



**VERITAS**  
Asset Management

**Annual Financial Statements**

**VERITAS ABSOLUTE RETURN FUND**

December 31, 2023

# VERITAS ABSOLUTE RETURN FUND

**December 31, 2023**

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# Independent Auditor's Report

To the Unitholders of  
Veritas Absolute Return Fund (the "Fund")

## Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## Basis for Opinion

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

## Other Information

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

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

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

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

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

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

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

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

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



Chartered Professional Accountants  
Licensed Public Accountants  
February 23, 2024

# Veritas Absolute Return Fund

## Statement of Financial Position As at December 31, 2023 and 2022

	December 31, 2023	December 31, 2022
<b>ASSETS</b>		
<b>Current assets</b>		
Cash at broker (Note 3)	\$ 10,684,763	\$ 15,212,999
Investments at fair value through profit and loss (Note 3)	45,595,080	60,864,070
Dividends and interest receivable	176,048	185,977
Subscription receivable	13,007	7,486
	<u>56,468,898</u>	<u>76,270,532</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Investments sold short, at fair value through profit and loss (Note 3)	9,921,657	21,133,878
Dividends payable on investments sold short	45,087	60,196
Accounts payable and accrued liabilities	67,052	53,821
Management fees payable (Note 5)	60,199	72,577
Interest payable on investments sold short	2,697	5,301
Redemptions payable	4,050	7,461
	<u>10,100,742</u>	<u>21,333,234</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 46,368,156</u>	<u>\$ 54,937,298</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 5,173,770	\$ 6,375,788
Series F	38,401,357	45,825,281
Series I	2,793,029	2,736,229
	<u>\$ 46,368,156</u>	<u>\$ 54,937,298</u>
<b>Number of Redeemable Units Outstanding (Note 6)</b>		
Series A	460,048	558,247
Series F	3,334,085	3,956,326
Series I	244,254	241,955
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 11.25	\$ 11.42
Series F	11.52	11.58
Series I	11.43	11.31

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

Approved on behalf of the Fund,

"Anthony Scilipoti"

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Manager and Trustee  
Veritas Asset Management Inc.

# Veritas Absolute Return Fund

## Statement of Comprehensive Income

For the years ended December 31, 2023 and 2022

	2023	2022
<b>Income</b>		
Dividend income	\$ 1,188,502	\$ 1,584,364
Interest income for distribution purposes	931,357	457,566
Net realized gain (loss) on investments	1,648,627	(5,079,089)
Net change in unrealized (depreciation) appreciation in value of investments	(2,392,756)	915,394
Other income	3,110	—
	<u>1,378,840</u>	<u>(2,121,765)</u>
<b>Expenses</b>		
Management fees (Note 5)	860,490	1,102,850
Dividends paid on investments sold short	463,099	539,451
Operating costs	302,653	388,786
Commissions and other portfolio transactions costs	133,664	277,814
Interest and borrowing fees	79,919	109,108
Audit fees	40,212	38,390
Legal fees	22,107	22,601
Custodian fees	19,105	12,103
Independent review committee fees	12,717	12,423
Expense reimbursement from Manager (Note 5)	—	(5,259)
	<u>1,933,966</u>	<u>2,498,267</u>
<b>Decrease in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ (555,126)</u>	<u>\$ (4,620,032)</u>
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ (112,952)	\$ (581,037)
Series F	(473,529)	(3,934,134)
Series I	31,355	(104,861)
	<u>\$ (555,126)</u>	<u>\$ (4,620,032)</u>
<b>(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Unit (Note 12)</b>		
Series A	\$ (0.22)	\$ (0.88)
Series F	(0.13)	(0.87)
Series I	0.13	(0.43)

# Veritas Absolute Return Fund

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

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued*	Redemption of redeemable units*	Increase (Decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2023</b>					
Series A	\$ 6,375,788	\$ 164,477	\$ (1,253,543)	\$ (112,952)	\$ 5,173,770
Series F	45,825,281	9,542,874	(16,493,269)	(473,529)	38,401,357
Series I	2,736,229	48,500	(23,055)	31,355	2,793,029
	<u>\$ 54,937,298</u>	<u>\$ 9,755,851</u>	<u>\$ (17,769,867)</u>	<u>\$ (555,126)</u>	<u>\$ 46,368,156</u>

\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2023 were \$96,636 and \$(96,636), respectively.

