

Financial Statements of

**VENATOR ALTERNATIVE INCOME FUND**

June 30, 2022 (Unaudited)

## MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements have been prepared by **Venator Capital Management Ltd.**, as manager of the Venator Alternative Income Fund (the “Fund”) and approved by VCM’s board of directors. The manager is responsible for the integrity, objectivity and reliability of the data presented. This responsibility includes selecting appropriate accounting principles and making judgements and estimates consistent with *International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS”)*; including International Accounting Standard (“IAS”) 34, “*Interim Financial Reporting*”. The manager is also responsible for the development of internal controls over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced, and the safeguarding of all assets of the Funds.

The board of directors of VCM, is responsible for reviewing and approving the financial statements and overseeing management’s performance of its financial reporting responsibilities.

**On behalf of VCM, manager of the Funds**



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Brandan Osten  
Chief Executive Officer  
August 10, 2022



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Susan Naylor  
Chief Financial Officer  
August 10, 2022

### Notice to Unitholders

**The Auditor of the Funds has not reviewed the Venator Alternative Income Fund**

VCM, as manager of the Funds, appoints an independent auditor to audit the Funds’ annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Funds’ interim financial report, this must be disclosed in an accompanying notice.

# VENATOR ALTERNATIVE INCOME FUND

## Statements of Financial Position

June 30, 2022, with comparative information for December 31, 2021 (Unaudited)

|  | June 30, 2022        | December 31, 2021    |
|--|----------------------|----------------------|
| <b>ASSETS</b>  |                      |                      |
| <b>Current assets</b>  |                      |                      |
| Cash and cash equivalents  | \$ 212,711           | \$ 170,005           |
| Investments owned, at fair value (Cost:\$83,785,073 - 2021:\$115,864,337) (note 9) | 78,123,264           | 116,829,579          |
| Prepaid expenses   | 8,996                | 418                  |
| Interest receivable  | 979,679              | 665,933              |
| Dividends receivable   | 78,640               | 85,201               |
| Receivables for investment sold  | 53,146               | -                    |
|  | <u>79,456,436</u>    | <u>117,751,136</u>   |
| <b>LIABILITIES</b>   |                      |                      |
| <b>Current liabilities</b>   |                      |                      |
| Due to broker  | 23,791,541           | 39,377,398           |
| Accounts payable and accrued liabilities   | 139,874              | 123,087              |
| Performance fees payable (note 4)  | -                    | 754,837              |
| Management fees payable (note 4)   | 46,805               | 68,516               |
| Distributions payable  | 18,304               | 435,702              |
| Payable for investment purchased   | 2,154,636            | 199,205              |
| Redemptions payable  | 29,046               | 122,500              |
|  | <u>26,180,206</u>    | <u>41,081,245</u>    |
| <b>Net assets attributable to holders of redeemable units</b>                      | <u>\$ 53,276,230</u> | <u>\$ 76,669,891</u> |
| <b>Net assets attributable to holders of redeemable units per series:</b>          |                      |                      |
| Series A   | \$ 1,699,144         | \$ 3,044,166         |
| Series D   | -                    | 25,233               |
| Series F   | 51,577,086           | 73,600,492           |
|  | <u>\$ 53,276,230</u> | <u>\$ 76,669,891</u> |
| <b>Number of redeemable units outstanding (note 5):</b>                            |                      |                      |
| Series A   | 343,676.71           | 510,985.10           |
| Series D   | -                    | 4,771.25             |
| Series F   | 9,461,536.28         | 11,289,491.92        |
| <b>Net assets attributable to holders of redeemable units per unit:</b>            |                      |                      |
| Series A   | \$ 4.94              | \$ 5.96              |
| Series D   | -                    | 5.29                 |
| Series F   | 5.45                 | 6.52                 |

The accompanying notes are an integral part of these financial statements.

Approved on behalf of the Trust:

  
 \_\_\_\_\_ Trustee  
 Venator Capital Management Ltd.

# VENATOR ALTERNATIVE INCOME FUND

## Statements of Comprehensive Income (Loss)

Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

|  | 2022                   | 2021                |
|--|------------------------|---------------------|
| <b>Income</b>  |                        |                     |
| Interest income for distribution purposes  | \$ 1,957,803           | \$ 1,704,327        |
| Dividends  | 225,120                | 312,828             |
| Realized (loss) gain on sale of investments, including foreign exchange adjustments                        | (5,261,443)            | 1,813,001           |
| Net change in unrealized (depreciation) appreciation in value of investments                               | (6,629,643)            | 3,655,126           |
| Other income   | —                      | 2,206               |
|  | <u>(9,708,163)</u>     | <u>7,487,488</u>    |
| <b>Expenses</b>  |                        |                     |
| Interest and borrowing fees  | 412,210                | 235,587             |
| Management fees (note 4)   | 395,487                | 430,641             |
| Operating costs  | 63,581                 | 76,225              |
| Legal fees   | 28,736                 | 39,302              |
| Audit fees   | 23,306                 | 25,787              |
| Commissions and other portfolio transaction costs (note 2)   | 13,330                 | 33,425              |
| Performance fee (note 4)   | —                      | 730,966             |
| Withholding taxes  | (8,336)                | 38,310              |
|  | <u>928,314</u>         | <u>1,610,243</u>    |
| <b>(Decrease) increase in net assets attributable to holders of redeemable units</b>                       | <b>\$ (10,636,477)</b> | <b>\$ 5,877,245</b> |
| <b>(Decrease) increase in net assets attributable to holders of redeemable units per series (note 10):</b> |                        |                     |
| Series A   | \$ (374,200)           | \$ 247,682          |
| Series D   | (1,078)                | 1,777               |
| Series F   | <u>(10,261,199)</u>    | <u>5,627,786</u>    |
|  | <b>\$ (10,636,477)</b> | <b>\$ 5,877,245</b> |
| <b>(Decrease) increase in net assets attributable to holders of redeemable units per unit (note 10):</b>   |                        |                     |
| Series A   | \$ (0.83)              | \$ 0.47             |
| Series D   | (0.23)                 | 0.42                |
| Series F   | (0.94)                 | 0.54                |

