

# Veritas Next Edge Premium Yield Fund

Annual Financial Statements – 2021

As at and for the year ended December 31, 2021



NEXTEDGE  
CAPITAL

# Veritas Next Edge Premium Yield Fund

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

# Veritas Next Edge Premium Yield Fund

## Management's responsibility for financial reporting

Next Edge Capital Corp. (the "Manager") is responsible for the accompanying financial statements of Veritas Next Edge Premium Yield Fund (the "Fund") and all the information in this report. These financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The financial statements have been prepared in accordance with International Financial Reporting Standards and, as issued by the International Accounting Standards Board where appropriate, reflect management's judgment and best estimates.

Management has established systems of internal controls that provide assurance that assets are safeguarded from loss or unauthorized use and produce reliable accounting records for the preparation of financial information. The systems of internal controls meet management's responsibilities for the integrity of the financial statements.

The Manager recognizes its responsibility to conduct the Fund's affairs in the best interest of its unitholders.

Respectfully,



Robert Anton  
President



David Scobie  
Chief Operating Officer

Next Edge Capital Corp.  
March 31, 2022

# Independent auditor's report

To the Unitholders of  
**Veritas Next Edge Premium Yield Fund**

## Opinion

We have audited the financial statements of **Veritas Next Edge Premium Yield Fund** [the "Fund"], which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in net assets attributable to holders of redeemable units and statement of cash flows for the period then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2021, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ["IFRSs"].

## Basis for opinion

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

## Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance. 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, 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 Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

## Responsibilities of management and those charged with governance for the financial statements

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

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

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



## **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 31, 2022



# Veritas Next Edge Premium Yield Fund

## Statement of financial position

As at December 31	Notes	2021
<b>ASSETS</b>		
Cash		10
<b>Total assets</b>		<b>10</b>
<hr/>		
<b>Net assets attributable to holders of redeemable units</b>		<b>10</b>
<hr/>		
<b>Net assets attributable to holders of redeemable Units per class</b>		
Class A		10
		10
<hr/>		
<b>Number of redeemable units outstanding per class</b>		
Class A		1
<hr/>		
<b>Net assets attributable to holders of redeemable units per Unit</b>		
Class A		10

Approved by Next Edge Capital Corp.



Robert Anton  
President



David Scobie  
Chief Operating Officer

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

# Veritas Next Edge Premium Yield Fund

## Statement of comprehensive income

For the period October 15 to December 31,	Notes	2021
<b>Income</b>		
Interest income for distribution purposes		-
Foreign currency gain (loss) on cash and other net assets		-
Changes on financial assets (liabilities) sold short		-
Net realized gain on sale of investments		-
Net change in unrealized (depreciation) appreciation on investments		-
Net (loss) gain on investments		-
<b>Total (loss) income</b>		-
<b>Expenses</b>		
Management fees		-
Administrative fees		-
Transaction costs		-
<b>Total expenses</b>		-
<b>(Decrease) Increase in net assets attributable to holders of redeemable units</b>		-
<b>Increase in net assets attributable to holders of redeemable units per class</b>		
Class A		-
<b>Average number of units outstanding</b>		
Class A		1
<b>(Decrease) Increase in net assets attributable to holders of redeemable units per unit</b>		-
Class A		-

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

# Veritas Next Edge Premium Yield Fund

## Statements of changes in net assets attributable to holders of redeemable units

For the period October 15 to December 31, 2021

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### Class A

Beginning of period	-
(Decrease) Increase in net assets attributable to holders of redeemable units from operations	-
Proceeds and considerations received from issuance of units	10
Consideration paid for redemption of units	-
<b>End of period</b>	<b>10</b>

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



# Veritas Next Edge Premium Yield Fund

## Statements of cash flows

For the period November 2 to December 31,

2021

### Cash flows from operating activities

(Decrease) Increase in net assets attributable to holders of redeemable Units

-

### Adjustments in net assets attributable to holders to net cash from operating activities

Net realized (gain) loss on sale of investments and derivatives

-

Change in unrealized (appreciation) depreciation in value of investments and derivatives

