

Financial Statements of

**NEWGEN ALTERNATIVE
INCOME FUND**

And Independent Auditors' Report thereon

For the years ended December 31, 2021 and 2020



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INDEPENDENT AUDITORS' REPORT

To the Unitholders of NewGen Alternative Income Fund

Opinion

We have audited the financial statements of NewGen Alternative Income Fund (the Entity), which comprise:

- the statements of financial position as at December 31, 2021 and 2020
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at December 31, 2021 and 2020, and its financial performance and its cash for the years then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the **"Auditors' Responsibilities for the Audit of the Financial Statements"** section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

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

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

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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



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We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

April 18, 2022

NEWGEN ALTERNATIVE INCOME FUND

Statements of Financial Position

As at December 31, 2021 and December 31, 2020

| | 2021 | 2020 |
|---|-----------------------|-----------------------|
| ASSETS | | |
| Current assets | | |
| Cash | \$ 18,988 | \$ 23,655 |
| Due from broker | 36,835,037 | — |
| Investments owned, at fair value through profit or loss (note 6) | 377,566,677 | 216,863,192 |
| Interest and dividends receivable | 2,838,562 | 1,595,025 |
| Subscriptions receivable | 211,109 | 1,983,843 |
| Other receivables | 263,887 | 222,137 |
| Unrealized appreciation of derivatives (note 2, 6) | 4,967,845 | — |
| | <u>422,702,105</u> | <u>220,687,852</u> |
| LIABILITIES | | |
| Current liabilities | | |
| Due to broker | — | 5,308,474 |
| Investments sold short, at fair value through profit or loss (note 6) | 15,042,579 | 24,039,353 |
| Accounts payable and accrued liabilities | 268,480 | 129,119 |
| Redemptions payable | 115,300 | 41,722 |
| Distributions payable | 795,824 | 316,667 |
| Management fees payable (note 3) | 24,744 | 11,991 |
| Performance fees payable (note 3) | 109,772 | 198,599 |
| Dividends payable on investments sold short | 17,283 | 49,855 |
| Unrealized depreciation of forward contracts (note 2, 6) | 126,028 | — |
| | <u>16,500,010</u> | <u>30,095,780</u> |
| Net assets attributable to holders of redeemable units | <u>\$ 406,202,095</u> | <u>\$ 190,592,072</u> |
| Net assets attributable to holders of redeemable units per Class | | |
| Class F | \$ 348,354,902 | \$ 163,175,195 |
| Class F US | 8,537,112 | — |
| Class G | 47,010,794 | 27,235,259 |
| Class G US | 1,008,693 | — |
| Class I | 1,290,594 | 181,618 |
| | <u>\$ 406,202,095</u> | <u>\$ 190,592,072</u> |
| Number of redeemable units outstanding (note 4) | | |
| Class F | 28,854,145 | 14,142,812 |
| Class F US | 684,802 | — |
| Class G | 4,042,056 | 2,449,899 |
| Class G US | 79,952 | — |
| Class I | 100,465 | 14,852 |

NEWGEN ALTERNATIVE INCOME FUND

Statements of Financial Position (continued)

As at December 31, 2021 and December 31, 2020

| | | 2021 | | 2020 |
|--|----|-------|----|-------|
| Net assets attributable to holders of redeemable units per unit | | | | |
| Class F | \$ | 12.07 | \$ | 11.54 |
| Class F US | | 12.47 | | — |
| Class G | | 11.63 | | 11.12 |
| Class G US | | 12.62 | | — |
| Class I | | 12.85 | | 12.23 |
| Class F US (in US Dollars) | | 9.85 | | — |
| Class G US (in US Dollars) | | 9.97 | | — |

See accompanying notes to financial statements.

Approved on behalf of the Fund:

"David Dattels"

Manager
NewGen Asset Management Limited

NEWGEN ALTERNATIVE INCOME FUND

Statements of Comprehensive Income

For the years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|----------------------|----------------------|
| Income | | |
| Dividends | \$ 23,196,042 | \$ 6,845,781 |
| Interest income for distribution purposes | 5,374,091 | 3,128,727 |
| Net realized gain (loss) on sale of investments, including foreign exchange adjustments | 1,612,109 | (319,378) |
| Net change in unrealized appreciation in value of investments, including foreign exchange adjustments | 5,589,165 | 17,979,961 |
| Net realized loss on forward contracts | (1,103,299) | — |
| Net change in unrealized appreciation on derivatives (note 2) | 1,444,361 | — |
| Other income | 35,792 | — |
| | <u>36,148,261</u> | <u>27,635,091</u> |
| Expenses | | |
| Performance fees (note 3) | 4,710,916 | 3,857,363 |
| Management fees (note 3) | 4,057,409 | 1,732,485 |
| Interest and borrowing fees | 3,831,642 | 747,063 |
| Commissions and other portfolio transaction costs | 2,038,081 | 1,871,739 |
| Dividends paid on investments sold short | 624,508 | 299,346 |
| Operating costs | 510,477 | 326,403 |
| Withholding tax | 188,739 | (6,231) |
| Audit fees | 107,588 | 169,073 |
| Legal fees | 50,853 | 135,748 |
| | <u>16,120,213</u> | <u>9,132,989</u> |
| Increase in net assets attributable to holders of redeemable units | <u>\$ 20,028,048</u> | <u>\$ 18,502,102</u> |
| Increase (decrease) in net assets attributable to holders of redeemable units per Class | | |
| Class F | \$ 17,216,752 | \$ 15,862,309 |
| Class F US | 317,205 | — |
| Class G | 2,415,000 | 2,599,907 |
| Class G US | (10,054) | — |
| Class I | 89,145 | 39,886 |
| | <u>\$ 20,028,048</u> | <u>\$ 18,502,102</u> |
| Increase in net assets attributable to holders of redeemable units per unit (note 9) | | |
| Class F | \$ 0.75 | \$ 1.40 |
| Class F US | 0.62 | — |
| Class G | 0.69 | 1.35 |
| Class G US | (0.28) | — |
| Class I | 1.04 | 1.64 |

NEWGEN ALTERNATIVE INCOME FUND

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

For the years ended December 31, 2021 and 2020

| | Net assets attributable to holders of redeemable units, beginning of year | Proceeds from redeemable units issued* | Redemption of redeemable units* | Distributions to holders of redeemable units | Reinvestment of distributions | Increase (decrease) in net assets attributable to holders of redeemable units | Net assets attributable to holders of redeemable units, end of year |
|-------------|--|--|---------------------------------------|--|----------------------------------|--|---|
| 2021 | | | | | | | |
| Class F | \$ 163,175,195 | \$ 209,821,778 | \$ (37,849,910) | \$ (11,696,056) | \$ 7,687,143 | \$ 17,216,752 | \$ 348,354,902 |
| Class F US | – | 12,453,245 | (4,189,409) | (345,063) | 301,134 | 317,205 | 8,537,112 |
| Class G | 27,235,259 | 23,339,746 | (5,578,960) | (1,311,026) | 910,775 | 2,415,000 | 47,010,794 |
| Class G US | – | 1,050,857 | (23,748) | (13,776) | 5,414 | (10,054) | 1,008,693 |
| Class I | 181,618 | 1,105,255 | (85,424) | (80,235) | 80,235 | 89,145 | 1,290,594 |
| | <u>\$ 190,592,072</u> | <u>\$ 247,770,881</u> | <u>\$ (47,727,451)</u> | <u>\$ (13,446,156)</u> | <u>\$ 8,984,701</u> | <u>\$ 20,028,048</u> | <u>\$ 406,202,095</u> |

* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2021 were \$2,459,315 and \$(2,459,315), respectively.

| | Net assets attributable to holders of redeemable units, beginning of year | Proceeds from redeemable units issued** | Redemption of redeemable units** | Distributions to holders of redeemable units | Reinvestment of distributions | Increase in net assets attributable to holders of redeemable units | Net assets attributable to holders of redeemable units, end of year |
|-------------|--|---|--|--|----------------------------------|--|---|
| 2020 | | | | | | | |
| Class F | \$ 118,641,923 | \$ 84,008,767 | \$ (53,369,521) | \$ (4,649,579) | \$ 2,681,296 | \$ 15,862,309 | \$ 163,175,195 |
| Class G | 18,950,453 | 9,997,296 | (4,116,375) | (496,830) | 300,808 | 2,599,907 | 27,235,259 |
| Class I | 298,616 | 26,490 | (183,374) | (10,084) | 10,084 | 39,886 | 181,618 |
| | <u>\$ 137,890,992</u> | <u>\$ 94,032,553</u> | <u>\$ (57,669,270)</u> | <u>\$ (5,156,493)</u> | <u>\$ 2,992,188</u> | <u>\$ 18,502,102</u> | <u>\$ 190,592,072</u> |

** Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2020 were \$1,247,088 and \$(1,247,088), respectively.

NEWGEN ALTERNATIVE INCOME FUND

Statements of Cash Flows

For the years ended December 31, 2021 and 2020

| | 2021 | 2020 |
|---|------------------|------------------|
| Cash provided by (used in): | | |
| Operating Activities | | |
| Increase in net assets attributable to holders of redeemable units | \$ 20,028,048 | \$ 18,502,102 |
| Adjustments for non-cash items | | |
| Net realized (gain) loss on sale of investments, including foreign exchange adjustments | (1,612,109) | 319,378 |
| Net change in unrealized appreciation in value of investments, including foreign exchange adjustments | (5,589,165) | (17,979,961) |
| Net change in unrealized appreciation on derivatives | (1,444,361) | — |
| Change in non-cash balances | | |
| (Increase) decrease in due from broker | (36,835,037) | 31,229,639 |
| Increase in interest and dividends receivable | (1,243,537) | (458,117) |
| Increase in other receivables | (41,750) | (195,230) |
| Decrease in prepaid expenses | — | 20,728 |
| (Decrease) increase in due to broker | (5,308,474) | 5,308,474 |
| Increase in accounts payable and accrued liabilities | 139,361 | 27,170 |
| Increase (decrease) in management fees payable | 12,753 | (120,920) |
| (Decrease) increase in performance fees payable | (88,827) | 198,599 |
| (Decrease) increase in dividends payable on investments sold short | (32,572) | 19,736 |
| Proceeds from sale of investments | 1,619,763,292 | 1,583,103,294 |
| Purchase of investments | (1,786,884,279) | (1,652,360,946) |
| Cash used in operating activities | (199,136,657) | (32,386,054) |
| Financing Activities | | |
| Proceeds from redeemable units issued | 247,084,300 | 91,229,164 |
| Amount paid on redemption of redeemable units | (45,194,558) | (56,462,147) |
| Distributions to holders of redeemable units, net of reinvestments | (3,982,298) | (2,158,812) |
| Cash provided by financing activities | 197,907,444 | 32,608,205 |
| (Decrease) increase in cash during the year | (1,229,213) | 222,151 |
| Foreign exchange gain (loss) on cash | 1,224,546 | (222,438) |
| Cash, beginning of year | 23,655 | 23,942 |
| Cash, end of year | \$ 18,988 | \$ 23,655 |
| Supplemental information* | | |
| Interest paid | \$ 96,032 | \$ 257,094 |
| Interest received | 4,760,264 | 2,688,146 |
| Dividends paid | 657,079 | 279,611 |
| Dividends received, net of withholding taxes | 22,377,593 | 6,830,197 |

