

# Veritas Next Edge Premium Yield Fund

Unaudited Semi-Annual Financial Statements – 2022  
As at and for the six months ended June 30, 2022



**NEXTEGE**  
CAPITAL

# Veritas Next Edge Premium Yield Fund

## Table of Contents

Management's responsibility for financial reporting .....	2
Statements of financial position (unaudited) .....	3
Statement of comprehensive income (unaudited) .....	4
Statement of changes in net assets attributable to holders of redeemable units (unaudited) .....	5
Statement of cash flows (unaudited) .....	6
Schedule of investments (unaudited) – June 30, 2022 .....	7
Notes to the financial statements (unaudited) – June 30, 2022 .....	10
General information.....	23

## Veritas Next Edge Premium Yield Fund

### Management's responsibility for financial reporting

Next Edge Capital Corp. (the "Manager") is responsible for the accompanying unaudited semi-annual financial statements and all the information in this report. These unaudited semi-annual financial statements have been approved by the Board of Directors of Next Edge Capital Corp., as Manager and Trustee. The unaudited semi-annual financial statements have been prepared in accordance with International Accounting Standard 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board and, 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 unaudited semi-annual 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.  
August 29, 2022

# Veritas Next Edge Premium Yield Fund

## Statements of financial position (unaudited)

As at	Notes	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
Investments at fair value through profit or loss	5,6	746,188	-
Cash		10,171	10
Dividends receivable		779	-
<b>Total assets</b>		<b>757,138</b>	<b>10</b>
<b>Net assets attributable to holders of redeemable units</b>		<b>757,138</b>	<b>10</b>
<b>Net assets attributable to holders of redeemable units per class</b>			
Class A		265,490	10
Class F		491,648	-
		<b>757,138</b>	<b>10</b>
<b>Number of redeemable units outstanding per class</b>			
Class A		27,000	1
Class F		50,000	-
<b>Net assets attributable to holders of redeemable units per Unit</b>			
Class A		9.83	10
Class F		9.83	-

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 (unaudited)

For the six months ended June 30,	Notes	2022
<b>Income (loss)</b>		
Dividends		779
Foreign currency gain (loss) on cash and other net assets		(29)
Net change in unrealized appreciation (depreciation) on investments	6	(13,390)
Net gain (loss) on investments		(13,390)
<b>Total income (loss)</b>		<b>(12,640)</b>
<b>Expenses</b>		
Administrative fees		1,096
Unitholder reporting costs		1,076
Audit fees		10,163
Custody fees		1,925
Legal fees		2,413
Independent Review Committee fees		527
Transaction costs		222
		17,422
Less: expenses absorbed by the Manager		(17,200)
<b>Total expenses</b>		<b>222</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>		
		<b>(12,862)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class</b>		
Class A		(4,510)
Class F		(8,352)
		<b>(12,862)</b>
<b>Average number of units outstanding</b>		
Class A		27,000
Class F		50,000
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>		
Class A		(0.17)
Class F		(0.17)

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

# Veritas Next Edge Premium Yield Fund

## Statement of changes in net assets attributable to holders of redeemable units (unaudited)

For the six months ended June 30,

2022

### Class A

Beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(4,510)
Proceeds and considerations received from issuance of units	270,000
<b>End of period</b>	<b>265,490</b>

### Class F

Beginning of period	-
Increase (decrease) in net assets attributable to holders of redeemable units from operations	(8,352)
Proceeds and considerations received from issuance of units	500,000
<b>End of period</b>	<b>491,648</b>

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# Veritas Next Edge Premium Yield Fund

## Statement of cash flows (unaudited)

For the six months ended June 30,

2022

### Cash flows from operating activities

Increase (decrease) in net assets attributable to holders of redeemable Units (12,862)

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

Net realized (gain) loss on sale of investments and derivatives 29

Purchase of investments (759,578)

Change in unrealized (appreciation) depreciation in value of investments and derivatives 13,390

(Increase) decrease in dividends receivable (779)

**Net cash used in operating activities (759,800)**

### Cash flows from financing activities

Proceeds from redeemable units issued 770,000

**Net cash provided by financing activities 770,000**

Foreign currency gain (loss) on cash and other net assets (29)