-

Transaction costs

-

Proceeds from sale and maturity of investments and derivatives

-

Purchase of investments and derivatives

-

(Increase) decrease in dividends receivable

-

(Increase) decrease in interest receivable

-

Increase (decrease) in management fees payable

-

Increase (decrease) in administration fees payable

-

### Net cash used in operating activities

-

### Cash flows from financing activities

Proceeds from redeemable units issued

10

Amount paid on redemption of redeemable units

-

### Net cash provided by financing activities

10

Foreign currency loss on cash and other net assets

-

Net (decrease) increase in cash

10

Cash, beginning of period

-

### Cash, end of period

10

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

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements

### 1. FUND INFORMATION

Veritas Next Edge Premium Yield Fund (the "Fund") is a unit trust established as a trust under the laws of the Province of Ontario and governed by a declaration of trust dated October 15, 2021. The Fund is divided into units of participation ("Units") representing an interest in the Fund held by Unitholders. The Fund has three classes of Units: Class A Units, Class F Units, and Class I Units. The Fund may have an unlimited number of classes of units and may issue an unlimited number of Units of each class. All classes of Units of the Fund are redeemable at the unitholders' option. Each class of units is intended for different types of investors. All of the classes of Units have the same investment strategy and restrictions but differ with respect to one or more of their features, such as management fees, expenses, redemption fees, commissions or distributions. The net asset value per unit (the "Net Asset Value per unit" or "NAV per unit") of each class is not the same as a result of the different fees, expenses and distributions allocable to each class of Units.

The Fund seeks to provide long term growth of capital and income by investing primarily in equity securities of Canadian issuers and to provide monthly cash distributions. The Fund will engage in covered option writing strategies to enhance the yield of the Fund's investment portfolio.

The Fund seeks to achieve its investment objective by investing primarily in a portfolio of securities selected by Veritas Asset Management Inc. ("Veritas"), which is based upon independent equity research provided by its affiliate, Veritas Investment Research Corporation (referred to as the "Veritas Portfolio").

As of December 31, 2021, the Fund has not begun investing according to its investment objective. The Fund's sub advisor is Veritas Asset Management Inc. (the "Sub Advisor").

The Fund is managed by Next Edge Capital Corp. (the "Manager"). The custodian, registrar, transfer agent and valuation agent of the Fund is RBC Investor Services Trust. The registered office of the Fund is located at 1 Toronto Street, Suite 200, Toronto, Ontario, Canada, M5C 2V6.

The financial statements were approved for issuance by the Manager on March 31, 2022.

### 2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

The financial statements have been prepared on a going concern basis using the historical-cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund's accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the NAV for transactions with unitholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates.

The financial statements have been presented in Canadian dollars, the Fund's functional currency.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Cash

Cash comprises deposits with financial institutions.

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued)

### Functional and presentation currency

The Fund's functional and presentation currency is the Canadian dollar ("CAD"), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in CAD. Therefore, the CAD is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's subscriptions and redemptions are denominated in CAD.

The fair value of foreign-currency-denominated portfolio investments, foreign currency holdings and other assets and liabilities denominated in a foreign currency are translated into the Fund's reporting currency using the closing rate of exchange on each valuation date. Income, expenses and investment transactions in foreign currencies are translated into the Fund's reporting currency at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) relating to cash, receivables and payables are presented as "Foreign currency gain (loss) on cash and other net assets" and those relating to financial instruments classified as held for trading and FVTPL are presented within "Net realized gain (loss) on sale of investments" and "Net change in unrealized appreciation (depreciation) on investments" in the Statement of comprehensive income.

### Net assets attributable to holders of redeemable units

Net assets attributable to holders of redeemable units are classified as financial liabilities and are redeemable at the unitholder's option at prices based on the Fund's NAV per unit at the time of redemption. The amounts are continuously measured at their redemption value.

The NAV measured as at the close of business on every business day, or, if not a business day, on the following business day and on any other day as the Manager determines (a "Valuation Date"), will be obtained by the valuation agent by taking the then fair value of the assets of the Fund less the aggregate amount of its liabilities excluding those attributable to holders of redeemable units. The NAV per unit of any class of units of the Fund for a Valuation Date will be obtained by dividing the then fair value of the assets of the Fund less the aggregate amount of its liabilities (excluding those attributable to holders of redeemable units) in each case attributable to that class of units, by the total number of units of the class outstanding at the time the calculation is made on the Valuation Date and adjusting the result to a maximum of four decimal places.

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit, on the date of the transaction. Units are redeemable at the option of the unitholders at their NAV per unit on the redemption date. For each unit redeemed, the number of issued and outstanding units is reduced and the net assets attributable to holders of redeemable units are reduced by the related NAV on the date of redemption.

The calculation of the value of net assets attributable to holders of redeemable units ("net assets") for financial statement purposes in accordance with IFRS is consistent with the calculation of the NAV for transactional purposes.

### Capital management

Units issued and outstanding represent the capital of the Fund. Unitholders are entitled to distributions when they hold units of the Fund on its distribution record date. The Manager manages the portfolio assets of the Fund in accordance with the Fund's investment objective, including managing the liquidity of the Fund.

### Taxation

The Fund is a unit trust under the *Income Tax Act* (Canada) (the "Tax Act"). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income

## Veritas Next Edge Premium Yield Fund

### Notes to the financial statements (continued)

taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statement of financial position as a deferred income tax asset.

#### 4. INCOME TAXES

The Fund qualifies as a “unit trust” within the meaning of the Tax Act and that the Fund will validly apply for a registered investment status with the Canada Revenue Agency.

