

Financial Statements of

**NEWGEN ALTERNATIVE  
INCOME FUND**

And Independent Auditor's Report thereon

For the years ended December 31, 2023 and 2022

## Independent Auditor's Report

To the Unitholders of NewGen Alternative Income Fund (the "Fund")

### Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including material accounting policy information (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows 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 ("Canadian GAAS"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the 2023 Annual Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the 2023 Annual Management Report of Fund Performance prior to the date of this auditor's 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 this auditor's 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 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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



Chartered Professional Accountants  
Licensed Public Accountants  
March 27, 2024

# NEWGEN ALTERNATIVE INCOME FUND

## Statements of Financial Position

As at December 31, 2023 and December 31, 2022

	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 22,859	\$ 432,914
Due from broker	14,976,094	1,285,298
Investments owned, at fair value through profit or loss (note 6)	316,320,616	487,995,838
Interest and dividends receivable	3,469,156	3,610,192
Subscriptions receivable	35,236	1,017,686
Other receivables	235,169	459,811
Prepaid expenses	21,451	22,235
Unrealized appreciation of derivatives (note 2, 6)	409	–
	<u>335,080,990</u>	<u>494,823,974</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Due to broker	–	14,834,357
Investments sold short, at fair value through profit or loss (note 6)	55,245,932	64,442,849
Accounts payable and accrued liabilities	188,525	370,146
Redemptions payable	61,707	395,987
Distributions payable	5,915	3,680,942
Management fees payable (note 3)	34,374	37,111
Performance fees payable (note 3)	155,833	–
Dividends payable on investments sold short	109,792	55,926
Unrealized depreciation of forward contracts (note 2, 6)	2,157	5,338
	<u>55,804,235</u>	<u>83,822,656</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 279,276,755</u>	<u>\$ 411,001,318</u>
<b>Net assets attributable to holders of redeemable units per Class</b>		
Class F	\$ 237,185,045	\$ 358,698,142
Class F US	5,540,785	11,354,207
Class G	35,337,618	39,238,885
Class G US	148,012	298,319
Class I	<u>1,065,295</u>	<u>1,411,765</u>
	<u>\$ 279,276,755</u>	<u>\$ 411,001,318</u>
<b>Number of redeemable units outstanding (note 4)</b>		
Class F	22,080,711	31,537,873
Class F US	475,096	898,339
Class G	3,410,746	3,600,352
Class G US	13,121	24,775
Class I	92,533	116,611

# NEWGEN ALTERNATIVE INCOME FUND

## Statements of Financial Position (continued)

As at December 31, 2023 and December 31, 2022

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		2023		2022
<b>Net assets attributable to holders of redeemable units per unit</b>				
Class F	\$	10.74	\$	11.37
Class F US		11.66		12.64
Class G		10.36		10.90
Class G US		11.28		12.04
Class I		11.51		12.11
Class F US (in US Dollars)		8.83		9.34
Class G US (in US Dollars)		8.54		8.90

See accompanying notes to financial statements.

Approved on behalf of the Fund:

***"David Dattels"***

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Manager  
NewGen Asset Management Limited

# NEWGEN ALTERNATIVE INCOME FUND

## Statements of Comprehensive Income

For the years ended December 31, 2023 and 2022

	2023	2022
<b>Income</b>		
Dividends	\$ 21,174,640	\$ 23,734,161
Interest income for distribution purposes	14,189,718	8,576,511
Net realized loss on sale of investments, including foreign exchange adjustments	(11,189,268)	(359,300)
Net change in unrealized depreciation in value of investments, including foreign exchange adjustments	(11,712,270)	(17,796,437)
Net realized gain (loss) on forward contracts	404,499	(2,575,654)
Net change in unrealized appreciation (depreciation) on derivatives (note 2)	3,590	(950,986)
Other income	136,617	12,502
	<u>13,007,526</u>	<u>10,640,797</u>
<b>Expenses</b>		
Management fees (note 3)	4,526,638	5,159,813
Commissions and other portfolio transaction costs	2,373,526	1,531,185
Dividends paid on investments sold short	1,886,425	793,059
Interest and borrowing fees	943,976	394,453
Operating costs	613,467	578,300
Performance fees (note 3)	186,213	873,108
Audit fees	103,860	86,595
Legal fees	100,799	70,824
Withholding tax	14,690	-
	<u>10,749,594</u>	<u>9,487,337</u>
<b>Increase in net assets attributable to holders of redeemable units</b>	<u>\$ 2,257,932</u>	<u>\$ 1,153,460</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per Class</b>		
Class F	\$ 2,248,427	\$ 768,399
Class F US	(62,265)	771,920
Class G	38,621	(437,390)
Class G US	(858)	29,360
Class I	34,007	21,171
	<u>\$ 2,257,932</u>	<u>\$ 1,153,460</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (note 9)</b>		
Class F	\$ 0.08	\$ 0.02
Class F US	(0.09)	0.91
Class G	0.01	(0.11)
Class G US	(0.05)	0.60
Class I	0.34	0.19

