

BG Sustainable Bond Fund

Financial Statements

December 31, 2023 and December 31, 2022



Independent auditor's report

To the Unitholders and Trustee of BG Sustainable Bond Fund (the Fund)

Our opinion

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 year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022 in accordance with IFRS Accounting Standards.

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2023 and 2022;
- the statements of comprehensive income for the the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022;
- the statements of changes in net assets attributable to holders of redeemable units for the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022;
- the statements of cash flows for the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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 report.

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

Independence

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

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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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 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.

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 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 these 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.

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.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
May 9, 2024

BG Sustainable Bond Fund
Statements of Financial Position
As at December 31, 2023 and December 31, 2022

	2023	2022
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	38,657	34,991
Financial assets at fair value through profit or loss*	1,116,507	769,116
Unrealized gain on foreign currency forward contracts	3,776	-
Accrued interest	7,921	5,269
	<u>1,166,861</u>	<u>809,376</u>
Liabilities		
Current liabilities		
Accrued liabilities	42	31
Unrealized loss on foreign currency forward contracts	-	65
	<u>42</u>	<u>96</u>
Net Assets Attributable to Holders of Redeemable Units	<u>1,166,819</u>	<u>809,280</u>
Net asset per unit	10.29	9.94
*Financial assets at average cost	1,084,579	773,751

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

BG Sustainable Bond Fund

Statements of Comprehensive Income

For the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022

	2023 \$	2022 \$
Income		
Net gains (losses) on financial instruments at fair value through profit or loss		
Interest for distribution purposes	38,846	14,587
Net realized gain (loss) on sale of investments	(2,699)	1,593
Net realized gain (loss) on foreign currency forward contracts	(2,624)	(1,810)
Change in unrealized appreciation (depreciation) in the value of investments	36,563	(4,635)
Change in unrealized appreciation (depreciation) in the value of foreign currency forward contracts	3,840	(65)
Net gains (losses) on financial instruments at fair value through profit or loss	73,926	9,670
Other income		
Net realized gain (loss) on foreign currency transactions	(300)	(185)
Total income	<u>73,626</u>	<u>9,485</u>
Expenses		
Administrative fees	<u>462</u>	<u>205</u>
Total expenses	<u>462</u>	<u>205</u>
Increase (decrease) in net assets attributable to holders of redeemable units for the year	<u>73,164</u>	<u>9,280</u>
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.71	0.12

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

BG Sustainable Bond Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

For the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022

	2023 \$	2022 \$
Net assets attributable to holders of redeemable units - Beginning of year	809,280	-
	<u>809,280</u>	<u>-</u>
Increase (decrease) in net assets from operations for the year	73,164	9,280
	<u>73,164</u>	<u>9,280</u>
Distributions to unitholders		
From net investment income	(38,563)	(14,487)
Capital transactions		
Proceeds from issue	284,450	800,000
Proceeds from reinvestments of distributions	38,563	14,487
Payments on redemption	(75)	-
	<u>322,938</u>	<u>814,487</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>357,539</u>	<u>809,280</u>
Net assets attributable to holders of redeemable units - End of year	<u>1,166,819</u>	<u>809,280</u>

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

BG Sustainable Bond Fund

Statements of Cash Flows

For the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022

	2023 \$	2022 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	73,164	9,280
Adjustments for		
Net realized (gain) loss on sale of investments	2,699	(1,593)
Change in unrealized (appreciation) depreciation in the value of investments	(36,563)	4,635
Change in unrealized (appreciation) depreciation in the value of foreign currency forward contracts	(3,840)	65
Purchases of investments	(1,860,145)	(1,003,124)
Proceeds from sale of investments	1,546,617	230,966
(Increase) decrease in accrued interest	(2,652)	(5,269)
Increase (decrease) in accrued liabilities	11	31
Net cash from (used in) operating activities	<u>(280,709)</u>	<u>(765,009)</u>
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	284,450	800,000
Redemption of redeemable units	(75)	-
Net cash from (used in) financing activities	<u>284,375</u>	<u>800,000</u>
Net increase (decrease) in cash and cash equivalents	3,666	34,991
Cash and cash equivalents - Beginning of year	<u>34,991</u>	<u>-</u>
Cash and cash equivalents - End of year*	<u>38,657</u>	<u>34,991</u>
*Cash and cash equivalents include		
Cash at banks	38,657	34,991
Short-term investments	-	-
	<u>38,657</u>	<u>34,991</u>
Supplemental information		
Cash flows from operations include:		
Interest received	36,194	9,318

