



## Management Report of Fund Performance

For the period from March 10, 2022, (commencement of operations) to June 30, 2022

### **Waypoint Alternative Yield Fund**

The interim Management Report of Fund Performance contains Financial Highlights but does not contain the complete interim financial statements of the Investment Fund. You may obtain a copy of the interim financial statements at your request, and at no cost, by writing to us at 1133 Yonge St, Suite 603, Toronto, Ontario, M4T 2Y7, Canada, by calling us collect at 416.960.7690 or by visiting our website [www.waypointinvestmentpartners.com/funds](http://www.waypointinvestmentpartners.com/funds) or SEDAR at [www.sedar.com](http://www.sedar.com). Securityholders may also contact us using one of these methods to request a copy of the investment fund's interim financial report, proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure.

## **Forward-Looking Statements (“FLS”)**

The interim Management Report of Fund Performance may contain forward-looking statements. FLS means disclosure regarding possible events, conditions or results of operations that is based on assumptions about future economic conditions and courses of action, and includes any future-oriented financial information (“FOFI”) with respect to prospective results of operations, financial position or cash flows that is presented either as a forecast or a projection. FOFI is FLS about prospective results of operations, financial position or cash flows, based on assumptions about future economic conditions and courses of action.

FLS can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “target,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events or results or the actual performance of the Fund may differ materially from those reflected or contemplated in such forward-looking information and statements. Material risk factors that could affect actual results are identified under the heading “What are the Risks of Investing in the Fund?” in the Fund’s Simplified Prospectus. Investors are also cautioned that FLS is based on a number of factors and assumptions, including a Fund’s current plans, estimates, opinions and analyses made in light of its experience, current conditions and expectations of future developments, as well as other relevant factors. Before making any investment decisions, we encourage you to consider these and other factors carefully. All opinions contained in forward-looking statements are subject to change without notice and are provided in good faith but without legal responsibility.

# WAYPOINT ALTERNATIVE YIELD FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – June 30, 2022

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This interim Management Report of Fund Performance represents the portfolio management team's view of the significant factors and developments affecting the investment fund's performance and outlook for the period ended June 30, 2022. Every effort has been made to ensure the information contained in this Management Report of Fund Performance is accurate and complete, however, the investment fund cannot guarantee the accuracy or the completeness of this material. For more information, please refer to the Waypoint Alternative Yield Fund's Declaration of Trust. In this report, "Manager" refers to Waypoint Investment Partners Inc., the Manager of the Fund. The "Fund" refers to the Waypoint Alternative Yield Fund. In addition, "net asset value" or "NAV" refers to the value of the Fund as calculated for transaction purposes on which the discussion of Fund performance is based. All dollar figures are reported in Canadian dollars.

### Investment Objective and Strategies

The Fund's objective is to provide income and long term capital appreciation by investing primarily in equity securities of companies in Canada and the U.S. and higher-yielding, income-oriented securities. The Fund will use alternative investment strategies including borrowing for investment purposes and the use of derivatives including options trading to seek to manage market volatility. The Fund's aggregate exposure to leverage through these strategies will not exceed 300% of its NAV, measured on a daily basis. The Fund is subject to certain standard investment restrictions and practices contained in securities legislation, including NI 81-102.

### Risk

The risks associated with investing in the Fund remain as discussed in the simplified prospectus. The Fund is suitable for someone who is looking for low to medium risk, diversified portfolio of alternative investment strategies to hold as part of their balanced portfolio and has a medium to longer term investment horizon.

For the period ended June 30, 2022, there were no changes affecting the overall level of risk associated with an investment in the Fund; therefore, the overall level of Fund risk and investor risk tolerance remains as stated in the Prospectus.

The financial information contained within this report is based on and includes estimates and assumptions made by management that affect the reported amount of assets, liabilities, income and expenses during the reporting period. The COVID-19 virus is a fading risk to the global recovery and the extent of the continuing impacts from the COVID-19 outbreak on the Fund's operations and performance remains uncertain and difficult to predict. The ultimate economic fallout from the on-going pandemic and the long-term impact on economies, markets, industries and individual companies remain uncertain. The extent of the impact to the financial performance and the operations of the Fund will depend on future developments, which are highly uncertain and cannot be predicted.

The conflict between Russia and Ukraine that started on February 24, 2022, could have an impact on the Fund's net asset value. Although the Fund does not have any direct investments in these countries involved in the conflict, fluctuations in the Fund's net asset value could arise from general market fluctuations caused by the instability of the conflict, its impact on global economy and general investor sentiment and confidence.