Net increase in cash 10,171

Cash, beginning of period -

**Cash, end of period 10,171**

Cash comprises:

Cash at bank 10,171

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

# Veritas Next Edge Premium Yield Fund

Schedule of investments (unaudited) – June 30, 2022

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Canadian equities (96.0%)</b>		
	<b>Automobiles and components (5.0%)</b>		
300	Linamar Corp.	17,139	16,362
300	Magna International Inc.	22,410	21,204
	<b>Automobiles and components total</b>	<b>39,549</b>	<b>37,566</b>
	<b>Banks (7.9%)</b>		
200	Bank of Montreal	24,881	24,756
700	Canadian Western Bank	18,431	18,221
700	Home Capital Group Inc.	17,945	17,052
	<b>Banks total</b>	<b>61,257</b>	<b>60,029</b>
	<b>Capital goods (6.8%)</b>		
1,000	Bombardier Inc.	19,110	19,320
800	SNC-Lavalin Group Inc.	17,881	17,712
100	WSP Global Inc.	14,312	14,554
	<b>Capital goods total</b>	<b>51,303</b>	<b>51,586</b>
	<b>Consumer durables &amp; apparel (2.5%)</b>		
800	Canada Goose Holdings Inc.	20,049	18,576
	<b>Consumer durables &amp; apparel total</b>	<b>20,049</b>	<b>18,576</b>
	<b>Consumer services (2.6%)</b>		
300	Restaurant Brands International Inc.	19,017	19,371
	<b>Consumer services total</b>	<b>19,017</b>	<b>19,371</b>
	<b>Diversified financials (1.9%)</b>		
1,100	Element Fleet Management Corp.	14,386	14,762
	<b>Diversified financials total</b>	<b>14,386</b>	<b>14,762</b>
	<b>Energy (17.8%)</b>		
1,200	ARC Resources Ltd.	20,400	19,476
300	Canadian Natural Resources Ltd.	21,395	20,751
800	Cenovus Energy Inc.	20,672	19,592
400	Enbridge Inc.	21,892	21,744
1,100	Enerplus Corp.	20,492	18,711
1,000	PrairieSky Royalty Ltd.	16,800	16,210
400	Suncor Energy Inc.	18,764	18,064
	<b>Energy total</b>	<b>140,415</b>	<b>134,548</b>
	<b>Food &amp; staples retailing (12.5%)</b>		
400	Alimentation Couche-Tard Inc.	21,700	20,084
400	Empire Co Ltd.	15,836	15,860
100	George Weston Ltd.	14,805	15,037
200	Loblaw Cos Ltd.	22,916	23,218
300	Metro Inc.	20,417	20,727
	<b>Food &amp; staples retailing total</b>	<b>95,674</b>	<b>94,926</b>

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



Veritas Next Edge Premium Yield Fund  
Schedule of investments (continued) (unaudited) – June 30, 2022

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	<b>Insurance (2.4%)</b>		
800	Manulife Financial Corp.	17,960	17,856
	<b>Insurance total</b>	<b>17,960</b>	<b>17,856</b>
	<b>Media &amp; entertainment (2.3%)</b>		
200	Cogeco Communications Inc.	18,282	17,414
	<b>Media &amp; entertainment total</b>	<b>18,282</b>	<b>17,414</b>
	<b>Real estate (3.9%)</b>		
300	Canadian Apartment Properties Real Estate Investment Trust	13,373	13,446
800	RioCan Real Estate Investment Trust	16,384	16,016
	<b>Real estate total</b>	<b>29,757</b>	<b>29,462</b>
	<b>Retailing (2.9%)</b>		
300	Dollarama Inc.	22,542	22,236
	<b>Retailing total</b>	<b>22,542</b>	<b>22,236</b>
	<b>Software &amp; services (7.9%)</b>		
200	CGI Inc.	20,513	20,508
400	Open Text Corp.	19,876	19,476
600	TELUS International CDA Inc.	19,848	19,380
	<b>Software &amp; services total</b>	<b>60,237</b>	<b>59,364</b>
	<b>Telecommunication services (4.8%)</b>		
300	BCE Inc.	18,945	18,981
600	TELUS Corp.	17,296	17,202
	<b>Telecommunication services total</b>	<b>36,241</b>	<b>36,183</b>
	<b>Transportation (7.4%)</b>		
1,100	Air Canada	18,981	17,644
200	Canadian Pacific Railway Ltd.	17,976	17,982
200	TFI International Inc.	20,188	20,666
	<b>Transportation total</b>	<b>57,145</b>	<b>56,292</b>
	<b>Utilities (7.4%)</b>		
500	Canadian Utilities Ltd.	19,215	19,195
400	Capital Power Corp.	18,408	18,004
1,300	TransAlta Corp.	19,123	19,097
	<b>Utilities total</b>	<b>56,746</b>	<b>56,296</b>
	<b>Total Canadian equities</b>	<b>740,560</b>	<b>726,467</b>
	<b>Foreign equities (2.6%)</b>		
	<b>Utilities (2.6%)</b>		
400	Brookfield Infrastructure Partners LP	19,240	19,721
	<b>Utilities total</b>	<b>19,240</b>	<b>19,721</b>