# NEWGEN ALTERNATIVE INCOME FUND

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units For the years ended December 31, 2023 and 2022

	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
<b>2023</b>							
Class F	\$ 358,698,142	\$ 64,107,504	\$ (180,851,071)	\$ (21,426,072)	\$ 14,408,115	\$ 2,248,427	\$ 237,185,045
Class F US	11,354,207	828,797	(6,419,211)	(572,516)	411,773	(62,265)	5,540,785
Class G	39,238,885	5,178,414	(8,596,629)	(2,096,000)	1,574,327	38,621	35,337,618
Class G US	298,319	15,030	(159,691)	(10,243)	5,455	(858)	148,012
Class I	1,411,765	70,000	(450,000)	(87,720)	87,243	34,007	1,065,295
	<u>\$ 411,001,318</u>	<u>\$ 70,199,745</u>	<u>\$ (196,476,602)</u>	<u>\$ (24,192,551)</u>	<u>\$ 16,486,913</u>	<u>\$ 2,257,932</u>	<u>\$ 279,276,755</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, 2023 were \$1,465,759 and \$(1,465,759), 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 (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>2022</b>							
Class F	\$ 348,354,902	\$ 121,973,772	\$ (104,125,010)	\$ (23,171,530)	\$ 14,897,609	\$ 768,399	\$ 358,698,142
Class F US	8,537,112	3,994,360	(1,716,953)	(647,201)	414,969	771,920	11,354,207
Class G	47,010,794	7,735,534	(14,320,454)	(2,459,766)	1,710,167	(437,390)	39,238,885
Class G US	1,008,693	74,006	(795,551)	(40,962)	22,773	29,360	298,319
Class I	1,290,594	100,000	—	(104,790)	104,790	21,171	1,411,765
	<u>\$ 406,202,095</u>	<u>\$ 133,877,672</u>	<u>\$ (120,957,968)</u>	<u>\$ (26,424,249)</u>	<u>\$ 17,150,308</u>	<u>\$ 1,153,460</u>	<u>\$ 411,001,318</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, 2022 were \$1,859,307 and \$(1,859,307), respectively.

# NEWGEN ALTERNATIVE INCOME FUND

## Statements of Cash Flows

For the years ended December 31, 2023 and 2022

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase in net assets attributable to holders of redeemable units	\$ 2,257,932	\$ 1,153,460
Adjustments for non-cash items		
Net realized loss on sale of investments, including foreign exchange adjustments	11,189,268	359,300
Net change in unrealized depreciation in value of investments, including foreign exchange adjustments	11,712,270	17,796,437
Net change in unrealized (appreciation) depreciation on derivatives	(3,590)	950,986
Change in non-cash balances		
(Increase) decrease in due from broker	(13,690,796)	35,549,739
Decrease (increase) in interest and dividends receivable	141,036	(771,630)
Decrease (increase) in other receivables	224,642	(195,924)
Decrease (increase) in prepaid expenses	784	(22,235)
(Decrease) increase in due to broker	(14,834,357)	14,834,357
(Decrease) increase in accounts payable and accrued liabilities	(181,621)	101,666
(Decrease) increase in management fees payable	(2,737)	12,367
Increase (decrease) in performance fees payable	155,833	(109,772)
Increase in dividends payable on investments sold short	53,866	38,643
Proceeds from sale of investments	2,603,576,118	1,172,843,493
Purchase of investments	(2,463,792,072)	(1,248,597,221)
Cash provided by (used in) operating activities	<u>136,806,576</u>	<u>(6,056,334)</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	69,716,436	131,211,788
Amount paid on redemption of redeemable units	(195,345,123)	(118,817,974)
Distributions to holders of redeemable units, net of reinvestments	(11,380,665)	(6,388,823)
Cash (used in) provided by financing activities	<u>(137,009,352)</u>	<u>6,004,991</u>
Decrease in cash during the year	(202,776)	(51,343)
Foreign exchange (loss) gain on cash	(207,279)	465,269
Cash, beginning of year	432,914	18,988
<b>Cash, end of year</b>	<u>\$ 22,859</u>	<u>\$ 432,914</u>
<b>Supplemental information*</b>		
Interest paid	\$ 638,324	\$ 229,407
Interest received	14,546,671	7,603,981
Dividends paid	1,832,559	754,417
Dividends received, net of withholding taxes	20,944,034	23,947,563

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



# NEWGEN ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equities</b>				
610,100	Alaris Equity Partners Income	\$ 8,689,278	\$ 9,938,529	3.56
71,000	Bombardier Inc.	3,970,112	3,777,910	1.35
291,400	Brookfield Infrastructure Corp.	11,542,053	13,620,036	4.88
75,600	Brookfield Renewable Corp.	2,648,247	2,883,384	1.03
271,100	Capital Power Corp.	11,329,048	10,258,424	3.67
158,600	Celestica Inc.	4,723,075	6,155,266	2.20
606,000	Champion Iron Ltd.	3,012,355	4,520,760	1.62
830,000	Chemtrade Logistics Income Fund	7,289,532	7,071,600	2.53
761,100	Crescent Point Energy Corp.	7,608,810	6,994,509	2.50
661,000	Dye & Durham Ltd.	7,605,634	9,491,960	3.40
138,900	Enbridge Inc.	6,410,316	6,625,530	2.37
215,200	Endeavour Mining PLC	6,780,513	6,406,504	2.29
891,900	Enerflex Ltd.	6,847,315	5,467,347	1.96
222,700	Exchange Income Corp.	10,394,654	10,043,770	3.60
40,400	Franco-Nevada Corp.	6,543,188	5,929,508	2.12
333,400	Gibson Energy Inc.	6,844,126	6,711,342	2.40
9,573,952	Ionic Brands Corp.	403,378	–	–
9,065,629	Ionic Brands Corp. Class D PFD	2,719,961	–	–
300,900	Labrador Iron Ore Royalty Corp.	9,533,015	9,598,710	3.44
100,000	Maple Leaf Foods Inc.	2,448,739	2,524,000	0.90
350,500	Neighbourly Pharmacy Inc.	6,579,024	5,884,895	2.11
160,300	Nuvei Corp.	5,460,607	5,580,043	2.00
164,637	Open Text Corp.	8,324,386	9,168,635	3.28
150,000	Parkland Corp.	5,078,687	6,406,500	2.29
432,957	Pasofino Gold Ltd.	473,182	195,913	0.07
128,300	Pembina Pipeline Corp.	5,497,655	5,773,500	2.07
70,600	RB Global Inc.	5,825,012	6,260,102	2.24
800,000	Secure Energy Services Inc.	5,758,196	7,544,000	2.70
91,500	Sucro Ltd.	1,006,239	915,000	0.33
630,200	Superior Plus Corp.	6,448,174	6,068,826	2.17
127,400	Teck Resources Ltd.	6,921,249	7,135,674	2.56
175,000	The North West Co Inc.	6,266,970	6,872,250	2.46
30,600	Thomson Reuters Corp. Preferred Shares 0%	402,961	403,920	0.14
476,000	TransAlta Corp.	5,152,149	5,245,520	1.88
212,100	Westshore Terminals Investment Corp.	5,855,360	5,815,782	2.08
		<b>202,393,200</b>	<b>207,289,649</b>	<b>74.20</b>
<b>Canadian fixed income</b>				
2,000,000	AltaGas Ltd. 8.90% 10NOV2083	2,005,938	2,089,560	0.75
2,000,000	Bonterra Energy Corp. 9% 20OCT2025	2,000,000	2,035,710	0.73
1,050,000	Canadian Government Bond 2.50% 01JUN2024	1,026,788	1,039,605	0.37
8,487,000	Cineplex Inc. 5.75% 30SEP2025	8,370,017	8,424,536	3.02
1,000,000	Cineplex Inc. 7.50% 26FEB2026	1,005,912	1,009,580	0.36
4,498,000	Corus Entertainment Inc. 5% 11MAY2028	4,455,347	3,056,211	1.09
2,900,000	Corus Entertainment Inc. 6% 28FEB2030	2,189,500	1,888,944	0.68
2,000,000	Doman Building Materials Group Ltd. 5.25% 15MAY2026	1,949,444	1,848,520	0.66
7,000,000	Dye & Durham Ltd. 3.75% 01MAR2026	7,063,096	5,285,000	1.89

# NEWGEN ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
1,975,000	Good Natured Products Inc. 7% 31OCT2026	\$ 1,975,000	\$ 730,750	0.26
4,000,000	Intact Financial Corp. 7.338% 30JUN2083	4,015,000	4,061,080	1.45
212,500	Ionic Brands Corp. 10% 16MAY2023 CONV. \$0.30	212,500	–	–
4,000,000	Northland Power Inc. 9.25% 30JUN2083	3,998,089	4,175,900	1.50
3,565,000	Trillion Energy International Inc. 12% 30APR2025 CONV. \$3	3,565,000	3,565,000	1.28
2,875,000	Videotron Ltd. 3.125% 15JAN2031	2,256,875	2,465,456	0.88
		<u>46,088,506</u>	<u>41,675,852</u>	<u>14.92</u>
<b>Canadian Money Market</b>				
35,000,000	Royal Bank of Canada BA 02JAN2024	<u>34,980,050</u>	<u>34,992,020</u>	<u>12.53</u>
<b>Canadian option</b>				
1,053,600	iShares S&P/TSX 60 Index ETF Call \$32 05JAN2024	<u>60,582</u>	<u>179,112</u>	<u>0.06</u>
<b>Canadian warrants</b>				
330,000	Antibe Therapeutics Inc. \$7.50 24FEB2024	412,434	–	–
112,000	Bonterra Energy Corp \$7.75 20OCT2025	–	53,546	0.02
12,100,000	Canopy Growth Corp. \$3432 19FEB2024	484,000	60,500	0.02
260,000	Orla Mining Ltd \$3 18DEC2026	443,300	511,490	0.18
292,830	Plus Products Inc. \$1.10 28FEB2024	–	–	–
57,750	Plus Products Inc. \$8 28FEB2024	–	–	–
900,000	Theralase Technologies Inc. \$0.35 22AUG2024	–	31,500	0.01
5,941,667	Trillion Energy International Inc. \$0.50 29JUN2025	–	148,542	0.05
		<u>1,339,734</u>	<u>805,578</u>	<u>0.28</u>
<b>U.S. equities</b>				
500	Insurance Supermarket Inc. - Class C Series 1	631,200	2,073,687	0.74
370,285	Synaptive Medical Inc.	715,824	1,018,629	0.36
		<u>1,347,024</u>	<u>3,092,316</u>	<u>1.10</u>
<b>U.S. fixed income</b>				
4,776,200	Calfrac Holdings LP 10.875% 15MAR2026	6,976,997	6,290,966	2.25
1,250,000	Carriage Services Inc. 4.25% 15MAY2029	1,444,190	1,467,499	0.53
3,474,000	Conuma Resources Ltd. 13.125% 01MAY2028	4,531,083	4,461,576	1.60
2,000,000	Synaptive Medical Inc. 10% 31OCT2024 CONV.	2,558,100	2,640,900	0.95
4,587,000	The Bank of Nova Scotia 8.625% 27OCT2082	6,274,851	6,330,404	2.27
4,603,000	The Toronto-Dominion Bank 8.125% 31OCT2082	6,333,249	6,355,342	2.28
500,000	Vista Outdoor Inc. 4.50% 15MAR2029	643,913	647,337	0.23
		<u>28,762,383</u>	<u>28,194,024</u>	<u>10.11</u>
<b>U.S. option</b>				
37,100	Franco-Nevada Corp. Call \$125 19JAN2024	<u>269,589</u>	<u>13,472</u>	<u>0.00</u>

# NEWGEN ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>U.S. warrants</b>				
10,082	Esports Technologies Inc. \$30 RSTD 08FEB2027	\$ —	\$ 70	0.00
143,450	Gold Flora Corp. \$11.50 15JAN2026	62,895	947	0.00
171,293	Gryphon Digital Mining Inc. \$18.9734 30JUN2024	—	77,553	0.03
3,226	EBET Inc. \$1.02 6AUG2028	—	23	0.00
		<u>62,895</u>	<u>78,593</u>	<u>0.03</u>
	<b>Total investments owned</b>	315,303,963	316,320,616	113.23
Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian equities</b>				
(46,800)	Ag Growth International Inc.	\$ (2,339,491)	\$ (2,364,336)	(0.85)
(75,200)	Altus Group Ltd.	(3,388,956)	(3,168,928)	(1.13)
(148,500)	Aritzia Inc.	(3,355,169)	(4,083,750)	(1.46)
(291,400)	Brookfield Infrastructure Partners LP	(9,847,174)	(12,168,864)	(4.36)
(75,600)	Brookfield Renewable Partners LP	(2,489,785)	(2,631,636)	(0.94)
(31,200)	BRP Inc.	(2,567,695)	(2,958,384)	(1.06)
(19,600)	Colliers International Group Inc.	(2,800,122)	(3,284,960)	(1.18)
(893,800)	Diversified Royalty Corp.	(2,289,773)	(2,440,074)	(0.87)
(220,700)	First Quantum Minerals Ltd.	(2,301,275)	(2,394,595)	(0.86)
(57,500)	Metro Inc.	(4,145,876)	(3,943,925)	(1.41)
(40,800)	Premium Brands Holdings Corp.	(3,703,649)	(3,836,424)	(1.37)
(251,097)	Real Matters Inc.	(1,358,885)	(1,581,911)	(0.57)
(503,500)	Sandstorm Gold Ltd.	(3,209,205)	(3,353,310)	(1.20)
(278,400)	StorageVault Canada Inc.	(1,433,747)	(1,456,032)	(0.52)
		<u>(45,230,802)</u>	<u>(49,667,129)</u>	<u>(17.78)</u>
<b>Canadian fixed income</b>				
(3,000,000)	Cogeco Communications Inc. 2.991% 22SEP2031	(2,596,041)	(2,626,710)	(0.94)
(700,000)	Thames Water Utilities Finance PLC 2.875% 12DEC2024	(656,477)	(676,144)	(0.24)
		<u>(3,252,518)</u>	<u>(3,302,854)</u>	<u>(1.18)</u>
<b>Canadian options</b>				
(33,400)	BRP Inc. Put \$75 19JAN2024	(52,772)	(6,847)	(0.00)
(184,800)	Cenovus Energy Inc. Put \$20 19JAN2024	(28,644)	(11,088)	(0.00)
(73,700)	Cogeco Communications Inc. Put \$50 19JAN2024	(43,483)	(6,633)	(0.00)
(49,200)	Metro Inc/CN Put \$68 19JAN2024	(32,472)	(34,440)	(0.01)
(175,000)	The North West Co Inc. Call \$42 19JAN2024	(24,500)	(33,250)	(0.01)
		<u>(181,871)</u>	<u>(92,258)</u>	<u>(0.02)</u>
<b>U.S. fixed income</b>				
(1,796,000)	IAMGOLD Corp. 5.75% 15OCT2028	(1,880,852)	(2,055,095)	(0.74)