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### Results of Operations

The Fund's benchmark is a blend of the following four reference indices:

50.0% S&P/TSX Composite Dividend Index

25.0% Bloomberg Canada Aggregate Total Return Index Unhedged CAD

12.5% Bloomberg US Corporate High Yield Bond Index

12.5% S&P/TSX Preferred Share Total Return Index

As a result of higher-than-normal cash levels held by the Fund, the Fund had lower exposure to the reference indices mentioned above vs the benchmark construct. It is important to note that the NAV of the Fund reflects the effect of fees and expenses for professional management, while the benchmark does not have such costs.

The net asset value of the Fund was \$2,718,653 on June 30, 2022, reflecting the capital raising during the period and the changes in NAV due to valuations of the Fund's investments. The Fund had no distributions for the period ended June 30, 2022.

The first half of the year was a volatile period for global markets as global central banks began to rapidly raise interest rates to combat elevated levels of global inflation. The unprecedented pace of rate increases and removal of liquidity had two negative impacts on global markets – first, the rise in rates caused significant revaluation of assets (as measured by the multiple paid on a company's earnings) and second it created a risk off/flight to safety environment as investors high graded their portfolios to offset extreme levels of uncertainty. The portfolio manager's strategy to navigate this period of heightened volatility was to carry above average cash levels and tactically deploy capital when opportunities arose. This was a successful outcome for the Fund as it had significantly lower drawdown than the broader indices.

What started off as one of the worst starts to the year to the equities and fixed income markets saw a quick rebound in July and August as the markets staged a strong rally after a significant selloff. The S&P 500 and NASDAQ for example has recovered half of its losses while the more risk/small-cap Russel 2000 recovered nearly 60%. The high-yield market has rallied slightly more than 6% while spreads have tightened by over 100 basis points down to 432 bps. During the market drawdown, the portfolio managers were able to identify numerous investment opportunities in equities, high yield and option markets. As a result, the portfolio managers deployed portion of their Fund's cash balance.

# WAYPOINT ALTERNATIVE YIELD FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

Financial Highlights – June 30, 2022

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### Results of Operations (continued)

As prescribed by NI 81-102, the aggregate gross exposure of the Fund, to be calculated as the sum of the following, must not exceed three times the Fund's net asset value: (i) the amount of cash borrowed for investment purposes; (ii) the aggregate market value of physical short sales on equities, fixed income securities or other portfolio assets; and (iii) the aggregate notional value of the Fund's specified derivatives positions excluding any specified derivatives used for hedging purposes.

During the period ended June 30, 2022, the Fund's lowest and highest aggregate gross exposure was 0% and 17.9% of the Fund's NAV respectively. As at June 30, 2022, the Fund's aggregate gross exposure was 17.9% of the Fund's NAV. The primary source of leverage was written options. The low and high end of the range are as a result of our investing activities, and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the simplified prospectus.

The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than three times the Fund's net asset value.

### Recent Developments

As we wait for this transition/adjustment to happen, the portfolio managers are cautiously optimistic and continue to find opportunities to leg into the respective markets in which the Fund invests. We continue to look for companies that are trading at reasonable valuations with reasonable growth expectations and built-in resiliency to economic uncertainty.

The Fund continues to hold above-average cash levels to protect against the near-term volatility as the portfolio manager waits for a better overall entry point into the Fund's targeted investments. Having said that, there are several high-quality companies that already reflect attractive valuation, reasonable estimates for the current environment, solid balance sheets with decent dividends yields and low payout ratios. On the high yield side, the Fund is buying positions in stable cash-flowing companies where there is a better risk/reward proposition versus buying their equity.

The Fund has remained active in its options strategy, taking advantage of volatility where and when it can by selling puts on the overall market. Thus far, the Fund has been able to maintain an elevated cash position while earning significant income from selling puts priced 8-10% out-of-the-money but attractively yielding around 10% annualized yields. Although volatility has retreated of late, thus reducing prospective premiums from these derivatives, the Fund will continue to pursue this yield enhancement strategy where opportunity exists.

As mentioned above, the portfolio managers believe we have reached peak inflation, however; the risk remains that inflation can still stay elevated by historical measures. They believe there is enough evidence to show that the overall levels, or at least second derivative, will decline. As we reach peak inflation, the portfolio managers believe rates across the curve may be nearing an apex and the next worry would be a flight to safety as overall estimates roll off as the impending recession is reflected. The Fund has bought a position in the TLT/US, which the portfolio managers believe provides a good hedge and/or near-term money-making opportunity.

The Fund may also take on a little bit more duration, while managing credit risk for the fixed income portion of the portfolio. Having said that, the Fund has added a few new positions in some infrastructure names during the period.

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### Related Party Transactions

#### Management fees:

The Fund pays the Manager a monthly management fee for providing its services to the Fund. Redeemable units of the Fund, other than Series I units, are charged annual management fees equal to the following percentages of the Series NAV of the said Series of the Fund, calculated and accrued on each Valuation Date and payable monthly:

Series A	1.75%
Series A – T	1.75%
Series F	1.00%
Series F – T	1.00%
Series I Negotiated by the investor and paid directly by the investor.	Nil

For the period ended June 30, 2022, management fees paid by the Fund totalled \$1,164.

#### Performance fees:

The Manager receives a performance fee in respect of Series A, Series A-T, Series F and Series F-T units of the Fund, which is calculated and accrued for each such Series each business day during the relevant Performance Fee Determination Period (as defined below). The Fund will pay the Manager a performance fee plus applicable taxes for each Performance Fee Determination Period equal to 15% of the Net Profit (in excess for 4% for each calendar year) of each of the applicable Series of units, subject to the High-Water Mark (as defined below).

The “Performance Fee Determination Period” means (i) each calendar quarter for those investors that remain in the Fund at the end of the calendar quarter and (ii) the period from the beginning of a calendar quarter until the redemption date for those investors that redeem prior to the end of the calendar quarter. “Net Profit” means, in respect of each Series of units of the Fund for any Performance Fee Determination Period, the amount calculated by deducting the relevant Series NAV per unit on the first business day of that Performance Fee Determination Period from the Series NAV per unit on the last business day of that Performance Fee Determination Period and multiplying the resulting amount by the total number of units of such Series outstanding at the close of business on the last business day in that Performance Fee Determination Period. “High-water Mark” means, in respect of each Series of units of the Fund, the highest Series NAV per unit in respect of which a performance fee has been previously paid for that Series, or the initial offering price of the units of such Series if no performance fee has yet been paid in respect of such Series.

No performance fee shall be paid in respect of a Series unless the Series NAV per unit exceeds the High-water Mark for that Series and, in such circumstances, a performance fee shall only be paid on that portion of the Net Profit that exceeds the High-Water Mark. The Manager may make such adjustments to the NAV and/or the calculation of the performance fee as may be determined by the Manager to be necessary to account for the payment of any distributions on units, any unit splits or consolidations or any other event or matter that would, in the opinion of the Manager, impact upon the calculation of the performance fees.

During the period ended June 30, 2022, performance fees paid by the Fund were \$189.

# WAYPOINT ALTERNATIVE YIELD FUND

## MANAGEMENT REPORT OF FUND PERFORMANCE

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### Financial Highlights

The following tables show selected key financial information about the Series A, Series A-T, Series F, Series F-T and Series I units of the Fund, and are intended to help you understand the Fund's financial performance for the period ended June 30, 2022.

#### The Fund's Net Assets Attributable to Holders of Redeemable Units per Unit <sup>(1)</sup>

	June 30, 2022	
	Series F	Series I
<b>Net assets attributable to holders of redeemable units, beginning of period <sup>(1)(2)</sup></b>	<b>\$10.00</b>	<b>\$10.00</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units:</b>		
Total revenue	0.06	0.06
Total expenses	(0.05)	(0.01)
Realized gains for the period	0.02	0.02
Unrealized losses for the period	(0.37)	(0.38)
<b>Total decrease in net assets attributable to holders of redeemable units <sup>(3)</sup></b>	<b>(0.34)</b>	<b>(0.31)</b>
<b>Net assets attributable to holders of redeemable units, end of period <sup>(3)</sup></b>	<b>9.66</b>	<b>9.69</b>

#### Ratios and Supplemental Data

Total Net Asset Value <sup>(4)</sup>	\$	309,453	\$	2,409,200
Number of units outstanding <sup>(4)</sup>		32,051		248,535
Management expense ratio <sup>(5)</sup>		1.61%		0.30%
Management expense ratio before absorptions <sup>(5)</sup>		7.59%		6.28%
Management expense ratio before performance fees <sup>(5)</sup>		1.43%		0.30%
Trading expense ratio <sup>(6)</sup>		0.00%		0.00%
Portfolio turnover rate <sup>(7)</sup>		7.85%		7.85%
<b>Net Asset Value per Unit</b>		<b>\$9.66</b>		<b>\$9.69</b>