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

Veritas Next Edge Premium Yield Fund  
 Schedule of investments (continued) (unaudited) – June 30, 2022

No. of Shares	Securities by Sector	Average Cost (\$)	Fair Value (\$)
	Total foreign equities	19,240	19,721
	Total equities	759,800	746,188
	Transaction costs	(222)	-
	Total investment portfolio (98.6%)	759,578	746,188
	Cash (1.3%)		10,171
	Other assets net of liabilities (0.1%)		779
	Total net assets attributable to holders of redeemable units (100.0%)		757,138

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

# Veritas Next Edge Premium Yield Fund

Notes to the financial statements (unaudited) – June 30, 2022

## 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” or “NAV”) 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.

The Fund started investing according to its investment objective on June 27, 2022 by Veritas acting as sub advisor of the Fund.

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 August 29, 2022.

## 2. BASIS OF PREPARATION

These financial statements have been prepared in compliance with International Accounting Standard 34, *Interim Financial Reporting* 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 International Financial Reporting Standards (“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.

# Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments measured at amortized cost. Purchases and sales of financial assets are recognized at their trade date. The Fund's investments are designated as fair value through profit or loss ("FVTPL") upon initial recognition and are measured at fair value through profit or loss. 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 measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate.

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives, cash and other trade receivables and payables. All financial assets and liabilities are recognized in the Statements of financial position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership.

### Classification and measurement

The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments - Classification and Measurement* ("IFRS 9"). The standard requires financial assets to be classified as amortized cost, FVTPL, or fair value through other comprehensive income ("FVOCI") based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment. The Fund classifies investments based on both the Fund's business models for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed, and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess performance and to make decisions. Consequently, all investments are measured at FVTPL.

More specifically, the Fund's investments, derivative assets and liabilities and short sales, if any, are measured at FVTPL. The Fund's obligation for NAV attributable to holders of redeemable units is presented at the redemption amount. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument's effective interest rate. The fair values of the Fund's financial assets and liabilities that are not carried at FVTPL approximate their carrying amounts due to their short-term nature.

### Impairment

IFRS 9 requires that an entity recognize a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that are measured at FVTPL will not be subject to the impairment requirements.

With respect to receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, all receivables are due to be settled within the short term. The Fund considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term. No loss allowance has been recognized as any such impairment will not have a significant impact on the financial statements.

# Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

## **Fair value and subsequent measurement of financial instruments**

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. The fair values of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Unlisted securities are determined by the Manager on the basis of the latest reported information available. Fixed income securities, debentures and other debt instruments, including short-term investments, are valued at the quotation from recognized investment dealers.

The Fund may engage in option contract transactions by purchasing (long positions) or writing (short positions) call or put option contracts. These contracts have different risk exposures for the Fund: whereas the risk for long positions will be limited to the premium paid to purchase the option contracts, the risk exposure for the short positions is potentially unlimited until closed or expired.