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

BG Sustainable Bond Fund

Schedule of Investment Portfolio

December 31, 2023

Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
Canadian Bonds						
Federal Bonds						
67,000	Canadian Government Bond	1.75	1-Dec-53	47,762	50,350	4.31
15,000	Canadian Government Bond	5.00	1-Jun-37	17,945	18,065	1.55
25,000	Canadian Government Bond	3.25	1-Dec-33	23,782	25,326	2.17
15,000	Canadian Government Bond	2.75	1-Jun-33	14,066	14,579	1.25
2,000	Canadian Government Bond	1.25	1-Jun-30	1,725	1,787	0.15
5,000	Canadian Government Bond	1.00	1-Jun-27	4,583	4,639	0.40
23,000	Canadian Government Bond	1.00	1-Sep-26	21,377	21,567	1.85
4,000	International Bank for Reconstruction & Development PSP Capital Inc.	0.63	14-Jan-26	3,609	3,733	0.32
38,000		2.60	1-Mar-32	34,276	35,008	3.00
				169,125	175,054	15.00
Provincial Bonds						
29,000	First Nations Finance Authority	2.85	1-Jun-32	26,118	27,029	2.32
30,000	Province of Alberta	3.10	1-Jun-50	25,419	25,491	2.18
30,000	Province of British Columbia	2.95	18-Jun-50	24,200	24,950	2.14
16,000	Province of Ontario	1.90	2-Dec-51	9,850	10,563	0.91
47,000	Province of Ontario	3.50	2-Jun-43	41,104	43,639	3.74
19,000	Province of Ontario	4.70	2-Jun-37	20,408	20,514	1.76
66,000	Province of Ontario	3.65	2-Jun-33	64,086	65,381	5.60
20,000	Province of Ontario	2.70	2-Jun-29	18,366	19,207	1.65
10,000	Province of Quebec	3.50	1-Dec-48	8,925	9,221	0.79
29,000	Province of Quebec	3.50	1-Dec-45	26,425	26,788	2.30
13,000	Province of Quebec	3.60	1-Sep-33	12,325	12,838	1.10
58,000	Province of Quebec	3.90	22-Nov-32	57,152	58,970	5.04
40,000	South Coast British Columbia Transportation Authority	2.65	29-Oct-50	28,760	29,838	2.56
				363,138	374,429	32.09
Municipal Bonds						
10,000	City of Toronto			9,368	10,139	0.87
				9,368	10,139	0.87
Corporate Bonds						
20,000	407 International Inc.	6.47	27-Jul-29	22,207	22,178	1.90
8,000	AltaGas Ltd.	7.35	17-Aug-82	7,913	7,953	0.68
10,000	AltaGas Ltd.	4.12	7-Apr-26	9,734	9,904	0.85
9,000	ARC Resources Ltd.	2.35	10-Mar-26	8,297	8,583	0.74
9,817	Athabasca Indigenous Midstream LP	6.07	5-Feb-42	9,815	10,386	0.89
9,000	Bank of Nova Scotia	5.68	2-Aug-33	8,999	9,246	0.79
35,000	Bank of Nova Scotia	5.50	29-Dec-25	34,975	35,525	3.03
15,000	Bell Canada	4.55	9-Feb-30	14,940	15,104	1.29
5,000	Bell Canada	5.25	15-Mar-29	4,995	5,215	0.45

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Schedule of Investment Portfolio

