

CORTON ENHANCED INCOME FUND

FINANCIAL STATEMENTS

December 31, 2024

(Expressed in Canadian dollars)

**Audited Financial Statements of
Corton Enhanced Income Fund**

December 31, 2024

(Expressed in Canadian dollars)

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INDEPENDENT AUDITORS' REPORT

To the Unitholders and Trustee of
Corton Enhanced Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statement of Corton Enhanced Income Fund (the "Fund"), which comprises the statement of financial position as at December 31, 2024, the schedule of investment portfolio as at December 31, 2024, the statements of comprehensive income, changes in net assets attributable to holders of redeemable units, and cash flows for the period from commencement of operations on September 17, 2024 to December 31, 2024, and the related notes, which comprise a summary of material accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and its financial performance and its cash flows for the period from commencement of operations on September 17, 2024 to December 31, 2024 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 Auditors' Responsibilities for the Audit of the Financial Statement 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 statement 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.

Responsibilities of Management and Those Charged with Governance for the Financial Statement

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

In preparing the financial statement, 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.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian 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 this financial statement.

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 statement, 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 auditors' report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents 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.

Toronto, Ontario
March 26, 2025


Chartered Professional Accountants
Licensed Public Accountants

Corton Enhanced Income Fund

Statement of Financial Position (Expressed in Canadian Dollars)

As at	December 31, 2024
ASSETS	
Current assets	
Cash	\$ 2,359
Investments at fair value (Note 3 & 5)	22,872,933
Interest, dividends and other receivables	291,183
Derivative assets (Note 3 & 5)	250,368
	<u>23,416,843</u>
LIABILITIES	
Current liabilities	
Derivative liabilities (Note 3 & 5)	4,952
Accrued liabilities	42,986
Distributions payable to holders of redeemable units	159,928
	<u>207,866</u>
Net assets attributable to holders of redeemable units	\$ 23,208,977
Net Assets Attributable to Holders of Redeemable Units per Class	
ETF Class	\$ 23,208,977
Number of redeemable units outstanding (Note 6)	
ETF Class	2,320,000
Net assets attributable to holders of redeemable units per unit	\$ 10.00
Class ETF Unit closing market price (TSX)*	\$ 25.23

*Adjusted for February 2025 consolidation (Note 11)

The accompanying notes are an integral part of these financial statements

Approved on behalf of the Fund,
Corton Capital Inc., Manager and Trustee

"David Jarvis" (Signed)

Corton Enhanced Income Fund

Statement of Comprehensive Income

(Expressed in Canadian Dollars)

For the period from commencement of operations on September 17, 2024 to December 31, 2024

Income

Interest for distribution purposes	\$	192,804
Dividend income		3,571
Net unrealized depreciation in fair value of investments		(218,868)
Net unrealized appreciation in fair value of derivatives		245,416
Net realized gain on foreign currency translations		7,746
Net change in unrealized depreciation on foreign currency translations		(1,179)
		<u>229,490</u>

Expenses

Management fees (Note 8)		32,663
Administrative fees		64,723
Audit fee		13,560
Transaction costs		131
Less expenses waived/absorbed by Manager (Note 8)		(67,960)
		<u>43,117</u>

Increase in net assets attributable to holders of redeemable units

ETF Class	\$	186,373
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Weighted average of redeemable units outstanding during the period

ETF Class		1,443,585
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Increase (decrease) in net assets attributable to holders of redeemable units per unit

ETF Class	\$	0.13
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Corton Enhanced Income Fund

Statement of Changes in Equity

(Expressed in Canadian Dollars)

For the period from commencement of operations on September 17, 2024 to December 31, 2024

Net assets attributable to holders of redeemable units - beginning of period	\$	-
Increase in net assets attributable to holders of redeemable units from operations		186,373
Distributions to holders of redeemable units		
ETF Class		(159,928)
Redeemable unit transactions		
Proceeds from sale of redeemable units		
ETF Class		23,182,532
Increase in net assets attributable to holders of redeemable units		
ETF Class	\$	23,208,977
Net assets attributable to holders of redeemable units - end of period		
ETF Class	\$	23,208,977

Corton Enhanced Income Fund

Statement of Cash Flows

(Expressed in Canadian Dollars)

For the period from commencement of operations on September 17, 2024 to December 31, 2024

Operating Activities

Increase in net assets attributable to holders of redeemable units	\$	186,373
Adjustments for non-cash items		
Net unrealized appreciation in fair value of investments		218,868
Net unrealized depreciation in fair value of derivatives		(245,416)
Change in unrealized foreign exchange loss on currency		13
Change in non-cash balances		
Increase in interest, dividends and other receivables		(291,183)
Decrease in accounts payable		42,986
Purchase of investments		(25,977,681)
Proceeds from sale and maturity of investments		2,885,880
Cash used in operating activities		(23,180,160)

Financing Activities

Proceeds from redeemable units issued		23,182,532
Cash provided by financing activities		23,182,532

Increase in cash during the period		2,372
Change in unrealized foreign exchange gain on currency		(13)
Cash, beginning of period		—
Cash, end of period	\$	2,359

Supplemental Information*

Interest received, net of foreign withholding taxes	\$	3,540
Dividends received, net of foreign withholding taxes		(98,338)

*Included as a part of cash flows from operating activities

Corton Enhanced Income Fund
Schedule of Investment Portfolio
(Expressed in Canadian Dollars)
As at December 31, 2024

No. of Shares/ Par Value		Coupon Rate (%)	Maturity Date	Average Cost (\$)	Fair Value (\$)
Equity - (0.5%)					
Ireland - (0.5%)					
110,000	HSBC Global Liquidity Funds PLC			110,000	110,000
Fixed Income - (98.1%)					
Ireland - (98.1%)					
1,400,000	Adagio CLO VIII DAC, Series 'X', Class 'C', Floating Rate, Callable	5.580	15-Apr-32	2,109,869	2,083,883
1,425,000	Adagio XII Eur Clo DAC, Series 'X', Class 'A', Floating Rate, Callable	4.620	20-Oct-37	2,144,781	2,126,174
1,350,000	Arbour CLO V DAC, Series '5X', Class 'B2', Floating Rate, Callable	4.286	15-Sep-31	2,039,465	2,010,939
1,000,000	Ares European CLO XX DAC, Series '20X', Class 'A', Floating Rate, Callable	4.660	15-Oct-38	1,499,112	1,491,129
360,000	Bain Capital Euro CLO 2019-1 DAC, Series '1X', Class 'C', Floating Rate, Callable	5.580	15-Apr-32	534,439	534,680
1,500,000	Barings Euro CLO 2019-2 DAC, Series '2X', Class 'CR', Floating Rate, Callable	5.350	24-Jul-32	2,230,108	2,207,199
1,000,000	Barings Euro CLO 2021-2 DAC, Series '2X', Class 'C', Floating Rate, Callable	5.580	15-Oct-34	1,492,446	1,482,127
1,400,000	CVC Cordatus Loan Fund XXXII DAC, Series '32X', Class 'A', Floating Rate, Callable	4.760	15-Sep-38	2,113,266	2,086,398
355,000	Invesco Euro CLO IV DAC, Series '4X', Class 'C', Floating Rate, Callable	5.430	15-Apr-33	528,025	523,988
250,000	Northwoods Capital 23 Euro DAC, Series '23A', Class 'C', Floating Rate, Callable	5.286	15-Mar-34	369,921	368,420
1,425,000	Sound Point Euro CLO XI Funding DAC, Series '11X', Class 'A', Floating Rate, Callable	4.720	5-Sep-37	2,143,531	2,123,918
1,150,000	St Paul's Clo VII DAC, Series '7A', Class 'CRR', Floating Rate, Callable	5.610	18-Jul-34	1,732,470	1,708,635
1,000,000	Trinitas Euro CLO VII DAC, Series '7X', Class 'A', Floating Rate, Callable	5.140	25-Jul-37	1,507,357	1,495,863
1,400,000	Voya Euro CLO I DAC, Series '1X', Class 'A1R', Floating Rate, Callable	4.484	15-Oct-37	2,103,066	2,088,095
290,000	Voya Euro CLO I DAC, Series '1X', Class 'A2R', Floating Rate, Callable	4.784	15-Oct-37	433,945	431,485
				22,981,801	22,762,933
Transaction Costs					
				-	-
	Total Investments (98.6%)			23,091,801	22,872,933
	Derivative Assets (1.0%)*				250,368
	Derivative Liabilities (-0.0%)*				(4,952)
	Other Assets, less Liabilities (0.4%)				90,628
	NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (100.0%)				23,208,977

* See Forward Foreign Currency Contract on following page

Corton Enhanced Income Fund

Forward Foreign Currency Contracts (1.0%)
(Expressed in Canadian Dollars)

								December 31, 2024	
As at									
Counterparty	Counterparty Credit Rating	Settlement Date		Currency Buys Par Value		Currency Sells Par Value	Forward Rate	Current Rate	Unrealized Gain/(Loss) (\$)
	CIBC WORLD MARKETS	9-Jan-25	CAD	5,083,008	EUR	5,003,066			79,942
	CIBC WORLD MARKETS	9-Jan-25	CAD	2,841,714	EUR	2,799,334			42,380
	CIBC WORLD MARKETS	9-Jan-25	CAD	2,116,813	EUR	2,084,611			32,202
	CIBC WORLD MARKETS	9-Jan-25	CAD	1,383,854	EUR	1,362,442			21,412
	CIBC WORLD MARKETS	9-Jan-25	CAD	1,111,904	EUR	1,098,888			13,016
	CIBC WORLD MARKETS	9-Jan-25	CAD	1,076,993	EUR	1,064,640			12,353
	CIBC WORLD MARKETS	9-Jan-25	CAD	3,721,461	EUR	3,712,096			9,365
	CIBC WORLD MARKETS	9-Jan-25	CAD	1,156,785	EUR	1,148,025			8,760
	CIBC WORLD MARKETS	9-Jan-25	CAD	763,534	EUR	756,416			7,118
	CIBC WORLD MARKETS	9-Jan-25	CAD	1,041,840	EUR	1,034,860			6,980
	CIBC WORLD MARKETS	9-Jan-25	CAD	975,556	EUR	969,344			6,212
	CIBC WORLD MARKETS	9-Jan-25	CAD	988,284	EUR	982,745			5,539
	CIBC WORLD MARKETS	9-Jan-25	CAD	456,695	EUR	454,147			2,547
	CIBC WORLD MARKETS	9-Jan-25	CAD	543,617	EUR	541,999			1,618
	CIBC WORLD MARKETS	28-Feb-25	CAD	106,670	EUR	105,747			924
Total									250,388
	CIBC WORLD MARKETS	28-Feb-25	CAD	304,130	EUR	305,325			(1,195)
	CIBC WORLD MARKETS	9-Jan-25	EUR	229,307	CAD	233,064			(3,757)
Total									(4,952)
Total									245,416
Total unrealized gain (loss) on forward foreign currency contracts									245,416

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

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

1 General information

The Corton Enhanced Income Fund (the "Fund") is an open-ended mutual fund trust governed under the laws of the Province of Ontario and is governed by the master declaration of trust and a regulation each dated August 26, 2024 (collectively, the Declaration of Trust), as amended from time to time. The Fund commenced operations on September 17, 2024.

The address of the Fund's registered office is 21 Summer Breeze Drive, Carrying Place, Ontario. Corton Capital Inc. is the trustee (the "Trustee"), manager (the "Manager") and portfolio advisor of the Fund, and is registered as an investment fund manager, portfolio manager and exempt market dealer with the Ontario Securities Commission. As the Manager of the Fund, Corton Capital Inc. is responsible for the day-to-day administration of the Fund, and as portfolio manager provides all portfolio advisory services to the Fund. Corton Capital Inc. receives a management fee from the units of the Fund for its services.

The investment objective of the Fund is to seek to provide Unitholders with a high level of current income by investing in a diversified portfolio of European and U.S. floating rate primarily AAA rated collateralized loan obligations (or a "CLO"). The rating will be predominately AAA at purchase but may also include AA or A securities as rated by a nationally recognized statistical rating organization, including, but not limited to, Moody's Investor Service, Inc. ("Moody's"), S&P Global Inc. ("S&P") and Fitch Group, Inc. ("Fitch"). Capital appreciation will be a secondary objective and the Fund will seek to hedge its non-Canadian dollar currency exposure at all times.

The financial statements were authorized for issue by the Manager on March 26, 2025.

2 Basis of presentation

These annual financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board. The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and liabilities (including derivatives) at fair value through profit and loss.

These financial statements are presented in Canadian dollars, which is Fund's functional currency and rounded to the nearest dollar. These financial statements are prepared on a going concern basis. However, the fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS.

3 Material accounting policy information

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Financial instruments:

The Fund has determined that it meets the definition of an 'investment entity'. An investment entity is an entity that: obtains funds from one or more investors for the purpose of providing them with investment management services; commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and measures and evaluates the performance of substantially all of its investments on a fair value basis. The significant judgment that the Fund has made in determining that it meets this definition is that fair value is the primary measurement attribute used to measure and evaluate the performance of substantially all of its investments.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

3 Material accounting policy information (Cont'd)

(a) Financial instruments (Cont'd):

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, fair value through profit or loss ("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 judgement. 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 fair value through profit or loss.

More specifically, the Fund's investments, derivative assets and liabilities and short sales, if any, are measured 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 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.

The net asset value ("NAV") per unit is determined by dividing the aggregate market value of the net assets of the Fund by the total number of units of the Fund outstanding before giving effect to redemptions or subscriptions to units on that day.

Dividends received are recognized as income on the ex-dividend date. The cost of investments is determined using the average cost method.

(b) Redeemable units of the Fund:

Under IAS 32, "Financial Instruments: Presentation", the Fund classified its redeemable units as liabilities. The Fund's redeemable units do not meet the criteria in IAS 32 for classification as equity as the Fund has more than one contractual obligation to its unitholders. Investors have the right to require redemption, subject to available liquidity, for cash at a unit price based on the Fund's valuation policies at each redemption date. Unitholders are also entitled to distributions when declared, and have the right to receive distributions in cash. Therefore, the ongoing redemption feature is not the only contractual obligation related to units.

(c) Increase in net assets attributable to holders of redeemable units per class unit:

The increase in net assets attributable to holders of redeemable units per class unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units of each class by the weighted average number of units outstanding of that class during the period.

(d) Cash:

Cash includes cash in hand and bank indebtedness. Bank indebtedness are shown in current liabilities in the Statements of Financial Position.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

3 Material accounting policy information (Cont'd)

(e) Foreign exchange:

Foreign denominated investments and other foreign denominated assets and liabilities are translated into Canadian dollars using the exchange rates prevailing on each valuation date. Purchases and sales of investments, as well as income and expense transactions denominated in foreign currencies, are translated using exchange rates prevailing on the date of the transaction. Foreign currency gains and losses on foreign denominated assets and liabilities other than investments are presented separately in the Statements of Comprehensive Income. Foreign currency gains and losses on investments are included in the Net realized gain (loss) on investments and Net change in unrealized appreciation (depreciation) on investments in the Statements of Comprehensive Income.

(f) Income and expense allocation:

Realized gains/losses, changes in unrealized appreciation (depreciation) on investments and derivatives, income and expenses are allocated daily to each class based on the proportionate share of the net asset value of the class. The proportionate share of each class is determined by adding the current day's net unitholder subscriptions of the class to the prior day's net asset value of the class. Any income or expense amounts that are unique to a particular class (for example, management fees) are accounted for separately in that particular class so as not to affect the net asset value of the other class.

(g) Income taxes:

The Fund qualifies as a unit trust or mutual fund trust (refer to fund specific notes) under the Income Tax Act (Canada). 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.

(h) Transaction costs:

Transaction costs such as brokerage commissions incurred in the purchase and sale of securities are expensed as incurred and are recognized in the Statements of Comprehensive Income.

(i) New standards and interpretations not yet adopted:

New standards, amendments and interpretations effective after 1 January 2024 and that have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2024 and have not been early adopted in preparing these financial statements.

The Fund's assessment of the impact of these new standards and amendments is set out below:

- i) Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026)

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

3 Material accounting policy information (Cont'd)

(i) New standards and interpretations not yet adopted (Cont'd):

New standards, amendments and interpretations effective after 1 January 2024 and that have not been early adopted (Cont'd)

The IASB issued targeted amendments to IFRS 9 and IFRS 7 to respond to recent questions arising in practice, and to include new requirements not only for financial institutions but also for corporate entities. Among other amendments, the IASB clarified the date of recognition and derecognition of some financial assets and liabilities, with a new exception for some financial liabilities settled through an electronic cash transfer system.

(ii) IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027)

The IASB issued the new standard on presentation and disclosure in financial statements, which replaces IAS 1, with a focus on updates to the statement of profit or loss. The key new concepts introduced in IFRS 18 relate to:

- the structure of the statement of profit or loss with defined subtotals;
- the requirement to determine the most useful structured summary for presenting expenses in the statement of profit or loss;
- required disclosures in a single note within the financial statements for certain profit or loss performance measures that are reported outside an entity's financial statements (that is, management-defined performance measures); and
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes in general.

The Fund is currently still assessing the effect of the forthcoming standard and amendments.

No other new standards or amendments to standards are expected to have a material effect on the financial statements of the Fund.

4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires the Manager to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

5 Fair value of financial instruments

Classification of investments under the Fair Value Hierarchy

The fair value of a financial instrument is the amount 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 Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly or indirectly; and

Level 3: Inputs that are unobservable.

The fair values of financial assets and financial liabilities that are traded in active markets (such as publicly traded derivatives and marketable securities) are based on quoted market prices or dealer price quotations 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. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The carrying value of cash, receivable from brokers, subscriptions receivable, interest and dividends receivable, other receivables, bank indebtedness, payable to brokers, redemptions payable, distributions payable, management fees payable, performance fees payable and accrued expenses approximates their fair value given their short-term nature. These financial instruments are classified as Level 2 in the fair value hierarchy because, while prices are available, there is no active market for these instruments.

Equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. If equities do not trade frequently and observable prices are not available, fair value is determined using observable market data (e.g. transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

Warrants are classified as Level 1, unless observable prices are not available. In such cases, fair value is fixed income determined using observable market data and the fair value is classified as Level 2.

The tables below illustrate the classification of the Fund's financial instruments measured at fair value at the reporting date. The amounts are based on the values recognized in the Statement of Financial Position.

As at December 31, 2024:

Asset at Fair Value	Level 1	Level 2	Level 3	Total
Equity	\$ 110,000	\$ -	\$ -	\$ 110,000
Fixed income	\$ -	\$ 22,762,933	\$ -	\$ 22,762,933
	\$ 110,000	\$ 22,762,933	\$ -	\$ 22,872,933
Derivative assets	\$ -	\$ 250,368	\$ -	\$ 250,368
Liabilities at Fair Value	Level 1	Level 2	Level 3	Total
Derivative liabilities	\$ -	\$ 4,952	\$ -	\$ 4,952

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

5 Fair value of financial instruments (Cont'd)

Classification of investments under the Fair Value Hierarchy (Cont'd)

There were no transfers of financial assets between Level 1, Level 2 and Level 3 for the period ended December 31, 2024. All fair value measurements above are recurring.

6 Redeemable units of the Fund

The Fund is an actively managed exchange-traded fund ("ETF"). The Fund is authorized to issue an unlimited number of redeemable, transferable units, each of which represents an equal, undivided interest in the net assets of the Fund. All units of the Fund have equal rights and privileges. Each unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund to unitholders including distributions of net income, net realized capital gains, and distributions upon the termination of each Fund. Units are issued only as fully paid and are non-assessable.

Units of the ETF may be bought and sold over the Toronto Stock Exchange. However, on any trading day, unitholders of ETF units may also exchange the prescribed number of units for cash at a redemption price per unit equal to 100% of the closing price for the effective date of redemption for the applicable units on the TSX subject to satisfying the redemption process as outlined in the Simplified Prospectus. The right to redeem units of the Funds may be suspended with the approval of the Security regulators.

Unlike units of traditional mutual funds, units of the Fund may be purchased or redeemed directly from the Fund at net asset value ("NAV") in large increments called "Creation Units" by certain participants, known as "Authorized Participants." The size of a Creation Unit to purchase shares of the Fund may differ from the size of a Creation Unit to redeem shares of the Fund. The Fund will issue or redeem Creation Units in exchange for portfolio securities and/or cash. Units of the Fund are listed and trade on the Toronto Stock Exchange. Individual investors can purchase or sell shares in much smaller increments for cash in the secondary market through a broker. These transactions, which do not involve the Fund, are made at market prices that may vary throughout the day and differ from the Fund's NAV. As a result, you may pay more than NAV (a premium) when you purchase shares and receive less than NAV (a discount) when you sell shares, in the secondary market.

For the period ended December 31, 2024, changes in outstanding redeemable units were as follows:

	Balance - Beginning of period	Redeemable units issued	Redeemable units reinvested	Redeemable units redeemed	Balance - End of period
Class ETF	-	2,320,000	-	-	2,320,000

7 Taxation of the Fund

The Fund qualifies or intends to qualify as mutual fund trust, under the provisions of the Income Tax Act (Canada), and accordingly, is not subject to tax on its net taxable income for the tax year which ends in December, including net realized capital gains, which 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 as is not so paid or payable, is subject to income tax. It is the intention of the Fund to distribute all its income and sufficient net realized capital gains so that the Fund will not be subject to income tax.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

7 Taxation of the Fund (Cont'd)

The Fund may have unused capital losses which may be carried forward indefinitely to reduce future net realized capital gains, and unused non-capital losses which may be applied against the future investment income, available for tax purposes, as detailed in the fund specific notes.

As at December 31, 2024, the Fund had unused capital losses of \$nil, which may be carried forward indefinitely to reduce future net realized capital gains. There were \$nil unused non-capital losses available for tax purposes.

Certain dividend income received by the Fund is subject to withholding tax imposed in the country of origin: Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the Statements of Comprehensive Income.

Occasionally, distributions by the Funds will exceed the net investment income and taxable capital gains realized by the Funds. To the extent that the excess is not designated by the Funds to be income for Canadian tax purposes and taxable to holders of redeemable units, this excess distribution is a return of capital and is not immediately taxable to unitholders.

8 Related party transactions and other expenses

Management fees

The Fund pays a management fee to the Manager, which is accrued daily based on a percentage of the NAV of the Class of Units of the Fund at the annual rates set out below, plus applicable taxes, and is payable on the last business day of each month.

The annual management fee rates, exclusive of taxes, are 0.70% for Class ETF.

Related party holdings

As at December 31, 2024, approximately \$10,000 net assets attributable to holders of ETF Class units were held in the name of officers and directors of the Manager of the fund.

Independent Review Committee fees

In accordance with National Instrument 81-107, the Funds have in place an Independent Review Committee ("IRC"). The Fund pays a proportionate share of the total compensation paid to the IRC each year and reimburses members of the IRC for expenses incurred by them in connection with their services as members of the IRC.

Other expenses

The Fund is responsible for audit fees, custodial fees, securityholder reporting fees and other expenses incurred directly for the operations of the Fund.

The Manager may from time to time waive any portion of the fees and expenses payable to it, but no such waiver shall affect its ability to receive such fees or expenses in the future.

9 Financial risk management

The Fund may be exposed to a variety of financial risks. The Fund's exposures to financial risks are concentrated in its investment holdings. The Manager's risk management practice includes the monitoring of compliance to investment guidelines. The Manager manages the potential effects of these financial risks to the Fund's performance by regularly monitoring the Fund's positions and market events and by diversifying investment portfolios within the constraints of the Fund's investment objectives.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

9 Financial risk management (Cont'd)

Credit risk

Credit risk represents the risk associated with the inability of a third party to fulfill its payment obligations. The Fund limits its exposure to credit risk by dealing with counterparties the Manager of the Fund believes to be creditworthy and by monitoring of credit exposures and collateral. The greatest concentration of credit risk arises from investments in convertible securities. The schedule of investment portfolio indicates the extent of exposure to credit risk.

The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. The carrying value of these financial instruments, as recorded in the Fund's schedule of investment portfolio reflects the Fund's maximum exposure to credit risk.

As at December 31, 2024, the Fund invested in debt instruments and derivatives, as applicable, with the following credit ratings:

Debt Instruments *	Percentage of NAV (%)
By Credit Rating	December 31, 2024
AAA	60
A	38

*Exclude cash and cash equivalents

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

Liquidity risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligations 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 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.

Accordingly, as at December 31, 2024, the Manager considered that the Fund did not have significant exposure to liquidity risk.

Market 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. 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.

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 instrument.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

9 Financial risk management (Cont'd)

Interest Rate Risk (Cont'd)

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. The table below summarizes the Fund's exposure to interest rate risk. These include the Fund's fixed income portfolio at fair value, categorized by maturity dates.

December 31, 2024

	1-3 years	3-5 years	5+ years	Total
	\$		\$	\$
Fixed income	-	-	22,762,933	22,762,933

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 other financial instruments in accordance with the Trust'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 call options and securities sold short can be unlimited while the possible losses from written put options are limited to the difference between the strike price and the premium received. The Trust's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Trust are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As at December 31, 2024, 98.6% of the Fund's Net Assets attributable to holders of redeemable units were invested in securities traded on stock exchanges (or other CLO market). If security prices on the stock exchanges (or other CLO market) had increased or decreased by 10% as at the period end, with all other factors remaining constant, Net Assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$2,287,293. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

Short Selling

The potential loss on selling securities short is unlimited. In addition, if there is a call on borrowed securities, the Fund may be forced to cover its short positions by having to buy the security at an unattractive price. Borrowing securities also entails the payment of a borrowing fee, which are subject to change due to market conditions.

Currency risk

Foreign currency risk 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's currency exposures arise mainly from the exchange rate movement of foreign currencies against the functional currency of the Fund. To hedge against the volatility of future cash flows caused by changes in foreign currency rates, the Fund utilizes a forward foreign currency contract to hedge the Fund's exposure to specific currency risks relating to investments. The Fund monitors the current and projected foreign currency cash flow of the Fund and aims to reduce the exposure of the net position in each currency by borrowing in foreign currency and other currency contracts where appropriate.

CORTON ENHANCED INCOME FUND

Notes to Financial Statements

(Express in Canadian Dollars)

December 31, 2024

9 Financial risk management (Cont'd)

Currency risk (Cont'd)

The table below indicates the foreign currencies to which the Fund had significant exposure as at period end in Canadian dollar terms.

Currency	Financial Instruments, Excluding Derivatives \$	Forward Foreign Currency Contracts \$	Net Currency Exposure \$	Impact on Net Assets if CAD strengthened or weakened by 5% in relation to other currencies \$
December 31, 2024				
Euro	22,764,967	(23,194,378)	(429,411)	(21,471)
Total	22,764,967	(23,194,378)	(429,411)	(21,471)

10 Comparison of Net Asset Value (Trading NAV) Per Unit and Net Asset Value (IFRS) Per Unit

The primary reason for the difference between the Net Asset Value (Trading NAV) per unit and the Net Asset Value (IFRS) per unit is due to offering costs which have been expensed for financial reporting purposes.

	Net Asset Value (Trading NAV) Per Unit	Net Asset Value (IFRS) Per Unit
December 31, 2024		
ETF Class	\$ 10	\$ 10

11 Subsequent Events

On February 5, 2025, the Corton Enhanced Income Fund implemented a unit consolidation on the basis of 1:2.5 (i.e., 2.5 pre-consolidation units for 1 new consolidation unit). Following the consolidation, the Fund will pay monthly distributions instead of quarterly distributions. Additionally, the Fund reduced its annual management fee from 0.70% to 0.45% of net asset value, reflecting the manager's ongoing commitment to delivering value to unitholders.