# NEWGEN ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
	<b>U.S. options</b>			
(37,100)	Franco-Nevada Corp. Call \$135 19JAN2024	\$ (121,749)	\$ (6,124)	(0.00)
(37,100)	Franco-Nevada Corp. Put \$110 19JAN2024	(142,211)	(122,472)	(0.04)
		<u>(263,960)</u>	<u>(128,596)</u>	<u>(0.04)</u>
	<b>Total investments sold short</b>	(50,810,003)	(55,245,932)	(19.76)
	Commissions and other portfolio transaction costs	<u>(194,333)</u>	<u>—</u>	<u>—</u>
	<b>Net investments owned</b>	<b><u>\$ 264,299,627</u></b>	261,074,684	93.47
	Unrealized loss, foreign exchange forward contracts (Schedule 1)		(1,748)	0.00
	<b>Other assets, net</b>		<u>18,203,819</u>	<u>6.53</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<b><u>\$ 279,276,755</u></b>	<b><u>100.00</u></b>

# NEWGEN ALTERNATIVE INCOME FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

### Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Forward Rates	Contract Price	Fair Value	Unrealized Gain (Loss)
February 29, 2024	USD	CAD	1.319295	\$ (29,947,997)	(29,950,153) \$	(2,157)
February 29, 2024	CAD	USD	1.319295	5,528,000	5,528,398	398
February 29, 2024	CAD	USD	1.319295	147,000	147,011	11
Total unrealized loss on foreign exchange forward contracts					\$	(1,748)

# NEWGEN ALTERNATIVE INCOME FUND

## Notes to Financial Statements

For the years ended December 31, 2023 and 2022

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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") as issued by the International Accounting Standards Board ("IASB").

The financial statements were authorized for issue by the Manager on March 27, 2024.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information:

The following is a summary of the Fund's material accounting policy information:

Effective January 1, 2023, the Fund adopted the International Accounting Standard 1 Presentation of Financial Statements ("IAS 1") amendment with regards to disclosure of material accounting policies. This amendment did not have a material impact on these financial statements. There are no other standards, amendments to standards or interpretations that are effective for annual periods beginning on January 1, 2023, that have a material effect on the financial statements of the Funds. The material accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise indicated.

### (a) Financial instruments:

Recognition and initial measurement:

The Fund initially recognizes transactions in financial assets and financial liabilities at fair value on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated.

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

### (b) Classification:

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

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

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (b) Classification (continued):

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.

### (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



# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (d) Valuation of investments (continued):

spread. In circumstances where the close price is not within the day's bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on specific facts and circumstances.

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

Investments in private companies and other assets for which no published market exists are initially valued at cost and adjusted each reporting year, 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 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, 2023 and 2022

## 2. Material accounting policy information (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, 2023 and 2022. 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, 2023	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	\$ 409	\$ (2,157)	\$ (1,748)	\$ -	\$ -	\$ -

Financial liabilities as at December 31, 2022	Amounts offset			Amounts not offset		
	Gross amounts of recognized financial liabilities	Gross amounts of recognized financial assets	Net amounts of financial liabilities presented in the statements of financial position	Financial instruments (including non-cash collateral)	Cash collateral received	Net amounts
Forwards, gross	\$ -	\$ (5,338)	\$ (5,338)	\$ -	\$ -	\$ -

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, 2023 and 2022

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## 2. Material accounting policy information (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.

### (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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (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.

### (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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (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 loss on sale of investments, including foreign exchange adjustments, and net change in unrealized depreciation 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.

### (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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (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, prepaid expenses and other receivables are classified as measured at amortized cost. Accounts payable and accrued liabilities, due to broker, 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.

### (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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 2. Material accounting policy information (continued):

### (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, 2023 and 2022

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### 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, 2023, 73,791 Class I units (2022 – 104,907 Class I units) were owned by the officers of the Manager, which represents \$849,522 (2022 - \$1,270,063) in net assets attributable to holders of redeemable units.



# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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#### 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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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

The unit activity during the years ended December 31, 2023 and 2022 is as follows :

	Redeemable Units, beginning of year	Redeemable Units Issued	Redemptions of Redeemable Units	Reinvestments of Units	Redeemable Units, end of year
<b>2023</b>					
Class F	31,537,873	5,687,963	(16,459,658)	1,314,533	22,080,711
Class F US	898,339	67,326	(524,580)	34,011	475,096
Class G	3,600,352	473,951	(813,241)	149,684	3,410,746
Class G US	24,775	1,319	(13,443)	470	13,121
Class I	116,611	5,764	(37,265)	7,423	92,533
<b>2022</b>					
Class F	28,854,145	10,221,685	(8,815,356)	1,277,399	31,537,873
Class F US	684,802	317,070	(136,471)	32,938	898,339
Class G	4,042,056	669,128	(1,263,781)	152,949	3,600,352
Class G US	79,952	5,856	(62,886)	1,853	24,775
Class I	100,465	7,712	–	8,434	116,611

### (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, 2023 and 2022

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## 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 CIBC World Markets Inc. and BMO Capital Markets, which are rated A+ by S&P Global Rating.