The premium paid for purchasing an option is recorded as an asset in the Statements of financial position. The premium is valued 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") at an amount equal to the fair value of the option that would have the effect of closing the position. The change in the difference between the premium and the fair value is shown as "Net change in unrealized appreciation (depreciation) on investments" in the Statement of comprehensive income. When a purchased option expires, the Fund will realize a loss equal to the premium paid. When a purchased option is closed, the gain or loss the Fund will realize will be the difference between the proceeds and the premium paid. When a purchased call option is exercised, the premium paid is added to the cost of acquiring the underlying security. When a purchased put option is exercised, the premium paid is subtracted from the proceeds from the sale of the underlying security that had to be sold.

The premium received from writing a call or put option is recorded as a liability in the Statements of financial position. When a written option expires, the Fund will realize a gain equal to the premium received. When a written option is closed, the Fund will realize a gain or loss equal to the difference between the cost at which the contract was closed and the premium received. When a written call option is exercised, the premium received is added to the proceeds from the sale of the underlying investments to determine the realized gain or loss. When a written put option is exercised, the premium received will be subtracted from the cost of the underlying investment the Fund had purchased. The gain or loss that the Fund realizes when a purchased or written option is expired or closed is recorded as "Net realized gain (loss) on sale of investments" in the Statement of comprehensive income.

All unlisted warrants have been valued using the Black-Scholes model.

## **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 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.

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

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.

### **Investment transactions and income recognition**

Investment transactions are accounted for as of the trade date. Income and expenses are recorded on an accrual basis. Interest income for distribution purposes is recorded as it is earned.

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statement of comprehensive income.

“Interest income for distribution purposes” shown on the Statement of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis.

Realized gains and losses from security transactions are calculated using the average cost basis.

The period-over-period change in the difference between fair value and the average cost is shown as the net change in unrealized appreciation (depreciation) on investments.

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities by the Fund are charged to net income in the period.

### **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.

### **Cash**

Cash comprises deposits with financial institutions.

# Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

## 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 the class by the weighted average number of units outstanding of the class during the period.

## Income and expense allocation

The realized and unrealized gains or losses, income, and expenses (other than class-specific operating expenses and management fees) of the Fund are allocated on each Valuation Date to the redeemable participating unitholders in proportion to the respective prior day's NAV, which includes redeemable participating unitholder trades dated for that day, of each class at the date on which the allocation is made. Class-specific operating expenses and management fees are applied to the corresponding classes accordingly. All operating expenses are paid by the Manager and are collected from the Fund on a recoverable basis.

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

## 4. STANDARDS ISSUED BUT NOT YET EFFECTIVE

There are no standards issued but not yet effective up to the date of issuance of the financial statements that are expected to have an impact on the Fund. The Fund will adopt any applicable standards when they become effective.

## 5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES, AND ASSUMPTIONS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

### Fair value measurement of investments and derivatives not quoted in active market

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. Unlisted securities are valued based on price quotations from recognized investment dealers, or failing that, their fair value is determined by the Manager on the basis of the latest reported information available. The fair value of private securities is determined by using valuation models that may be based, in part, on assumptions that are not supported by observable market inputs. These methods and procedures may include, but are not limited to, performing comparisons with prices of comparable or similar securities, obtaining valuation related information from issuers and/or other analytical data relating to the investment and using other available indications of value. These values are independently assessed by the Manager to ensure that they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair values for these securities may be materially different from the values that would have been used had a ready market for the investment existed.

The fair values of private securities are affected by the perceived credit risks of the issuer, predictability of cash flows and the length of time to maturity.

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments.

The Fund considers observable data to be market data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

### 6. FINANCIAL INSTRUMENTS RISK

The Fund's activities expose it to a variety of risks as follows: portfolio concentration risk, credit risk, interest rate risk, liquidity risk, market risk (which includes COVID-19 impact, currency risk, and other price risk). It is also exposed to commodity sector risk, borrowing risk, credit risk, cybersecurity risk, derivatives risk, equity securities risk, exchange of tax information risk, foreign currency risk, interest rate risk, legislation and litigation risk, leverage risk, multiple class risk, options risk, price volatility risk, repurchase and reverse repurchase transactions and securities lending risk, sector risk, short selling risk, stock market risk, substantial securityholder risk, and tax risk.

