,270
Legal fees	19,485	51,957
Management fees	2,391	92
Operating fees	12,528	10,293
Registration and filing fees	3,541	4,262
Trustee fees	4,932	5,087
Unitholder communication fees	22,466	21,321
TOTAL EXPENSES	185,766	204,955
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS		
	\$ 1,316,600	\$ 1,993,105
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER CLASS		
CLASS F	\$ 16,879	\$ (54)
CLASS O	\$ 1,299,721	\$ 1,993,159
AVERAGE REDEEMABLE UNITS OUTSTANDING		
CLASS F	32,582	1,507
CLASS O	3,133,673	2,955,459
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT		
CLASS F	\$ 0.52	\$ (0.04)
CLASS O	\$ 0.41	\$ 0.67

Class A and Class B units of the Fund are offered by prospectus, but as of December 31, 2025 no units of either of these classes had yet been issued to the public. Class F units are presented for the periods from January 1, 2024 to February 27, 2024, and from April 30, 2024 to December 31, 2024, as the Class was not continuously offered during 2024. During 2025, Class F units were offered continuously for the entire year. Class O units of the Fund were offered by prospectus throughout 2024 and 2025.

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the years ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)

	Class F		Class O		Total	
	2025	2024	2025	2024	2025	2024
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AT BEGINNING OF YEAR	\$ 6,773	\$ 74,960	\$ 30,227,538	\$ 23,430,040	\$ 30,234,311	\$ 23,505,000
INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	16,879	(54)	1,299,721	1,993,159	1,316,600	1,993,105
DISTRIBUTIONS PAID OR PAYABLE TO HOLDERS OF REDEEMABLE UNITS						
From net investment income	(10,390)	(60)	(1,012,458)	(907,374)	(1,022,848)	(907,434)
TOTAL DISTRIBUTIONS TO HOLDERS OF REDEEMABLE UNITS	(10,390)	(60)	(1,012,458)	(907,374)	(1,022,848)	(907,434)
REDEEMABLE UNIT TRANSACTIONS						
Amount received from the issuance of units	805,145	6,620	1,943,170	6,195,370	2,748,315	6,201,990
Amount received from reinvestment of distributions	10,390	60	973,732	870,942	984,122	871,002
Amount paid on redemptions of units	(6,286)	(74,753)	(2,389,127)	(1,354,599)	(2,395,413)	(1,429,352)
NET INCREASE (DECREASE) FROM REDEEMABLE UNIT TRANSACTIONS	809,249	(68,073)	527,775	5,711,713	1,337,024	5,643,640
NET INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS	815,738	(68,187)	815,038	6,797,498	1,630,776	6,729,311
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS AT END OF YEAR	\$ 822,511	\$ 6,773	\$ 31,042,576	\$ 30,227,538	\$ 31,865,087	\$ 30,234,311

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

Class F units are presented for the periods from January 1, 2024 to February 27, 2024, and from April 30, 2024 to December 31, 2024, as the Class was not continuously offered during 2024. During 2025, Class F units were offered continuously for the entire year.

Class O units of the Fund were offered by prospectus throughout 2024 and 2025.

Statements of Cash Flows

For the years ended December 31, 2025 and 2024

(Expressed in Canadian Dollars)

	2025	2024
CASH PROVIDED BY (USED IN) OPERATIONS		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 1,316,600	\$ 1,993,105
Adjustments for:		
Net foreign exchange loss (gain) on cash and cash equivalents	7,096	(1,444)
Net realized loss (gain) on sale of investments	(652,328)	(108,873)
Net change in unrealized (appreciation) depreciation of investments	351,090	(966,418)
Purchase of investments	(21,779,881)	(14,055,476)
Proceeds from the sale of investments	20,315,707	8,797,748
Changes in non-cash balances:		
Accrued interest receivable	(15,287)	(80,394)
Accrued expenses and accrued management fees	(9,738)	(12,299)
	(466,741)	(4,434,051)
CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES		
Amount received from the issuance of units	2,748,315	6,201,990
Amount paid on redemptions of units	(2,395,413)	(1,429,352)
Distributions paid to unitholders	(38,726)	(36,432)
	314,176	4,736,206
Increase (decrease) in cash during the year	(152,565)	302,155
Net foreign exchange gain (loss) on cash and cash equivalents	(7,096)	1,444
Cash and cash equivalents, beginning of year	407,282	103,683
Cash and cash equivalents, end of year	\$ 247,621	\$ 407,282
CASH AND CASH EQUIVALENTS IS REPRESENTED BY:		
Cash	\$ 247,621	\$ 407,282
	247,621	407,282
SUPPLEMENTAL DISCLOSURE		
Interest received	\$ 1,192,212	\$ 1,040,567
Interest paid	\$ 278	\$ 1,270