*Included as a part of cash flows from operating activities

NEWGEN ALTERNATIVE INCOME FUND

Schedule of Investment Portfolio

As at December 31, 2021

| Number of shares/units | Investments owned | Average cost | Fair value | % of net asset value |
|------------------------------|---|--------------------|--------------------|-------------------------|
| Canadian equities | | | | |
| 455,100 | Alaris Equity Partners Income | \$ 6,401,558 | \$ 8,551,329 | 2.11 |
| 366,200 | Algonquin Power & Utilities Corp. | 6,990,449 | 6,690,474 | 1.65 |
| 939,400 | B2Gold Corp. | 4,798,958 | 4,678,212 | 1.15 |
| 194,600 | Boardwalk Real Estate Investment Trust | 6,441,501 | 10,669,918 | 2.63 |
| 89,600 | Brookfield Infrastructure Partners LP | 6,110,282 | 6,898,304 | 1.70 |
| 167,600 | Brookfield Renewable Corp. | 9,224,797 | 7,801,780 | 1.92 |
| 593,500 | Canaccord Genuity Group Inc. | 8,676,864 | 8,949,980 | 2.20 |
| 200,000 | Canadian Western Bank | 7,320,005 | 7,260,000 | 1.79 |
| 210,600 | Capital Power Corp. | 7,311,039 | 8,310,276 | 2.05 |
| 804,600 | Chemtrade Logistics Income Fund | 6,412,115 | 5,954,040 | 1.47 |
| 1,427,800 | Corus Entertainment Inc. | 6,042,102 | 6,796,328 | 1.67 |
| 185,000 | Enbridge Inc. | 8,168,864 | 9,140,850 | 2.25 |
| 80,000 | Exchange Income Corp. | 3,538,604 | 3,371,200 | 0.83 |
| 500,000 | Freehold Royalties Ltd. | 3,633,611 | 5,825,000 | 1.43 |
| 349,700 | Gibson Energy Inc. | 6,970,976 | 7,840,274 | 1.93 |
| 55,000 | Home Capital Group Inc. | 2,296,217 | 2,148,850 | 0.53 |
| 283,700 | Intertape Polymer Group Inc. | 6,967,770 | 7,466,984 | 1.84 |
| 9,065,629 | Ionic Brands Corp. Class D PFD | 2,719,961 | 1,722,470 | 0.42 |
| 158,800 | K-Bro Linen Inc. | 5,817,345 | 5,430,960 | 1.34 |
| 250,000 | Labrador Iron Ore Royalty Corp. | 8,819,295 | 9,382,500 | 2.31 |
| 78,600 | Lightspeed Commerce Inc. | 5,886,362 | 4,014,888 | 0.99 |
| 150,500 | Magellan Aerospace Corp. | 1,334,151 | 1,498,980 | 0.37 |
| 301,000 | Nexus Real Estate Investment Trust | 3,600,959 | 3,798,620 | 0.94 |
| 133,125 | Osisko Green Acquisition Ltd - Class B Shares | 466 | 1,279,331 | 0.31 |
| 532,500 | Osisko Green Acquisition Ltd. | 5,112,000 | 5,122,650 | 1.26 |
| 419,357 | Pasofino Gold Ltd. | 462,544 | 285,163 | 0.07 |
| 249,700 | Pet Valu Holdings Ltd. | 6,767,329 | 9,006,679 | 2.22 |
| 696,300 | Peyto Exploration & Development Corp. | 8,019,472 | 6,580,035 | 1.62 |
| 122,447 | Plus Products Inc. | 116,325 | 53,877 | 0.01 |
| 242,900 | Polaris Infrastructure Inc. | 5,017,029 | 4,095,294 | 1.01 |
| 252,700 | Power Corp of Canada | 8,924,768 | 10,562,860 | 2.60 |
| 200,000 | Quebecor Inc. | 5,714,720 | 5,710,000 | 1.41 |
| 286,100 | Shaw Communications Inc. | 8,491,553 | 10,983,379 | 2.70 |
| 498,200 | Sienna Senior Living Inc. | 6,172,766 | 7,487,946 | 1.84 |
| 210,020 | Summit Industrial Income REIT | 4,364,261 | 4,935,470 | 1.22 |
| 153,500 | TC Energy Corp. | 9,084,479 | 9,030,405 | 2.22 |
| 500,000 | Topaz Energy Corp. | 7,255,778 | 8,925,000 | 2.20 |
| 617,100 | TransAlta Corp. | 6,021,917 | 8,670,255 | 2.13 |
| | | <u>217,009,192</u> | <u>236,930,561</u> | <u>58.34</u> |
| Canadian fixed income | | | | |
| 5,000,000 | AutoCanada Inc. 8.75% 11FEB2025 | 5,371,875 | 5,262,500 | 1.30 |
| 2,000,000 | Bonterra Energy Corp 9% 20OCT2025 | 2,000,000 | 2,000,000 | 0.49 |
| 5,000,000 | Brookfield Property Finance ULC 4% 30SEP2026 | 5,014,191 | 5,021,875 | 1.24 |
| 5,715,000 | Chemtrade Logistics Income Fund 8.50% 30SEP2025 | 6,265,247 | 6,572,250 | 1.62 |
| 3,105,000 | Chorus Aviation Inc. 6% 30JUN2026 | 3,116,056 | 3,067,740 | 0.76 |

NEWGEN ALTERNATIVE INCOME FUND

Schedule of Investment Portfolio (continued)

As at December 31, 2021

| Number of shares/units | Investments owned | Average cost | Fair value | % of net asset value |
|--|---|-------------------|-------------------|-------------------------|
| Canadian fixed income (continued) | | | | |
| 3,401,500 | Cineplex Inc. 5.75% 30SEP2025 | \$ 3,862,603 | \$ 4,489,980 | 1.11 |
| 5,000,000 | Cineplex Inc. 7.50% 26FEB2026 | 5,190,000 | 5,300,000 | 1.30 |
| 5,000,000 | Corus Entertainment Inc. 5% 11MAY2028 | 5,000,000 | 5,050,000 | 1.24 |
| 3,000,000 | Doman Building Materials Group Ltd. 5.25% 15MAY2026 | 3,000,000 | 2,970,000 | 0.73 |
| 7,000,000 | Dye & Durham Ltd. 3.75% 01MAR2026 | 7,063,096 | 7,000,000 | 1.72 |
| 2,000,000 | Exchange Income Corp. 5.25% 15JAN2029 | 2,000,000 | 1,992,000 | 0.49 |
| 2,000,000 | Good Natured Products Inc. 7% 31OCT2026 | 2,000,000 | 1,996,000 | 0.49 |
| 212,500 | Ionic Brands Corp. 10% 16MAY2022 CONV. \$0.75 | 212,500 | 212,500 | 0.05 |
| 2,000,000 | Mattamy Group Corp. 4.625% 01MAR2028 | 2,000,000 | 2,025,000 | 0.50 |
| 4,000,000 | NFI Group Inc. 5% 15JAN2027 | 4,000,000 | 3,997,600 | 0.98 |
| 3,100,000 | North American Construction Group Ltd. 5.50% 30JUN2028 | 3,196,250 | 3,402,250 | 0.84 |
| 4,000,000 | NuVista Energy Ltd. 7.875% 23JUL2026 | 3,974,670 | 4,150,000 | 1.02 |
| 5,000,000 | Parkland Corp. 4.375% 26MAR2029 | 5,042,500 | 4,993,750 | 1.23 |
| 500,000 | Parkland Corp. 6% 23JUN2028 | 500,000 | 528,125 | 0.13 |
| 2,800,000 | Quarterhill Inc. 6% 30OCT2026 | 2,800,000 | 2,926,000 | 0.72 |
| 2,500,000 | Ritchie Bros Holdings Ltd. 4.95% 15DEC2029 | 2,500,000 | 2,553,125 | 0.63 |
| 3,500,000 | Superior Plus LP 4.25% 18MAY2028 | 3,500,000 | 3,517,500 | 0.87 |
| 4,000,000 | Videotron Ltd. 4.50% 15JAN2030 | 4,000,000 | 4,080,000 | 1.00 |
| | | <u>81,608,988</u> | <u>83,108,195</u> | <u>20.46</u> |
| Canadian options | | | | |
| 56,400 | Nuvei Corp. Call \$84 18FEB2022 | 366,723 | 432,870 | 0.11 |
| 156,800 | Rogers Communications Inc. Call \$60 17JUN2022 | 333,592 | 498,624 | 0.12 |
| | | <u>700,315</u> | <u>931,494</u> | <u>0.23</u> |
| Canadian warrants | | | | |
| 12,100,000 | Canopy Growth Corp. \$0.40 19FEB2024 | 484,000 | 302,500 | 0.07 |
| 266,250 | Osisko Green Acquisition Ltd. \$11.50 19JUL2026 | 191,700 | 177,056 | 0.04 |
| 23,950 | Taiga Motors Corp. \$17.25 31DEC2026 | 7,208 | 26,824 | 0.01 |
| 900,000 | Theralase Technologies Inc. \$0.35 22AUG2024 | — | 175,500 | 0.04 |
| 330,000 | Antibe Therapeutics Inc. \$7.50 24FEB2024 | 412,434 | 315 | 0.00 |
| 112,000 | Bonterra Energy Corp. \$7.75 20OCT2025 | — | 176,419 | 0.04 |
| 127,200 | Braxia Scientific Corp. \$1.15 11JUN2022 | — | — | — |
| 20,000 | Fosterville South Exploration Ltd. \$2 14MAY2022 | — | 49 | 0.00 |
| 380,000 | GR Silver Mining Ltd. \$0.74 27APR2023 | — | 8,295 | 0.00 |
| 3,332,500 | Ionic Brands Corp. \$0.90 16MAY2022 | — | 317 | 0.00 |
| 213,000 | OrganiGram Holdings Inc. \$2.50 12NOV2023 | — | 143,231 | 0.04 |
| 260,000 | Orla Mining Ltd. \$3 18DEC2026 | 443,300 | 740,572 | 0.18 |
| 297,770 | Osisko Green Acquisition Limited \$11.50 - Funding WTS 19JUL2026 | 297,770 | 187,595 | 0.05 |
| 292,830 | Plus Products Inc. \$1.10 28FEB2024 | — | 2,421 | 0.00 |
| 57,750 | Plus Products Inc. \$8 28FEB2024 | — | 1,155 | 0.00 |