The Fund may invest in or use derivatives for hedging and non-hedging purposes in a manner consistent with the investment objective of the Fund and as permitted by applicable securities legislation. The Fund may utilize currency hedging to minimize the foreign currency risk associated with holding foreign securities. Derivatives to be used by the Fund may include, but are not limited to, non-exchange traded options, forward contracts, futures contracts and swaps. The Fund may also sell short certain securities in accordance with NI 81-102. Short selling will be used selectively and opportunistically. To do this, the Fund borrows the securities it is selling short, and is under an obligation to return the borrowed securities to the lender at a future date. The Fund is required to pay the lender any distribution declared on the borrowed securities, together with any securities borrowing fees. To return the borrowed securities, the Fund purchases these same securities at a later date, with the result that the Fund will generally make a gain on the short sale if the price of the securities has declined by such date. The short selling activities of the Fund are subject to the limitations set out in NI 81-102 (and as such requirements are applicable to alternative mutual funds).

The Fund may enter into securities lending, repurchase and reverse repurchase transactions to earn additional returns, subject, in each case, to limits at least as stringent as those required by Canadian securities regulatory authorities.

#### **Portfolio concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is a geographical allocation, asset type, industry sector or counterparty. As the Fund's mandate is to invest predominantly in equity securities of companies that will benefit from rising commodity prices and infrastructure buildout, the Fund is exposed to risks specific to the commodity sector, which is discussed below. Please refer to the Schedule of Investments for a listing of the Fund's portfolio.

The following tables summarize the investment concentration risks that are relevant for the Fund based on its investment objective. The investment portfolio of the Fund may change due to ongoing portfolio transactions.



## Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

<b>Portfolio by Asset Mix</b>	<b>% of Net Asset Value Jun 30, 2022</b>
Canadian equity	96.0%
Foreign equity	2.6%
Total investments	98.6%
Cash	1.3%
Other net assets	0.1%
Total net asset value	<b>100.0%</b>

<b>Portfolio by Industry</b>	<b>% of Net Asset Value June 30, 2022</b>
Energy	17.8%
Food & staples retailing	12.5%
Utilities	10.0%
Banks	7.9%
Software & services	7.9%
Transportation	7.4%
Capital goods	6.8%
Automobiles & components	5.0%
Telecommunication services	4.8%
Real estate	3.9%
Retailing	2.9%
Consumer services	2.6%
Consumer durables & apparel	2.5%
Insurance	2.4%
Media & entertainment	2.3%
Diversified financials	1.9%
Total investments	98.6%
Cash	1.3%
Other net assets	0.1%
Total net asset value	<b>100.0%</b>

<b>Portfolio by Country</b>	<b>% of Net Asset Value June 30, 2022</b>
Canada	96.0%
International	2.6%
Total investments	98.6%
Cash	1.3%
Other net assets	0.1%
Total net asset value	<b>100.0%</b>

### Credit risk

Credit risk is the risk that a security issuer or counterparty to a financial instrument will fail to meet its financial obligations. The fair value of a debt instrument includes consideration for the credit worthiness of the debt issuer. The carrying amount of debt instruments as shown on the Schedule of investments represents the credit risk exposure of the Fund. Credit risk exposure for derivative instruments is based on the Fund's unrealized gain on the contractual obligations

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

with the counterparty as at the reporting date. The credit risk exposure of the Fund's other assets is represented by their carrying amount as disclosed in the Statements of financial position.

### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund is exposed to daily cash redemptions. The Fund's policy is to have a majority of its portfolio investments in securities traded on exchanges that are liquid (i.e., investments that can be readily disposed of through market facilities).

The Fund may invest in derivatives, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts that approximate their fair values or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis. The Fund does not have financial liabilities as at June 30, 2022.

Redeemable units are redeemable on demand at the holder's option. However, the Manager does not expect that the contractual maturity disclosed above will be representative of the actual cash outflows, as holders of these instruments typically retain them for a longer period.

### Market risk

The Fund's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ, and the differences could be material.

#### (a) COVID-19 impact

Since the outbreak of COVID-19, emergency measures taken in response to the spread of COVID-19 have resulted in significant disruption to business operations globally, resulting in an economic slowdown. Global equity and capital markets have also experienced volatility and weakness. The governments have reacted with monetary and fiscal interventions designed to stabilize economic conditions. These developments are constantly evolving, and the duration and impact of the COVID-19 pandemic are highly uncertain and cannot be predicted at this time but could have a material impact on the future performance of the Funds. In the face of the current environment of heightened uncertainty and market volatility, the Manager continues to closely monitor its impact on the Fund's risk exposures from the portfolio holdings.

