

Financial Statements of

**NEWGEN FOCUSED  
ALPHA FUND**

For the period from January 29, 2021 (date  
of formation) to June 30, 2021

(Unaudited)

## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

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

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgements made by the Manager. The significant accounting policies which the Trustee believes are appropriate for the Fund are described in Note 2 to the unaudited interim financial statements.

**On behalf of the Manager**

*"David Dattels"*

August 16, 2021

Date

## **NOTICE TO UNITHOLDERS**

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

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

# NewGen Focused Alpha Fund

## Statement of Financial Position (Unaudited) As at June 30, 2021

	2021
<b>ASSETS</b>	
<b>Current assets</b>	
Due from broker	\$ 2,921,693
Investments owned, at fair value through profit or loss (note 6)	8,414,036
Dividends receivable	11,775
Subscriptions receivable	46,000
Receivable for investment sold	90,291
	<u>11,483,795</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Investments sold short, at fair value through profit or loss (note 6)	469,488
Accounts payable and accrued liabilities	57,384
Management fees payable (note 3)	9,744
Performance fees payable (note 3)	82,559
Payable for investments purchased	320,305
	<u>939,480</u>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 10,544,315</b>
<b>Net assets attributable to holders of redeemable units per Class</b>	
Class C	\$ 7,931,344
Class F	66,147
Class G	506,239
Class I	2,040,585
	<u>\$ 10,544,315</u>
<b>Number of redeemable units outstanding (note 4)</b>	
Class C	716,522
Class F	5,980
Class G	45,875
Class I	180,302
<b>Net assets attributable to holders of redeemable units per unit</b>	
Class C	\$ 11.07
Class F	11.06
Class G	11.04
Class I	11.32

See accompanying notes to financial statements.

Approved on behalf of the Fund:

***“David Dattels”***

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Manager  
NewGen Asset Management Limited

# NewGen Focused Alpha Fund

## Statement of Comprehensive Income (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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	2021
<b>Income</b>	
Dividends	\$ 17,588
Interest income for distribution purposes	2,493
Net realized gain on sale of investments, including foreign exchange adjustments	305,095
Net change in unrealized appreciation in value of investments, including foreign exchange adjustments	<u>507,462</u>
	<u>832,638</u>
<b>Expenses</b>	
Performance fees (note 3)	82,559
Operating costs	33,669
Audit fees	26,175
Commissions and other portfolio transaction costs	24,121
Interest and borrowing fees	20,183
Management fees (note 3)	9,744
Legal fees	757
Withholding tax	<u>329</u>
	<u>197,537</u>
<b>Increase in net assets attributable to holders of redeemable units</b>	<u>\$ 635,101</u>
<b>Increase in net assets attributable to holders of redeemable units per Class</b>	
Class C	\$ 382,286
Class F	1,889
Class G	20,341
Class I	<u>230,585</u>
	<u>\$ 635,101</u>
<b>Increase in net assets attributable to holders of redeemable units per unit (note 9)</b>	
Class C	\$ 1.02
Class F	1.02
Class G	1.13
Class I	1.31

## NewGen Focused Alpha Fund

### Statement of Changes in Net Assets Attributable to Holders of Redeemable Units (Unaudited) For the period from January 29, 2021 (date of formation) to June 30, 2021

	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	Net assets attributable to holders of redeemable units, end of period
<b>2021</b>					
Class C	\$ —	\$ 7,558,077	\$ (9,019)	\$ 382,286	\$ 7,931,344
Class F	—	163,000	(98,742)	1,889	66,147
Class G	—	487,876	(1,978)	20,341	506,239
Class I	—	1,810,000	—	230,585	2,040,585
	<u>\$ —</u>	<u>\$ 10,018,953</u>	<u>\$ (109,739)</u>	<u>\$ 635,101</u>	<u>\$ 10,544,315</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 \$109,739 and \$(109,739), respectively.