The Fund will be subject to tax in each taxation year under Part I of the Tax Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of amounts paid or payable to unitholders (whether in cash or in units) in the year. An amount will be considered to be payable to a unitholder in a taxation year if it is paid in the year by the Fund or the unitholder is entitled in that year to enforce payment of the amount. The Fund intends to make sufficient distributions in each year of its net income and net capital gains for tax purposes, thereby permitting the Fund to deduct sufficient amounts so that the Fund will generally not be liable in such year for non-refundable income tax under Part I of the Tax Act.

The Fund will be entitled for each taxation year throughout which it is a unit trust for purposes of the Tax Act to reduce (receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of units during the year (the “Capital Gains Refund”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the Fund for such taxation year which may arise upon the disposition of securities in connection with the redemption of units.

If the Fund does have income for tax purposes that is in excess of any distributions paid or made payable to unitholders during the year and the net realized capital gains of the Fund, the tax on which would be recovered by the Fund in the year by reason of the capital gains refund provisions of the Tax Act, in order to ensure that the Fund will not generally be liable for income tax under Part I of the Tax Act.

As at December 31, 2021, the Fund had nil capital and nil non-capital losses for tax purposes.

#### 5. FEES AND OPERATING EXPENSES

<b>Annual Management Fees</b> <b>(% of net asset value of the class of the Fund)</b>	
<b>Class</b>	<b>Management Fee<sup>1,2</sup></b>
Class A Units	1.80%
Class F Units	0.80%
Class I Units	A negotiated management fee directly to Next Edge (up to a maximum of 0.80%)

1. Plus applicable HST.

2. The Manager may from time to time, in its own discretion, waive a portion of the management fee resulting in a reduction of the management fee charged. To the extent a portion of the management fee is waived, the Manager reserves the right to stop such waiver at any time and without notice to, or the consent of, unitholders.

As at December 31, 2021 the Manager has subscribed for one Class A unit for \$10 in the Fund, and therefore holds all of the issued and outstanding units of the Fund. The Fund will pay the Manager the management fees as set forth in the table below based on the average daily net asset value of the units of the applicable class. The management fees, plus applicable HST, will be accrued daily and paid monthly in arrears.

## Veritas Next Edge Premium Yield Fund

### Notes to the financial statements (continued)

The Fund pays all its own operating expenses. These include but are not limited to brokerage commissions and fees, taxes, audit fees, legal fees and expenses, safekeeping, registrar and transfer agent fees, trustee and custodial fees, interest expenses, administrative costs, regulatory participation fees, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses.

The Chair of the independent review committee currently receives an annual retainer of \$12,000 and the other independent review committee members an annual retainer of \$9,000, plus reimbursement of expenses, and all such fees and expenses of the independent review committee will be paid by the Manager's funds pro rata based on the amount of time spent on each Manager fund's business.

The Manager may, from time to time, in its sole discretion, pay all or a portion of any additional expenses which would otherwise be payable by the Fund.

Each class of Units is responsible for the expenses specifically related to that class and a proportionate share of the expenses that are common to all classes of units.

# Veritas Next Edge Premium Yield Fund

## General information

### MANAGER AND PRINCIPAL DISTRIBUTOR

Next Edge Capital Corp.  
1 Toronto Street, Suite 200  
Toronto, ON M5C 2V6

Telephone: (416) 775-3600  
Fax: (416) 775-3601  
Toll Free: 1 (877) 860-1080

[www.nextedgecapital.com](http://www.nextedgecapital.com)

### CUSTODIAN, REGISTRAR, TRANSFER AGENT AND VALUATION AGENT

RBC Investor Services Trust  
155 Wellington Street West  
Toronto, ON M5V 3H6

[www.rbcits.com](http://www.rbcits.com)

### AUDITORS

Ernst & Young LLP  
100 Adelaide Street West, P.O. Box 1  
Toronto, ON M5H 0B3

[www.ey.com](http://www.ey.com)

### LEGAL COUNSEL

Fasken Martineau DuMoulin LLP  
333 Bay Street, Suite 2400  
Toronto, ON M5H 2T6

[www.fasken.com](http://www.fasken.com)

### SUB ADVISOR

Veritas Asset Management Inc.  
100 Wellington Street West  
TD West Tower, Suite 3110, PO Box 80  
Toronto, ON M5K 1E7

<https://veritasfunds.com>

### BROKER

BMO Capital Markets Prime Brokerage  
100 King Street West, 6<sup>th</sup> Floor  
Toronto, ON M5X 1H3

[www.bmocm.com](http://www.bmocm.com)

**Next Edge Capital Corp.**  
1 Toronto St., Suite 200  
Toronto, ON M5C 2V6

Tel: 416 775-3600  
Fax: 416 775-3601

[www.nextedgecapital.com](http://www.nextedgecapital.com)