Class A and Class B units of the Fund are offered by prospectus, but as of December 31, 2025 no units of either of these classes had yet been issued to the public. Class F units are presented for the periods from January 1, 2024 to February 27, 2024, and from April 30, 2024 to December 31, 2024, as the Class was not continuously offered during 2024. During 2025, Class F units were offered continuously for the entire year. Class O units of the Fund were offered by prospectus throughout 2024 and 2025.

Schedule of Investment Portfolio

As at December 31, 2025

(Expressed in Canadian Dollars)

	Par Value	Average Cost *\$	Fair Value \$
CANADIAN BONDS — 82.59%			
Corporate Bonds — 76.61%			
407 International Inc., 4.45%, 2031/08/14	500,000	489,215	514,599
Alimentation Couche-Tard Inc., 4.60%, 2029/01/25	500,000	500,000	517,967
Alimentation Couche-Tard Inc., Series '9', 3.86%, 2032/09/26	500,000	500,000	493,971
Bank of Montreal, 4.71%, 2027/12/07	500,000	500,000	514,820
Bell Canada, Series 'M-64', 3.65%, 2029/08/14	500,000	500,425	502,175
Brookfield Infrastructure Finance ULC, 3.41%, 2029/10/09	600,000	567,378	597,273
Brookfield Renewable Partners ULC, 3.63%, 2027/01/15	500,000	499,750	502,821
Canadian Pacific Railway Co., 2.54%, 2028/02/28	500,000	497,325	495,157
Canadian Pacific Railway Co., 4.00%, 2032/06/13	750,000	753,548	754,614
CGI Inc., 3.99%, 2027/09/07	500,000	507,868	507,165
CGI Inc., Callable, 2.10%, 2028/09/18	500,000	473,620	485,641
Chartwell Retirement Residences, Series 'E', 3.65%, 2028/05/06	500,000	499,235	502,422
Choice Properties REIT, 4.29%, 2030/01/16	500,000	500,000	511,830
Choice Properties REIT, Series 'W', 4.63%, 2035/08/08	750,000	748,899	753,343
Dollarama Inc., 3.85%, 2030/12/16	1,000,000	999,811	1,007,632
Dream Industrial REIT, Series 'C', 2.06%, 2027/06/17	500,000	454,450	493,039
Fortis Inc., 4.17%, 2031/09/09	750,000	755,138	766,344
Gildan Activewear Inc., 4.15%, 2030/11/22	500,000	500,785	505,316
Gildan Activewear Inc., 4.71%, 2031/11/22	500,000	508,435	516,059
Hydro One Inc., 3.94%, 2032/08/25	500,000	499,940	504,565
Hydro One Inc., 4.16%, 2033/01/27	500,000	486,750	510,015
Keyera Corp., 3.93%, 2028/06/21	500,000	500,971	506,598
Keyera Corp., Series '5', 3.70%, 2030/10/15	500,000	499,990	497,381
Keyera Corp., Series '6', 4.20%, 2033/04/15	500,000	501,250	496,245
Keyera Corp., Variable Rate, 5.95%, 2081/03/10	250,000	280,774	255,694
Loblaw Cos. Ltd., 2.28%, 2030/05/07	800,000	673,801	770,177
Loblaw Cos. Ltd., 3.56%, 2029/12/12	500,000	498,140	502,466
Loblaw Cos. Ltd., 4.49%, 2028/12/11	500,000	521,430	516,471
Metro Inc., 4.00%, 2029/11/27	500,000	511,965	509,856
Morguard Corp., Series 'I', 5.00%, 2028/10/14	500,000	500,000	506,465
Pembina Pipeline Corp., 3.71%, 2026/08/11	100,000	94,820	100,311
Pembina Pipeline Corp., 5.02%, 2032/01/12	500,000	500,935	525,482
Pembina Pipeline Corp., Variable Rate, Convertible, Callable, 4.80%, 2081/01/25	250,000	201,563	249,356
Royal Bank of Canada, 3.99%, 2031/07/22	1,000,000	1,006,285	1,016,514
Royal Bank of Canada, 4.28%, 2035/02/04	500,000	499,995	508,916
Sienna Senior Living Inc., 4.44%, 2029/10/17	500,000	501,859	512,282
SmartCentres REIT, 5.16%, 2030/08/01	500,000	500,000	521,878
SmartCentres REIT, Series 'AC', 3.60%, 2029/06/12	500,000	499,985	497,330
StorageVault Canada Inc., 5.50%, 2026/09/30	500,000	500,000	500,300
Tamarack Valley Energy Ltd., 6.88%, 2030/07/25	500,000	500,000	511,748
TMX Group Ltd., 4.68%, 2029/08/16	500,000	521,690	522,355
TMX Group Ltd., 4.84%, 2032/02/18	500,000	523,830	526,402
Toromont Industries Ltd., 3.76%, 2030/03/28	500,000	500,826	502,870
Toromont Industries Ltd., 3.84%, 2027/10/27	500,000	504,720	505,309
Tourmaline Oil Corp., Series '1', 2.08%, 2028/01/25	400,000	400,000	391,523
TransCanada PipeLines Ltd., 3.39%, 2028/03/15	500,000	499,165	501,992
		23,986,566	24,412,689
Provincial and Municipal Bonds — 5.98%			
Province of British Columbia, 1.55%, 2031/06/18	575,000	507,639	527,041
Province of Ontario, 1.35%, 2030/12/02	950,000	851,239	872,810
Province of Ontario, 3.65%, 2033/06/02	500,000	489,010	504,397
		1,847,888	1,904,248
TOTAL CANADIAN BONDS		25,834,454	26,316,937