#### (b) Ukraine conflict impact

In February 2022, the geopolitical conflict between Ukraine and Russia has escalated to military actions, the imposition of economic sanctions, and significant volatility and uncertainty in the financial markets. It is unclear how long the conflict will continue; if it will escalate into a broader conflict; what further actions may be taken by governments; and what the resulting repercussions on global growth, energy output, commodities, and financial markets may be.

# Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

## (c) Currency risk

The Fund invests in financial instruments denominated in currencies other than CAD. These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund uses options on currency exchange-traded funds to reduce its foreign currency exposure.

The table below indicates the foreign currencies to which the Fund had significant exposure as at June 30, 2022 and December 31, 2021 in CAD terms. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

June 30, 2022	Exposure		Impact on net assets attributable to holders of redeemable units			
	Monetary	Non-monetary	Total	Monetary	Non-monetary	Total
United States dollar	(19,269)	19,790	521	(963)	990	27
% of net assets attributable to holders of redeemable units	(2.5)	2.6	0.1	(0.1)	0.1	-

## (d) Other price risk

Other price risk is the risk that the value of portfolio investments will fluctuate as a result of changes in market prices, other than those arising from interest rate or currency risk, whether caused by factors specific to an individual portfolio investment or all factors affecting all investments traded in a market or market segment. All portfolio investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. Please refer to the Schedule of investments for a breakdown of the NAV of the Fund by security and geographic allocation. Sensitivity against the benchmark was not included as there is an insufficient period of trading to statistically create a meaningful correlation between the performance of the Fund's portfolio investments to the relevant benchmark.

## Fair value measurement

The table below presents financial instruments measured at fair value in the Statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the significance of inputs used in measuring the fair value of the financial assets and liabilities. The fair value hierarchy has the following levels:

Level 1 – inputs are unadjusted quoted prices of identical instruments in active markets.

Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – one or more significant inputs used in a valuation technique are unobservable in determining fair values of the instruments.

As at June 30, 2022, the financial instruments measured at fair value in the Statements of financial position are grouped into the fair value hierarchy as follows:

June 30, 2022	Level 1	Level 2	Level 3	Total
Equities - long	746,188	-	-	746,188
	746,188	-	-	746,188

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities and the Fund's obligation for net assets attributable to holders of redeemable units are measured at amortized cost. Fair values are classified as Level 1 when the related security or derivative is actively traded, and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. There were no transfers between Levels 1 and 2 of the fair value hierarchy during the six months ended June 30, 2022.

Investments classified as Level 3 are valued at fair value based on unobservable inputs and assumptions, which may include credit spreads, industry multipliers, and discount rates. Management has assessed that the effect of changing these inputs to reasonably possible alternatives would not have a significant impact on the net assets attributable to holders of redeemable shares of the Fund as at June 30, 2022.

There was no movement in Level 3 for the period ended June 30, 2022.

### 7. REDEEMABLE UNITS

For the period ended June 30, 2022, the Fund offered three classes of redeemable units: Class A Units, Class F Units, and Class I Units. The class of Units selected affects the commissions that were payable by an investor, the management fees payable by the Fund, and the compensation that a dealer received in respect of the sale of Units.

All of the classes have the same investment objective, strategy and restrictions but differ in respect of one or more features, such as the management fee, sales commission, and service commission. The NAV per unit of each class would not necessarily be the same as a result of the different fees, expenses and distributions allocable to each class of Units. The Fund and the Manager do not charge a fee or commission when investors purchase Units of the Fund. An authorized broker, dealer or advisor may charge investors an upfront selling commission of up to 3.00% at the time of purchase of Class A Units, which would reduce the amount of money invested in the Class A Units of the Fund.

The number of units issued, redeemed or cancelled during the period ended June 30, 2022 for each respective class is summarized in the following tables.