# NewGen Focused Alpha Fund

## Statement of Cash Flows (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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	2021
<b>Cash provided by (used in):</b>	
<b>Operating Activities</b>	
Increase in net assets attributable to holders of redeemable units	\$ 635,101
Adjustments for non-cash items	
Net realized gain on sale of investments, including foreign exchange adjustments	(305,095)
Net change in unrealized appreciation in value of investments, including foreign exchange adjustments	(507,462)
Change in non-cash balances	
Increase in due from broker	(2,921,693)
Increase in dividends receivable	(11,775)
Increase in receivable for investments sold	(90,291)
Increase in accounts payable and accrued liabilities	57,384
Increase in management fees payable	9,744
Increase in performance fees payable	82,559
Increase in payable for investments purchased	320,305
Proceeds from sale of investments	5,157,705
Purchase of investments	(12,286,494)
	<hr/>
Cash used in operating activities	(9,860,012)
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<b>Financing Activities</b>	
Proceeds from redeemable units issued	9,863,214
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Cash provided by financing activities	9,863,214
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Increase in cash during the period	3,202
Foreign exchange loss on cash	(3,202)
Cash, beginning of period	—
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<b>Cash, end of period</b>	<b>\$ —</b>
	<hr/>
<b>Supplemental information*</b>	
Interest received	\$ 2,493
Dividends received, net of withholding taxes	5,484

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

# NewGen Focused Alpha Fund

## Schedule of Investment Portfolio

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equities</b>				
21,500	ABC Technologies Holdings Inc.	\$ 205,734	\$ 193,500	1.84
20,000	Alaris Equity Partners Income	332,822	339,000	3.22
20,000	ARC Resources Ltd.	175,020	211,000	2.00
38,500	Arizona Metals Corp.	141,744	190,575	1.81
5,900	ATS Automation Tooling Systems Inc.	173,313	209,922	1.99
3,800	Brookfield Business Partners LP	219,537	217,740	2.06
250,000	Cabral Gold Inc. RSTD	135,000	140,295	1.33
50,200	Chorus Aviation Inc.	223,668	238,450	2.26
15,000	Cineplex Inc.	195,960	223,500	2.12
39,900	Corus Entertainment Inc.	237,912	253,764	2.41
2,600	Dye & Durham Ltd.	124,489	123,838	1.17
26,400	Filo Mining Corp.	240,181	271,392	2.57
4,200	First Quantum Minerals Ltd.	119,150	119,994	1.14
15,000	Gibson Energy Inc.	382,260	356,250	3.38
150,000	GR Silver Mining Ltd RSTD 28AUG2021	88,500	91,500	0.87
100,000	Just Kitchen Holdings Corp.	127,970	134,000	1.27
3,100	Lightspeed POS Inc.	289,640	321,625	3.05
48,000	MindBeacon Holdings Inc.	234,664	223,680	2.12
1,428,600	Pasofino Gold Ltd.	100,002	142,860	1.35
12,100	Pet Valu Holdings Ltd.	242,000	323,554	3.07
9,500	Prime Mining Corp.	37,128	41,040	0.39
3,000	Shaw Communications Inc.	100,192	107,730	1.02
23,900	Solaris Resources Inc.	276,505	287,995	2.73
500,000	Southern Silver Exploration Corp. RSTD 17OCT2021	250,000	217,500	2.06
12,000	SSR Mining Inc.	248,152	232,320	2.20
5,400	Stelco Holdings Inc.	169,732	196,560	1.86
50,000	Storm Resources Ltd.	199,210	211,500	2.01
122,000	Sun Summit Minerals Corp.	126,111	97,600	0.93
7,500	Suncor Energy Inc.	201,045	222,675	2.11
20,000	Superior Plus Corp.	300,675	305,400	2.90
25,000	TransAlta Corp.	295,808	308,750	2.93
130,000	Trican Well Service Ltd.	352,171	347,100	3.29
2,000	Trisura Group Ltd.	301,202	331,580	3.14
9,650	VerticalScope Holdings Inc.	212,828	224,363	2.13
5,900	Victoria Gold Corp.	108,454	108,855	1.03
6,278	Voyager Digital Ltd.	134,111	132,905	1.26
3,000	West Fraser Timber Co., Ltd.	274,431	266,970	2.53
150,000	Whitehorse Gold Corp. RSTD 18SEP2021	225,000	234,000	2.22
		<u>7,802,321</u>	<u>8,201,282</u>	<u>77.77</u>
<b>Canadian option</b>				
21,000	iShares S&P/TSX 60 Index ETF Put \$30 16JUL2021	6,668	2,730	0.03

# NewGen Focused Alpha Fund

## Schedule of Investment Portfolio (continued)

As at June 30, 2021 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian warrants</b>				
75,000	GR Silver Mining Ltd \$0.74 27APR2023 RSTD 28AUG2021 \$	–	4,528	0.04
90,000	Microbix Biosystems Inc. \$0.80 19MAY2023	16,200	3,597	0.03
250,000	Southern Silver Exploration Corp. \$0.75 16JUN2023 RSTD 17OCT2021	–	5,074	0.05
150,000	Whitehorse Gold Corp. \$2 17MAY2026 RSTD 18SEP2021	–	56,530	0.54
		<u>16,200</u>	<u>69,729</u>	<u>0.66</u>
<b>U.S. equity</b>				
195,000	PMML Corp. SUB REC RSTD	136,738	140,295	1.33
	<b>Total investments owned</b>	7,961,927	8,414,036	79.79
Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian equities</b>				
(150,000)	GR Silver Mining Ltd.	\$ (94,620)	\$ (91,500)	(0.87)
(500,000)	Southern Silver Exploration Corp.	(263,660)	(217,500)	(2.06)
(101,800)	Whitehorse Gold Corp.	(154,885)	(158,808)	(1.51)
		<u>(513,165)</u>	<u>(467,808)</u>	<u>(4.44)</u>
<b>Canadian option</b>				
(21,000)	iShares S&P/TSX 60 Index ETF Put \$28.50 16JUL2021	(1,785)	(1,680)	(0.02)
	<b>Total investments sold short</b>	(514,950)	(469,488)	(4.46)
	Commissions and other portfolio transaction costs	(9,889)	–	–
	<b>Net investments owned</b>	<u>\$ 7,437,088</u>	7,944,548	75.33
	<b>Other assets, net</b>		<u>2,599,767</u>	<u>24.67</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 10,544,315</u>	<u>100.00</u>



# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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NewGen Focused Alpha Fund (the "Fund") is an alternative mutual fund trust formed and organized under the laws of the Province of Ontario and is governed by a declaration of trust dated January 7, 2019 (the "Declaration of Trust") and amended and restated on January 28, 2021. The Fund inception date is January 29, 2021. The Fund commenced active operations on March 30, 2021. The address of the Fund's registered office is Commerce Court North, Suite 2900, 25 King Street West P.O. BOX 405, Toronto, Ontario, M5L 1G3.

NewGen Asset Management Limited, a corporation established under the laws of the Province of Ontario, is the trustee and portfolio manager of the Fund (the "Manager"). The Manager performs management functions for the Fund, including investment management of the Fund's portfolio. The prime broker and custodian for the Fund is CIBC World Markets Inc.

The Fund's principal investment objective is to provide investors with long-term capital gains. In order to achieve its investment objective, the Fund intends to invest in a concentrated portfolio of high-quality equities predominantly listed in Canada. The Fund may use leverage. The leverage will be created through the use of cash borrowings, short sales and derivative contracts. The aggregate gross exposure of the Fund shall not exceed the limits on the use of leverage permitted under applicable securities legislation.

The success of the Fund depends on the continued services of the Manager and will be influenced by a number of risk factors associated with investments in equities, options, and other instruments and the use of leverage, including derivative hedge risk, market liquidity, short sales, portfolio turnover, foreign currency exposure, foreign market exposure, and interest rate fluctuations.

## **1. Basis of presentation:**

These interim financial statements have been prepared in compliance with International Financial Reporting Standards and International Accounting Standard 34, Interim Financial Reporting (together "IFRS") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Manager on August 16, 2021.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies:

The following is a summary of the Fund's significant accounting policies:

### (a) Financial instruments:

Recognition and initial measurement:

The Fund initially recognizes transactions in financial assets and financial liabilities at fair value on the trade date, which is the date on which the Fund 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.

A financial asset or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue.

### (b) Classification:

Classification of financial assets is based on the business model for managing the portfolio of assets and the contractual cash flow characteristics of these financial assets. There are three principal classification categories for financial assets that are debt securities: measured at amortized cost, fair value through other comprehensive income ("FVOCI") and FVTPL. Equity securities and derivatives are generally measured at FVTPL unless an election is taken to measure at FVOCI.