# VENATOR ALTERNATIVE INCOME FUND

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

|                      | Net assets attributable to holders of redeemable units, beginning of period | Proceeds from redeemable units issued* | Redemption of redeemable units* | Decrease in net assets attributable to holders of redeemable units | Distributions paid to holders of redeemable units | Reinvestment of distributions to holders of redeemable units | Net assets attributable to holders of redeemable units, end of period |
|----------------------|---|--|---------------------------------|--|---|--|---|
| <b>June 30, 2022</b> |   |  |                                 |  |   |  |   |
| Series A             | \$ 3,044,166  | \$ 143,770                             | \$ (1,097,607)                  | \$ (374,200)   | \$ (53,161)                                       | \$ 36,176  | \$ 1,699,144  |
| Series D             | 25,233  | –                                      | (24,155)                        | (1,078)  | (287)   | 287  | –   |
| Series F             | 73,600,492  | 2,783,515                              | (14,408,314)                    | (10,261,199)   | (1,279,333)                                       | 1,141,925  | 51,577,086  |
|                      | <u>\$ 76,669,891</u>  | <u>\$ 2,927,285</u>                    | <u>\$ (15,530,076)</u>          | <u>\$ (10,636,477)</u>   | <u>\$ (1,332,781)</u>                             | <u>\$ 1,178,388</u>  | <u>\$ 53,276,230</u>  |

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2022 were \$754,266 and \$(754,265), respectively.

|                      | Net assets attributable to holders of redeemable units, beginning of period | Proceeds from redeemable units issued** | Redemption of redeemable units** | Increase in net assets attributable to holders of redeemable units | Distributions paid to holders of redeemable units | Reinvestment of distributions to holders of redeemable units | Net assets attributable to holders of redeemable units, end of period |
|----------------------|---|---|----------------------------------|--|---|--|---|
| <b>June 30, 2021</b> |   |   |                                  |  |   |  |   |
| Series A             | \$ 3,158,289  | \$ 75,195                               | \$ (430,717)                     | \$ 247,682   | \$ (62,895)                                       | \$ 47,765  | \$ 3,035,319  |
| Series D             | 21,257  | –                                       | –                                | 1,777  | (506)   | 506  | 23,034  |
| Series F             | 62,907,453  | 14,767,580                              | (7,363,088)                      | 5,627,786  | (1,257,995)                                       | 1,114,203  | 75,795,939  |
|                      | <u>\$ 66,086,999</u>  | <u>\$ 14,842,775</u>                    | <u>\$ (7,793,805)</u>            | <u>\$ 5,877,245</u>  | <u>\$ (1,321,396)</u>                             | <u>\$ 1,162,474</u>  | <u>\$ 78,854,292</u>  |

\*\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the period ended June 30, 2021 were \$nil and \$nil, respectively.

# VENATOR ALTERNATIVE INCOME FUND

## Statements of Cash Flows

Period ended June 30, 2022, with comparative information for 2021 (Unaudited)

|   | 2022                | 2021               |
|---|---------------------|--------------------|
| <b>Cash provided by (used in):</b>  |                     |                    |
| <b>Operating Activities</b>   |                     |                    |
| (Decrease) increase in net assets attributable to holders of redeemable units           | \$ (10,636,477)     | \$ 5,877,245       |
| Adjustments for non-cash items  |                     |                    |
| Net realized loss (gain) on sale of investments, including foreign exchange adjustments | 5,261,443           | (1,813,001)        |
| Change in unrealized depreciation (appreciation) in value of investments                | 6,629,643           | (3,655,126)        |
| Change in non-cash balances   |                     |                    |
| (Increase) decrease in prepaid expenses   | (8,578)             | 3,028              |
| (Increase) decrease in interest receivable  | (313,746)           | 143,708            |
| Decrease (increase) in dividends receivable   | 6,561               | (55,990)           |
| (Increase) decrease in receivable for investment sold                                   | (53,146)            | 3,565,523          |
| (Decrease) increase in due to broker  | (15,585,857)        | 18,672,021         |
| Increase (decrease) in accounts payable and accrued liabilities                         | 16,787              | (38,521)           |
| (Decrease) increase in performance fees payable   | (754,837)           | 194,026            |
| (Decrease) increase in management fees payable  | (21,711)            | 8,576              |
| Decrease in distributions payable   | (417,398)           | (278)              |
| Increase (decrease) in payable for investment purchased                                 | 1,955,431           | (110,195)          |
| Proceeds from sale of investments   | 89,168,211          | 37,976,773         |
| Purchase of investments   | (60,868,253)        | (68,590,364)       |
|   | <u>14,378,073</u>   | <u>(7,822,575)</u> |
| Cash provided by (used in) operating activities   |                     |                    |
| <b>Financing Activities</b>   |                     |                    |
| Proceeds from redeemable units issued   | 2,173,019           | 14,346,675         |
| Amount paid on redemption of redeemable units   | (14,869,265)        | (8,185,542)        |
| Distributions paid to holders of redeemable units, net of reinvested distributions      | (154,393)           | (158,922)          |
|   | <u>(12,850,639)</u> | <u>6,002,211</u>   |
| Cash (used in) provided by financing activities   |                     |                    |
|   | 1,527,434           | (1,820,364)        |
| Increase (decrease) in cash and cash equivalents during the period                      | (1,484,728)         | 1,547,453          |
| Foreign exchange (loss) gain on cash  | 170,005             | 400,843            |
| Cash and cash equivalents, beginning of period  |                     |                    |
| <b>Cash and cash equivalents, end of period</b>   | <u>\$ 212,711</u>   | <u>\$ 127,932</u>  |
| <b>Supplemental information*</b>  |                     |                    |
| Interest paid   | \$ 368,321          | \$ 226,254         |
| Interest received   | 1,644,058           | 1,848,034          |
| Dividends received, net of withholding taxes  | 240,016             | 218,528            |