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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 5. Financial risk management (continued):

### (b) Credit risk (continued):

The following table is a summary of the Fund's debt instruments by credit rating, excluding cash, as at December 31, 2023 and 2022.

Debt instruments by credit rating	Percentage of Net Asset Value	
	2023	2022
AA+	-	(0.35)
AA-	0.07	-
BBB+	-	0.24
BBB	-	2.44
BBB-	(0.00)	6.35
BB+	0.02	1.33
BB	0.01	2.01
BB-	-	1.24
B+	0.03	2.97
B	0.01	2.63
B-	-	0.65
CCC+	0.02	0.20
CCC	(0.01)	-
NR	0.13	6.97

\*Excludes cash and cash equivalents.

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, 2023 and 2022

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## 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, 2023, the Fund's lowest and highest aggregate gross exposure was 91.1% (2022 – 77.2%) and 161.5% (2022 – 113.1%) 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, 2023 and 2022

## 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, 2023 and 2022, 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	2023	2022
Less than 1 year	\$ 3,004,361	\$ 212,500
1 - 3 years	29,190,062	12,765,380
3 - 5 years	5,462,692	41,883,436
Greater than 5 years	26,854,812	54,876,070
Total exposure	\$ 64,511,927	\$ 109,737,386

  

Effect in %		
Net assets attributable to holders of redeemable units	23.10	26.70

\*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, 2023 and 2022

## 5. Financial risk management (continued):

As at December 31, 2023, 74.58% (2022 – 56.43%) of the Fund's net assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges, while 17.86% (2022 – 11.43%) 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 \$15,840,087 or 5.67% (2022 - \$18,495,656 or 4.50%) 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, 2023, are as follows:

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2023</b>						
U.S. Dollar	\$ (15,438,552)	\$ 29,194,714	\$ 13,756,162	\$ (771,928)	\$ 1,459,736	\$ 687,808
% of Net Assets						
Attributable to Holders of Redeemable Units	(5.53)	10.46	4.93	(0.28)	0.52	0.24

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 5. Financial risk management (continued):

Currencies to which the Fund had exposure as at December 31, 2022, are as follows:

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2022</b>						
U.S. Dollar	\$ (38,510,731)	\$ 49,016,624	\$ 10,505,893	\$ (1,925,537)	\$ 2,450,831	\$ 525,294
% of Net Assets						
Attributable to Holders						
of Redeemable Units	(9.37)	11.93	2.56	(0.47)	0.60	0.13

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, prepaid expenses 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, 2023, 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 \$687,808 (2022 - \$525,294). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.



# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 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, 2023:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 207,289,649	\$ –	\$ 3,092,316	\$ 210,381,965
Fixed Income	9,155,286	52,472,980	8,241,610	69,869,876
Money Market	–	34,992,020	–	34,992,020
Options	192,584	–	–	192,584
Forwards	–	409	–	409
Warrants	209,042	597,576	77,553	884,171
	\$ 216,846,561	\$ 88,062,985	\$ 11,411,479	\$ 316,321,025
<b>Liabilities</b>				
Common stocks	\$ 49,667,129	\$ –	\$ –	\$ 49,667,129
Fixed Income	–	5,357,949	–	5,357,949
Options	220,854	–	–	220,854
Forwards	–	2,157	–	2,157
	\$ 49,887,983	\$ 5,360,106	\$ –	\$ 55,248,089

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

	Total
Beginning Balance, January 01, 2023	\$ 15,824,738
Purchases	5,246,954
Sales	(9,180,483)
Net transfers out of Level 3	(88,992)
Realized gains included in net income	368,478
Change in unrealized depreciation included in net income	(759,216)
Ending Balance, December 31, 2023	\$ 11,411,479

During the year ended December 31, 2023, the level for warrant Esport Technologies Inc. \$30 was changed from Level 3 to Level 2 as the underlying security is being publicly traded on exchange as observed on measurement date. As at December 31, 2023, the fair value of the warrant was \$70.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 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, 2022:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Common stocks	\$ 228,726,498	\$ 1,297,969	\$ 10,809,582	\$ 240,834,049
Fixed income	3,984,626	118,302,442	4,919,000	127,206,068
Money market	–	117,953,303	–	117,953,303
Options	88,070	–	–	88,070
Warrants	314,411	1,503,781	96,156	1,914,348
	\$ 233,113,605	\$ 239,057,495	\$ 15,824,738	\$ 487,995,838
<b>Liabilities</b>				
Common stocks	\$ 46,322,672	\$ –	\$ –	\$ 46,322,672
Forwards	–	5,338	–	5,338
Fixed income	–	17,468,682	–	17,468,682
Options	651,495	–	–	651,495
	\$ 46,974,167	\$ 17,474,020	\$ –	\$ 64,448,187

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

	Total
Beginning Balance, January 01, 2022	\$ 20,204,274
Sales	(1,307,609)
Net transfers out of Level 3	(3,576)
Realized gains included in net income	157,201
Change in unrealized depreciation included in net income	(3,225,552)
Ending Balance, December 31, 2022	\$ 15,824,738

During the year ended December 31, 2022, certain fixed income securities were transferred from Level 2 to Level 1 as the securities were being publicly traded on exchange as observed on the measurement date. As at December 31, 2022, the fair value of the fixed income securities was \$1,800,000.