Financial assets which are held within a business model where the objective is achieved by holding to collect the contractual cash flows, rather than holding to sell, are measured at amortized cost or FVOCI depending on their contractual cash flow characteristics. The Fund therefore is required to assess the contractual terms of the cash flows to determine the appropriate classification and measurement of its financial assets. For those financial assets which give rise to cash flows that are solely payments of principal and interest, these financial assets are classified and measured at amortized cost. For those financial assets which give rise to cash flows that are other than solely payments of principal and interest, these financial assets are classified and measured at FVTPL.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

The Fund classifies its investments in equities, options and warrants as financial assets at FVTPL. The Fund's obligation for net assets attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are classified and measured at amortized cost. The Fund's accounting policies for measuring the fair value of its investments and derivatives are consistent with those used in measuring its net asset value ("Trading NAV") for transactions with unitholders.

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Regular way purchases and sales of financial assets are recognized at their trade date.

### (c) Fair value of financial instruments:

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 three fair value hierarchy levels are as follows:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 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
- Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

### (d) Valuation of investments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active in transactions for the asset or liability that take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Fund measures instruments quoted in an active market at the last sale or close price, where the close price falls within the day's bid-ask spread. In circumstances where the close price is not within the 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 fair value of financial assets and liabilities that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each statement 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.

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting period, when appropriate, to reflect the most recent value at which such securities have been exchanged in an arm's length transaction which approximates a trade effected in a published market, unless a different fair market value is otherwise determined to be appropriate by the Manager.

Derivative transactions:

The Fund may use derivative contracts to enhance returns of the Fund and to manage risks associated with the investments. The value of the contracts is marked to market on the Valuation Day (being the day the Toronto Stock Exchange ("TSX") is open) and the resultant gains and losses, both realized and unrealized, are recognized in the statement of comprehensive income.

The premium received upon writing a call option is recorded as a deferred credit. Upon expiry of the option or when the option is exercised by its holder, the premium is recognized as a gain and is included in net realized gain on sale of investments, including foreign exchange adjustments, in the statement of comprehensive income.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

### (e) Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount reported in the statement 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 Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statement of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

### (f) Investment entity:

The Fund has determined that it is an investment entity as defined by IFRS 10, Consolidated Financial Statements ("IFRS 10") and the amendments to IFRS 10, as the following conditions exist:

- (i) The Fund has obtained funds from one or more investors for the purpose of providing those investors with investment management services;
- (ii) The Fund has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and
- (iii) The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

As an investment entity, the Fund is exempted from consolidating particular subsidiaries and instead is required to measure its investments in these particular subsidiaries at FVTPL.

### (g) Derecognition:

Other 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 Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

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

Commissions and other portfolio 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, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in commissions and other portfolio transaction costs in the statement of comprehensive income.

### (i) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

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

Investment transactions are accounted for on the trade date. Interest income is accrued daily and dividend income is recognized on the ex-dividend date.

Realized gain/loss on sale of investments and unrealized appreciation/depreciation in 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.

### (k) Use of estimates:

The preparation of financial statements in accordance with IFRS requires management to use judgement in applying its accounting policies and to make estimates and assumptions about the future. 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.

The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

Note 6 – unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

### (l) Income taxes:

The Fund is taxable under the Income Tax Act (Canada) (the "Tax Act") on all of its taxable income for the year (including net taxable capital gains), and is permitted a deduction in computing its income tax under the Tax Act for all amounts which are paid or payable in the year to unitholders. As all such amounts are always payable to the unitholders, no tax will be payable on such amounts for the year. Withholding taxes on foreign dividend income are deducted at source.

### (m) Translation of foreign currencies:

The functional and presentation currency of the Fund 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 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.

Foreign exchange gains and losses relating to cash and FVTPL assets and liabilities are presented in the statement of comprehensive income with net realized gain on sale of investments, including foreign exchange adjustments, and net change in unrealized appreciation in value of investments, including foreign exchange adjustments.

### (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 class of units by the total number of units of that particular class outstanding at the end of the period.