\*Included as a part of cash flows from operating activities

# VENATOR ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio As at June 30, 2022 (Unaudited)

| Number of shares/units       | Investments owned  | Average cost      | Fair value        | % of net asset value |
|------------------------------|--|-------------------|-------------------|----------------------|
| <b>Canadian equity</b>       |  |                   |                   |                      |
| 93,000                       | Canaccord Genuity Group Inc. Preferred Shares 5.75%                          | \$ 1,519,359      | \$ 2,180,850      | 4.09                 |
| <b>Canadian fixed income</b> |  |                   |                   |                      |
| 1,800,000                    | Aecon Group Inc. 5% 31DEC2023  | 1,888,030         | 1,808,820         | 3.40                 |
| 1,013,000                    | Cargojet Inc. 5.75% 30APR2025  | 981,076           | 1,012,899         | 1.90                 |
| 1,500,000                    | Chemtrade Logistics Income Fund 6.25% 31AUG2027                              | 1,499,743         | 1,500,000         | 2.82                 |
| 1,055,000                    | Chemtrade Logistics Income Fund 8.50% 30SEP2025                              | 1,033,539         | 1,241,735         | 2.33                 |
| 2,500,000                    | Dye & Durham Ltd. 3.75% 01MAR2026  | 2,533,677         | 2,150,000         | 4.04                 |
| 2,000,000                    | Extendicare Inc. 5% 30APR2025  | 2,057,300         | 1,989,200         | 3.73                 |
| 2,015,000                    | Mullen Group Ltd. 5.75% 30NOV2026  | 2,214,936         | 2,062,353         | 3.87                 |
| 1,600,000                    | NFI Group Inc. 5% 15JAN2027  | 1,588,898         | 1,379,200         | 2.59                 |
| 2,000,000                    | NorthWest Healthcare Properties Real Estate Investment Trust 5.50% 31DEC2023 | 2,047,079         | 2,040,000         | 3.83                 |
| 1,591,000                    | Osisko Gold Royalties Ltd. 4% 31DEC2022                                      | 1,645,660         | 1,583,045         | 2.97                 |
| 2,000,000                    | StorageVault Canada Inc/Alberta 5.75% 31JAN26                                | 1,982,500         | 1,933,800         | 3.63                 |
| 1,399,300                    | Tidewater Midstream and Infrastructure Ltd. 5.50% 30SEP2024                  | 1,374,539         | 1,396,641         | 2.62                 |
|                              |  | <u>20,846,977</u> | <u>20,097,693</u> | <u>37.73</u>         |
| <b>U.S. equities</b>         |  |                   |                   |                      |
| 50,000                       | Accelerate Acquisition Corp.   | 624,154           | 631,295           | 1.18                 |
| 25,000                       | African Gold Acquisition Corp.   | 317,128           | 317,580           | 0.60                 |
| 40,000                       | Austerlitz Acquisition Corp II   | 503,630           | 502,979           | 0.94                 |
| 50,000                       | Bite Acquisition Corp.   | 631,732           | 633,229           | 1.19                 |
| 25,000                       | Build Acquisition Corp.  | 300,365           | 314,845           | 0.59                 |
| 50,000                       | Constellation Acquisition Corp I   | 630,836           | 633,872           | 1.19                 |
| 50,000                       | DHB Capital Corp.  | 634,143           | 631,298           | 1.18                 |
| 25,000                       | ESM Acquisition Corp.  | 316,808           | 315,971           | 0.59                 |
| 50,000                       | Fortress Value Acquisition Corp IV   | 624,131           | 628,080           | 1.18                 |
| 25,000                       | Gores Technology Partners II Inc.  | 316,021           | 317,097           | 0.60                 |
| 25,000                       | Jack Creek Investment Corp.  | 294,142           | 316,293           | 0.59                 |
| 50,000                       | KKR Acquisition Holdings I Corp.   | 625,896           | 635,803           | 1.19                 |
| 50,000                       | Plum Acquisition Corp I  | 623,728           | 631,298           | 1.18                 |
| 25,000                       | Supernova Partners Acquisition Co III Ltd.                                   | 312,639           | 315,327           | 0.59                 |
| 50,000                       | Warburg Pincus Capital Corp I-A  | 641,453           | 643,525           | 1.21                 |
| 50,000                       | Warburg Pincus Capital Corp I-B  | 640,710           | 633,229           | 1.19                 |
| 68,300                       | WESCO International Inc. Preferred Shares 10.625%                            | 2,488,921         | 2,410,369         | 4.52                 |
|                              |  | <u>10,526,437</u> | <u>10,512,090</u> | <u>19.71</u>         |