During the year ended December 31, 2022, certain warrants were transferred from Level 2 to Level 1 as the warrants were being publicly traded on exchange as observed on the measurement date. As at December 31, 2022, the fair values of these warrants were \$251,338.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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

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

Significant unobservable inputs in measuring fair value:

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

Description	Valuation technique	Unobservable input	Sensitivity to changes in significant unobservable inputs	Fair value at December 31, 2023	Fair value at December 31, 2022
Warrants	Black-Scholes model	Market volatility	A 10% decrease in volatility will cause a \$51,185 decrease in fair market value.	77,553	96,156
Unlisted Fixed Income	Market Approach	Interest Rates	A 1% increase in Yield to Maturity would cause a \$15,064 decrease in market value	2,035,710	2,000,000
Unlisted convertible securities	Market Approach	Underlying Security Value	A 10% decrease in the price of the underlying security once converted would cause a \$620,590 decrease in the fair market value.	6,205,900	10,559,450
Unlisted private securities	Recent Transaction Prices	Market Values	A 10% decrease in the price of the underlying security would cause a \$309,232 decrease in the fair market value.	3,092,316	3,169,132
				\$ 11,411,479	\$ 15,824,738

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 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, 2023 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 gain
February 29, 2024	CAD	CIBC	1.3193 \$	5,528,398 \$	5,528,000 \$	398

Class G US:

Settlement date	Currency	Counterparty	Forward rate	Fair value	Notional amount	Unrealized gain
February 29, 2024	CAD	CIBC	1.3193 \$	147,011 \$	147,000 \$	11

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 7. Derivative financial instruments (continued):

The following tables detail the Fund's investments in forward contracts as at December 31, 2022 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, 2023	CAD	CIBC	1.3533 \$	11,499,465 \$	11,501,437 \$	(1,972)

Class G US:

Settlement date	Currency	Counterparty	Forward rate	Fair value	Notional amount	Unrealized loss
January 31, 2023	CAD	CIBC	1.3533 \$	314,147 \$	314,201 \$	(54)

The following table details the Fund's investments in forward contracts as at December 31, 2023 related to portfolio hedges:

Settlement date	Currency	Counterparty	Forward rate	Fair value	Notional amount	Unrealized loss
February 29, 2024	USD	CIBC	1.3193 \$	(29,950,153) \$	(29,947,997) \$	(2,157)

The following table details the Fund's investments in forward contracts as at December 31, 2022 related to portfolio hedges:

Settlement date	Currency	Counterparty	Forward rate	Fair value	Notional amount	Unrealized loss
February 28, 2023	USD	CIBC	1.35258 \$	(45,720,347) \$	(45,717,035) \$	(3,312)

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 7. Derivative financial instruments(continued):

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.

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, 2023:

Description	Maturity Date	Strike price	Notional Amount	Fair value
Antibe Therapeutics Inc.	24-Feb-24	\$ 7.50	\$ 2,475,000	–
Bonterra Energy Corp	20-Oct-25	7.75	868,000	53,546
Canopy Growth Corp.	19-Feb-24	0.34	4,152,720	60,500
Orla Mining Ltd	18-Dec-26	3.00	780,000	511,490
Plus Products Inc.	28-Feb-24	1.10	322,113	–
Plus Products Inc.	28-Feb-24	8.00	462,000	–
Theralase Technologies Inc.	22-Aug-24	0.35	315,000	31,500
Trillion Energy International Inc.	29-Jun-25	0.50	2,970,834	148,542
Esports Technologies Inc.	08-Feb-27	30.00	302,460	70
Gold Flora Corp.	15-Jan-26	11.50	1,649,675	947
Gryphon Digital Mining Inc.	30-Jun-24	18.97	3,250,011	77,553
EBET Inc.	06-Aug-28	1.02	3,291	23

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 7. Derivative financial instruments(continued):

The following table detail the Fund's investments in warrants as at December 31, 2022:

Description	Maturity Date	Strike price	Notional Amount	Fair value
Antibe Therapeutics Inc	24-Feb-24	\$ 7.50	\$ 2,475,000	\$ –
Bonterra Energy Corp	20-Oct-25	7.75	868,000	299,691
Canopy Growth Corp.	19-Feb-24	0.40	4,840,000	242,000
GR Silver Mining Ltd	27-Apr-23	0.74	281,200	–
OrganiGram Holdings Inc.	12-Nov-23	2.50	532,500	11,384
Orla Mining Ltd	18-Dec-26	3.00	780,000	898,034
Osisko Green Acquisition Limited	19-Jul-26	11.50	3,424,355	73,698
Osisko Green Acquisition Ltd.	19-Jul-26	11.50	3,061,875	65,897
Plus Products Inc.	28-Feb-24	1.10	322,113	–
Plus Products Inc.	28-Feb-24	8.00	462,000	1,155
Theralase Technologies Inc.	22-Aug-24	0.35	315,000	153,000
Denison Mines Corp.	19-Feb-23	2.00	500,000	922
Esports Technologies Inc.	08-Feb-27	30.00	9,073,950	88,992
Glass House Brands Inc.	15-Jan-26	11.50	1,257,525	59,191
Gryphon Digital Mining Inc.	30-Jun-24	18.97	3,250,011	7,164
Northern Genesis Acquisition Corp III	31-Dec-27	11.50	945,875	9,338
TPCO Holding Corp.	15-Jan-26	11.50	1,649,675	3,882

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.

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 7. Derivative financial instruments(continued):

The following table summarizes the Fund's investments in options as at December 31, 2023:

Description	Maturity Date	Strike price	Notional Amount
iShares S&P/TSX 60 Index ETF Call \$32	05-Jan-24	\$ 32.00	\$ 33,715,200
Franco-Nevada Corp. Call \$125	19-Jan-24	125.00	4,637,500
BRP Inc. Put \$75	19-Jan-24	75.00	(2,505,000)
Cenovus Energy Inc. Put \$20	19-Jan-24	20.00	(3,696,000)
Cogeco Communications Inc. Put \$50	19-Jan-24	50.00	(3,685,000)
Metro Inc/CN Put \$68	19-Jan-24	68.00	(3,345,600)
The North West Co Inc. Call \$42	19-Jan-24	42.00	(7,350,000)
Franco-Nevada Corp. Call \$135	19-Jan-24	135.00	(5,008,500)
Franco-Nevada Corp. Put \$110	19-Jan-24	110.00	(4,081,000)

The following table summarizes the Fund's investments in options as at December 31, 2022:

Description	Maturity Date	Strike price	Notional Amount
Canadian Imperial Bank of Commerce Call \$63	20-Jan-23	\$ 63.00	\$ 8,996,400
iShares S&P/TSX 60 Index ETF Call \$30.50	20-Jan-23	30.50	24,683,650
BRP Inc. Put \$94	20-Jan-23	94.00	(5,715,200)
Canadian Imperial Bank of Commerce Put \$58	20-Jan-23	58.00	(8,282,400)
Cogeco Communications Inc. Put \$66	20-Jan-23	66.00	(6,065,400)
Dollarama Inc. Call \$85	20-Jan-23	85.00	(7,658,500)
Organigram Holdings Inc. Call \$3	15-Sep-23	3.00	(639,000)
Rogers Communications Inc. Call \$70	17-Feb-23	70.00	(9,023,000)
Shaw Communications Inc. Call \$40	20-Jan-23	40.00	(180,000)



# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 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, 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, 2023 and 2022 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 (decrease) in net assets attributable to holders of redeemable units per unit
<b>December 31, 2023</b>			
Class F	\$ 2,248,427	29,303,049	\$ 0.08
Class F US	(62,265)	708,995	(0.09)
Class G	38,621	3,662,204	0.01
Class G US	(858)	17,098	(0.05)
Class I	34,007	99,282	0.34
<b>December 31, 2022</b>			
Class F	\$ 768,399	31,078,175	\$ 0.02
Class F US	771,920	846,042	0.91
Class G	(437,390)	3,932,074	(0.11)
Class G US	29,360	49,027	0.60
Class I	21,171	108,587	0.19

# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 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, 2023, the Fund had net capital loss carryforwards of \$13,864,607 (2022 – \$8,630,666) and non-capital loss carryforwards of nil (2022 – 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, 2023 and 2022, is disclosed below:

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	2023	2022
Soft dollar relationships	3	3
Percentage of total commissions and other portfolio transaction costs	13.51%	15.75%

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# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

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## 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. Generally 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, 2023 and 2022, 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 depreciation in value of investments, including foreign exchange adjustments.

As of December 31, 2023, the Fund does not hold any interest in the structured entity.

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, 2022:

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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	4	\$ 16,143,584,000	\$ 26,474,829	6.44%

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# NEWGEN ALTERNATIVE INCOME FUND

Notes to Financial Statements (continued)

For the years ended December 31, 2023 and 2022

## 12. Involvement with unconsolidated structured entities (continued):

Investee Funds included the following:

2022	Currency per financial statement	Foreign exchange (DIA FX rate)	Total NAV per financial statement	Total NAV in Canadian dollars
Canadian Apartment REIT	Canadian dollar	1.000000	\$ 10,003,695,000	\$ 10,003,695,000
Minto Apartment REIT	Canadian dollar	1.000000	1,213,537,000	1,213,537,000
Summit Industrial Income REIT	Canadian dollar	1.000000	4,156,550,000	4,156,550,000
Chartwell Retirement Residences	Canadian dollar	1.000000	769,802,000	769,802,000

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.