Expenses directly attributable to a class are charged directly to that class. Income, realized and unrealized gains and losses from investments and other expenses are allocated proportionately to each class based upon the relative net assets attributable to holders of redeemable units of each class.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

- (o) Increase in net assets attributable to holders of redeemable units per unit:

Increase in net assets attributable to holders of redeemable units per unit is based on the increase in net assets attributable to holders of redeemable units attributed to each class of units, divided by the weighted average number of units outstanding of that class during the period.

- (p) Redeemable units:

For each Fund unit sold, the Fund receives an amount equal to the net asset value per unit at the date of sale, which is included in net assets attributable to holders of redeemable units. Units are redeemable at the option of unitholders at their net asset value on the redemption date. For each unit redeemed, net assets attributable to holders of redeemable units are reduced by the net asset value of the unit at the date of redemption. The redeemable units are measured at the current value of the Fund's net assets and are considered a residual amount of the net assets attributable to holders of redeemable units. These units are classified as financial liabilities due to multiple classes, with non-identical features.

- (q) Other assets and liabilities:

Due from broker, dividends receivable, subscriptions receivable and receivable for investments sold are classified as measured at amortized cost. Accounts payable and accrued liabilities, management fees payable, performance fees payable, and payable for investments purchased are classified as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature and are carried at amortized cost which approximates fair value.



# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 2. Significant accounting policies (continued):

(r) Due to/from broker:

The Fund has a prime brokerage agreement with its broker to carry its accounts as a customer. The broker has custody of the Fund's securities and, from time to time, cash balances which may be due from/due to the broker.

Financial instruments and/or cash positions serve as collateral for any amounts due to broker or as collateral for any securities sold, not yet purchased or securities purchased on margin. The securities and/or cash positions also serve as collateral for potential defaults of the Fund.

The Fund is subject to credit risk if the broker is unable to repay balances due or deliver securities in their custody.

(s) Subscriptions receivable:

Subscriptions receivable relate to the issuance of the Fund units for which cash has not yet been received.

(t) Redemptions payable:

Redemptions payable consists of units redeemed during the year for which cash has not yet been paid.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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### 3. Related party transactions:

#### (a) Management fees:

The Manager receives a management fee payable by the Fund for providing its services to the Fund. The management fee varies for each class of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the class of units of the Fund, plus applicable taxes, and is payable on the last day of each calendar month.

- Class C Founders units: 0.75% per annum
- Class F units: 1.00% per annum
- Class G units: 2.00% per annum
- Class I units: Negotiated by the investor and paid directly by the investor. The management fee rate would not exceed the management fee payable on Class G units of the Fund.

#### (b) Performance fees:

The Manager receives a performance fee in respect of each class of units of the Fund. The Fund will pay the Manager a performance fee each calendar quarter (a "Performance Fee Determination Period") equal to 15% of the Net Profit (as defined below) of each applicable class of units subject to the High Watermark (as defined below). The performance fee will be calculated and accrued for each class on a daily basis during each Performance Fee Determination Period and, with respect to an intra-quarter redemption of units of a class, on the relevant redemption date.

Net Profit means, in respect of any class of units of the Fund for any Valuation Day, the positive amount (if any) calculated by deducting the NAV per unit of the class for that Valuation Day from the highest NAV per unit in respect of which a performance fee liability has previously arisen (the "High Watermark") (or the initial offering price of the units if no performance fee liability has previously arisen in respect of such class of units). The performance fee will be determined by multiplying the amount of Net Profit by the total number of the units of such class outstanding at the close of business on such Valuation Day.

No performance fee shall be paid in respect of a class unless the class NAV per unit exceeds the High Watermark and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the High Watermark.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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### 3. Related party transactions (continued):

Investors in Class I units may negotiate a performance fee to be paid by the investor that is different than the one described above or no performance fee at all.

#### (c) Related party shareholding:

The Manager and its officers invest in Class I units of the Fund from time to time in the normal course of business. All transactions with the Manager are measured at the exchange amounts. As at June 30, 2021, 165,000.00 Class I units were owned by the Manager and its officers, which represents \$1,867,404.00 in net assets attributable to holders of redeemable units.

### 4. Redeemable units of the Fund:

The Fund is authorized to issue an unlimited number of redeemable units, issuable in an unlimited number of classes, each of which represents an equal, undivided, beneficial interest in the net assets attributable to holders of redeemable units of the Fund. Each unit of each class entitles the holder to vote, with one vote for each \$1 of net assets attributed to such unit and to participate equally with respect to any and all distributions made by the Fund. Units of a class may be consolidated and/or redesignated by the Manager.

The Fund has created Class C Founders, Class F, Class G, and Class I units. Class C Founders units are available for purchase only until such time as the class reaches a net asset value of \$50,000,000 (the "Founders Investment Period"). Class C Founders units will be available during the Founders Investment Period to investors who are enrolled in a dealer-sponsored fee arrangement and who are subject to an annual asset-based fee rather than commission on each transactions or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class F units are available to investors who are enrolled in a dealer-sponsored fee arrangement and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Class G units are available to all investors. Class I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. Class I units are generally only available for certain individual investors who make large investments in the Fund. The net asset value of the Fund is calculated in Canadian dollars and the Class C Founders, Class F, Class G, and Class I units are denominated in Canadian dollars.

The Manager may from time to time, at its discretion, determine the terms upon which units of a Fund will be offered for sale to the public, including the currency at which the subscription price will be paid, and the nature and amount of any fees or charges to be paid by investors in that Fund, whether at the time of purchase or on such other basis as the Manager shall determine.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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#### 4. Redeemable units of the Fund (continued):

If the Manager receives a unit purchase order before 4:00 p.m. (Eastern Time) on a Valuation Day, then it will process the order at the unit price calculated later that day. Otherwise, the Manager will process the order at the unit price calculated on the next Valuation Day. The Manager may process orders at an earlier time if the TSX closes for trading earlier on a particular day. Orders received after that earlier closing time would be processed on the next Valuation Day.

The latest that the Manager will send the redemption proceeds is two business days after the Valuation Day used to process the redemption order. Under exceptional circumstances the Manager may be unable to process the redemption order. This would most likely occur if market trading has been suspended on stock exchanges, options exchanges or futures exchanges on which more than 50% by value of the Fund's assets are listed and if the Fund's portfolio securities cannot be traded on any other exchange that represents a reasonably practical alternative. During these periods, units will also not be issued or redesignated.

If an investor redeems units of the Fund within 90 days of purchasing such units, the Fund may deduct and retain, for the benefit of the remaining unitholders in the Fund, 2% of the net asset value of the units of the particular class of the Fund being redeemed. The Manager also considers excessive short-term trading as a combination of purchases and redemptions that occurs with such frequency within a 30-day period that the Manager believes is detrimental to the Fund's investors.

A unitholder may redesignate all or part of its investment from one class of units to another class of units of the Fund, as long as the unitholder is eligible to hold that class of units. This is called a redesignation.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 4. Redeemable units of the Fund (continued):

The unit activity during the period from January 29, 2021 (date of formation) to June 30, 2021, is as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemptions of Redeemable Units	Redeemable Units, end of period
<b>2021</b>				
Class C	–	717,380	(858)	716,522
Class F	–	15,332	(9,352)	5,980
Class G	–	46,065	(190)	45,875
Class I	–	180,302	–	180,302

### (a) Distributions:

The Fund has a policy to make distributions monthly at a rate determined from time to time by the Manager. These distributions are not guaranteed and may change at any time at our discretion. The Fund will also distribute, in respect of each taxation year, any net income and net realized capital gains in excess of the monthly distributions at the end of each taxation year (normally December 31), or at such other times as may be determined by the Manager.

If the monthly distributions exceed the Fund's net income and net realized capital gains for the year, a portion of the Fund's distributions to unitholders may represent return of capital.

### (b) Capital risk management:

The capital of the Fund is represented by issued and redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statement of changes in net assets attributable to holders of redeemable units. In accordance with its investment objective and strategy, and the risk management practices, the Fund endeavors 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.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 5. Financial risk management:

### (a) Management of financial instrument risks:

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk, leverage risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Fund'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 Fund. The level of risk depends on the Fund's investment objective and the type of securities it invests in.

### (b) 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 Fund. The carrying amount of the Fund's financial assets represents the maximum credit risk exposure.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, generally represents the maximum credit risk exposure of the Fund.