NEWGEN ALTERNATIVE INCOME FUND

Schedule of Investment Portfolio (continued)

As at December 31, 2021

| Number of shares/units | Investments owned | Average cost | Fair value | % of net asset value |
|--------------------------------------|---|--------------------|--------------------|-------------------------|
| Canadian warrants (continued) | | | | |
| 834,950 | Talon Metals Corp. \$0.80 18MAR2022 | \$ 16,699 | \$ 14,986 | 0.00 |
| 50,000 | TransCanna Holdings Inc. \$6 7JUN2022 | — | — | — |
| | | <u>1,853,111</u> | <u>1,957,235</u> | <u>0.47</u> |
| U.S. equities | | | | |
| 201,643 | Esports Technologies Inc. 14% PFD CONV. \$28 | 7,130,051 | 4,787,540 | 1.18 |
| 500 | Insurance Supermarket Inc. - Class C Series 1 | 631,200 | 632,800 | 0.16 |
| 329,000 | Northern Genesis Acquisition Corp III | 3,852,992 | 4,047,903 | 1.00 |
| 17,800 | Peridot Acquisition Corp. | 225,980 | 224,376 | 0.06 |
| 308,571 | Synaptive Medical Inc. | 715,824 | 976,319 | 0.24 |
| 230,136 | Terawulf Inc. | 10,290,402 | 4,383,465 | 1.08 |
| | | <u>22,846,449</u> | <u>15,052,403</u> | <u>3.72</u> |
| U.S. fixed income | | | | |
| 2,200,600 | Air Canada 4% 01JUL2025 | 3,189,612 | 3,767,376 | 0.93 |
| 4,035,000 | Ayr Wellness Inc. 12.50% 10DEC2024 | 4,782,649 | 5,406,714 | 1.33 |
| 1,802,900 | Calfrac Holdings LP 10.875% 15MAR2026 | 3,216,755 | 2,087,801 | 0.51 |
| 1,625,000 | Gryphon Digital Mining Inc. 10% 29JUN2023 CONV. \$9.4867 | 2,011,344 | 3,584,859 | 0.88 |
| 1,000,000 | Orla Mining Ltd 8.8% 18DEC2024 | 1,205,750 | 1,265,600 | 0.31 |
| 4,744,000 | Precision Drilling Corp. 6.875% 15JAN2029 | 5,894,038 | 6,139,097 | 1.51 |
| 2,000,000 | Superior Plus LP / Superior General Partner Inc. 4.50% 15MAR2029 | 2,530,700 | 2,619,792 | 0.64 |
| 2,000,000 | Synaptive Medical Inc. 10% 31OCT2024 CONV. | 2,558,100 | 2,531,200 | 0.62 |
| 1,000,000 | Trulieve Cannabis Corp. 8% 06OCT2026 | 1,266,150 | 1,281,420 | 0.32 |
| 3,202,000 | Trulieve Cannabis Corp. 9.75% 18JUN2024 | 4,194,423 | 4,234,812 | 1.04 |
| | | <u>30,849,521</u> | <u>32,918,671</u> | <u>8.09</u> |
| U.S. warrants | | | | |
| 60,175 | FG New America Acquisition Corp. \$11.50 31AUG2027 | 146,007 | 52,160 | 0.01 |
| 187,350 | Glass House Brands Inc. \$11.50 15JAN2026 | 149,301 | 294,017 | 0.07 |
| 82,250 | Northern Genesis Acquisition Corp III \$11.50 31DEC2027 | 114,332 | 92,905 | 0.02 |
| 148,450 | TPCO Holding Corp. \$11.50 15JAN2026 | 65,088 | 31,000 | 0.01 |
| 250,000 | Denison Mines Corp. US\$2.00 19FEB2023 | 44,130 | 105,322 | 0.03 |
| 302,464 | Esports Technologies Inc. \$30 RSTD 08FEB2027 | — | 3,361,736 | 0.83 |
| 171,293 | Gryphon Digital Mining Inc. \$18.9734 30JUN2024 | — | 2,718,919 | 0.67 |
| 154,285 | Synaptive Medical Inc. \$3.75 06DEC2022 | — | 12,059 | 0.00 |
| | | <u>518,858</u> | <u>6,668,118</u> | <u>1.64</u> |
| Total investments owned | | 355,386,434 | 377,566,677 | 92.95 |

NEWGEN ALTERNATIVE INCOME FUND

Schedule of Investment Portfolio (continued)

As at December 31, 2021

| Number of shares/units | Investments sold short | Proceeds on short sale | Fair value | % of net asset value |
|---------------------------|---|---------------------------|-----------------------|-------------------------|
| | Canadian equities | | | |
| (100,600) | Badger Infrastructure Solution | \$ (3,469,755) | \$ (3,198,074) | (0.79) |
| (55,400) | CGI Inc. | (6,047,866) | (6,196,490) | (1.53) |
| (18,900) | Premium Brands Holdings Corp. | (2,397,127) | (2,389,716) | (0.59) |
| | | <u>(11,914,748)</u> | <u>(11,784,280)</u> | <u>(2.91)</u> |
| | Canadian options | | | |
| (141,000) | Canopy Growth Corp. Call \$34 18MAR2022 | (55,343) | (20,445) | (0.01) |
| (56,400) | Nuvei Corp. Call \$100 18FEB2022 | (114,809) | (177,660) | (0.04) |
| (56,400) | Nuvei Corp. Put \$64 18FEB2022 | (202,849) | (136,770) | (0.03) |
| (213,000) | Organigram Holdings Inc. Call \$3.25 18MAR2022 | (60,407) | (22,365) | (0.01) |
| (156,800) | Rogers Communications Inc. Call \$70 17JUN2022 | (44,296) | (64,288) | (0.02) |
| (156,800) | Rogers Communications Inc. Put \$50 17JUN2022 | (285,768) | (110,544) | (0.03) |
| | | <u>(763,472)</u> | <u>(532,072)</u> | <u>(0.14)</u> |
| | U.S. equities | | | |
| (17,800) | Li-Cycle Holdings Corp. | (300,259) | (224,376) | (0.06) |
| (633,593) | Sphere 3D Corp. | (4,897,033) | (2,501,851) | (0.62) |
| | | <u>(5,197,292)</u> | <u>(2,726,227)</u> | <u>(0.68)</u> |
| | Total investments sold short | (17,875,512) | (15,042,579) | (3.73) |
| | Commissions and other portfolio transaction costs | <u>(227,495)</u> | <u>—</u> | <u>—</u> |
| | Net investments owned | \$ 337,283,427 | 362,524,098 | 89.22 |
| | Unrealized gain, foreign exchange forward contracts | | 945,648 | 0.23 |
| | Canadian swap: | | | |
| | Royal Bank of Canada Prepaid Dividend Swap notional \$3,483,497 (note 7) | | 3,896,169 | 0.96 |
| | Other assets, net | | <u>38,836,180</u> | <u>9.59</u> |
| | Net Assets Attributable to Holders of Redeemable Units | | \$ 406,202,095 | 100.00 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements

For the years ended December 31, 2021 and 2020

NewGen Alternative Income 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"). The Fund commenced active operations on January 22, 2019. 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 a combination of steady long-term capital appreciation and a stable stream of income. The Manager will place a strong emphasis on risk management and defensive market positioning in order to reduce beta (i.e., systemic risk) and preserve capital in adverse market conditions. As a result, the objective is to deliver a unique return profile that has a low correlation and low volatility when compared to traditional equity market indices. 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 financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS").

The financial statements were authorized for issue by the Manager on April 18, 2022.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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:

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.

The Fund classifies its investments in equities, fixed income, options, warrants and swaps 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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

2. Significant accounting policies (continued):

(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.

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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

2. Significant accounting policies (continued):

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 statements 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 (loss) on sale of investments in the statements of comprehensive income.

The fair value of swaps is determined by market prices available from independent valuation services (e.g. Bloomberg).

The fair value of foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date as obtained from an independent source.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

2. Significant accounting policies (continued):

(e) Offsetting financial instruments:

In the normal course of business, the Fund may enter into various master netting arrangements or other 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 set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2021. The "Net amounts" column displays what the net impact would be on the Fund's statements of financial position if all amounts were set-off.

| Financial assets as at December 31, 2021 | Amounts offset | | | Amounts not offset | | |
|---|--|---|--|---|--------------------------------|----------------|
| | Gross amounts of recognized financial assets | Gross amounts of recognized financial liabilities | Net amounts of financial assets presented in the statements of financial position | Financial instruments (including non-cash collateral) | Cash collateral received | Net amounts |
| Forwards, gross | \$ 1,071,676 | \$ (126,028) | \$ 945,648 | \$ – | \$ – | \$ – |

The Fund did not offset any financial asset and financial liability during the year ended December 31, 2020.

Financial assets and 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 Fund enters 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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

2. Significant accounting policies (continued):

(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 ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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 statements 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 ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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 statements of comprehensive income with net realized gain (loss) 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 year.

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 ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

2. Significant accounting policies (continued):

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

Increase (decrease) in net assets attributable to holders of redeemable units per unit is based on the increase (decrease) 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 year.

- (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, interest and dividends receivable, subscriptions receivable and other receivables are classified as measured at amortized cost. Due to broker, accounts payable and accrued liabilities, redemptions payable, management fees payable, performance fees payable, distributions payable and dividends payable on investments sold short 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 ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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.

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 F units: 1.00% per annum
- Class F USD units: 1.00% per annum
- Class G units: 2.00% per annum
- Class G USD 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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

3. Related party transactions (continued):

(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.

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 December 31, 2021, 93,809.59 Class I units (2020 – 14,852.38 Class I units) were owned by the officers of the Manager, which represents \$1,216,644.66 (2020 - \$181,617.89) in net assets attributable to holders of redeemable units.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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/series, 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/series 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/series may be consolidated and/or redesignated by the Manager.

The Fund has created Class F, Class F (USD), Class G, Class G (USD) and Class I units. Class F and Class F (USD) 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 and Class G (USD) 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 F, Class G, and Class I units are denominated in Canadian dollars. Class F (USD) and Class G (USD) units are denominated in US 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.

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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

4. Redeemable units of the Fund (continued):

If the Manager receives a redemption order before 4:00 p.m. (Eastern Time) on any 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 ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

4. Redeemable units of the Fund (continued):

The unit activity during the years ended December 31, 2021 and 2020 is as follows :

| | Redeemable Units, beginning of year | Redeemable Units Issued | Redemptions of Redeemable Units | Reinvestments of Units | Redeemable Units, end of year |
|-------------|---|----------------------------|---------------------------------------|---------------------------|-------------------------------------|
| 2021 | | | | | |
| Class F | 14,142,812 | 17,168,960 | (3,086,017) | 628,390 | 28,854,145 |
| Class F US | – | 987,295 | (326,283) | 23,790 | 684,802 |
| Class G | 2,449,899 | 1,987,019 | (472,186) | 77,324 | 4,042,056 |
| Class G US | – | 81,388 | (1,860) | 424 | 79,952 |
| Class I | 14,852 | 85,868 | (6,371) | 6,116 | 100,465 |
| 2020 | | | | | |
| Class F | 11,275,481 | 7,884,251 | (5,270,368) | 253,448 | 14,142,812 |
| Class G | 1,878,028 | 955,750 | (413,782) | 29,903 | 2,449,899 |
| Class I | 27,651 | 2,371 | (16,099) | 929 | 14,852 |

(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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

4. Redeemable units of the Fund (continued):

(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 statements 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.

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. 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 Scotiabank and CIBC World Markets Inc., which are rated A-1 and A+ respectively by S&P Global Rating.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

5. Financial risk management (continued):

(b) Credit risk (continued):

To mitigate the risk arising from the Fund's investments in swaps, the Fund only enters into swap contracts with counterparties whose S&P credit ratings are not less than A. For credit risk on derivatives, please refer note 7.

The following table is a summary of the Fund's debt instruments by credit rating, excluding cash, as at December 31, 2021 and 2020.

| Debt instruments by credit rating | Percentage of Net Asset Value | |
|--------------------------------------|-------------------------------|-------|
| | 2021 | 2020 |
| B | 5.54 | 0.34 |
| BB | 7.44 | 7.30 |
| NR | 15.53 | 13.12 |

Credit ratings are obtained from S&P Global, Moody's and/or Dominion Bond Rating Services. Where one or more ratings are obtained for a security, the lowest rating has been used.

(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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

5. Financial risk management (continued):

(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 year ended December 31, 2021, the Fund's lowest and highest aggregate gross exposure was 95.8% (2020 – 48.0%) and 173.5% (2020 – 168.0%) 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.

(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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

5. Financial risk management (continued):

As the Fund actively manages and hedges interest rate exposure, net assets tend to be affected more by changes in credit spreads rather than changes in interest rates. As at December 31, 2021 and 2020, the Fund's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted higher in parallel by 25 basis points, with all other variables held constant ("sensitivity"), are as follows:

| Debt instruments* by maturity date | 2021 | 2020 |
|--|----------------|---------------|
| Less than 1 year | \$ 212,500 | \$ 51,036,532 |
| 1 - 3 years | 17,023,185 | 4,287,267 |
| 3 - 5 years | 57,892,942 | 25,643,325 |
| Greater than 5 years | 40,898,239 | 8,630,763 |
| Total exposure | \$ 116,026,866 | \$ 89,597,887 |
| Effect in % | | |
| Net assets attributable to holders of redeemable units | 0.28 | 0.47 |

*Excludes due from broker

In practice, actual trading results may differ from the above sensitivity analysis and the difference could be material.