#### Notes:

- (1) This information is derived from the Fund's unaudited interim financial statements for June 30, 2022, and is not a reconciliation of beginning and ending net assets per unit.
- (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 year.
- (3) Distributions were paid in cash or automatically reinvested in additional units of the Fund, or both.
- (4) This information is provided as at June 30, 2022.
- (5) Management expense ratio is based on total expenses (excluding distributions, commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average NAV during the period. During the period ended June 30, 2022, the Manager absorbed \$55,075 in expenses that would have otherwise been charged to the Fund. For the period ended June 30, 2022, the MER of each series had these expenses not been absorbed by the Manager would have been as follows:  
Series: F – 7.59%, I – 6.28%  
The Manager will continue this practice until such time as the Fund is of a size to absorb such expenses while maintaining its MER at a competitive level.
- (6) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average NAV during the year. Included in the trading expense ratio are any forward fees.
- (7) The Fund's portfolio turnover rate indicates how actively the Fund's advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in the period, the greater the trading costs payable by the fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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	<u>June 30, 2022</u>	
	<b>Series F</b>	<b>Series I</b>
MER excluding performance fees	1.43%	0.30%
MER excluding performance fees and sales tax	1.43%	0.30%

The benchmark for the Fund is a blend of S&P/TSX Composite Total Return Index, Bloomberg Canada Aggregate Total Return Index, Bloomberg US Corporate High Yield Bond Index and S&P/TSX Preferred Share Total Return Index. S&P/TSX Composite Total Return Index is the headline index for the Canadian Equity market. It is the broadest in the S&P/TSX family and is the basis for multiple sub-indices including but not limited to Equity Indices, Income Trust Indices, Capped Indices, GICS Indices and Market Cap based Indices.<sup>1</sup>

<sup>1</sup>“S&P/TSX Composite Total Return Index.” S&P Dow Jones Indices by S&P Global. Web. June 30, 2022

### **Year-by-year returns:**

This information is not available because units of the Fund have not been distributed under a prospectus for a full calendar year.

### **Annual compound returns:**

This information is not available because units of the Fund have not been distributed under a prospectus for a full calendar year.



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### Summary of Investment Portfolio as at June 30, 2022

The following table shows selected key financial information about the Fund and is intended to assist in the understanding of the Fund's financial performance for the period ended June 30, 2022:

By Country/ Region	Percentage of Total Net Asset value
Canadian Securities	38.85%
U.S. Securities	6.48%

By Asset Type	Percentage of Total Net Asset value
Equities	25.25%
Cash	54.54%
Other Net Assets (Liabilities)	0.30%
Fixed income	19.92%

By Industry long position	Percentage of Total Net Asset value
Communications	11.37%
Consumer, Cyclical	6.54%
Consumer, Non-cyclical	5.16%
Energy	4.18%
Financial	4.24%
Funds	4.08%
Industrial	6.67%
Utilities	3.09%

Top 25 Long Position Holdings	Percentage of Total Net Asset value
Cash And Other Net Assets (Liabilities)	54.84%
Rogers Communications Inc. 5% 17DEC81	6.70%
AutoCanada Inc. 5.75% 07FEB29	6.54%
iShares 20+ Year Treasury Bond ETF	4.08%
Parkland Corp. 6% 23JUN28	3.46%
Corus Entertainment Inc. 6% 28FEB30	3.21%
Northland Power Inc.	1.64%
K-Bro Linen Inc.	1.62%
Neo Performance Materials Inc.	1.58%
Ag Growth International Inc.	1.49%
Bird Construction Inc.	1.47%
Savaria Corp.	1.45%
Aecon Group Inc.	1.41%
Granite Real Estate Investment Trust	1.41%
Boralex Inc.	1.18%
Flagship Communities REIT	1.09%
LifeWorks Inc.	0.85%
BCE Inc.	0.81%
Evertz Technologies Ltd.	0.72%
Polaris Infrastructure Inc.	0.72%
Information Services Corp.	0.70%
BSR Real Estate Investment Trust	0.67%
Ares Capital Corp.	0.64%
TELUS Corp.	0.63%
Element Fleet Management Corp.	0.54%

By Industry short position	Percentage of Total Net Asset value
Funds	-0.17%

All Short Position Holdings	Percentage of Total Net Asset value
SPDR S&P 500 ETF Trust Put \$340 19AUG22	-0.10%
SPDR S&P 500 ETF Trust Put \$360 15JUL22	-0.07%

The "Top 25 Holdings" of the Fund, as a percentage of Net Asset Value of the Fund, have been presented in accordance with National Instrument 81-106. The Investment Portfolio may change due to ongoing portfolio transactions of the Fund. Quarterly updates of the Investment Portfolio are available within 60 days of each quarter end.