	Par Value	Average Cost *\$	Fair Value \$
FOREIGN BONDS — 15.72%			
Apple Inc., 1.25%, 2030/08/20	500,000	536,398	609,700
Costco Wholesale Corp., 1.60%, 2030/04/20	500,000	568,430	622,640
Honeywell International Inc., 4.25%, 2029/01/15	500,000	671,257	692,757
McDonald's Corp., 4.11%, 2032/08/21	500,000	512,535	503,955
Meta Platforms Inc., 4.20%, 2030/11/15	500,000	698,600	688,111
Meta Platforms Inc., 4.60%, 2032/11/15	500,000	699,369	692,366
Sunoco L.P., 4.38%, 2029/03/26	500,000	498,450	491,855
Thermo Fisher Scientific Inc., 5.00%, 2029/01/31	500,000	682,521	707,265
TOTAL FOREIGN BONDS		<u>4,867,560</u>	<u>5,008,649</u>
TOTAL BONDS		<u>30,702,014</u>	<u>31,325,586</u>
TOTAL COST AND FAIR VALUE OF INVESTMENTS — 98.31%		<u>30,702,014</u>	<u>31,325,586</u>
TOTAL INVESTMENTS — 98.31%		<u>30,702,014</u>	<u>31,325,586</u>
OTHER ASSETS AND LIABILITIES — 1.69%			<u>539,501</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS — 100.00%			<u>31,865,087</u>

* Cost includes transaction costs

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

1. Establishment of Trust

Davis-Rea Fixed Income Fund (the “Fund”) is an open-ended unincorporated unit trust that was established under the laws of the Province of Ontario by a declaration of trust dated May 31, 2011 as amended and restated March 28, 2019 as amended and restated January 2, 2024. The Fund’s head office is located at 23 Bedford Road, Suite 100, Toronto, Ontario, Canada. CIBC Mellon Trust Company is the trustee (the “Trustee”) and the custodian (the “Custodian”) of the Fund. Davis-Rea Ltd. is the manager (the “Manager”) of the Fund. The Fund offers Class A, Class B, Class F, and Class O units. Class A, Class B, Class F and Class O units of the Fund can be bought by any qualified investor, provided that in the case of Class F units of the Fund, the investor is participating in a fee-based program with their dealer, and in the case of Class O units of the Fund, the investor has entered into a Class O investment management agreement with the Manager.

The financial statements of the Fund for the year ended December 31, 2025 were authorized for issue on March 24, 2026.

2. Basis of Preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). The financial statements are prepared on the historical cost basis except for financial assets and financial liabilities which are measured at fair value through profit or loss, as explained in the relevant accounting policies.

3. Material Accounting Policies

Disclosure of Accounting Policies

The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost when it becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

In accordance with IFRS 9, the Fund classifies its investments based on both the Fund’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income. The collection of cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss (“FVTPL”).

Gains and losses arising from changes in the fair value of financial assets or financial liabilities at FVTPL are presented in the Statements of Comprehensive Income (Loss) within ‘Net change in unrealized appreciation (depreciation) of investments’ in the period in which they arise. Dividend income from financial assets at FVTPL is recognized when the Fund’s right to receive payments is established. Interest income and dividend income are recorded separately in the Statements of Comprehensive Income (Loss) within ‘Interest income for distribution purposes’ and ‘Dividend income’, respectively.

All other financial assets and liabilities not measured at FVTPL are measured at amortized cost. These financial instruments are shown at the amount required to be received or paid, discounted, when appropriate, at the contract’s effective interest rate. The balances are short-term in nature; therefore, amortized cost approximates fair value for these financial assets and liabilities.

Impairment of Financial Assets

The Fund recognizes a loss allowance for expected credit losses on financial assets which are measured at amortized cost. The measurement of the loss allowance depends upon the Fund’s assessment at the end of each reporting period as to whether the financial instrument’s credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset’s lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where

it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognized is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate. A significant increase in credit risk is defined by the Fund as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

Investment Transactions and Income Recognition

The accrual method of recording income and expenses is followed by the Fund. Dividend income is recognized when the right to receive payment is established. Distributions from income trusts are recognized on the ex-distribution date and are recorded as income, capital gains or return of capital, based on the best information available. Those treated as return of capital reduce the average costs of the underlying investment. Net realized gains and losses and net change in unrealized appreciation/depreciation of investments are determined using an average cost basis. Interest for distribution purposes, as disclosed in the Statements of Comprehensive Income (Loss) on debt securities at FVTPL, is recognized on accrual basis and represents the coupon interest received. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight line basis.

Valuation of Investments

Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their last traded market price where the last traded market price falls within the day's bid-ask spread. In circumstances where the last traded price is not within that day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. Investments held, such as bonds, with no active market or available bid prices are valued at their closing sale prices.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques deemed to be appropriate in the circumstances. Valuation techniques include discounted cash flow analysis

and option pricing models, which consider factors such as the market value of the underlying security, strike price, volatility and terms of the warrants or options.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The breakdown of the Fund into the three-level hierarchy is provided in Note 10.

Distributions

Each unitholder's share of income, net of the Fund's expenses and net capital gain, is distributed quarterly.

Foreign Currency Translation

The Fund's subscriptions and redemptions are denominated in Canadian dollars (CAD), which is also its functional and presentation currency.

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, income and expenses are translated at the rate of exchange prevailing on the respective dates of such transactions. Foreign exchange gains and losses on the sale of investments are included in 'Net realized gain (loss) on sale of investments' in the Statements of Comprehensive Income (Loss).