# VENATOR ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio (continued)

As at June 30, 2022 (Unaudited)

| Number of shares/units   | Investments owned  | Average cost         | Fair value           | % of net asset value |
|--------------------------|--|----------------------|----------------------|----------------------|
| <b>U.S. fixed income</b> |  |                      |                      |                      |
| 1,000,000                | Bath & Body Works Inc. 6.694% 15JAN27  | \$ 1,241,136         | \$ 1,209,866         | 2.27                 |
| 1,000,000                | Bloomin' Brands Inc / OSI Restaurant Partners LLC 5.125% 15APR29                               | 1,105,555            | 1,094,186            | 2.05                 |
| 1,000,000                | BlueLinx Holdings Inc. 6% 15NOV29  | 1,022,648            | 1,023,205            | 1.92                 |
| 2,000,000                | Brookfield Property REIT Inc / BPR Cumulus LLC / BPR Nimbus LLC / GGSI Sellco LL 5.75% 15MAY26 | 2,491,419            | 2,355,302            | 4.42                 |
| 1,000,000                | Caesars Entertainment Inc. 8.125% 01JUL27  | 1,254,944            | 1,248,194            | 2.34                 |
| 2,000,000                | Coty Inc. 6.50% 15APR2026  | 2,571,177            | 2,373,166            | 4.45                 |
| 2,500,000                | CryoPort Inc. 0.75% 01DEC26  | 2,597,212            | 2,495,719            | 4.68                 |
| 1,500,000                | Curaleaf Holdings Inc. 8% 15DEC26  | 1,928,046            | 1,816,806            | 3.41                 |
| 1,000,000                | Cutera Inc. 2.25% 01JUN28  | 1,270,962            | 1,229,609            | 2.31                 |
| 1,000,000                | First Quantum Minerals Ltd. 6.875% 15OCT27   | 1,223,927            | 1,154,175            | 2.17                 |
| 2,000,000                | Forestar Group Inc. 5% 01MAR28   | 2,342,082            | 2,099,153            | 3.94                 |
| 2,000,000                | Griffon Corp. 5.75% 01MAR28  | 2,306,147            | 2,333,988            | 4.38                 |
| 2,500,000                | Inotiv Inc. 3.25% 15OCT27  | 3,064,218            | 2,062,176            | 3.87                 |
| 349,000                  | Invesque Inc. 7% 31JAN25   | 370,784              | 345,869              | 0.65                 |
| 2,000,000                | M/I Homes Inc. 4.95% 01FEB28   | 2,368,313            | 2,226,622            | 4.18                 |
| 110,000                  | Nathan's Famous Inc. 6.625% 01NOV2025  | 143,396              | 136,266              | 0.26                 |
| 2,000,000                | Par Petroleum LLC / Par Petroleum Finance Corp. 7.75% 15DEC2025                                | 2,398,680            | 2,438,960            | 4.58                 |
| 3,000,000                | Porch Group Inc. 0.75% 15SEP26   | 2,999,694            | 2,039,382            | 3.83                 |
| 3,000,000                | Telesat Canada / Telesat LLC 6.50% 15OCT2027   | 3,482,647            | 1,658,557            | 3.11                 |
| 1,000,000                | Tenet Healthcare Corp. 6.125% 01OCT28  | 1,152,223            | 1,112,848            | 2.09                 |
| 1,500,000                | The Chemours Co. 5.75% 15NOV28   | 1,869,732            | 1,655,873            | 3.11                 |
| 1,500,000                | TransDigm Inc. 6.375% 15JUN26  | 1,859,280            | 1,815,899            | 3.41                 |
| 1,000,000                | Tri Pointe Homes Inc. 5.25% 01JUN27  | 1,131,988            | 1,131,755            | 2.12                 |
| 1,500,000                | Trulieve Cannabis Corp. 8% 06OCT26   | 1,886,025            | 1,846,305            | 3.47                 |
| 4,000,000                | Uber Technologies Inc. 8% 01NOV2026  | 5,504,287            | 5,144,493            | 9.66                 |
| 1,000,000                | WESCO Distribution Inc. 7.125% 15JUN25   | 1,305,778            | 1,284,257            | 2.41                 |
|                          |  | <u>50,892,300</u>    | <u>45,332,631</u>    | <u>85.09</u>         |
| <b>U.S. warrant</b>      |  |                      |                      |                      |
| 51,506                   | CEC Brands LLC TBD   | —                    | —                    | —                    |
|                          | <b>Total investments owned</b>   | 83,785,073           | 78,123,264           | 146.62               |
|                          | Commissions and other portfolio transaction costs  | (13,770)             | —                    | —                    |
|                          | <b>Net investments owned</b>   | <u>\$ 83,771,303</u> | 78,123,264           | 146.62               |
|                          | <b>Other liabilities, net</b>  |                      | <u>(24,847,034)</u>  | <u>(46.62)</u>       |
|                          | <b>Net Assets Attributable to Holders of Redeemable Units</b>                                  |                      | <u>\$ 53,276,230</u> | <u>100.00</u>        |



# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements

June 30, 2022 (Unaudited)

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Venator Alternative Income Fund (the "Trust") is a trust created under the laws of the Province of Ontario pursuant to a declaration of trust dated July 30, 2008 as amended and restated as at January 8, 2020 (the "Declaration of Trust"). The Trust commenced active operations on August 1, 2008. Venator Capital Management Ltd., a corporation incorporated under the laws of the Province of Ontario, is the manager (the "Manager") and trustee of the Trust (the "Trustee"). The registered office of the Trust is 2 Bloor Street West, Suite 901, Toronto, Ontario M4W 3E2.