For the period ended June 30,	2022
<b>Class A<sup>1</sup></b>	
Balance, beginning	-
Units issued for consideration	27,000
Balance, ending	<u>27,000</u>
<b>Class F<sup>1</sup></b>	
Balance, beginning	-
Units issued for consideration	50,000
Balance, ending	<u>50,000</u>

1. One Class A opening Unit was issued October 15, 2021, but the Fund did not start investing according to its investment mandate, until June 27, 2022. The first issuance of Class F units was on June 28, 2022.

### Capital management

As a result of the ability to issue and redeem redeemable Units, the capital of the Fund can vary depending on the demand for redemptions from and subscriptions to the Fund. The Fund is not subject to externally imposed capital

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

requirements and has no restrictions on the issue and redemptions of redeemable Units other than those set out in its Simplified Prospectus.

The Fund's objectives for managing capital are:

- To invest the capital in investments meeting the description, risk exposure and expected return indicated in the Simplified Prospectus;
- To maintain sufficient liquidity to meet the expenses of the Fund, and to meet redemption requests as they arise; and
- To maintain sufficient size to make the operation of the Fund cost-efficient.

### 8. INCOME TAXES

The Fund is a "unit trust" within the meaning of the Tax Act and the Fund is a registered investment with the Canada Revenue Agency as of January 1, 2022.

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.

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 June 30, 2022, the Fund had nil capital and nil non-capital losses for tax purposes.

As of July 18, 2022, the Fund has met the requirements of a mutual fund. The Fund will be treated as a mutual fund beginning January 1, 2023.

### 9. FEES AND OPERATING EXPENSES

Annual Management Fees (% of net asset value of the class of the Fund)	
Class	Management Fee <sup>1,2</sup>
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, at 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.

# Veritas Next Edge Premium Yield Fund

## Notes to the financial statements (continued) (unaudited) – June 30, 2022

For its services to the Fund, the Manager is entitled to receive from the Fund a management fee (the “management fee”) at (up to) an annual rate of: (i) 1.80% of the portion of its NAV represented by the Class A Units, (ii) 0.80% of the portion of NAV represented by the Class F Units, and (iii) a negotiated portion of the NAV (up to a maximum of 0.80%), calculated daily and paid monthly in arrears, plus applicable taxes. The Manager uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund’s Units. The Fund has not begun accruing for management fees as at June 30, 2022.

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.

### **Brokerage commissions and soft dollars**

For the period ended June 30, 2022, \$nil of “soft dollars”, in which a brokerage firm is paid for its services through commission revenue by executing trades at the brokerage, were used to pay for operating expenses of the Fund.

## **10. RELATED PARTY TRANSACTIONS**

The Fund’s investment activities are managed by Next Edge Capital Corp.

### Management fees

Under the terms of the investment management agreement, the Fund appointed the Manager to provide management services (note 9). Total management fees for the period ended June 30, 2022 amounted to \$nil and are reported in the Statement of comprehensive income, with \$nil in outstanding accrued fees due to the Manager as at June 30, 2022 reported in the Statements of financial position.

#### (a) Independent review committee fees

The total remuneration paid to members of the Independent Review Committee attributable to the Fund during the period ended June 30, 2022 was \$527.

## **11. COVID 19 AND UKRAINE CONFLICT IMPACT**

COVID-19 and the military conflict between Ukraine and the Russian Federation have disrupted normal economic activity both domestically and globally. Uncertainty related to the extent, duration and severity of these conflicts have contributed to significant volatility in the financial markets. In addition, the Manager may face declines in its assets under administration as a result of client redemptions related to a variety of related factors including general market pessimism, poor fund performance, or clients’ needs for immediate cash.

## Veritas Next Edge Premium Yield Fund

Notes to the financial statements (continued) (unaudited) – June 30, 2022

The Manager is monitoring the impact of the pandemic and conflict and managing expenses accordingly. The Manager believes it is well positioned to meet its financial obligations and to support planned business operations throughout these market conditions. The extent to which the Manager's business, financial condition and results of operations will be impacted by the COVID-19 pandemic and Ukraine-Russia conflict, is uncertain and will depend on future developments, which are unpredictable and rapidly evolving. Accordingly, there is a higher level of uncertainty with respect to management's judgments and estimates.

# 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)