Commissions and Other Transaction Costs

Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and transaction costs are expensed in the Statements of Comprehensive Income (Loss).

Valuation of Fund Units

The value at which units are issued or redeemed is the net asset value per unit. Net asset value per unit for each class of the Fund is calculated on each business day by dividing the net asset value of each class by its outstanding units. The net asset value of each class is computed by calculating the value of the class' proportionate share of a Fund's assets less the class' proportionate share of the Fund's common liabilities and less class-specific liabilities. Expenses directly attributable to a class are charged to that class while common fund expenses are allocated to each class in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each class of a Fund based on that class' prorated share of total net asset value of that Fund. Amounts received on the issuance of units and amounts paid on the redemption of units are included on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units.

Cash and Cash Equivalents

Cash and cash equivalents is comprised of deposits with financial institutions. For the purpose of the Statements of Cash Flows, cash and cash equivalents is presented net of outstanding bank overdrafts, when applicable.

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income (Loss) represents the increase (decrease) in net assets attributable to holders of redeemable units for the period divided by the weighted average units outstanding during the period for each class.

Redeemable Participating Shares/Units

Redeemable units are redeemable at the unitholder's option and are classified as other financial liabilities and are recorded at the present value of the redeemable amount. Net asset value per unit of each class is calculated at the close of business on each business day (each a "valuation day") by dividing the net asset value of each class by the outstanding units of that class. The net asset value of each class is computed by calculating the fair value of the assets less liabilities of the class.

New Standards, Amendments and Interpretations Not Yet Mandatory or Early Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2025, and have not been early adopted in preparing these financial statements. The Fund's assessment of the impact of these new standards and amendments is set out below:

(i) Classification and Measurement of Financial Instruments
(Amendments to IFRS 9 and IFRS 7)

In May 2024, the IASB issued amendments to IFRS 9 and IFRS 7. Among other amendments, IASB clarified that a financial liability is derecognized on the 'settlement date' and introduced an accounting policy choice to derecognize financial liabilities settled using an electronic payment system before the settlement date. These amendments are effective for annual periods beginning on or after January 1, 2026, with early adoption permitted.

(ii) IFRS 18 *Presentation and Disclosure in Financial Statements*

In April 2024, the IASB issued IFRS 18, which replaces IAS 1 *Presentation of Financial Statements*. It introduces several new requirements that are expected to impact the presentation and disclosure of the financial statements. These include:

- The requirement to classify all income and expense into specified categories and provide specified totals and subtotals in the Statements of Comprehensive Income (Loss).
- Enhanced guidance on the aggregation, location and labeling of items across the financial statements and the notes to the financial statements.
- Required disclosures about management-defined performance measures.

IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

The Fund is currently assessing the effect of the above standards and amendments. No other new standards, amendments and interpretations are expected to have a material effect on the financial statements of the Fund.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Fair Value Measurement and Securities Not Quoted in an Active Market

When the Fund holds financial instruments that are not quoted in active markets, the fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by the Manager, independent of the party that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk, volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

5. Redeemable Units

The capital of the Fund is represented by Class F and Class O issued redeemable units with no par value. Unitholders are entitled to distributions, if any, and to payment of a proportionate share of the net assets based on the Fund's net asset value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscription and redemption of units. Capital movements are disclosed in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with the investment strategies and risk management policies outlined in Note 9, the Fund endeavors to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

The following table summarizes the changes in the number of units for the years ended December 31, 2025 and 2024:

	December 31 2025	December 31 2024
Class F Number of Units		
Balance, beginning of period/year	649	7,172
Units issued	77,312	643
Units redeemed	(592)	(7,172)
Reinvestments	987	6
Balance, end of period/year	78,356	649
Class O Number of Units		
Balance, beginning of period/year	3,126,776	2,517,422
Units issued	198,563	660,714
Units redeemed	(244,342)	(143,391)
Reinvestments	99,907	92,031
Balance, end of period/year	3,180,904	3,126,776

6. Distributions Per Unit

Distributions may be made by the Fund of all or any part of its net income and net realized gains or as a return of capital to unitholders of record as of the close of business on or before the last valuation date in the year or at such other dates as determined by the Fund Manager, according to each unitholder's proportionate share of the Fund less any tax required to be deducted. The Manager intends to automatically reinvest such distributions of the Fund in additional units of the same class of the Fund on behalf of each unitholder.