December 31, 2023

	Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
	10,000	Bell Canada	3.60	29-Sep-27	9,619	9,756	0.84
	19,000	Brookfield Renewable Partners ULC	5.29	28-Oct-33	18,911	19,545	1.68
	3,000	Canadian Imperial Bank of Commerce	5.35	20-Apr-33	2,997	3,038	0.26
	14,000	Canadian Imperial Bank of Commerce	5.00	7-Dec-26	13,999	14,192	1.22
	6,000	Canadian Tire Corp Ltd.	5.37	16-Sep-30	6,000	6,284	0.54
	10,000	Capital Power Corp.	7.95	9-Sep-82	9,978	9,830	0.84
	15,000	Capital Power Corp.	5.38	25-Jan-27	14,999	15,255	1.31
	4,000	Capital Power Corp.	4.99	23-Jan-26	4,029	3,991	0.34
	10,000	Chartwell Retirement Residences	6.00	8-Dec-26	9,992	10,130	0.87
	10,000	Chip Mortgage Trust	1.74	15-Dec-25	8,978	9,317	0.80
	13,000	CU Inc.	4.95	18-Nov-50	13,468	14,023	1.20
	10,000	Enbridge Inc.	8.75	15-Jan-84	10,000	10,790	0.92
	4,000	Enbridge Inc.	6.63	12-Apr-78	3,959	3,946	0.34
	10,000	Enbridge Inc.	3.10	21-Sep-33	7,989	8,647	0.74
	5,000	Fédération des caisses Desjardins du Québec	5.47	17-Nov-28	5,000	5,213	0.45
	9,000	Fédération des caisses Desjardins du Québec	1.59	10-Sep-26	7,967	8,395	0.72
	10,000	Granite REIT Holdings LP	6.07	12-Apr-29	10,000	10,593	0.91
	1,000	Hydro One Inc.	4.16	27-Jan-33	995	1,001	0.09
	20,000	Hydro One Inc.	2.77	24-Feb-26	19,085	19,435	1.67
	7,000	Inter Pipeline Ltd.	2.73	18-Apr-24	6,772	6,943	0.60
	4,000	Keyera Corp.	3.96	29-May-30	3,581	3,805	0.33
	10,000	Lower Mattagami Energy LP	4.85	31-Oct-33	10,000	10,499	0.90
	9,000	Lower Mattagami Energy LP	2.31	21-Oct-26	8,376	8,542	0.73
USD	7,000	MEG Energy Corp.	7.13	1-Feb-27	9,445	9,386	0.80
	10,000	National Bank of Canada	1.53	15-Jun-26	8,914	9,347	0.80
	15,000	Northland Power Inc.	9.25	30-Jun-83	14,852	15,610	1.34
	10,000	RioCan Real Estate Investment Trust	1.97	15-Jun-26	8,910	9,307	0.80
	10,000	Rogers Communications Inc.	5.80	21-Sep-30	9,993	10,621	0.91
	30,000	Royal Bank of Canada	4.50	24-Nov-80	28,340	28,574	2.45
	10,000	Royal Bank of Canada	4.63	1-May-28	9,935	10,084	0.86
	10,000	TELUS Corp.	4.95	28-Mar-33	9,848	10,124	0.87
	5,000	TELUS Corp.	5.00	13-Sep-29	4,978	5,132	0.44
	10,000	TELUS Corp.	3.35	1-Apr-24	9,868	9,949	0.85
	3,000	The Toronto-Dominion Bank	7.28	31-Oct-82	3,000	3,001	0.26
	7,000	The Toronto-Dominion Bank	5.38	21-Oct-27	6,925	7,222	0.62
	10,000	The Toronto-Dominion Bank	5.42	10-Jul-26	10,000	10,218	0.88
USD	30,000	The Toronto-Dominion Bank	0.75	11-Sep-25	36,193	36,925	3.15
	5,000	Videotron Ltd.	4.50	15-Jan-30	4,606	4,725	0.40
					504,376	517,489	44.35
		Total Canadian Bonds			1,046,007	1,077,111	92.31