(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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

5. Financial risk management (continued):

As at December 31, 2021, 60.9% (2020 - 64.3%) of the Fund's net assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges, while 3.7% (2020 - 12.6%) 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 \$23,230,226 or 5.72% (2020 - \$9,846,129 or 5.17%) 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.

(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 December 31, 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 |
| December 31, 2021 | | | | | | |
| U.S. Dollar | \$ (40,676,381) | \$ 51,912,965 | \$ 11,236,584 | \$ (2,033,819) | \$ 2,595,648 | \$ 561,829 |
| % of Net Assets | | | | | | |
| Attributable to Holders of Redeemable Units | (10.01) | 12.78 | 2.77 | (0.50) | 0.64 | 0.14 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

5. Financial risk management (continued):

Currencies to which the Fund had exposure as at December 31, 2020, 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 |
| December 31, 2020 | | | | | | |
| U.S. Dollar | \$ (39,601,905) | \$ 39,406,713 | \$ (195,192) | \$ (1,980,095) | \$ 1,970,336 | \$ (9,759) |
| % of Net Assets | | | | | | |
| Attributable to Holders of Redeemable Units | (20.78) | 20.68 | (0.10) | (1.04) | 1.03 | (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 interest and dividends receivable, subscriptions receivable and other receivables) and financial liabilities (including accounts payable and accrued liabilities, redemptions payable, distributions payable, management fees payable, performance fees payable, dividends payable on investments sold short) that are denominated in foreign currencies do not expose the Fund to significant currency risk.

As at December 31, 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 \$561,829 (2020 - \$9,759). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

(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.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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 December 31, 2021:

| | Level 1 | Level 2 | Level 3 | Total |
|--------------------|----------------|----------------|---------------|----------------|
| Assets | | | | |
| Common stocks | \$ 242,245,464 | \$ 1,618,371 | \$ 8,119,129 | \$ 251,982,964 |
| Fixed income | 9,057,340 | 100,960,226 | 6,009,300 | 116,026,866 |
| Options | — | 931,494 | — | 931,494 |
| Swap | — | 3,896,169 | — | 3,896,169 |
| Forwards | — | 1,071,676 | — | 1,071,676 |
| Warrants | 404,001 | 2,125,062 | 6,096,290 | 8,625,353 |
| | \$ 251,706,805 | \$ 110,602,998 | \$ 20,224,719 | \$ 382,534,522 |
| Liabilities | | | | |
| Common stocks | \$ 14,510,507 | \$ — | \$ — | \$ 14,510,507 |
| Forwards | — | 126,028 | — | 126,028 |
| Options | — | 511,627 | 20,445 | 532,072 |
| | \$ 14,510,507 | \$ 637,655 | \$ 20,445 | \$ 15,168,607 |

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

| | Total |
|--|---------------|
| Beginning Balance, January 01, 2021 | \$ 2,367,203 |
| Purchases | 16,245,062 |
| Sales | (2,353,044) |
| Net transfers into and/or out of Level 3 | (122,250) |
| Change in unrealized appreciation included in net income | 4,067,303 |
| Ending Balance, December 31, 2021 | \$ 20,204,274 |

During the year ended December 31, 2021, a fixed income security was transferred from Level 1 to Level 2 due to the lack of active markets observed for these securities on the measurement date. As at December 31, 2021, the fair value of the fixed income security was \$3,767,376.

During the year ended December 31, 2021, certain warrants were transferred from Level 3 to Level 2 and a warrant was transferred from Level 1 to Level 3 due to the change of valuation technique. As at December 31, 2021, the fair values of these warrants were \$49, \$143,231 and \$1,155.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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

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 December 31, 2020:

| | Level 1 | Level 2 | Level 3 | Total |
|------------------------|----------------|---------------|--------------|----------------|
| Assets | | | | |
| Common stocks | \$ 114,768,038 | \$ – | \$ 983,840 | \$ 115,751,878 |
| Fixed income | 14,545,771 | 24,058,303 | 1,000,000 | 39,604,074 |
| Short-term investments | – | 49,993,813 | – | 49,993,813 |
| Subscription receipts | 6,091,300 | – | – | 6,091,300 |
| Options | 996,240 | – | – | 996,240 |
| Swap | – | 3,397,457 | – | 3,397,457 |
| Warrants | 645,067 | – | 383,363 | 1,028,430 |
| | \$ 137,046,416 | \$ 77,449,573 | \$ 2,367,203 | \$ 216,863,192 |
| Liabilities | | | | |
| Common stocks | \$ 22,959,204 | \$ – | \$ – | \$ 22,959,204 |
| Options | 1,080,149 | – | – | 1,080,149 |
| | \$ 24,039,353 | \$ – | \$ – | \$ 24,039,353 |

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

| | Total |
|--|--------------|
| Beginning Balance, January 01, 2020 | \$ 3,566,120 |
| Purchases | 10,202 |
| Change in unrealized depreciation included in net income | (1,209,119) |
| Ending Balance, December 31, 2020 | \$ 2,367,203 |

During the year ended December 31, 2020, certain fixed income securities were transferred from Level 1 to Level 2 due to the lack of active markets observed for these securities on the measurement date. As at December 31, 2020, the fair values of these fixed income securities were \$8,627,750 and \$9,413,303.

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 statements of comprehensive income.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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

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 December 31, 2021 | Fair value at December 31, 2020 |
|---------------------------------------|-----------------------------|--|---|---------------------------------|---------------------------------|
| Unlisted convertible preferred shares | Discount to Intrinsic Value | Discount for lack of marketability (33%) | A 10% decrease in the discount for lack of marketability will cause a \$478,754 decrease in the fair market value. | \$ 4,787,540 | \$ – |
| Warrants | Black-Scholes model | Market volatility (152%) | A 10% decrease in volatility will cause a \$188,633 decrease in fair market value. | 2,734,554 | 383,363 |
| Unlisted private investment | Recent transaction price | N/A | N/A | 2,911,289 | 983,840 |
| Unlisted private securities | Cost | Valued at cost base | N/A | 6,429,600 | 1,000,000 |
| Warrants | Black-Scholes model | Discount for lack of marketability (33%) | <p>A 10% decrease in volatility will cause a \$306,658 decrease in fair market value.</p> <p>A 10% decrease in the discount for lack of marketability will cause a \$336,173 increase in the fair market value.</p> | 3,361,736 | - |
| | | | | \$ 20,224,719 | \$ 2,367,203 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

7. Derivative financial instruments:

The Fund holds the following derivative instruments:

Forward contracts:

The Fund may enter into various forward contracts as part of its investment strategy. Generally, a forward contract is a customized contract between two parties to purchase or sell an asset at a specified price on a future date. The Fund may use forward contracts to gain exposure to, or hedge against, changes in the value of equities, commodities, interest rates or foreign currencies. If market conditions move unexpectedly, the anticipated benefits of forward contracts may not be achieved and a loss may be realized. The use of forward contracts involves the risk of imperfect correlation in movements in the price of forward contracts and the underlying instruments or commodities.