The Fund had the following distributions for the years ended December 31, 2025 and 2024:

	December 31 2025	December 31 2024
From net investment income	\$ 1,022,848	\$ 907,434

7. Income Taxes

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

As of the taxation year ended December 31, 2025 the Fund has accumulated net realized capital losses of \$2,407,060 (2024 – \$2,698,595) available for utilization against net realized capital gains in future years. Capital losses have no expiry. The Fund does not have any accumulated non-capital losses in 2025 and 2024.

8. Management Fees and Other Expenses and Related Party Transactions

The Manager is responsible for providing investment management administrative services and facilities to the Fund, including general portfolio management, maintenance of accounting records and preparation of reports to unitholders.

The management fee for Class A, Class B, and Class F units is computed at 1.25%, 1.70%, and 0.70% per annum, respectively, of the net asset value of the Fund, plus applicable taxes. The management fee is calculated daily, accrued daily and payable quarterly to the Manager. The Manager will pay a portion of its management fee in respect of Class B units of a fund to dealers who distribute units of that fund. Class O unitholders pay management fees directly to the Manager. Effective January 2, 2024, the management fee charged for the Class A, Class B and Class F units was reduced to 1.25% from 1.75%, to 1.70% from 2.00%, and to 0.70% from 1.50%, respectively.

Custodial fees are payable to the Custodian, and are computed at a per annum rate of 0.07% on the first \$10 million, 0.06% on the next \$40 million, and 0.05% on the remaining average net asset value of the Fund. In addition, transaction fees are payable to the Custodian.

9. Financial Instruments and Risk Disclosures

The Fund is exposed to a variety of financial risks: credit risk, liquidity risk, interest rate risk, and market risk, in the normal course of business. The value of investments held within the Fund will fluctuate on a daily basis as a result of changes in interest rates, economic conditions, market, and company specific news. The level of risk depends on the Fund's investment objectives and the type of securities in which it invests.

The Fund's overall risk management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objectives. The risk management practices include monitoring compliance to investment guidelines. The Manager manages the potential effects of these financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events, and diversify investment portfolios within the constraints of the investment guidelines.

Credit Risk (% of Net Assets)

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to honour its financial obligation or commitment that it has entered into with a Fund. The Fund minimizes credit risk by maintaining its primary bank account at a reputable financial institution.

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

The Fund's source of credit risk is its investments in debt instruments, cash in bank and accrued receivables. The fair value of debt instruments includes consideration of the credit-worthiness of the issuer, and accordingly represents the maximum credit risk exposure relating to debt instruments of the Fund. The Fund's maximum exposure to credit risk in any one investment relates to the Loblaw Cos. Ltd. in the amount of \$1,789,114 which represents 5.62% of the net assets of the Fund (December 31, 2024 – Dollarama Inc. in the amount of \$1,814,285 which represents 6.00% of the net assets of the Fund).

As at December 31, 2025 and 2024, the Fund invested in debt instruments with the following credit ratings:

	December 31 2025	December 31 2024
Debt securities by credit rating*		
AAA	–	0.87
AA	15.81	6.60
A	18.80	23.18
BBB	55.81	54.77
Below BBB	6.32	10.71
Unrated	1.57	1.64
Total	98.31	97.77

*Extracted from the blended composite debt securities ratings from Bloomberg, which is a blend of Moody's, S&P, Fitch, and DBRS ratings. The rating agencies are evenly weighted when calculating the composite. It is calculated by taking the average of the existing ratings, rounded down to the lower rating in case the composite is between two ratings. A composite is not to be generated if the debt security is rated by only one of the four rating agencies.

Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price. The Fund is exposed to daily cash redemptions of redeemable units. The units of the Fund are issued and redeemed on demand at the then current net asset value per unit at the option of the unitholder. Liquidity risk is managed by investing the majority of the Fund's

assets in investments that can be readily disposed of. The Fund's financial liabilities are all due within one year, and the Fund has sufficient cash in bank to settle these in due course.

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. The Fund holds securities with fixed interest rates that expose the Fund to fair value interest rate risk. The Fund's policy requires the Manager to manage this risk by calculating and monitoring the average effective duration of the portfolio of these securities. The Fund also holds a limited amount of cash subject to variable interest rates which exposes the Fund to cash flow interest rate risk.

The table below summarizes the Fund's exposure to interest rate risks by remaining term to maturity as at December 31, 2025 and 2024:

	December 31 2025	December 31 2024
Less than 1 year	\$ 600,611	\$ 2,586,845
1 - 3 years	6,429,425	5,693,403
3 - 5 years	13,675,673	9,768,169
>5 years	10,619,877	11,511,757
Total	\$ 31,325,586	\$ 29,560,174

As at December 31, 2025, had the prevailing interest rates raised or lowered by 1%, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$1,339,025 (December 31, 2024 – \$1,273,099). Actual results may differ from this sensitivity analysis and the difference could be material.

Market Risk

Concentration Risk (% of Net Assets)

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

Portfolio by Asset Type	December 31 2025	December 31 2024
Corporate Bonds	76.6	75.5
Provincial and Municipal Bonds	6.0	4.6
Foreign Bonds	15.7	17.7
Other assets and liabilities, net	1.7	2.2
Total	100.0	100.0

Currency Risk (\$)

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

Currency risk arises from financial instruments (including cash and cash equivalents) that are denominated in a currency other than Canadian dollars, which represents the Fund's functional currency. Changes in the value of the Canadian dollar compared to foreign currencies will affect the value, in Canadian dollar terms, of any foreign securities held in the Fund. These fluctuations may reduce, or even eliminate, any return the Fund has earned on foreign securities. Currency exposure may increase the volatility of foreign investments relative to Canadian investments.

The table below indicates the currencies to which the Fund had significant exposure as at December 31, 2025 and 2024:

December 31, 2025	Cash	Receivables	Investments	Total
U.S. Dollar	–	42,859	4,012,839	4,055,698

December 31, 2024	Cash	Receivables	Investments	Total
U.S. Dollar	25	56,160	4,314,365	4,370,550

As at December 31, 2025, had the Canadian dollar strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$202,785 (December 31, 2024 – \$218,528). Actual trading results may differ from this sensitivity analysis and the difference could be material.

10. Fair Value Disclosures

Financial instruments recorded at fair value on the Statements of Financial Position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The following fair value hierarchy table presents information about the Fund's assets measured at fair value on a recurring basis at December 31, 2025 and 2024:

December 31, 2025	Level 1	Level 2	Level 3	Total
Canadian Bonds	\$ –	\$ 26,316,937	\$ –	\$ 26,316,937
Foreign Bonds	–	5,008,649	–	5,008,649
	\$ –	\$ 31,325,586	\$ –	\$ 31,325,586

December 31, 2024	Level 1	Level 2	Level 3	Total
Canadian Bonds	\$ –	\$ 24,223,844	\$ –	\$ 24,223,844
Foreign Bonds	–	5,336,330	–	5,336,330
	\$ –	\$ 29,560,174	\$ –	\$ 29,560,174

There have been no transfers between level 1, 2 or 3 investments in the years ended December 31, 2025 and 2024.

11. Capital Management

The capital of the Fund is represented by issued redeemable units with no par value. The units of the Fund are entitled to distributions, if any, and any redemptions are based on the Fund's net asset value per unit. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units. The Fund endeavors to invest its subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions. There has been no change in the capital management policy during the year.

12. Statement of Portfolio Transactions

A statement of portfolio transactions for the year ended December 31, 2025 will be provided without charge by writing to:

Davis-Rea Ltd.
Investment Counsel
23 Bedford Road, Suite 100
Toronto, ON M5R 2J9