The investment objective of the Trust is to provide long-term capital growth through fundamental securities selection focusing on established North American listed companies. In order to meet its investment objective, the Trust will invest in a portfolio of securities that generally have yields in excess of 4%. The Trust may take both long and short positions in equity, debt and derivative securities.

## 1. Basis of presentation:

These interim financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL"), which are presented at fair value. The policies applied in these interim financial statements are based on International Financial Reporting Standards and International Accounting Standard 34, Interim Financial Reporting (together "IFRS") issued and outstanding as at August 10, 2022, which is the date on which the interim financial statements were authorized for issue by the Manager. These interim financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2021 which have been prepared in accordance with IFRS. The financial statements are presented in Canadian dollars, which is the Trust's functional currency.

## 2. Significant accounting policies:

### (a) Use of estimates:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Trust's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies:

### (b) Financial assets and financial liabilities:

#### (i) Valuation:

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. In accordance with the provisions of the Trust's Simplified Prospectus, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, the Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each statements of financial position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Other financial liabilities are generally settled within twelve months of recognition. Other assets and liabilities are short-term in nature, and are carried at amortized cost, which approximates fair value.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

### (ii) Classification:

The Trust classifies its investments in debt and equity securities as financial assets and financial liabilities at FVTPL.

The Trust classifies its investments at FVTPL based on the Trust's business model for managing those financial assets in accordance with the Trust's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Trust is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

Other financial assets including interest receivable, prepaid expenses, dividends receivable and receivable for investment sold are classified as financial assets and measured at amortized cost. A financial asset is classified and subsequently measured at amortized cost only if both of the following criteria are met:

- (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, and
- (b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Due to broker, accounts payable and accrued liabilities, management fees payable, distributions payable, payable for investments purchased and redemptions payable are classified as financial liabilities and reported at amortized cost.

### (iii) Recognition/derecognition:

The Trust recognizes regular-way transactions in financial assets or financial liabilities at FVTPL on the trade date which is the date on which the Trust becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. Any gains and losses arising from changes in fair value of the financial assets or liabilities are recognized in the statements of comprehensive (loss) income. Transaction costs are recognized directly in the statements of comprehensive (loss) income for financial assets and liabilities at FVTPL and are included in the initial fair value for financial assets at financial liabilities at amortized cost.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

Financial assets are derecognized when, and only when, the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Trust derecognizes financial liabilities when, and only when, the Trust's obligations are discharged, cancelled or expired.

### (c) Offsetting financial instruments:

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. In the normal course of business, the Trust may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

### (d) Forward foreign currency contracts

The Trust may also enter into forward exchange contracts to hedge against fluctuations in foreign exchange rates. These contracts are valued as the difference between the contractual forward foreign exchange rates and the close forward rate for currency held or sold short at the reporting date. The unrealized gains or losses on the contracts are included in the statements of financial position. Realized gains and losses and changes in unrealized gains and losses are included in the statements of comprehensive (loss) income.

### (e) Investment transactions and revenue recognition:

Investment transactions are accounted for on a trade date basis and gains and losses from investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

The interest income for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Trust accounted for on an accrual basis. The Trust 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.

Realized (loss) gain on sale of investments, including foreign exchange adjustments, and unrealized (depreciation) appreciation in value of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

### (f) Withholding tax expense:

The Trust generally 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 are shown as a separate expense in the statements of comprehensive (loss) income.

### (g) Due to broker:

The Trust has a prime brokerage agreement with its broker to carry its accounts as a customer. The broker has custody of the Trust's securities.

Due to broker is a margin account representing cash loans with brokers that are secured by the underlying investments owned by the Trust.

### (h) Commissions and other portfolio transaction costs:

Transaction costs, such as brokerage commissions incurred in the purchase and sale of portfolio securities and other trade execution costs paid to external third parties, such as stamp duties and exchange fees, are recognized as expenses in the statements of comprehensive (loss) income based on the trade date.

### (i) Fair value hierarchy:

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The hierarchy of inputs is summarized below:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide pricing information on an ongoing basis;
- Level 2 - inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

### (i) Fair value hierarchy (continued):

- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Refer to note 9 for fair value measurement analysis.

### (j) Translation of foreign currency:

The functional and presentation currency of the Trust is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 12:00 p.m. Eastern Standard Time, the closing rate, on each valuation day. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions. Changes in unrealized appreciation (depreciation) in foreign currencies are recognized in the statements of comprehensive income through net change in unrealized appreciation (depreciation) in value of investments. All other gains and losses related to foreign exchange translations are recognized in the statements of comprehensive (loss) income through realized gain (loss) on sale of investments, including foreign exchange adjustments.

### (k) Cash and cash equivalents:

Cash and cash equivalents include cash in hand and deposits held with banks with original maturities of three months or less.

### (l) Interest and borrowing fees:

As a result of taking both long and short positions, the Trust incurs both interest expense and borrowing fees. While the use of borrowed funds can substantially improve the return on invested capital, its use may also increase the adverse impact to which the investment portfolio of the Trust may be subjected by increasing the Trust's exposure to capital risk and incurring higher expenses.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

### (m) Taxation of the Trust:

The Trust qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Income Tax Act") and, accordingly, is not subject to tax on its net taxable income, including net realized capital gains, which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Trust's net income and net realized capital gains that is not paid or payable is subject to income taxes. It is the intention of the Trust to distribute all of its income and sufficient net realized capital gains so that the Trust will not be subject to income tax.

Non-capital losses are available to be carried forward for 20 years and applied against future taxable income. Capital losses for income tax purposes may be carried forward indefinitely and applied against future capital gains.

### (n) Net assets attributable to holders of redeemable units per unit:

The net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series of units by the total number of units of that particular series outstanding at the end of the period.

### (o) Unit valuation:

The net assets of a particular series of units are computed by calculating the value of that series proportionate share of the assets and liabilities of the Trust common to all series less the liabilities of the Trust attributable only to that series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investment transactions and other expenses are allocated proportionately to each series based upon the relative net assets of each series.

### (p) (Decrease) increase in net assets attributable to holders of redeemable units per unit:

(Decrease) increase in net assets attributable to holders of redeemable units per unit is based on the (decrease) increase in net assets attributable to holders of redeemable units attributed to each series of units, divided by the weighted average number of units outstanding of that series during the period. Refer to note 10 for the calculation.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 2. Significant accounting policies (continued):

(q) Classification of redeemable units issued by the Trust:

The Trust's units do not meet the criteria in IAS 32, Financial Instruments - Presentation, for classification as equity due to multiple series with different rights and, therefore, have been classified as financial liabilities.

(r) Changes in significant accounting policies:

A number of new standards are effective from January 1, 2021 that do not have a material effect on the Trust's financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2022 and earlier application is permitted; however, the Trust has not early adopted the new or amended standards in preparing these financial statements. The new and amended standards and interpretations are not expected to have a significant impact on the Trust's financial statements.

## 3. Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgments 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 Trust has made in preparing the financial statements:

Classification and measurement of investments:

In classifying and measuring financial instruments held by the Trust, the Manager is required to make significant judgments about whether or not the business of the Trust is to manage its portfolio of investments and evaluate performance on a fair value basis and that the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Trust's investments are classified as FVTPL.



# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 4. Related party transactions:

### (a) Management fees:

The management fee paid by the Trust to the Manager is calculated and payable monthly based on the net asset value of each series daily. The monthly management fee for each series is calculated as follows: (i) 1/12 of 2% of the net asset value of the Series A units; (ii) 1/12 of 1.5% of the net asset value of Series D units; and (iii) 1/12 of 1% of the net asset value of the Series F units, plus applicable taxes. Management fees on Series I units are negotiated and paid directly by the investor.

The Manager will pay, with respect to the Series A and Series D units, and out of its management fee, an annual service fee to participating registered dealers whose clients hold Series A or Series D units. The service fee is payable quarterly to a maximum of 1% per annum of the net asset value of the Series A units and 0.5% of the net asset value of the Series D units held by clients of the applicable dealer.

Management fees for the period ended June 30, 2022 were \$,395,487 (2021 - \$430,641) with \$46,805 payable as at June 30, 2022 (December 31, 2021 - \$68,516).

### (b) Performance fee:

The Trust pays a performance fee to the Manager on each Series A, Series D and Series F unit outstanding on the last business day of the period based on the amount by which the net asset value per unit on such date plus the aggregate amount of all distributions declared on such unit ("Adjusted NAV per Unit") exceeds an annualized current year return of 5% over the previous High Water Mark for such unit ("Threshold Rate"), plus applicable taxes. The performance fee is calculated daily. The High Water Mark is defined as the greater of the purchase price of such unit or the Adjusted NAV per Unit after the last date on which a performance fee was paid. In any period in which a performance fee is payable, the Manager will be paid: (i) all of the increase in Adjusted NAV per Unit between the Threshold Rate and the Threshold Rate plus 0.5%; and (ii) 10% of any gains in excess of the Threshold Rate plus 0.5%. Investors in Series I Units may negotiate a different performance fee.

Performance fees for the period ended June 30, 2022 were \$nil (2021 - \$730,966) with \$nil payable as at June 30, 2022 (December 31, 2021 - \$754,837).

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 4. Related party transactions (continued):

(c) Related party unitholders:

Directors and employees of the Manager own units of the Trust representing 20.25% (December 31, 2021 - 16.61%) of the units outstanding.

## 5. Redeemable units of the Trust:

The Trust is permitted to issue an unlimited number of series of units and an unlimited number of units of each series. The Trust has designated Series A units, Series D units, Series F units, and Series I units, each of which represents an equal, undivided, beneficial interest in the net asset value of the Trust. Each unit of each series entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Trust. Redeemable units of a series may be consolidated and/or redesignated by the Manager. As at June 30, 2022, Series A and Series F units have been issued.

Unitholders may request that such units be redeemed on the last business day of each weekly period (the "Redemption Date") at their net asset value per unit on such date provided that the request for redemption is submitted at least 5 business days prior to such Redemption Date.

The Manager has the sole discretion to accept or reject redemption requests and intends to accept redemption requests in circumstances where it would not be prejudicial to the Trust. Capital gains, which may arise upon the sale of securities in connection with redemptions of units, will be allocated to the redeeming unitholders.

The unit activity during the period ended June 30 is as follows:

|                      | Redeemable<br>units, beginning<br>of period | Redeemable<br>units issued | Redemptions of<br>redeemable<br>units | Reinvestments<br>of units | Redeemable<br>units, end of<br>period |
|----------------------|---|----------------------------|---------------------------------------|---------------------------|---------------------------------------|
| <b>June 30, 2022</b> |   |                            |                                       |                           |                                       |
| Series A             | 510,985.10                                  | 25,484.58                  | (199,396.82)                          | 6,603.85                  | 343,676.71                            |
| Series D             | 4,771.25                                    | —                          | (4,828.27)                            | 57.02                     | —                                     |
| Series F             | 11,289,491.92                               | 456,037.64                 | (2,475,326.54)                        | 191,333.26                | 9,461,536.28                          |
| <b>June 30, 2021</b> |   |                            |                                       |                           |                                       |
| Series A             | 551,111.91                                  | 12,510.26                  | (71,809.81)                           | 7,980.32                  | 499,792.68                            |
| Series D             | 4,179.80                                    | —                          | —                                     | 95.31                     | 4,275.11                              |
| Series F             | 9,691,452.66                                | 2,170,622.18               | (1,088,136.16)                        | 163,482.58                | 10,937,421.26                         |

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 5. Redeemable units of the Trust (Continued):

Capital disclosure:

The capital of the Trust is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the Trust's net asset value per unit upon redemption. The Trust 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. In accordance with its investment objectives and strategies and the risk management practices outlined in note 8, the Trust endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments, where necessary.

## 6. Distribution policy:

The Manager will allocate and distribute all of the net investment income and net realized gains on investments so that the Trust will not be subject to income taxes under Part 1 of the Income Tax Act. As at June 30, 2022, the Trust intends to pay distributions of \$0.02 per unit (previous month was \$0.02 per unit) to unitholders on a monthly basis within 15 days following the end of each calendar month end.

Unless the unitholder elects to receive cash, all such distributions are automatically reinvested in additional units at the net asset value per unit and on the date of each distribution, the units are automatically consolidated into that number of units outstanding immediately prior to the distribution.

## 7. Expenses:

The Manager has the power to incur and make payments out of the Trust's property for any charges or expenses, which in the opinion of the Manager are necessary or incidental to or proper for carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Trust. The Trust is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 8. Financial instruments and risk management:

In the normal course of business, the Trust is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Trust's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and company news related to specific securities within the Trust. The level of risk depends on the Trust's investment objective and the types of securities in which it invests.

### (a) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Trust. It arises principally from debt securities held, and also from cash and cash equivalents (through the custodian's credit rating) and balances due from broker.

All transactions executed by the Trust in listed securities are settled/paid 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 Trust's investments in debt instruments, including bonds, represent the main concentration of credit risk. The market value of debt instruments includes consideration of the creditworthiness of the issuer and, accordingly, represents the maximum credit risk exposure of the Trust.

The Trust has invested in debt securities with the following credit quality, as determined by Moody's Investors Service:

|           | % of net asset value |                   |
|-----------|----------------------|-------------------|
|           | June 30, 2022        | December 31, 2021 |
| Rating:   |                      |                   |
| Ba2       | 8.57                 | —                 |
| Ba3       | 3.94                 | —                 |
| B1        | 18.49                | 3.76              |
| B2        | 9.66                 | —                 |
| B3        | 14.59                | 9.07              |
| Caa1      | 2.34                 | 7.26              |
| Caa2      | 3.11                 | —                 |
| Not rated | 62.12                | 104.78            |

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

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## 8. Financial instruments and risk management (Continued):

### (b) Liquidity risk:

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

The Trust's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Trust primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Trust generally retains sufficient cash and cash equivalent positions to maintain liquidity.

All financial liabilities of the Trust have a maturity of less than three months.

### (c) Market risk:

#### (i) Interest rate risk:

Interest rate risk arises when the Trust invests in interest-bearing financial instruments. The Trust is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates and fixed-rate instruments held for the period ended June 30, 2022 and December 31, 2021.

Investments in bonds are fixed-rate instruments with terms to maturity at June 30, 2022 and December 31, 2021 was as follows:

|             | June 30, 2022 | December 31, 2021 |
|-------------|---------------|-------------------|
| < 1 year    | \$ 1,583,045  | \$ 859,216        |
| 1 - 3 years | 9,877,686     | 13,769,123        |
| 3 - 5 years | 33,571,007    | 63,833,593        |
| > 5 years   | 20,398,586    | 17,267,734        |

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As at June 30, 2022, should interest rates increase or decrease by 10 basis points with all other variables remaining constant, the respective decrease or increase in net assets for the period would amount to approximately \$275,027 (December 31, 2021 - \$390,246).

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 8. Financial instruments and risk management (Continued):

### (ii) Other price risk:

Other price risk is the risk that the fair value of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Trust's investment objectives and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited.

For the Trust, the most significant exposure to other price risk arises from its investment in equity securities. As at June 30, 2022 had the prices on the respective stock exchanges for these securities increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$1,269,294 (December 31, 2021 - \$2,109,991). In practice, the actual trading results may differ and the difference could be material.

### (iii) Currency risk:

Currency risk is the risk that financial instruments which are denominated or exchanged in a currency other than the Canadian Dollar ("CAD"), which is the Trust's reporting currency, will fluctuate due to changes in exchange rates.

Currency to which the Trust had material exposure as at June 30, 2022 and December 31, 2021 is as follows:

| Currency                                    | Exposure        |               |              | Impact if CAD strengthened or weakened by 5% in relation to other currencies |              |             |
|---|-----------------|---------------|--------------|--|--------------|-------------|
|   | Monetary        | Non-Monetary  | Total        | Monetary   | Non-Monetary | Total       |
| <b>June 30, 2022</b>                        |                 |               |              |  |              |             |
| U.S. Dollar                                 | \$ (56,767,031) | \$ 55,844,721 | \$ (922,310) | \$ (2,838,352)   | \$ 2,792,236 | \$ (46,116) |
| % of Net Assets                             |                 |               |              |  |              |             |
| Attributable to Holders of Redeemable Units | (106.55)        | 104.82        | (1.73)       | (5.33)   | 5.24         | (0.09)      |

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 8. Financial instruments and risk management (Continued):

(iii) Currency risk (continued):

| Currency                 | Exposure        |               |            | Impact if CAD strengthened or weakened by 5% in relation to other currencies |              |           |
|--------------------------|-----------------|---------------|------------|--|--------------|-----------|
|                          | Monetary        | Non-Monetary  | Total      | Monetary   | Non-Monetary | Total     |
| <b>December 31, 2021</b> |                 |               |            |  |              |           |
| U.S. Dollar              | \$ (89,178,769) | \$ 89,450,308 | \$ 271,539 | \$ (4,458,938)   | \$ 4,472,515 | \$ 13,577 |
| % of Net Assets          |                 |               |            |  |              |           |
| Attributable to Holders  |                 |               |            |  |              |           |
| of Redeemable Units      | (116.32)        | 116.67        | 0.35       | (5.82)   | 5.83         | 0.01      |

The amounts in the above tables are based on the fair value of the Trust's financial instruments (including cash), as well as the underlying principal amounts of forward currency contracts, as applicable. Other financial assets (including dividends and interest receivable) and financial liabilities that are denominated in foreign currencies do not expose the Trust to significant currency risk.

As at June 30, 2022 if the Canadian dollar had strengthened or weakened by 5% in relation to all material currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased by approximately \$46,116 (December 31, 2021 - \$13,577). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 8. Financial instruments and risk management (Continued):

### (d) Concentration risk:

Concentration risk arises because of the concentration exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following table is a summary of the Trust investment portfolio's concentration risk by industry sector:

| Market segment           | Percentage of net asset value |                   |
|--------------------------|-------------------------------|-------------------|
|                          | June 30, 2022                 | December 31, 2021 |
| <b>Investments owned</b> |                               |                   |
| Basic Materials          | 13.4                          | 10.7              |
| Communications           | 3.1                           | 6.8               |
| Consumer, Discretionary  | 17.1                          | 15.1              |
| Consumer, Staples        | 4.5                           | 3.4               |
| Energy                   | 7.2                           | 7.8               |
| Financial                | 4.1                           | 6.2               |
| Health Care              | 23.4                          | 18.3              |
| Industrial               | 38.1                          | 30.4              |
| Real Estate              | 16.5                          | 6.9               |
| Technology               | 4.0                           | 30.3              |
| SPACS                    | 15.2                          | 16.5              |

### (e) Covid-19:

The COVID-19 virus is a fading risk to the global recovery and the extent of the continuing impacts from the COVID-19 outbreak on the Trust's operations and performance remains uncertain and difficult to predict. The ultimate economic fallout from the on-going pandemic, and the long-term impact on economies, markets, industries and individual companies remain uncertain. The extent of the impact to the financial performance and the operations of the Trust will depend on future developments, which are highly uncertain and cannot be predicted.



# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 9. Fair value of measurement:

The following is a summary of the inputs used as at June 30, 2022 in valuing the Trust's investments carried at fair values:

|                         | Level 1       | Level 2       | Level 3 | Total         |
|-------------------------|---------------|---------------|---------|---------------|
| <b>Assets</b>           |               |               |         |               |
| Equities                | \$ 11,430,347 | \$ 1,262,593  | –       | \$ 12,692,940 |
| Fixed income securities | 1,379,200     | 64,051,124    | –       | 65,430,324    |
|                         | \$ 12,809,547 | \$ 65,313,717 | –       | \$ 78,123,264 |

There were no significant transfers between the levels during the period ended June 30, 2022.

The following is a summary of the inputs used as at December 31, 2021 in valuing the Trust's investments carried at fair values:

|                         | Level 1       | Level 2       | Level 3 | Total          |
|-------------------------|---------------|---------------|---------|----------------|
| <b>Assets</b>           |               |               |         |                |
| Equities                | \$ 19,214,802 | \$ 1,885,111  | –       | \$ 21,099,913  |
| Fixed income securities | 1,599,040     | 94,130,626    | –       | 95,729,666     |
|                         | \$ 20,813,842 | \$ 96,015,737 | –       | \$ 116,829,579 |

There were no significant transfers between the levels during the year ended December 31, 2021.

# VENATOR ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

June 30, 2022 (Unaudited)

## 10. (Decrease) increase in net assets attributable to holders of redeemable units per unit:

The (decrease) increase in net assets attributable to holders of redeemable units per unit for the period ended June 30, 2022 and 2021 is calculated as follows:

|                      | (Decrease) increase in net assets attributable to holders of redeemable units per Series | Weighted average of redeemable units outstanding during the period | (Decrease) increase in net assets attributable to holders of redeemable units per unit |
|----------------------|--|--|--|
| <b>June 30, 2022</b> |  |  |  |
| Series A             | \$ (374,200)   | 448,960  | \$ (0.83)  |
| Series D             | (1,078)  | 4,791  | (0.23)   |
| Series F             | (10,261,199)   | 10,916,937   | (0.94)   |
| <b>June 30, 2021</b> |  |  |  |
| Series A             | \$ 247,682   | 527,813  | \$ 0.47  |
| Series D             | 1,777  | 4,220  | 0.42   |
| Series F             | 5,627,786  | 10,422,784   | 0.54   |

## 11. Offsetting financial instruments:

The Trust has provided the prime broker with a general lien over the financial assets in custody as security for the prime broker's exposures relating to provision of prime broker services to the Trust. The terms under which the general lien is provided are usual and customary for prime broker agreements.

The Trust's arrangement with its broker permits offsetting of amounts receivable and payable in respect of securities purchased or sold in the normal course of business.

## 12. Income taxes:

As at the year ended December 31, 2021 and 2020, the Trust has no capital losses carried forward nor non-capital losses carried forward available for income tax purpose.