Forward contracts are offset and the net amount presented 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.

The following tables detail the Fund's investments in forward contracts as at December 31, 2021 related to the hedging of the USD exposure for the Class F US and Class G US units:

Class F US:

| Settlement date | Currency | Counterparty | Forward rate | Fair value | Notional amount | Unrealized loss |
|------------------|----------|--------------|--------------|--------------|-----------------|-----------------|
| January 31, 2022 | CAD | CIBC | 1.28205 \$ | 8,653,480 \$ | 8,765,769 \$ | (112,289) |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

7. Derivative financial instruments (continued):

Class G US:

| Settlement date | Currency | Counterparty | Forward rate | Fair value | Notional amount | Unrealized loss |
|------------------|----------|--------------|--------------|--------------|-----------------|-----------------|
| January 31, 2022 | CAD | CIBC | 1.28205 \$ | 1,058,755 \$ | 1,072,494 \$ | (13,739) |

The following table details the Fund's investments in forward contracts as at December 31, 2021 related to portfolio hedges:

| Settlement date | Currency | Counterparty | Forward rate | Fair value | Notional amount | Unrealized gain |
|-------------------|----------|--------------|--------------|-----------------|-----------------|-----------------|
| February 22, 2022 | USD | CIBC | 1.2939 \$ | (48,096,524) \$ | (49,168,200) \$ | 1,071,676 |

The Fund did not have investments in forward contracts as at December 31, 2020.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statements of financial position, but they do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and do not, therefore, indicate the Fund's exposure to credit or market price risks.

The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in market prices or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus, the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

7. Derivative financial instruments(continued):

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.

The following table detail the Fund's investments in warrants as at December 31, 2021:

| Description | Maturity Date | Strike price | Notional Amount | Fair value |
|--|---------------|--------------|-----------------|------------|
| Canopy Growth Corp. | 19-Feb-24 | \$ 0.40 | \$ 4,840,000 | \$ 302,500 |
| Osisko Green Acquisition Ltd. | 19-Jul-26 | 11.50 | 3,061,875 | 177,056 |
| Taiga Motors Corp. | 31-Dec-26 | 17.25 | 413,138 | 26,824 |
| Theralase Technologies Inc. | 24-Aug-24 | 0.35 | 315,000 | 175,500 |
| Antibe Therapeutics Inc. | 24-Feb-24 | 7.50 | 2,475,000 | 315 |
| Bonterra Energy Corp. | 20-Oct-25 | 7.75 | 868,000 | 176,419 |
| Braxia Scientific Corp. | 11-Jun-22 | 1.15 | 146,280 | - |
| Fosterville South Exploration Ltd. | 14-May-22 | 2.00 | 40,000 | 49 |
| GR Silver Mining Ltd. | 27-Apr-23 | 0.74 | 281,200 | 8,295 |
| Ionic Brands Corp. | 16-May-22 | 0.90 | 2,999,250 | 317 |
| OrganiGram Holdings Inc. | 12-Nov-23 | 2.50 | 532,500 | 143,231 |
| Orla Mining Ltd. | 18-Dec-26 | 3.00 | 780,000 | 740,572 |
| Osisko Green Acquisition Limited - Funding WTS | 19-Jul-26 | 11.50 | 3,424,355 | 187,595 |
| Plus Products Inc. | 28-Feb-24 | 1.10 | 322,113 | 2,421 |
| Plus Products Inc. | 28-Feb-24 | 8.00 | 462,000 | 1,155 |
| Talon Metals Corp. | 18-Mar-22 | 0.80 | 667,960 | 14,986 |
| TransCanna Holdings Inc. | 07-Jun-22 | 6.00 | 300,000 | - |
| FG New America Acquisition Corp. | 31-Aug-27 | 11.50 | 692,013 | 52,160 |
| Glass House Brands Inc. | 15-Jan-26 | 11.50 | 2,154,525 | 294,017 |
| Northern Genesis Acquisition Corp III | 31-Dec-27 | 11.50 | 945,875 | 92,905 |
| TPCO Holding Corp. | 15-Jan-26 | 11.50 | 1,707,175 | 31,000 |
| Denison Mines Corp. | 19-Feb-23 | 2.00 | 500,000 | 105,322 |
| Esports Technologies Inc. | 08-Feb-27 | 30.00 | 9,073,920 | 3,361,736 |
| Gryphon Digital Mining Inc. | 30-Jun-24 | 18.97 | 3,249,428 | 2,718,919 |
| Synaptive Medical Inc. | 06-Dec-22 | 3.75 | 578,569 | 12,059 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

7. Derivative financial instruments(continued):

The following table detail the Fund's investments in warrants as at December 31, 2020:

| Description | Maturity Date | Strike price | Notional Amount | Fair value |
|--------------------------------------|---------------|--------------|-----------------|------------|
| BetterLife Pharma Inc. | 15-May-21 | \$ 0.35 | \$ 70,000 | \$ 7,449 |
| Champignon Brands Inc. | 11-Jun-22 | 1.15 | 146,280 | 5,480 |
| Fosterville South Exploration Ltd. | 14-May-22 | 2.00 | 40,000 | 8,734 |
| Ionic Brands Corp. | 16-May-22 | 0.90 | 2,999,250 | — |
| Lion One Metals Ltd. | 21-Aug-21 | 2.35 | 822,500 | 4,030 |
| Marathon Gold Corp. | 26-May-21 | 1.90 | 302,860 | 160,463 |
| Nabis Holdings Inc. | 26-Mar-22 | 1.10 | 1,222,100 | 5,555 |
| OrganiGram Holdings Inc. | 12-Nov-23 | 2.50 | 1,365,000 | 109,191 |
| Plus Products Inc. | 28-Feb-24 | 8.00 | 462,000 | 1,733 |
| Theralase Technologies Inc. | 22-Aug-24 | 0.35 | 350,000 | 16,765 |
| TransCanna Holdings Inc. | 07-Jun-22 | 6.00 | 300,000 | — |
| Unlisted Equinox Gold | 15-Jan-21 | 13.50 | 2,659,500 | 46,800 |
| Mercer Park Brand Acquisition Corp. | 24-Jun-24 | 11.50 | 2,833,025 | 314,182 |
| Subversive Capital Acquisition Corp. | 26-Aug-24 | 11.50 | 1,707,175 | 312,387 |
| Synaptive Medical Inc. | 06-Dec-22 | 3.75 | 578,569 | 35,661 |

Options:

An option is the right to buy (a call option) or to sell (a put option) a specified amount or value of a particular underlying interest (e.g. equity securities, stock indices, government debt securities, commodity or foreign currencies) at a fixed exercise price by exercising the option before its expiration date. The option may also be settled in cash, based on the difference between the exercise settlement value and the fixed exercise price.