	Net assets attributable to holders of redeemable units, beginning of year	Proceeds from redeemable units issued**	Redemption of redeemable units**	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2022</b>					
Series A	\$ 7,137,349	\$ 1,880,582	\$ (2,061,106)	\$ (581,037)	\$ 6,375,788
Series F	36,884,739	35,356,758	(22,482,082)	(3,934,134)	45,825,281
Series I	2,787,285	105,990	(52,185)	(104,861)	2,736,229
	<u>\$ 46,809,373</u>	<u>\$ 37,343,330</u>	<u>\$ (24,595,373)</u>	<u>\$ (4,620,032)</u>	<u>\$ 54,937,298</u>

\*\* Total proceeds from redeemable units relating to switch-ins and redemptions of redeemable units relating to switch-outs for the year ended December 31, 2022 were \$364,150 and \$(364,150), respectively.

# Veritas Absolute Return Fund

## Statement of Cash Flows

For the years ended December 31, 2023 and 2022

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Decrease in Net Assets Attributable to Holders of Redeemable Units	\$ (555,126)	\$ (4,620,032)
Adjustments for non-cash items		
Net realized (gain) loss on investments	(1,648,627)	5,079,089
Net change in unrealized depreciation (appreciation) in value of investments	2,392,756	(915,394)
Change in non-cash balances		
Decrease (increase) in dividends and interest receivable	9,929	(44,729)
Decrease in prepaid expense	—	1,691
(Decrease) increase in dividends payable on investments sold short	(15,109)	56,895
Increase in accounts payable and accrued liabilities	13,231	2,584
(Decrease) increase in management fees payable	(12,378)	12,438
Decrease in interest payable on investments sold short	(2,604)	(6,819)
Proceeds from sale of investments	224,378,449	375,935,189
Purchase of investments	(220,867,038)	(383,064,784)
Cash provided by (used in) operating activities	<u>3,693,483</u>	<u>(7,563,872)</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	9,653,694	36,985,365
Amount paid on redemption of redeemable units	(17,676,642)	(24,223,842)
Cash (used in) provided by financing activities	<u>(8,022,948)</u>	<u>12,761,523</u>
(Decrease) increase in cash at broker during the year	(4,329,465)	5,197,651
Foreign exchange loss on cash	(198,771)	(57,110)
Cash at broker, beginning of year	<u>15,212,999</u>	<u>10,072,458</u>
<b>Cash at broker, end of year</b>	<b>\$ <u>10,684,763</u></b>	<b>\$ <u>15,212,999</u></b>
<b>Supplemental information*</b>		
Interest paid	\$ 14,267	\$ 20,464
Interest received	917,802	428,884
Dividends paid	478,208	482,556
Dividends received, net of withholding taxes	1,211,986	1,568,317

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



# Veritas Absolute Return Fund

## Schedule of Investment Portfolio

As at December 31, 2023

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equities</b>				
19,600	Agnico Eagle Mines Ltd.	\$ 1,410,018	\$ 1,423,941	3.07
80,500	Air Canada	1,471,693	1,504,545	3.24
12,200	Alimentation Couche-Tard Inc.	714,922	951,966	2.05
52,354	AltaGas Ltd.	1,291,639	1,456,488	3.14
37,400	Aritzia Inc.	942,656	1,028,500	2.22
25,182	Atco Ltd.	1,010,516	973,788	2.10
29,500	Bombardier Inc.	1,321,668	1,569,695	3.39
60,200	Canada Goose Holdings Inc.	941,101	947,548	2.04
5,900	Canadian National Railway Co.	896,986	982,645	2.12
16,200	Canadian Natural Resources Ltd.	1,268,071	1,406,322	3.03
18,800	Canadian Pacific Kansas City Ltd.	1,905,887	1,970,992	4.25
31,400	Capital Power Corp.	1,203,189	1,188,176	2.56
62,000	Cenovus Energy Inc.	1,594,741	1,368,960	2.95
405	Constellation Software Inc.	1,140,122	1,330,534	2.87
64,313	Element Fleet Management Corp.	1,258,405	1,386,588	2.99
25,000	Enbridge Inc.	1,164,629	1,192,500	2.57
2,900	George Weston Ltd.	442,964	477,050	1.03
10,029	goeasy Ltd.	1,092,907	1,585,184	3.42
27,300	Great-West Lifeco Inc.	1,144,462	1,197,378	2.58
16,443	Linamar Corp.	1,041,288	1,052,681	2.27
42,880	Lundin Gold Inc.	709,642	709,235	1.53
12,500	Magna International Inc.	903,768	978,625	2.11
53,000	Manulife Financial Corp.	1,375,002	1,551,840	3.35
66,388	Maple Leaf Foods Inc.	1,720,161	1,675,633	3.61
31,282	Martinrea International Inc.	376,307	448,584	0.97
53,790	Neighbourly Pharmacy Inc.	1,087,756	903,134	1.95
15,220	Quebecor Inc.	486,982	479,734	1.03
104,106	RioCan Real Estate Investment Trust	1,984,004	1,938,454	4.18
23,500	Rogers Communications Inc.	1,295,814	1,457,705	3.14
32,300	Suncor Energy Inc.	1,361,303	1,371,135	2.96
23,100	TC Energy Corp.	1,160,737	1,195,656	2.58
8,800	TFI International Inc.	1,406,604	1,586,112	3.42
18,300	Tourmaline Oil Corp.	1,236,967	1,090,497	2.35
28,700	Wheaton Precious Metals Corp.	1,771,357	1,876,119	4.05
		<u>40,134,268</u>	<u>42,257,944</u>	<u>91.12</u>
<b>U.S. equities</b>				
14,400	Restaurant Brands International Inc.	1,335,529	1,485,601	3.20
18,000	Shopify Inc.	1,802,279	1,851,535	3.99
		<u>3,137,808</u>	<u>3,337,136</u>	<u>7.19</u>
	<b>Total investments owned</b>	<b>43,272,076</b>	<b>45,595,080</b>	<b>98.31</b>

# Veritas Absolute Return Fund

## Schedule of Investment Portfolio (Cont'd)

As at December 31, 2023

Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian equities</b>				
(62,000)	Algonquin Power & Utilities Corp.	\$ (468,391)	\$ (518,320)	(1.12)
(16,900)	Boralex Inc.	(476,362)	(569,192)	(1.23)
(16,150)	Brookfield Asset Management Ltd.	(726,191)	(859,503)	(1.85)
(13,000)	Canadian Imperial Bank of Commerce	(698,316)	(829,400)	(1.79)
(6,500)	Canadian Tire Corp Ltd.	(982,200)	(914,680)	(1.97)
(15,000)	Canadian Western Bank	(418,481)	(463,050)	(1.00)
(10,100)	Emera Inc.	(458,623)	(508,030)	(1.10)
(11,400)	GFL Environmental Inc.	(452,781)	(521,094)	(1.12)
(68,823)	Innervex Renewable Energy Inc.	(730,570)	(632,483)	(1.36)
(25,500)	Saputo Inc.	(731,001)	(684,165)	(1.48)
(10,800)	SNC-Lavalin Group Inc.	(466,132)	(460,728)	(0.99)
(7,300)	Sun Life Financial Inc.	(478,600)	(501,656)	(1.08)
(12,000)	The Bank of Nova Scotia	(720,631)	(774,000)	(1.67)
(8,700)	The Toronto-Dominion Bank	(722,353)	(744,894)	(1.61)
(2,500)	WSP Global Inc.	(468,052)	(464,350)	(1.00)
		<u>(8,998,684)</u>	<u>(9,445,545)</u>	<u>(20.37)</u>
<b>U.S. equity</b>				
(3,200)	Franco-Nevada Corp.	(582,660)	(468,221)	(1.01)
<b>U.S. option</b>				
(8,300)	Shopify Inc. Call \$85 19JAN24	(7,981)	(7,891)	(0.02)
	<b>Total investments sold short</b>	(9,589,325)	(9,921,657)	(21.40)
	Commissions and other portfolio transaction costs	<u>(11,942)</u>	<u>—</u>	<u>—</u>
	<b>Net investments owned</b>	<b>\$ 33,670,809</b>	35,673,423	76.91
	<b>Other assets, net</b>		<u>10,694,733</u>	<u>23.09</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<b>\$ 46,368,156</b>	<b>100.00</b>

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 1. TRUST ORGANIZATION AND NATURE OF OPERATIONS

Veritas Absolute Return Fund (the "Fund") is an investment trust created under the laws of the Province of Ontario by a declaration of trust dated June 8, 2017 (the "Declaration of Trust") as amended and restated on October 1, 2019. Effective October 1, 2019, the Fund filed a simplified prospectus with the provincial regulatory authority to become an alternative mutual fund subject to National Instrument 81-102 Investment Funds ("NI 81-102") and changed its name to Veritas Absolute Return Fund. Veritas Asset Management Inc. is the Manager and Trustee (the "Manager" and "Trustee") of the Fund. The Fund commenced active operations on August 2, 2017. The address of the Fund's registered office is, 100 Wellington Street West, Suite 3110, Toronto, Ontario, M5K 1E7, Canada.

The investment objective of the Fund is to achieve attractive risk-adjusted rates of return that deliver long-term capital appreciation to unitholders. The Fund invests primarily in the securities of publicly traded Canadian companies that it identifies as mispriced. Long and short positions will be determined primarily based on recommendations provided by Veritas Investment Research Corporation (an affiliate of the Manager). The Fund may also invest in securities that are not formally covered by Veritas Investment Research Corporation. The Fund will manage its long and short positions to reduce the impact of market volatility on the portfolio.

### 2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). These financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value. These financial statements were authorized for issue by the Manager on February 23, 2024.

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

#### Current adoptions and accounting standards issued

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

#### Valuation of investments

The fair value of financial assets and financial liabilities traded in active markets (such as publicly traded derivatives and trading securities) is based on quoted market prices. 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.

#### Financial Instruments measured at fair value

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

**Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Financial Instruments measured at fair value (continued)

**Level 2** – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices and /or other observable factors); and

**Level 3** – Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2023 and 2022, all investments are classified at Level 1.

#### Classification

The Fund classifies its investments in equity securities and derivatives as financial assets and financial liabilities at FVTPL.

The Fund classifies and measures financial instruments in accordance with IFRS 9 Financial Instruments. Upon initial recognition, financial instruments are classified as FVTPL. All financial instruments are recognized in the Statement of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial instruments are derecognized when the right to receive cash flows from the instrument has expired or the Fund has transferred substantially all risks and rewards of ownership. Regular purchases and sales of financial assets are recognized at their trade date. Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statement of Comprehensive Income.

#### Recognition/derecognition

The Fund recognizes financial assets or financial liabilities on the trade date – the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Other financial assets are derecognized only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when, and only when, the Fund's obligations are discharged, cancelled or they expire.

#### Commissions and other portfolio transaction costs

Commissions and other portfolio transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Such costs are expensed and are included in "Commissions and other portfolio transaction costs" in the Statement of Comprehensive Income.

#### Cost of investments

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

#### Investment transactions and income recognition

Investment transactions are accounted for on the trade date. Interest income is accrued daily based on the stated coupon of the underlying instrument and dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

Realized gain (loss) on sale of investments and unrealized (depreciation) appreciation in investments is determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### Translation of foreign currency

The functional and presentation currency of the Fund is the Canadian dollar. The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rates prevailing at 4:00pm Eastern Time (the “closing rate”) on a day the Toronto Stock Exchange (“TSX”) is open (each, a “Valuation Date”). Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions. The effects of exchange rate fluctuations on investments are included in the ‘Net realized gain (loss) on sale of investments’ and ‘Net change in unrealized (depreciation) appreciation in value of investments’ in the Statement of Comprehensive Income.

#### Use of estimates

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund’s accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates.

#### Net Assets attributable to holders of redeemable units per unit

The Net Assets attributable to holders of redeemable units per unit is calculated by dividing the Net Assets attributable to holders of redeemable units of a particular series of redeemable units by the total number of redeemable units of that particular series outstanding at the end of the year.

#### (Decrease) Increase in Net Assets attributable to holders of redeemable units per unit

(Decrease) Increase in Net Assets attributable to holders of redeemable units per unit is based on the (decrease) increase in Net Assets attributable to holders of redeemable units attributed to each series of redeemable units, divided by the weighted average number of redeemable units outstanding of that series during the year. Refer to Note 12 for the calculation.

#### Other assets and liabilities

Dividends and interest receivable and subscription receivable are recorded at amortized cost. Dividends payable on investments sold short, accounts payable and accrued liabilities, management fees payable, interest payable on investments sold short and redemptions payable are classified as financial liabilities and reported at amortized cost. Financial liabilities are generally settled within three months of issuance. Other assets and liabilities are short-term in nature, and accordingly, the amortized cost approximates fair value.

#### Cash at broker

The Fund has a prime brokerage agreement with its broker to carry its accounts as a customer. The broker has custody of the Fund’s securities and, from time to time, cash balances which may be due from the broker.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### Classification of Fund units

The Fund has determined that its units do not meet the criteria to be classified as equity and accordingly has classified these as liabilities in the Statement of Financial Position.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 5. RELATED PARTY TRANSACTIONS

#### Management fees

The Manager receives a management fee payable by the Fund for providing its services to the Fund. The management fee varies for each series of units. The management fee is calculated and accrued daily based on a percentage of the net asset value of the series of units of the Fund, plus applicable taxes, and is payable on the last day of each calendar month. The management fee for each of the applicable series of Units is as follows:

- Series A: 2.50% per annum of the net asset value of Series A Units of the Fund calculated daily and payable on the last business day of the month.
- Series F: 1.50% per annum of the net asset value of Series F Units of the Fund calculated daily and payable on the last business day of the month.
- Series I: Negotiated between the investor and the Manager and paid directly by the investor. The management fee rate on the Series I units will not exceed the management fee payable on Series F units of the Fund.

#### Expense reimbursement

Expense reimbursement by the Manager during the year ended December 31, 2023 amounted to \$nil (2022: \$5,259), out of which \$nil was receivable as of December 31, 2023 (2022: \$nil).

#### Ownership

As December 31, 2023, 115,313 units (2022: 113,897) of Series F were owned by parties related to the Manager. As at December 31, 2023, 231,109 units (2022: 233,027) of Series I were owned by parties related to the Manager.

### 6. REDEEMABLE UNITS OF THE FUND

The Fund is authorized to issue an unlimited number of redeemable units in an unlimited number of series, each of which represents an equal, undivided, beneficial interest in the Net Assets of the Fund. Each unit of each series entitles the holder to one vote and to participate equally with respect to any and all distributions made by the Fund.

The Fund has created Series A, Series F units and Series I units. Series A units are available to all investors. Series F units are available to investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager does not incur distribution costs. Series I units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager.

The minimum initial investment in Series A and Series F units of the Fund is \$5,000, while the minimum initial investment in Series I units is negotiable between the investor and the Manager. The minimum subsequent investment in the Series A and Series F units of the Fund is \$500 unless bought through a pre-authorized contribution plan, in which case, the minimum subsequent investment is \$100. These minimum investment amounts may be adjusted or waived in the discretion of the Manager.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

### 6. REDEEMABLE UNITS OF THE FUND (continued)

Units of the Fund can be purchased or redeemed on a daily basis on or before 4:00 p.m. (Eastern Time) on any Valuation Day (each, a "Purchase Date" or a "Redemption date" as the case may be). The issue price of the units is based on the unit price for that particular series on the Purchase Date. If a purchase order or a redemption order is received by the Manager before 4:00 p.m. ET on a Purchase Date or a Redemption Date as the case may be, then it is processed at the unit price calculated later that day. Otherwise, the order will be processed at the unit price calculated on the next Purchase Date or Redemption Date as applicable. The Manager may process orders at an earlier time if the TSX closes for trading earlier on a particular day. Orders received after that earlier closing time would be processed on the next Purchase Date or Redemption Date as applicable. Redemption proceeds are paid within two business days after the relevant Redemption Date.

If an investor redeems Series A or Series F units of the Fund within 120 days of purchasing such units, the Fund may deduct and retain, for the benefit of the remaining unitholders in the Fund, 5% of the net asset value of the Series of units being redeemed. The short-term trading fee will not apply in certain circumstances such as:

- redemptions of Series A or Series F units purchased by the reinvestment of distributions;
- for systematic withdrawal plans;
- redesignation of Series A or Series F units from one series to another Series of the Fund;
- redemptions initiated by the Manager or where redemption notice requirements have been established by the Manager; or
- in the absolute discretion of the Manager.

The Fund will distribute its net income and net realized capital gains to unitholders at least annually. All such amounts will be automatically reinvested, without charge, in additional units of the Fund at the unit value calculated on the date of distribution.

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

	Redeemable Units, beginning of year	Redeemable Units Issued	Redemptions of Redeemable Units	Redeemable Units, end of year
<b>December 31, 2023</b>				
Series A	558,247	14,871	(113,070)	460,048
Series F	3,956,326	843,607	(1,465,848)	3,334,085
Series I	241,955	4,362	(2,063)	244,254
<b>December 31, 2022</b>				
Series A	586,402	152,939	(181,094)	558,247
Series F	3,017,959	2,889,922	(1,951,555)	3,956,326
Series I	237,538	8,894	(4,477)	241,955

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 6. REDEEMABLE UNITS OF THE FUND (continued)

#### Capital disclosure

The capital of the Fund is represented by issued and redeemable units. The units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's Net Asset Value per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units. In accordance with its investment objectives and strategies, and the risk management practices outlined in Note 7, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### 7. RISK MANAGEMENT

In the normal course of business, the Fund is exposed to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, the market and, company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objective and the type of securities it invests in.

The investment objective of the Fund is to achieve attractive risk-adjusted rates of return that deliver long-term capital appreciation to unitholders. The Manager manages risk by employing professional and experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and securities regulations.

#### Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit risk exposure of the Fund.

All transactions executed by the Fund 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.

As of December 31, 2023 and 2022, the Fund had no significant investments in debt instruments. The Fund's maximum exposure to credit loss is \$46,547,241 (2022: \$55,136,654).

#### Liquidity Risk

Liquidity risk is defined as the risk that the Fund may not be able to settle or meet its obligation on time or at a reasonable price.

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed of. In addition, the Fund generally retains sufficient cash and cash equivalent positions to maintain liquidity.

The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading of derivatives. Financial liabilities are generally settled within three months.



# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 7. RISK MANAGEMENT (continued)

#### Interest Rate Risk

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

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

The majority of the Fund's financial assets and liabilities are non-interest bearing. Accordingly, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. As of December 31, 2023 and 2022, the Fund had no significant investments in debt instruments.

#### Other Price Risk

Other price risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

All investments represent a risk of loss of capital. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Fund's investment objective and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written call options and securities sold short can be unlimited. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

As of December 31, 2023, 77% (2022: 72%) of the Fund's Net Assets attributable to holders of redeemable units were invested in securities traded on North American stock exchanges. If security prices on the North American stock exchanges had increased or decreased by 10% as of the year end, with all other factors remaining constant, Net Assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$3,567,342 (2022: \$3,973,019). In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

#### Concentration Risk

A relatively high concentration of assets in a single or small number of issuers may reduce the diversification and liquidity of the Fund and increase its volatility. As a result of reduced liquidity, the Fund's ability to satisfy redemption requests may be reduced. It may also result in a concentration in specialized industries or market sectors. Investment in the Fund will therefore involve greater risk and volatility than investing in a mutual fund that has a broadly based investment portfolio since the performance of one particular industry or market could significantly and adversely affect the overall performance of the Fund.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

### 7. RISK MANAGEMENT (continued)

#### Concentration Risk (continued)

The following is a summary of the Fund's concentration risk as a percentage of the net assets of the Fund:

Market segment	Percentage of net assets attributable to holders of redeemable units	
	December 31, 2023	December 31, 2022
<b>Investments owned</b>		
Communication Services	4.2	7.5
Consumer Discretionary	9.9	10.7
Consumer Staples	7.2	8.8
Energy	16.4	14.8
Financials	3.3	0.9
Industrials	14.3	11.0
Information Technology	6.8	(0.6)
Materials	7.6	11.2
Real Estate	4.2	2.4
Utilities	3.0	5.5
Total net investments	76.9	72.2
Cash at broker	23.0	27.7
Other assets and liabilities	0.1	0.1
	100.0	100.0

#### Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash at broker) that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure, or to establish exposure to foreign currencies.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

### 7. RISK MANAGEMENT (continued)

#### Currency Risk (continued)

The table below summarizes the Fund's exposure to currency risk as of December 31, 2023 and 2022:

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2023</b>						
U.S. Dollar	\$ 4,876,763	\$ 2,861,024	\$ 7,737,787	\$ 243,838	\$ 143,051	\$ 386,889
	\$ 4,876,763	\$ 2,861,024	\$ 7,737,787	\$ 243,838	\$ 143,051	\$ 386,889
%						
of Net Assets						
Attributable to Holders						
of Redeemable Units	10.52	6.17	16.69	0.53	0.31	0.84

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2022</b>						
U.S. Dollar	\$ 5,677,259	\$ (977,876)	\$ 4,699,383	\$ 283,863	\$ (48,894)	\$ 234,969
	\$ 5,677,259	\$ (977,876)	\$ 4,699,383	\$ 283,863	\$ (48,894)	\$ 234,969
%						
of Net Assets						
Attributable to Holders						
of Redeemable Units	10.33	(1.78)	8.55	0.52	(0.09)	0.43

### 8. EXPENSES

The Manager has the power to incur and make payment out of the Fund property any charges or expenses which, in the opinion of the Manager, are necessary or incidental to, or proper for, carrying out any of the purposes of the Declaration of Trust, including without limitation all fees and expenses relating to the management and administration of the Fund. The Fund is responsible for any income or excise taxes and brokerage commissions on portfolio transactions.

# Veritas Absolute Return Fund

## Notes to Financial Statements

December 31, 2023

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### 9. INDEMNIFICATION OF THE TRUSTEE

The Fund, in its Declaration of Trust, has indemnified the Trustee, their principals and their respective affiliates from all claims that may arise for (i) mistakes of judgement or for action or inaction or for losses due to such mistakes, action or inaction so long as they acted honestly and not in bad faith and reasonably believed that their conduct was in the best interests of the Fund and (ii) losses due to mistakes of judgment or the action or omission of any broker or agent of the Trustee, selected, engaged or retained by the Trustee, the principals or their respective affiliates. There is no financial impact on indemnification of the Trustee.

### 10. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada). The Declaration of Fund provides that the Fund's net taxable income for each year, including net realized capital gains, is payable to its Unitholders in the year. Accordingly, the Fund is not liable for income tax in respect of its income and net realized gains for the year ended December 31, 2023. Foreign income received is subject to foreign withholding taxes.

As of the tax year December 31, 2023, the Fund had nil (2022: nil) non-capital and \$3,825,744 (2022: \$3,825,744) capital losses carried forward.

### 11. CAPITAL MANAGEMENT

The Fund's capital is its net assets, representing unitholder's equity. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength.

The Fund is not subject to any externally imposed capital requirements.

### 12. (DECREASE) INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER UNIT

The (decrease) increase in net assets attributable to holders of redeemable units per unit for the years ended December 31, 2023 and 2022 are calculated as follows:

	(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Series	Weighted Average of Redeemable Units Outstanding During the Year	(Decrease) Increase in Net Assets Attributable to Holders of Redeemable Units per Unit
<b>December 31, 2023</b>			
Series A	\$ (112,952)	514,843	\$ (0.22)
Series F	(473,529)	3,739,204	(0.13)
Series I	31,355	243,837	0.13
<b>December 31, 2022</b>			
Series A	\$ (581,037)	658,022	\$ (0.88)
Series F	(3,934,134)	4,509,328	(0.87)
Series I	(104,861)	242,607	(0.43)