The Fund has provided the prime brokers with a general lien over financial assets held in custody as security for the prime broker exposures relating to provision of custody services to the Fund. The Fund's cash is held with CIBC World Markets Inc., which are rated A+ by S&P Global Rating.

As at June 30, 2021, the Fund did not hold investments in debt instruments.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 5. Financial risk management (continued):

### (c) Liquidity risk:

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

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

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives.

All financial liabilities are due between one and three months except for net assets attributable to redeemable units.

### (d) Leverage risk:

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on equities, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

The aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the aggregate value of the Fund's outstanding indebtedness under any borrowing agreements; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

During the period from January 29, 2021 (date of formation) to June 30, 2021, the Fund's lowest and highest aggregate gross exposure was 0.0% and 97.4% of the Fund's NAV, respectively. The primary source of leverage was short positions in equity securities. The low and high end of the range are as a result of the Fund's investing activities, and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the Simplified Prospectus.

The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 5. Financial risk management (continued):

### (e) Market risk:

#### (i) 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.

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund 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.

As at June 30, 2021, the Fund did not have a significant exposure to interest rate risk.

#### (ii) Other price risk:

Other price risk is the risk that the fair value or future cash flows 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 Fund's investment objective 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 could be unlimited. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at June 30, 2021, 71.3% of the Fund's net assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges, while 4.5% of the Fund's net assets attributable to holders of redeemable units were sold short against securities on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as at the year end, with all other factors remaining constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$705,123 or 6.7% of net assets attributable to holders of redeemable units, respectively. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.



# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 5. Financial risk management (continued):

### (iii) 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 that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund.

Currencies to which the Fund had exposure as at June 30, 2021, are 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, 2021</b>						
U.S. Dollar	\$ (123,201)	\$ 140,295	\$ 17,094	\$ (6,160)	\$ 7,015	\$ 855
	\$ (123,201)	\$ 140,295	\$ 17,094	\$ (6,160)	\$ 7,015	\$ 855
% of Net Assets Attributable to Holders of Redeemable Units						
	(1.17)	1.33	0.16	(0.06)	0.07	0.01

The amounts in the above table are based on the fair value of the Fund's financial instruments as well as the underlying principal amounts of forward currency contracts, as applicable. Other financial assets (including dividends receivable, subscriptions receivable and receivable for investments sold) and financial liabilities (including accounts payable and accrued liabilities, redemptions payable, distributions payable, management fees payable, performance fees payable and dividends payable on investments sold short) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at June 30, 2021, if the Canadian dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$855. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 5. Financial risk management (continued):

### (f) COVID-19:

Certain impacts from the COVID-19 outbreak may have a significant negative impact on the Fund's operations. These circumstances may continue for an extended period of time and may have an adverse impact on economic and market conditions. The ultimate economic fallout from pandemic, and the long-term impact on economies, markets, industries and individual companies, are not known. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.

## 6. Classification of financial instruments - fair value measurements:

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as of June 30, 2021:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 7,517,987	\$ 683,295	\$ 140,295	\$ 8,341,577
Options	2,730	–	–	2,730
Warrants	–	–	69,729	69,729
	<u>\$ 7,520,717</u>	<u>\$ 683,295</u>	<u>\$ 210,024</u>	<u>\$ 8,414,036</u>
<b>Liabilities</b>				
Common stocks	\$ 467,808	–	–	\$ 467,808
Options	1,680	–	–	1,680
	<u>\$ 469,488</u>	<u>–</u>	<u>–</u>	<u>\$ 469,488</u>

The changes in investments measured at fair value using significant Level 3 inputs are reflected below:

	Total
Beginning Balance, January 29, 2021	\$ –
Purchases	152,938
Change in unrealized appreciation included in net income	57,086
Ending Balance, June 30, 2021	<u>\$ 210,024</u>

There were no significant transfers between the levels during the period from January 29, 2021 (date of formation) to June 30, 2021.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 6. Classification of financial instruments - fair value measurements (continued):

Unrealized gain (loss) recognized for Level 3 investments are reported in net change in unrealized appreciation in value of investments, including foreign exchange adjustments in the statement of comprehensive income.

Significant unobservable inputs in measuring fair value:

The table below sets out information about significant unobservable inputs used in measuring financial instruments categorized as Level 3 in the fair value hierarchy:

Description	Valuation technique	Unobservable input	Sensitivity to changes in significant unobservable inputs	Fair value at June 30, 2021
Unlisted private investment	Recent transaction price	N/A	N/A	\$ 140,295
Warrants	Black-Scholes model	Market volatility	-	\$ 69,729
				<u>\$ 210,024</u>

## 7. Derivative financial instruments:

The Fund holds the following derivative instruments:

Warrants:

A warrant is a contractual arrangement under which the issuer grants the holder the right, but not the obligation, either to buy at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price directly from the issuer of the underlying securities. The Fund is exposed to price risk on purchased warrants only to the extent of their carrying amount, which is their fair value.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 7. Derivative financial instruments (continued):

The following table detail the Fund's investments in warrants as at June 30, 2021:

Description	Maturity Date	Strike price	Notional Amount	Fair value
GR Silver Mining Ltd	27-Apr-23	\$ 0.74	\$ 55,500	\$ 4,528
Microbix Biosystems Inc.	19-May-23	0.80	72,000	3,597
Southern Silver Exploration Corp.	16-Jun-23	0.75	187,500	5,074
Whitehorse Gold Corp.	17-May-26	2.00	300,000	56,530

## 8. Expenses:

The Manager has the power to incur and make payment out of the Fund's property 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 Trust Agreement, including without limitation all fees and expenses relating to the management and administration of the Fund.

The Fund pays its own brokerage commissions for portfolio transactions, fees associated with securities lending transactions and related transaction fees, and operating expenses other than advertising costs and costs of dealer compensation programs, which are paid by the Manager. Operating expenses include, but are not limited to, brokerage commissions and fees (if applicable), taxes, audit and legal fees, fees of the members of the independent review committee ("IRC"), costs and fees in connection with the operation of the IRC (including the costs of holding meetings, and fees and expenses of any advisers engaged by the IRC), safekeeping and custodial fees, interest expenses, operating, administrative and systems costs, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses, annual information forms and fund facts. Operating expenses and other costs of the Fund are subject to applicable taxes including HST.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

## 9. Increase in net assets attributable to holders of redeemable units per unit:

The increase in net assets attributable to holders of redeemable units per unit for the period from January 29, 2021 (date of formation) to June 30, 2021 is calculated as follows:

	Increase in net assets attributable to holders of redeemable units per Class	Weighted Average of Redeemable Units Outstanding During the Period	Increase in net assets attributable to holders of redeemable units per unit
<b>June 30, 2021</b>			
Class C	\$ 382,286	374,888 \$	1.02
Class F	1,889	1,857	1.02
Class G	20,341	17,947	1.13
Class I	230,585	175,909	1.31

## 10. Income tax:

The Fund qualifies as a mutual fund trust under the provisions of the Tax Act and, accordingly, is not subject to tax on its net taxable income for the tax year ending in December, including net realized capital gains, that is paid or payable to its unitholders as at the end of the tax year. However, such part of the Fund's net income and net realized capital gains that is not so paid or payable, is subject to income tax. Income tax on net realized capital gains not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur. It is the intention of the Fund to distribute all of its income and sufficient net realized capital gains so that the Fund will not be subject to income tax.

The Fund is subject to withholding taxes on foreign income. In general, the Fund treats withholding tax as a charge against income for tax purposes.

# NEWGEN FOCUSED ALPHA FUND

Notes to Financial Statements (continued) (Unaudited)

For the period from January 29, 2021 (date of formation) to June 30, 2021

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## 11. Brokerage commissions and soft dollars:

Commissions paid to brokers in connection with portfolio transactions are disclosed in the Fund's statement of comprehensive income. Brokerage business is allocated in good faith based on which broker can deliver to the Fund the best results in relation to order execution and research services utilized. Subject to these criteria, the Manager may allocate business to brokers that provide or pay for, in addition to transaction execution, investment research, statistical or other similar services. The ascertainable "soft dollar" value received as a percentage of total commissions and other portfolio transaction costs paid during the period from January 29, 2021 (date of formation) to June 30, 2021, is disclosed below.

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	2021
Soft dollar relationships	3
Percentage of total commissions and other portfolio transaction costs	5.68%

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