The following table summarizes the Fund's investments in options as at December 31, 2021:

| Description | Maturity Date | Strike price | Notional Amount |
|--------------------------------------|---------------|--------------|-----------------|
| Nuvei Corp. Call \$84 | 18-Feb-22 | \$ 84.00 | \$ 4,737,600 |
| Rogers Communications Inc. Call \$60 | 17-Jun-22 | 60.00 | 9,408,000 |
| Canopy Growth Corp. Call \$34 | 18-Mar-22 | 34.00 | (4,794,000) |
| Nuvei Corp. Call \$100 | 18-Feb-22 | 100.00 | (5,640,000) |
| Nuvei Corp. Put \$64 | 18-Feb-22 | 64.00 | (3,609,600) |
| Organigram Holdings Inc. Call \$3.25 | 18-Mar-22 | 3.25 | (692,250) |
| Rogers Communications Inc. Call \$70 | 17-Jun-22 | 70.00 | (10,976,000) |
| Rogers Communications Inc. Put \$50 | 17-Jun-22 | 50.00 | (7,840,000) |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

7. Derivative financial instruments(continued):

The following table summarizes the Fund's investments in options as at December 31, 2020:

| Description | Maturity Date | Strike price | Notional Amount |
|------------------------------|---------------|--------------|-----------------|
| Air Canada Call \$25 | 16-Jul-21 | \$ 25.00 | \$ 5,930,000 |
| Air Canada Call \$30 | 16-Jul-21 | 30.00 | (7,116,000) |
| Air Canada Put \$15 | 16-Jul-21 | 15.00 | (3,558,000) |
| Equinox Gold Corp. Call \$10 | 15-Jan-21 | 10.00 | (1,970,000) |

Swaps

A swap is a commitment to exchange one set of payments for another set of payments. Swaps are settled by each party delivering its respective set of payments to the other or by settling a cash payment representing the value of the contract.

The following table details the Fund's investments in swaps as at December 31, 2021:

| Description | Settlement date | Quantity | Notional Amount | Fair value |
|--|-----------------|-----------|-----------------|--------------|
| Royal Bank of Canada Prepaid Dividend Swap | 05-Jan-22 | 3,413,500 | \$ 3,483,497 | \$ 3,896,169 |

The following table details the Fund's investments in swaps as at December 31, 2020:

| Description | Settlement date | Quantity | Notional Amount | Fair value |
|--|-----------------|-----------|-----------------|--------------|
| Royal Bank of Canada Prepaid Dividend Swap | 31-Dec-21 | 3,413,500 | \$ 1,103,500 | \$ 3,397,457 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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 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.

9. Increase (decrease) in net assets attributable to holders of redeemable units per unit:

The increase (decrease) in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2021 and 2020 is calculated as follows:

| | | Increase (decrease) in net assets attributable to holders of redeemable units per Class | Weighted average of redeemable units outstanding during the year | | Increase in net assets attributable to holders of redeemable units per unit |
|-------------|----|--|---|----|--|
| 2021 | | | | | |
| Class F | \$ | 17,216,752 | 22,899,026 | \$ | 0.75 |
| Class F US | | 317,205 | 513,835 | | 0.62 |
| Class G | | 2,415,000 | 3,497,519 | | 0.69 |
| Class G US | | (10,054) | 35,384 | | (0.28) |
| Class I | | 89,145 | 85,798 | | 1.04 |
| 2020 | | | | | |
| Class F | \$ | 15,862,309 | 11,312,772 | \$ | 1.40 |
| Class G | | 2,599,907 | 1,923,259 | | 1.35 |
| Class I | | 39,886 | 24,341 | | 1.64 |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

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.

As at December 31, 2021, the Fund had net capital loss carryforwards of \$4,926,845 (2020 – \$5,082,669) and non-capital loss carryforwards of nil (2020 – nil).

11. Brokerage commissions and soft dollars:

Commissions paid to brokers in connection with portfolio transactions are disclosed in the Fund's statements 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 years ended December 31, 2021 and 2020, is disclosed below.

| | 2021 | 2020 |
|---|-------|-------|
| Soft dollar relationships | 3 | 2 |
| Percentage of total commissions and other portfolio transaction costs | 4.99% | 3.01% |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

12. Involvement with unconsolidated structured entities:

The Fund has determined that all of the other funds ("Investee Funds") in which it invests are unconsolidated structured entities. This represents a significant judgment by the Fund and generally because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Fund and other investors.

The Investee Funds finance their operations by issuing shares that entitle the holders to proportional stakes in the respective funds' net assets. The Fund holds redeemable shares in each of its Investee Funds. During the years ended December 31, 2021 and 2020, the Fund did not provide financial support to unconsolidated structured entities and has no intention of providing financial or other support.

The change in fair value of each Investee Fund is included in the statements of comprehensive income in net change in unrealized appreciation in value of investments, including foreign exchange adjustments.

The table below describes the types of structured entity that the Fund does not consolidate but in which it holds an interest as at December 31, 2021 and 2020:

2021

| Type | Number of Investee Funds | Net assets value of Investee Funds | Investment fair value | % of net assets attributable to holders of redeemable units |
|-------------------------------|--------------------------------|---------------------------------------|--------------------------|--|
| Real estate investment trusts | 3 | \$ 7,091,163,000 | \$ 19,404,008 | 5% |

2020

| Type | Number of Investee Funds | Net assets value of Investee Funds | Investment fair value | % of net assets attributable to holders of redeemable units |
|-------------------------------|--------------------------------|---------------------------------------|--------------------------|--|
| Real estate investment trusts | 1 | \$ 2,876,449,000 | \$ 3,866,604 | 2% |

NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2021 and 2020

12. Involvement with unconsolidated structured entities (continued):

Investee Funds included the following:

| | Currency per financial statement | Foreign exchange (DIA FX rate) | Total NAV per financial statement | Total NAV in Canadian dollars |
|-------------------------------|----------------------------------|--------------------------------|-----------------------------------|-------------------------------|
| 2021 | | | | |
| Boardwalk REIT | Canadian dollar | 1.000000 \$ | 3,253,178,000 \$ | 3,253,178,000 |
| Nexus REIT | Canadian dollar | 1.000000 | 689,484,000 | 689,484,000 |
| Summit Industrial Income REIT | Canadian dollar | 1.000000 | 3,148,501,000 | 3,148,501,000 |
| 2020 | | | | |
| Boardwalk REIT | Canadian dollar | 1.000000 \$ | 2,876,449,000 \$ | 2,876,449,000 |

The Fund may invest in or hold a short position of shares of Investee Funds as part of its investment strategies. The nature and purpose of these Investee Funds, generally, is because decision making about the Investee Funds' investing activities is not governed by voting rights held by the Fund and other investors, and they are financed through the issue of shares to stakeholders. The maximum exposure to loss from interests in short positions can be unlimited.

The fair value of these Investee Funds, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments.