Artemis
Investment Management

ENERGY INCOME FUND

ANNUAL REPORT

DECEMBER 31, 2024

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MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Energy Income Fund (the "Fund") contains financial highlights but does not contain the complete annual financial statements of the Fund. You may obtain a copy of the annual financial statements, at no cost, by calling (416) 934-7455, or by sending a request to Investor Relations, Artemis Investment Management Limited, 1325 Lawrence Avenue E., Suite 200, Toronto, ON, M3A 1C6, Canada or by visiting our website at www.artemisfunds.ca or the Fund's SEDAR+ profile at www.sedarplus.com. Holders of units ("Unitholders") may also contact us using one of these methods to request a copy of the Fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

THE FUND

The Fund is a closed-end investment trust. Artemis Investment Management Limited is the investment fund manager of the Fund ("Artemis" or the "Manager"). The Fund has one class of units (each, a "Unit") outstanding. The Units trade on the Toronto Stock Exchange ("TSX") under the symbol ENI.UN. The Fund's portfolio is managed by ARS Investment Partners, LLC (the "Portfolio Advisor"), under a sub-advisory agreement with the Manager.

INVESTMENT OBJECTIVES AND STRATEGIES

The Fund's investment objectives are to provide its Unitholders with a stable stream of monthly cash distributions and to preserve and potentially enhance the net asset value ("NAV") of the Fund.

The Fund is permitted to invest in any publicly listed security in the United States without sector-specific restrictions as well as in other geographies focusing on permissible asset classes that include oil and gas securities, energy securities, other resource securities (collectively, the "Portfolio Securities"), as well as cash and short-term investments.

RISKS

There are a number of risks associated with an investment in the Fund. The principal risks include, but are not limited to, market and income risk. Market risk is the exposure to market price changes in the Portfolio Securities which have a direct effect on the NAV of the Fund. Income risk arises from a number of factors related to the operational performance of the issuers of the Portfolio Securities. These risks include the effects of fluctuations in commodity prices, foreign currency conversion rates, interest rates, and general business operation risks, any of which may affect the issuers' income and as a result reduce the value of its securities. Diversification and active management by the Portfolio Advisor of the Portfolio Securities may reduce these risks.

There were no changes during the period ended December 31, 2024, that materially affected the risks associated with an investment in Units. For a list of risks, see the Fund's Annual Information Form dated March 18, 2025, on the Fund's SEDAR+ profile at www.sedarplus.ca.

RESULTS OF OPERATIONS

The Fund's NAV increased from $3.99 million to $5.74 million between January 1, 2024, and December 31, 2024. This growth was primarily driven by higher earnings from operations and capital inflows from new Units issued under a private placement, partially offset by redemptions and distributions. For the year ended December 31, 2024, total revenue per Unit increased to $0.084 from $0.064 in 2023, primarily due to higher interest income and foreign exchange gains, partially offset by lower dividend income. Operations during the year led to an increase in NAV per Unit of $0.474, compared to a decrease of $0.180 in 2023, primarily driven by realized gains on the Portfolio Securities.

Total administrative expenses for the year ended December 31, 2024, were $0.004 per Unit, down from $0.025 per Unit in 2023, due to the Manager ceasing to charge administrative fees starting March 4, 2024. Management fees for the year were $0.036 per Unit, up from $0.014 per Unit in 2023, due to an increase in the management fee rate on March 4, 2024, from 0.7% to 2.0% per annum of the Fund's average NAV, plus applicable taxes. Investment management fees for the Year were $0.001 per Unit, down from $0.008 per Unit in 2023. This decrease resulted from the cessation of investment management fees starting March 4, 2024.

Starting April 4, 2024, the Fund began accruing new performance fees in accordance with the updated declaration of trust of the Fund (the "Declaration") approved on March 4, 2024. For the year ended December 31, 2024, performance fees amounted to $0.053 per Unit. Portfolio transaction costs increased by $0.023 per Unit for the year ended December 31, 2024, compared to the previous year, due to higher transaction activity related to the liquidation of the previous Portfolio Securities and the transition to new Portfolio Securities in June. Excluding the expenses discussed above, all other expenses of the Fund for the year ended December 31, 2024, amounted to $0.076 per Unit, compared to $0.074 per Unit in 2023. Effective March 4, 2024, the Fund's operating expenses, excluding performance fees, taxes, and trade-related expenses, were capped at 2.5% per annum of the average NAV. To ensure that expenses remained below this threshold during the period, the Manager absorbed additional expenses amounting to $0.043 per Unit.

During the first half of 2024, the Fund's Portfolio Securities primarily consisted of securities from the energy sector in both the U.S. and Canada. In May, the Fund began strategically converting its holdings to cash in preparation for the implementation of a new investment strategy. On June 20, 2024, the Portfolio Advisor assumed control of portfolio management and initiated investments in U.S.-listed securities. By the end of the second quarter, the Fund's portfolio was predominantly invested in the U.S. small-cap market, aligning with its strategic reallocation and diversification efforts. In 2024, the Fund's investment strategy specifically targeted companies on the verge of profitability that had historically incurred substantial operating losses. The Fund aimed to capitalize on the significant revaluation that occurred as these companies transitioned from incurring losses to generating substantial free cash flow. This approach sought to leverage the potential upside associated with their shift to profitability.

During the initial half of 2024, the S&P/TSX Composite Index achieved a total return of 6.05%, while the S&P/TSX Capped Energy Sector Index outperformed with a return of 19.45%. Initial concerns regarding a weak demand growth outlook from China and the U.S. proved unfounded, as demand from both nations exceeded expectations, albeit not reaching the growth levels of 2023.

After a volatile 2022 and a partial recovery in 2023, U.S. small-cap equities entered 2024 facing lingering concerns over rising interest rates and uneven economic growth. Inflation, a major headwind in 2022, showed sustained moderation by late 2023, prompting the U.S. Federal Reserve to adopt a more neutral monetary stance. While recession risks remained, market sentiment improved as investors anticipated that the worst of inflationary pressures had passed.

Throughout the first half of 2024, the U.S. Federal Reserve largely held interest rates steady, signaling a pause in its tightening cycle. U.S. small-cap stocks responded with modest gains, supported by cautious optimism in the broader market. However, late-spring inflation surprises briefly raised the prospect of additional rate hikes, causing short-term volatility in the Russell 2000 Index. By late summer, the U.S. Federal Reserve expressed greater confidence in inflation's downward trajectory, reducing expectations for further tightening. This shift provided a tailwind for U.S. small-cap stocks, which tend to benefit from a more favourable credit environment.

In 2024, the Russell 2000 Index returned 10.02%, driven by resilient U.S. economic growth and a more accommodative U.S. Federal Reserve policy that eased financing pressures. While concerns from the 2023 U.S. regional banking turmoil lingered early in the year, improved liquidity conditions and steady consumer demand supported a recovery in smaller financial institutions by mid-year. Meanwhile, cyclical sectors such as consumer discretionary and industrials outperformed as businesses capitalized on strong domestic spending trends. Although higher borrowing costs continued to weigh on more leveraged companies, investor sentiment toward small caps strengthened, fueled by attractive valuations and improving earnings momentum relative to large-cap peers.

Looking ahead, the Portfolio Advisor believes that the U.S. economy and equity markets present compelling investment opportunities. Given the absolute and relative strength of the U.S. economy and the attractive prospects within the domestic market, an overweight position in U.S. equities is warranted. As is typical during periods of heightened disruption, the U.S.'s inherent strengths come to the forefront – its robust enterprising spirit fosters innovation and drives economic dynamism. Furthermore, leading U.S. corporations stand to benefit from deregulation, while baby boomers are spending, donating, or passing down a portion of an estimated $80 trillion of the $175 trillion in U.S. household net worth. The U.S. financial system, the world's most developed and mature, provides a solid foundation for sustained economic growth, while the U.S. dollar remains the world's reserve currency. Accordingly, the Portfolio Advisor will prioritize companies poised to benefit from key trends, including infrastructure development, reshoring, and technological advancements. This focus may encompass sectors such as industrials – including defense and electrification companies – energy, technology, and select financial and healthcare firms. While China and Europe remain home to some of the world's leading companies and offer attractive opportunities in sectors such as renewables and electric vehicles, ongoing challenges suggest that better investment prospects lie elsewhere.

A long-term investment horizon, emphasizing companies with strong fundamentals, remains crucial in navigating the evolving economic environment. The Portfolio Advisor will focus on businesses with sustainable models, strong financial positions, and adaptability to shifting market conditions. This period will be particularly challenging for companies with weak balance sheets, as limited access to affordable capital will hinder their ability to compete with well-financed or self-funded rivals.

A key difference between last year and this year will be expectations regarding inflation and interest rates, which are likely to remain above levels preferred by market participants. In this environment, companies with strong earnings growth are more likely to reward investors than those relying on price-to-earnings multiple expansion.

In conclusion, the Portfolio Advisor believes the U.S. offers a dynamic and promising economic landscape with significant growth potential. A culture of innovation, substantial investments in infrastructure, and rising productivity are fueling economic expansion. While challenges persist, the U.S. economy's inherent strengths position it for continued growth.

Recent Market Overview: Elevated Volatility Amid Growth and Trade Uncertainties

Beginning in early March 2025, U.S. equity markets experienced increased volatility, with the S&P 500 declining by approximately 7% from its mid-February high. The downturn was particularly pronounced among major technology stocks. According to the Fund's Portfolio Advisor, this volatility reflects several contributing factors, including heightened investor caution regarding U.S. economic policies – most notably those related to tariffs – and the resulting uncertainty surrounding global trade. In addition, early economic indicators for the first quarter suggest signs of weakening growth, raising concerns about whether the consensus GDP growth target of 2% for 2025 can be met should tariffs remain elevated. The Portfolio Advisor notes that the probability of GDP growth falling below 2%, coupled with rising inflationary pressures, has increased.

Within the "Magnificent 7" technology stocks, six experienced declines following the release of quarterly earnings, with some breaching key technical support levels. In these instances, reported earnings and management outlooks failed to meet market expectations, leading to downward pressure on valuations.

The Fund's Portfolio Advisor anticipates continued market volatility, given the prevailing risks to economic growth, corporate earnings, and ongoing policy uncertainty – particularly the potential for additional tariff measures.

In response to these conditions, the Portfolio Advisor maintains that focusing on high-quality equity holdings remains prudent. The Portfolio Advisor continues to closely monitor the Fund's existing positions for sensitivity to tariff-related risks and may selectively rebalance or trim positions where heightened risk is identified, aiming to mitigate potential exposure.

The NAV per Unit, after distributions to Unitholders, increased by 19.30% for the year ended December 31, 2024. During 2024, the Fund paid total distributions of $0.12 per Unit. There were no unusual trends in redemptions for the year ended December 31, 2024, with 233,880 Units redeemed.

TRADING PREMIUM/DISCOUNT

In 2024, the Fund traded at an average discount to its NAV per Unit of 15.37%, compared to an average discount of 16.96% for 2023.

RECENT DEVELOPMENTS

Monthly Distributions for 2025

On January 15, 2025, the Fund announced distributions for 2025 of $0.01 per Unit per month. Unitholders of record on the last day of each month will be paid distributions on the 15th day (or first business date thereafter) of the ensuing month.

Redemptions

The maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year, less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve-month period. The public float as determined on January 2, 2024, was 2,338,790 Units and 10% of the public float was 233,879 Units. For the year ended December 31, 2024, 233,879 Units were redeemed at a price of $1.9549 per Unit pursuant to the annual redemption privilege.

Unitholder Meeting

On March 4, 2024, the Fund announced that Unitholders had approved an extraordinary resolution authorizing amendments to the Declaration. These include (i) an amendment to the Fund's investment strategy to permit investments in any United States listed company in addition to existing asset classes, (ii) an amendment to the Fund's investment objectives to focus on preserving and potentially enhancing the Fund's NAV without reference to a benchmark, and (iii) an amendment to the fees payable to the Manager to consist of 2% of the average NAV of the Fund per year plus taxes, and a performance fee of 20% above an 8% hurdle rate on the Fund's returns, subject to a cap on the Fund's expense ratio of 2.5% excluding the performance fee, extraordinary expenses, and taxes.

Update on Investment Management and Advisory Arrangements

Effective June 20, 2024, in alignment with the Fund's revised investment strategy, the Fund terminated its investment management agreement with Vestcap Investment Management Inc. and appointed the Manager as the new investment manager. Concurrently, the Manager entered into a sub-advisory agreement with the Portfolio Advisor, to serve as the Fund's portfolio advisor, effective immediately. The Manager is committed to covering all sub-advisory fees incurred under this new arrangement.

RELATED PARTY TRANSACTIONS

The Manager is entitled to receive a management fee of 2% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the year ended December 31, 2024, management fees totaled $108,163 (2023 – $37,057), of which $11,221 was payable as at December 31, 2024 (2023 – $2,524).

Effective March 4, 2024, the Fund no longer paid an investment management fee to the Portfolio Advisor. Until March 3, 2024, the Portfolio Advisor received a fee of 0.40% per annum of the average NAV of the Fund, plus applicable taxes. This fee was calculated and payable monthly for providing investment management services. As of December 31, 2024, the total investment management fees amounted to $3,513 (2023 – $21,176), with no outstanding fees as of December 31, 2024 (2023 – $1,442).

Effective March 4, 2024, the Fund no longer incurs administrative expenses payable to the Manager. As of December 31, 2024, the administrative expenses for the year totaled $11,623 (2023 – $64,651). Prior to March 4, 2024, the Fund was responsible for a monthly payment of $5,000 plus applicable taxes to the Manager, which covered administrative salaries, employee benefits, general overhead, and office supplies.

Effective April 4, 2024, the Manager is entitled to a performance fee of 20% above an 8% hurdle rate on the Fund's returns plus applicable taxes. This performance fee, taking into account any distributions and redemptions to Unitholders, is calculated on each NAV valuation date and is payable within 30 days after the year-end or redemption payment date. As of December 31, 2024, the performance fee for the year totaled $156,897 (2023 – nil), of which $150,483 was payable as at December 31, 2024 (2023-nil).

Effective March 4, 2024, the Fund's expenses – excluding performance fees, trading-related fees, extraordinary expenses, and taxes – are capped at 2.5% per annum of the average NAV of the Fund. Any expenses exceeding this threshold will be reimbursed by the Manager. For the year ended December 31, 2024, the fee refund from the Manager totaled $128,163 (2023 – nil), with $21,287 receivable as of December 31, 2024 (2023 – nil).

For redemptions or repurchases, the Manager is entitled to receive a fee per Unit of 5% of the NAV per Unit plus applicable taxes. For the year ended December 31, 2024, fees in the amount of $27,387 (2023 – $25,294) were paid to the Manager.

FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

The Fund's Net Assets per Unit [1]

For the Period Ended	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Net Assets per Unit, Beginning of Year	**$ 1.71**	$ 2.01	$ 1.93	$ 2.02	$ 2.12
Increase (decrease) from operations:					
total revenue	**0.08**	0.06	0.06	0.04	0.08
total expenses (excluding distributions)	**(0.15)**	(0.13)	(0.09)	(0.12)	(0.10)
realized gains (losses) for the year	**1.00**	0.03	0.14	0.05	(0.06)
unrealized gains (losses) for the year	**(0.46)**	(0.15)	0.10	0.06	0.10
Total Increase (decrease) from operations [2]	**$ 0.47**	$ (0.18)	$ 0.21	$ 0.04	$ 0.02
Distributions:					
From net investment income (excluding dividends)	**–**	–	–	–	–
From dividends	**–**	–	–	–	–
From capital gains	**–**	–	–	–	–
Return of capital	**0.12**	0.12	0.12	0.12	0.12
Total Annual Distributions [3]	**0.12**	0.12	0.12	0.12	0.12
Net Assets at the end of each period shown	**$ 2.04**	$ 1.71	$ 2.01	$ 1.93	$ 2.02

(1) The financial statements of the Fund have been prepared in accordance with IFRS. This information is derived from the Fund's audited annual financial statements.
(2) Net assets and distributions are based on the actual number of Units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of Units outstanding over the financial period.
(3) Distributions were paid in cash or Units, or both.

RATIOS AND SUPPLEMENTAL DATA

For the Period Ended	31-Dec-24	31-Dec-23	31-Dec-22	31-Dec-21	31-Dec-20
Total net asset value ($ 000's) (1)	**$ 5,741**	$ 3,992	$ 5,199	$ 5,542	$ 6,443
Number of Units outstanding (000's) (1)	**2,812**	2,339	2,592	2,872	3,183
Management expense ratio (2)	**6.90%**	6.45%	4.59%	5.82%	5.33%
Trading expense ratio (3)	**1.23%**	0.03%	0.02%	0.05%	0.13%
Portfolio turnover ratio (4)	**149.99%**	17.53%	4.90%	22.51%	54.39%
Net asset value per Unit	**$ 2.04**	$ 1.71	$ 2.01	$ 1.93	$ 2.02
Closing market price	**$ 1.53**	$ 1.49	$ 1.45	$ 1.58	$ 1.45

(1) This information is provided as at the date shown.

(2) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period. Management expense ratio excluding performance fees and taxes amounts to 3.51% for the year ended December 31, 2024. The management expense ratio cap of 2.5% was implemented on March 4, 2024. Since implementation, the annualized ratio has been approximately 2.47%.

(3) The trading expense ratio represents total commissions expressed as an annualized percentage of daily average net assets during the period.

(4) The Fund's portfolio turnover rate indicates how actively the Portfolio Advisor manages the portfolio. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the Portfolio Securities once in the course of the year. The higher the Fund's portfolio turnover rate in a year, the greater the trading costs payable by the Fund in the year and the greater the chance of an investor receiving taxable capital gains in a year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

MANAGEMENT FEES AND PERFORMANCE FEES

The Manager is entitled to receive a management fee of 2% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly, in consideration for management services provided to the Fund.

Furthermore, the Manager is entitled to receive a performance fee of 20% above an 8% hurdle rate on the Fund's returns plus applicable taxes. This performance fee is calculated on each NAV valuation date, taking into account any distributions and redemptions to Unitholders, and is payable within 30 days after the year-end or upon redemption payment date. Performance fees are crystallized annually and at the time of Unit redemptions.

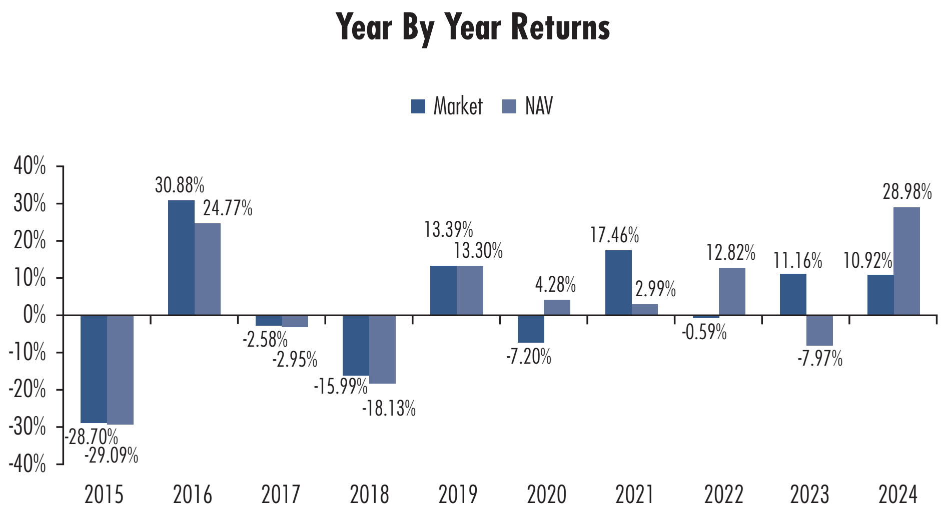
PAST PERFORMANCE

The Fund's performance numbers represent the annual compound total returns over the period indicated to December 31, 2024 . Total returns are based upon both the Fund's change in market price or net assets per Unit plus the reinvestment of all distributions in additional Units on the reinvestment dates for the year.

Returns do not take into account sales, redemptions or income taxes payable. Past performance of the Fund does not necessarily indicate how it will perform in the future.

The total return of the Fund for the period ended December 31, 2024 was positive 28.98% measured in terms of its NAV. The total return of the market price per Unit for the period ended December 31, 2024, was positive 10.92%.

The following chart shows the Fund's performance as at the date shown and illustrates how the Fund's performance has changed. The bar chart shows, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each period.



The Fund commenced operations as of October 2005. For 2024 and prior years, this represents the annual return, unadjusted for the exercise of warrants, for the twelve-month period ended December 31.

ANNUAL COMPOUND RETURNS

The following table presents the annual compound returns for the Fund based on market price and net assets per Unit for the periods indicated to December 31, 2024.

	1-Year	3-Year	5-Year	10-Year
Energy Income Fund (Market Price)	10.92%	6.91%	5.63%	1.30%
Energy Income Fund (Net Assets)	28.98%	8.30%	5.41%	(0.19)%
S&P/TSX Capped Energy Index	10.36%	17.71%	12.85%	1.91%
Russell 2000 Index (1)	10.02%	(0.23)%	5.98%	6.28%

(1) Effective June 20, 2024, the Fund shifted its investment strategy to primarily focus on U.S.-listed securities, with an emphasis on the small-cap market. As a result, the Russell 2000 Index has been designated as a more appropriate benchmark for assessing the Fund's performance on a go-forward basis.

During the year ended December 31, 2024, the Fund outperformed the S&P/TSX Capped Energy Index after accounting for expenses. However, for all other periods presented, the Fund underperformed this benchmark on a net-of-expenses basis. The Fund also exceeded the performance of the Russell 2000 Index for the year ended December 31, 2024. These outcomes reflect not only the impact of management fees and expenses inherent in the Fund's performance but also differences in the Fund's portfolio selections compared with the Index.

SUMMARY OF INVESTMENT PORTFOLIO

As at December 31, 2024

Total Net Assets: $ 5,740,701

The major portfolio categories and top holdings of the Fund at the end of the period are indicated in the following tables. The Summary of Investment portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates are available at www.artemisfunds.ca.

Portfolio by Sector	**% of Aggregate NAV**
US Equities	
Consumer Discretionary	27.30%
Health Care	12.60%
Industrials	21.70%
Real Estate	13.80%
Total US Equities	**75.40%**
Cash	29.09%
Other Assets, Net of Liabilities	(4.49)%
Total Net Assets	**100.00%**

TOP HOLDINGS (as a % of Total NAV of the Fund)

As at December 31, 2024

Cash	29.09%
Enovix Corp.	13.70%
Beyond Inc.	13.20%
Humacyte Inc.	12.60%
BARK Inc.	11.50%
Spire Global Inc.	8.00%
Peakstone Realty Trust	7.50%
Rithm Property Trust Inc.	6.30%
Children's Place Inc.	2.60%
Other assets, net of liabilities	(4.49)%
% of Total Net Assets	**100.00%**

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance or expectations that are not historical facts but instead represent the Manager's or Portfolio Advisor's expectations regarding future events. By their nature, forward-looking statements must be based on assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. Readers of this document are cautioned not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed in the forward-looking statements. Actual results may differ materially from the Manager's or Portfolio Advisor's expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to: market and general economic conditions, interest rates, foreign exchange rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the Fund may invest, and the risks detailed from time to time in the Fund's prospectus, Annual Information Form and other investor documentation. The foregoing list of factors is not exhaustive and when relying on forward-looking statements to make decisions with respect to investing in the Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, neither the Fund nor the Manager undertakes, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Financial Statements of

ENERGY INCOME FUND

And Independent Auditor's Report thereon

Years ended December 31, 2024 and 2023

Artemis
Investment Management

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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Energy Income Fund

Opinion

We have audited the financial statements of Energy Income Fund (the Fund), which comprise:

- the statements of financial position as at December 31, 2024 and December 31, 2023
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2024 and December 31, 2023, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- 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.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

The engagement partner on the audit resulting in this auditor's report is Paula M. Foster.

Toronto, Canada

March 18, 2025

ENERGY INCOME FUND
STATEMENTS OF FINANCIAL POSITION

December 31, 2024 and 2023

	2024	2023
Assets		
Financial assets at fair value through profit or loss (note 4)	$ 4,327,390	$ 3,965,548
Cash	1,669,827	138,462
Due from manager	21,287	—
Dividends receivable	7,427	16,519
Other receivables	9,002	4,394
	6,034,933	4,124,923
Liabilities		
Distributions payable	28,117	23,388
Redemptions payable	—	124
Performance fees payable	150,483	—
Management fees and investment management fees payable (note 8)	11,221	3,966
Accounts payable and accrued liabilities (note 8)	104,411	105,327
	294,232	132,805
Net assets attributable to holders of redeemable units	$ 5,740,701	$ 3,992,118
Number of redeemable units outstanding (note 7)	2,811,667	2,338,790
Net assets attributable to holders of redeemable units per unit	$ 2.04	$ 1.71

See accompanying notes to financial statements.

On behalf of Energy Income Fund by
the Board of Directors of Artemis Investment Management Limited:

Trevor Maunder
Director

Gavin Swartzman
Director

ENERGY INCOME FUND
STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

Years ended December 31, 2024 and 2023

	2024	2023
Income:		
Dividends	$ 68,026	$ 158,857
Interest income for distribution purposes	71,361	14,721
Foreign exchange gain (loss) on cash	109,138	(10,130)
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss:		
Net realized gain on sale of investments	2,973,458	80,244
Change in unrealized depreciation in value on investments	(1,368,646)	(383,414)
	1,853,337	(139,722)
Expenses:		
Administrative (note 8)	11,623	64,651
Management fees (note 8)	108,163	37,057
Performance fees (note 8)	156,897	—
Unitholder servicing fees	51,983	19,404
Custody, valuation and transfer fees	52,470	21,347
Audit fees	46,834	45,987
Independent review committee fees	22,626	22,376
Regulatory and listing fees	10,123	7,494
Investment management fees (note 8)	3,513	21,176
Legal fees	40,863	73,855
Interest	68	62
Portfolio transaction costs (note 9)	67,044	1,251
	572,207	314,660
Expenses absorbed by manager	(128,163)	—
Operating profit (loss) before taxes	1,409,293	(454,382)
Withholding taxes/reclaims	2,037	8,785
Increase (decrease) in net assets attributable to holders of redeemable units from operations	$ 1,407,256	$ (463,167)
Weighted average number of units outstanding	2,969,677	2,573,233
Increase (decrease) in net assets attributable to holders of redeemable units from operations per unit[(1)]	$ 0.47	$ (0.18)

(1) Based on the weighted average number of units outstanding during the years.

See accompanying notes to financial statements.

ENERGY INCOME FUND

STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

Years ended December 31, 2024 and 2023

	2024	2023
Net assets attributable to holders of redeemable units, beginning of year	$ 3,992,118	$ 5,199,387
Increase (decrease) in net assets attributable to holders of redeemable units from operations	1,407,256	(463,167)
Redeemable unit transactions (note 7):		
Proceeds from exercise of warrants, net of expenses	1,174,987	—
Reinvested distributions	11,333	9,858
Redemption of redeemable units	(484,599)	(447,756)
	701,721	(437,898)
Distributions to holders of redeemable units:		
Return to holders of redeemable units	(360,394)	(306,204)
Net increase (decrease) in net assets attributable to holders of redeemable units for the year	1,748,583	(1,207,269)
Net assets attributable to holders of redeemable units, end of year	$ 5,740,701	$ 3,992,118
Distributions per unit	$ 0.12	$ 0.12

See accompanying notes to financial statements.

ENERGY INCOME FUND
STATEMENTS OF CASH FLOWS

Years ended December 31, 2024 and 2023

	2024	2023
Cash flows from (used in) operating activities:		
Increase (decrease) in net assets attributable to holders of redeemable units from operations	$ 1,407,256	$ (463,167)
Adjustments for:		
Net realized gain on sale of investments	(2,973,458)	(80,244)
Portfolio transaction costs	67,044	1,251
Foreign exchange loss (gain) on cash	(109,138)	10,130
Change in unrealized appreciation in value of investments	1,368,646	383,414
Purchases of investments	(8,196,612)	(851,682)
Proceeds from sale of investments	9,372,538	1,556,741
Increase in due from manager	(21,287)	—
Decrease (increase) in dividends receivable	9,092	(1,668)
Increase in other receivables	(4,608)	(2,071)
Increase in performance fees payable	150,483	—
Increase (decrease) in management fees and investment management fees payable	7,255	(1,712)
Decrease in accounts payable and accrued liabilities	(916)	(54,630)
	1,076,295	496,362
Cash flows used in financing activities:		
Distributions paid to holders of redeemable units, net of reinvested distributions	(344,332)	(298,874)
Proceeds from redeemable units issued	1,174,987	—
Amounts paid for redeemable units redeemed	(484,723)	(447,632)
	345,932	(746,506)
Foreign exchange gain (loss) on cash	109,138	(10,130)
Net increase (decrease) in cash	1,531,365	(260,274)
Cash, beginning of year	138,462	398,736
Cash, end of year	$ 1,669,827	$ 138,462
Supplemental information:		
Dividends received, net of withholding taxes	$ 75,081	$ 148,404
Interest received, net of withholding taxes	71,361	14,721
Interest paid	(68)	(62)

See accompanying notes to financial statements.

ENERGY INCOME FUND
SCHEDULE OF INVESTMENTS

December 31, 2024

Number of shares	Investments owned	Average cost	Fair value	% of net assets
	U.S. equities			
	Consumer discretionary:			
250,452	BARK Inc.	$ 490,402	$ 662,772	11.5
106,873	Beyond Inc.	1,450,531	757,768	13.2
10,000	Children's Place Inc.	145,725	150,437	2.6
		2,086,658	1,570,977	27.3
	Health care:			
99,419	Humacyte Inc.	680,441	722,075	12.6
	Industrials:			
50,000	Enovix Corp.	674,146	781,665	13.7
22,719	Spire Global Inc.	325,628	459,732	8.0
		999,774	1,241,397	21.7
	Real estate:			
27,000	Peakstone Realty Trust	487,522	429,866	7.5
85,000	Rithm Property Trust Inc.	367,178	363,075	6.3
		854,700	792,941	13.8
	Total U.S. equities	4,621,573	4,327,390	75.4
	Transaction costs	(27,039)		
	Total investments	$ 4,594,534	4,327,390	75.4
	Other assets, net of liabilities		1,413,311	24.6
	Total net assets attributable to holders of redeemable units		$ 5,740,701	100.0

See accompanying notes to financial statements.

1. THE FUND:

Description of the Fund:
Energy Income Fund (the "Fund") is a closed-end investment trust. Artemis Investment Management Limited ("Artemis" or the "Manager") is the investment fund manager of the Fund. The Fund has one class of units (each, a "Unit") outstanding. The Units trade on the Toronto Stock Exchange ("TSX") under the symbol ENI.UN. The Fund's portfolio is managed by ARS Investment Partners, LLC (the "Portfolio Advisor"), under a sub-advisory agreement with Artemis.

The address of the Fund's registered office is 1325 Lawrence Avenue East, Suite 200, Toronto, ON, M3A 1C6, Canada.

The financial statements were authorized for issue by the Manager on March 18, 2025.

2. INVESTMENT OBJECTIVES OF THE FUND:

The Fund's investment objectives are to provide its unitholders with a stable stream of monthly distributions and to preserve and potentially enhance the Net Asset Value ("NAV") of the Fund.

3. MATERIAL ACCOUNTING POLICY INFORMATION:

These financial statements have been prepared in compliance with IFRS Accounting Standards.

(a) Cash:
Cash includes cash at bank.

(b) 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. Regular purchases and sales of financial assets are recognized at their trade date. The Fund's investments and derivative assets and liabilities are measured at fair value through profit or loss ("FVTPL"). The Fund's obligation for net assets attributable to holders of redeemable Units is presented at the redemption amount. All other financial assets and liabilities are classified as and measured at amortized cost. Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, on the accrual basis based on the bond coupon rate. The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with unitholders.

Financial assets and liabilities are offset and the net amount reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

(i) Classification and measurement:
The Fund classifies and measures its financial instruments as either amortized cost, fair value through other comprehensive income ("FVOCI") or FVTPL. To determine the appropriate classification and measurement category, an entity considers the business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments.

The Fund's business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets' fair values and assets are managed to realize these fair values. This business model is aligned with a FVTPL classification and measurement category. The Fund measures at FVTPL all financial assets currently held at fair value. Debt securities are measured at FVTPL under IFRS 9 as the Fund does not hold the assets to collect contractual cash flows based on their business model. Collection of the contractual cash flows is not integral to achieving the Fund's business model objective but is instead incidental to it.

Loans as well as trade receivables are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Thus, these are classified and measured at amortized cost under IFRS 9.

(ii) Impairment:

The Fund recognizes a loss allowance for expected credit losses on financial assets which are measured at amortized costs or FVOCI. Financial assets held by the Fund, which are measured at FVTPL, are not subject to impairment requirements.

With respect to loans and receivables, the Fund considers both historical analysis and forward looking information in determining any expected credit loss. As at the financial statement date, all loans and 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. Given the limited exposure of the Fund to credit risk, no loss allowance has been recognized as any such impairment does not have a significant impact on the financial statements.

(c) Valuation of investments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value 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. See note 6 for a description of each fair value hierarchy level.

(d) Investment transactions and income recognition:

(i) Investment transactions are accounted for on the trade date;
(ii) Interest income for distribution purposes is recognized on an accrual basis based on the bond coupon rate;
(iii) Dividend income is recorded on the ex-dividend date; and
(iv) Realized gains and losses on investments and unrealized appreciation or depreciation of investments are calculated using the average cost of the related investments.

(e) Foreign currency translation:

The functional and presentation currency of the Fund is the Canadian dollar.

The fair value of investments and other assets and liabilities denominated in foreign currencies is translated into Canadian dollars at the rates prevailing on each valuation date.

Purchases and sales of investments, and income and expenses denominated in foreign currencies are converted into Canadian dollars at the rates of exchange prevailing on the respective dates of such transactions. Realized exchange gains (losses) on investments, and unrealized exchange gains (losses) on investments, if any, are included in net realized loss on sale of investments and change in unrealized appreciation (depreciation) in value of investments in the statements of comprehensive income (loss).

(f) Distributions:

Distributions to unitholders are recorded by the Fund when declared.

(g) Increase (decrease) in net assets attributable to holders of redeemable Units from operations per Unit:

Increase (decrease) in net assets attributable to holders of redeemable Units from operations per Unit represents the net increase (decrease) in net assets attributable to holders of redeemable Units from operations divided by the average Units outstanding during the years.

(h) Changes in accounting policies:

Several new accounting standards and amendments to existing standards become effective for annual periods beginning on or after January 1, 2024, with early adoption permitted. However, the Fund has not adopted these new or amended standards early in preparing these financial statements.

(i) IFRS 18: Presentation and Disclosure in Financial Statements

IFRS 18 will replace IAS 1 ***Presentation of Financial Statements*** and will be effective for annual reporting periods beginning on or after January 1, 2027. The new accounting standard introduces the following key requirements:

- Entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly defined operating profit subtotal. Entities' net profit will not change as a result of applying IFRS 18.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements
- Enhanced guidance is provided on how to group information in the financial statements.

Furthermore, all entities must use the operating profit subtotal as the starting point for the statement of cash flows when preparing operating cash flows under the indirect method.

The Fund is in the process of evaluating the impact of this new accounting standard, particularly regarding the structure of its statement of profit or loss, statement of cash flows, and the additional disclosure requirements for Management Performance Measures (MPMs). The Fund is also assessing the implications for the classification and presentation of information within the financial statements, including items currently categorized as "other."

(ii) Other accounting standards

The following new and amended accounting standards are not expected to have a significant impact on the Fund's financial statements.

- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS:

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. These financial statements include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting period. Actual results could differ from these results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

(a) Fair value measurement of derivatives and securities not quoted in an active market:
Fair values of instruments not quoted in active markets are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them.

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. Refer to note 6 for further information about the fair value measurement of the Fund's financial instruments.

(b) Business model assessment:
The Fund considered its business model for managing financial instruments and the contractual cash flow characteristics associated with the financial instruments and concluded that collection of the contractual cash flows is not integral to achieving the Fund's business model objective. Respectively, the Fund measures all investments at FVTPL and all other financial assets and liabilities at amortized cost.

5. INCOME TAXES:

The Fund is a mutual fund trust within the meaning of the Income Tax Act (Canada) and is subject to applicable federal and provincial taxes on the amount of net income for tax purposes for the year; to the extent such net income for tax purposes has not been paid or made payable to unitholders in the year.

The Fund may be liable to pay income or profits tax on income or gains derived from investments in the U.S. and other foreign countries. Such income and gains are recorded on a gross basis and the related withholding taxes are shown separately in the statements of comprehensive income (loss).

As of December 31, 2024, the Fund had non-capital losses of approximately nil (2023 – $1,205,591) and capital losses of approximately $21,110,659 (2023 – $21,518,686). Capital losses can be carried forward indefinitely and offset against capital gains in future years.

6. FAIR VALUE DISCLOSURES:

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 – inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the Manager has the ability to access at the measurement date;
- Level 2 – inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, including inputs in markets that are not considered to be active; and
- Level 3 – inputs that are unobservable for the financial asset or liability and include situations where there is little, if any, market activity for the financial asset or liability. The inputs into the determination of fair value require significant management judgment or estimation.

The following tables illustrate the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2024 and 2023:

2024	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Equities	$4,327,390	$—	$—	$4,327,390

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at FVTPL:				
Equities	$3,965,548	$—	$—	$3,965,548

There were no transfers between levels during the years ended December 31, 2024 and 2023.

All fair value measurements above are recurring. The carrying values of cash, dividends receivable, other receivables, distributions payable, management fees and investment management fees payable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. 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.

As of December 31, 2024 and 2023, the Fund had no securities that were classified as Level 3 financial instruments.

7. UNITS ISSUED AND OUTSTANDING:

(a) Authorized:
The authorized capital of the Fund consists of an unlimited number of trust Units which are transferable redeemable Units of beneficial interest.

The Fund's redeemable Units entitle unitholders the right to redeem their interest in the Fund for cash equal to their proportionate share of the NAV of the Fund, amongst other contractual rights. These redeemable Units involve multiple contractual obligations on the part of the Fund and therefore meet the criteria for classification as financial liabilities. The Fund's obligation for net assets attributable to unitholders is measured at FVTPL, with fair value being the redemption amount as of the reporting date.

The following Unit transactions took place during the years ended December 31, 2024 and 2023:

(b) Units issued and outstanding:

	2024	2023
Units, beginning of year	2,338,790	2,591,624
Issued under private placement	699,397	—
Issued under distribution reinvestment plan ("DRIP")	7,360	6,453
Units redeemed	(233,880)	(259,287)
Units, end of year	2,811,667	2,338,790

On January 26, 2024, the Fund issued 699,397 units at a price of $1.68 each under a private placement, raising a total of $1,174,986.96.

(c) Redemptions and retractions:
The maximum number of Units redeemable in a year pursuant to the annual redemption privilege is 10% of the public float of the Fund as determined on the first business day of a calendar year, less the number of Units repurchased for cancellation or otherwise redeemed by the Fund during the preceding twelve-month period. The Fund did not repurchase any Units for cancellation during the years ended December 31, 2024 and 2023.

Unitholders are entitled to retract their Units outstanding on the second last business day of each month at an amount equal to (a) the lesser of: (i) 90% of the weighted average trading price of a Unit on the TSX during the preceding 15 trading days and (ii) the closing market price on the TSX on that day, less (b) any retraction costs.

Unitholders are also entitled to retract their Units outstanding on the second to last business day of each November (the "Annual Redemption Date") at an amount equal to 100% of the NAV per Unit determined as of the Annual Redemption Date less any retraction costs.

Pursuant to an annual redemption in November 2024, 233,879 Units (2023 – 259,162) were redeemed in the amount of $484,597 (2023 – $447,599).

(d) Distribution reinvestment plan:
Units issued under the DRIP program will be issued at the applicable 5-day volume-weighted average trading price of the Units.

8. RELATED PARTY TRANSACTIONS:

The Fund is responsible for all expenses incurred on its behalf. Artemis generally has all expenses incurred by the Fund paid directly by the Fund.

The Manager is entitled to receive a management fee of 2% per annum of the average NAV of the Fund plus applicable taxes, calculated and payable monthly. For the year ended December 31, 2024, management fees totaled $108,163 (2023 – $37,057), of which $11,221 was payable as at December 31, 2024 (2023 – $2,524).

Effective March 4, 2024, the Fund will no longer pay an investment management fee to the Portfolio Advisor. Until March 3, 2024, the Portfolio Advisor received a fee of 0.40% per annum of the average NAV of the Fund, plus applicable taxes. This fee was calculated and payable monthly for providing investment management services. As of December 31, 2024, the total investment management fees amounted to $3,513 (2023 – $21,176), with no outstanding fees as of December 31, 2024 (2023 – $1,442).

Effective March 4, 2024, the Fund will no longer incur administrative expenses payable to the Manager. As of December 31, 2024, the administrative expenses for the year totaled $11,623 (2023 – $64,651). Prior to March 4, 2024, the Fund was responsible for a monthly payment of $5,000 plus applicable taxes to the Manager, which covered administrative salaries, employee benefits, general overhead, and office supplies.

Effective April 4, 2024, the Manager is entitled to a performance fee of 20% above an 8% hurdle rate on the Fund's returns plus applicable taxes. This performance fee, taking into account any distributions and redemptions to unitholders, is calculated on each NAV valuation date and is payable within 30 days after the year-end or redemption payment date. As of December 31, 2024, the performance fee for the year totaled $156,897 (2023 – nil), of which $150,483 was payable as at December 31, 2024 (2023 – nil)

Effective March 4, 2024, the Fund's expenses, excluding performance fees, trading-related fees, extraordinary expenses, and taxes, are capped at 2.5% per annum of the average NAV. Any expenses exceeding this threshold will be reimbursed by the Manager. For the year ended December 31, 2024, the fee refund from the Manager totaled $128,163 (2023 – nil), with $21,287 receivable as of December 31, 2024 (2023 – nil).

For redemptions or repurchases, the Manager is entitled to receive a fee per Unit of 5% of the NAV per Unit plus applicable taxes. For the year ended December 31, 2024, fees in the amount of $27,387 (2023 – $25,294) were paid to the Manager.

9. PORTFOLIO TRANSACTION COSTS:

For the year ended December 31, 2024, the Fund incurred portfolio transaction costs of $67,044 (2023 – $1,251) of which soft dollar commissions were $44,631 (2023 – $816). These costs are recorded separately in the statements of comprehensive income (loss) as an expense for the year.

10. FINANCIAL RISK MANAGEMENT:

The Fund's investment activities expose it to various types of risk associated with the financial instruments in which it invests. In addition to the risks of investing in the equity markets generally, the Fund is also subject to other risks, including interest rate risk, currency risk, credit risk and liquidity risk. These risks and related risk management practices employed by the Fund are discussed below:

(a) Market risk:
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The investments of the Fund are subject to normal market fluctuations and the risks inherent in being invested in financial markets. The maximum risk resulting from financial instruments held by the Fund is determined by the fair value of the financial instruments. The Manager moderates this risk through a careful selection of securities through diversification of the investment portfolio. The Manager monitors the Fund's overall market positions on a weekly basis and positions are maintained within established ranges.

The most significant exposure to market risk is from equity securities. As at December 31, 2024, had the prices on the benchmark index raised (lowered) by 5%, with all other variables held constant, net assets attributable to holders of redeemable Units would have increased (decreased) by approximately $274,116 (5% of NAV) (December 31, 2023 – $70,976, 2% of NAV). In practice, the actual results may differ and the difference could be material. The benchmark index is the Russell 2000 Index.

(b) Foreign currency risk:
Foreign currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. The schedule of investments identifies all investments denominated in foreign currencies. Equities in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

As at December 31, 2024, the Fund invested approximately 103.0% (2023 – 64.9%) of the net assets in U.S. currency. As at December 31, 2024, if the Canadian dollar had strengthened (weakened) by 5%, with all other variables held constant, net assets attributable to holders of redeemable Units would have decreased (increased) by $295,562 (5.1% of NAV) (December 31, 2023 – $129,597, 3.2% of NAV). In practice, the actual results may differ and the difference could be material.

(c) Interest rate risk:

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

As at December 31, 2024, the Fund had approximately 100% of the investment portfolio in equity securities (2023 – 100%). Cash and short-term investments earn minimal interest. As at December 31, 2024 and 2023, the majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to a significant amount of interest rate risk.

(d) Credit risk:

Credit risk is the risk that an issuer or a counterparty will be unable or unwilling to meet a commitment that it has entered into with the Fund. All transactions in listed securities are settled (paid for) upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

The fair value of debt securities includes consideration of the creditworthiness of the debt issuer. Credit risk exposure for over-the-counter derivative instruments is based on the Fund's unrealized gain of the contractual obligations with the counterparty as at the reporting date. The credit exposure of other assets is represented by their carrying amount.

The Fund's cash is mainly held with Royal Bank of Canada, which is rated AA as at December 31, 2024 (2023 – AA) based on DBRS ratings. The Manager monitors the financial position on a quarterly basis. As at December 31, 2024 and 2023, the Fund had no significant exposure to credit risk.

(e) Liquidity risk:

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial obligations. The Fund is exposed to a monthly redemption of Units at which time the Units of the Fund are redeemed at the current transactional net assets per Unit. Liquidity risk is managed by investing the Fund's assets in investments that can be readily disposed of.

The Fund's liquid investments are considered to be in excess of the redemption requirements. Therefore, as at December 31, 2024 and 2023, the Fund's liquidity risk is considered minimal.

(f) Concentration risk:

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	Percentage of net assets	
Sector	2024	2023
Canadian equities:		
Oil and gas corporations	—	49.1
Utilities	—	13.1
	—	62.2
U.S. equities:		
Consumer Discretionary	27.3	—
Energy	—	20.7
Health Care	12.6	—
Industrial	21.7	—
Renewable energy	—	11.4
Real Estate	13.8	—
Utilities	—	5.0
	75.4	37.1
Other assets, net of liabilities	24.6	0.7
	100.0	100.0

11. CAPITAL MANAGEMENT:

The Fund's capital is its net assets attributable to holders of redeemable Units. The Manager maintains the Fund's capital in accordance with its investment objectives, strategies and restrictions as detailed in the amended and restated Declaration of Trust as of March 4, 2024.

CORPORATE INFORMATION

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