BG Sustainable Bond Fund

Schedule of Investment Portfolio

December 31, 2023

Number of shares/units par value		Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
United States Bonds							
Corporate Bonds							
USD	6,000	Albertsons Cos Inc. / Safeway Inc. / New Albertsons L.P.	6.50	15-Feb-28	8,100	8,011	0.69
USD	10,000	Cheniere Energy Inc.	4.63	15-Oct-28	12,569	12,880	1.10
USD	4,200	Mileage Plus Holdings LLC / Mileage Plus Intellectual	6.50	20-Jun-27	5,604	5,558	0.48
Total United States Bonds					26,273	26,449	2.27
International Bonds							
	5,000	Heathrow Funding Ltd.	3.73	13-Apr-33	4,248	4,522	0.39
	9,000	Heathrow Funding Ltd.	2.69	13-Oct-27	8,051	8,425	0.72
Total International Bonds					12,299	12,947	1.11
Total Bonds					1,084,579	1,116,507	95.69
Transaction Costs					-		
Foreign Currency Forward Contracts (Schedule A)						3,776	0.32
Total Investments					1,084,579	1,120,283	96.01
Other Assets Net of Liabilities						46,536	3.99
Net Assets Attributable to Holders of Redeemable Units						1,166,819	100.00

Schedule A

Foreign Currency Forward Contract

Contracts	Counterparty	Credit Rating of the Counterparty	Settlement Date	Contract Rate (\$)	Pay	Receive	Unrealized Gain (Loss) (\$)
1	Toronto-Dominion Bank	A-1+	March 27, 2024	1.32	(1,000) US \$	1,327 CAD \$	10
1	Toronto-Dominion Bank	A-1+	January 31, 2024	1.32	(61,000) US \$	84,175 CAD \$	3,762
1	Toronto-Dominion Bank	A-1+	January 31, 2024	1.32	(1,000) US \$	1,322 CAD \$	4
Total Foreign Currency Forward Contract Value							3,776

BG Sustainable Bond Fund

Notes to Financial Statements

December 31, 2023 and December 31, 2022

1 General information

BG Sustainable Bond Fund (the Fund) is a unit trust created under the laws of the Province of Ontario on June 7, 2022. The address of the Fund's registered office is 20 Eglinton Avenue West, Suite 2000, Toronto, ON M4R 1K8. The financial statements are presented in Canadian dollars, which is also the Fund's functional currency.

Beutel, Goodman & Company Ltd. (the Manager) is the manager of the Fund and provides investment advisory services to the Fund.

The Fund is relying on an exemption in Section 2.11 of National Instrument 81-106 to not file its financial statements with the securities regulators. These financial statements were authorized for issue by the Manager on May 9, 2024.

2 Basis of presentation

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

3 Material Accounting Policy Information

The following summarizes the material accounting policy information of the Fund for the year ended December 31, 2023 and for the period from June 7, 2022 (commencement of operations) to December 31, 2022:

a) Financial instruments

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

Classification and measurement categories of financial instruments under IFRS 9 – Financial Instruments (IFRS 9) are amortized cost, fair value through other comprehensive income (FVOCI), and fair value through profit or loss (FVTPL).

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 therefore measures investments and derivatives at FVTPL. Debt securities are measured at FVTPL as the Fund does not expect to hold the assets to collect contractual cash flows based on its 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.

BG Sustainable Bond Fund

Notes to Financial Statements

December 31, 2023 and December 31, 2022

The Fund's obligation for net assets attributable to holders of redeemable units represents a financial liability and is measured at the redemption amount, which approximates fair value at the reporting date. All other financial assets and liabilities are measured at amortized cost.

Impairment

IFRS 9 requires that an entity recognize 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 will not be subject to the new impairment requirements.

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

b) 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 (such as marketable securities) is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for financial assets where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers between levels as at the reporting date.

The fair value of investments as at the financial reporting period end is determined as follows:

- i) Securities listed on a recognized public stock exchange are valued at their last prices on the valuation date. Securities with no available last prices are valued at the fair value as determined by the Manager.
- ii) Securities not listed on a recognized public stock exchange are valued using valuation techniques, on such basis and in such manner as established by the Manager.
- iii) Short-term notes and treasury bills are stated at amortized cost, which approximates fair value.

BG Sustainable Bond Fund

Notes to Financial Statements

December 31, 2023 and December 31, 2022

- iv) Bonds and other debt instruments are valued at the mean of bid-ask prices provided by recognized investment dealers.
- v) Investments in funds managed by the Manager (underlying funds) are valued at the underlying fund's NAV per unit as at the valuation date.

c) Redeemable units valuation and valuation day

Redeemable units of the Fund are valued at the net asset value per unit of the Fund on each valuation day. A valuation day can be any day of the week as the Manager may choose and the last day of each month. The net asset value per unit or unit valuation is determined by dividing the aggregate fair value of the net assets of a fund by the total number of units of that fund outstanding as at 4:00 p.m. Toronto time on the valuation day.

International Accounting Standard (IAS) 32 requires that units or shares of an entity, which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset, be classified as a financial liability. The Fund units include a contractual obligation to distribute any net income and net realized capital gains at least annually. The distributions are either reinvested or paid in cash at the request of the unitholder, therefore, they do not meet the criteria in IAS 32 for classification as equity.

d) Recognition of income

Interest for distribution purposes shown on the statements of comprehensive income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums or discounts received on the purchase of fixed income securities. Dividend and distribution income are accrued and recognized on the ex-dividend date. Any related withholding tax is recognized as an expense. Investment transactions are accounted for on the trade date. Realized and unrealized gains and losses on the sale of investments are determined by using average cost. Net realized gains (losses) on the sale of investments and the change in unrealized appreciation (depreciation) in the value of investments are allocated daily among the classes on a pro-rata basis to each class based on the relative net assets of each class to the total net assets of the Fund.

e) Transaction costs

Transaction costs are expensed and included in transaction costs in the statements of comprehensive income. 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 the agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

f) Foreign exchange

Foreign currency transactions are translated into the Fund's functional currency, the Canadian dollar, on the following bases:

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Notes to Financial Statements

December 31, 2023 and December 31, 2022

- i) Fair value of investments and other assets at the rate of exchange prevailing at the period-end date; and
- ii) Purchases and sales of investments, income and expenses at the rate of exchange prevailing on the respective dates of such transactions.
- iii) Realized and unrealized gains (losses) on foreign currency investments are included under “Net realized gain (loss) on sale of financial assets” in the Statements of Comprehensive Income.
- iv) Realized and unrealized gains (losses) on other foreign currency assets and liabilities are included under “Net realized gain (loss) on foreign currency transactions” in the Statements of Comprehensive Income.

g) Increase (decrease) in net assets attributable to holders of redeemable units per unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit of a class in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units attributable to a class, divided by the weighted average number of units of the class outstanding during the period.

h) 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. Estimates and assumptions by management may affect the reported amounts of assets, liabilities, income and expenses, realized and unrealized gains (losses) during the reported periods. Actual results could differ from estimates.

i) Cash and cash equivalents

Cash is comprised of demand deposits with financial institutions. The Fund classifies all short-term investments as cash equivalents due to their short term to maturity.

All cash is held with Royal Bank of Canada with a credit rating of A.

4 Financial instrument risk

Significant market disruptions, such as those caused by pandemics (e.g., COVID-19 pandemic), natural or environmental disasters, war (e.g., Russia’s invasion of Ukraine), acts of terrorism, or other events, can adversely affect local and global markets and normal market operations. Any such disruptions could have an adverse impact on the value of the Funds' investments and Funds' performance.

The Manager seeks to minimize potential adverse effects of risk on the Funds' performance by employing professional, experienced portfolio advisors; by daily monitoring of the Funds' positions and market events; by diversifying the investment portfolio within the constraints of the investment objectives; and by periodically using derivatives to economically hedge certain risk exposures.

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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, foreign currency risk and concentration 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 and market and company news related to specific securities within the Fund. The level of risk depends on the Fund's investment objectives and the type of securities it invests in.

Risk management

The investment objective of the Fund is to seek to earn a high rate of income return by investing primarily in fixed income securities of Canadian government and corporate issuers. The Fund invests primarily in a well-diversified portfolio of Canadian government and Canadian corporate bonds of various maturities. The bonds will usually have a credit rating of BBB or higher by a recognized rating agency. The Fund's portfolio turnover rate may exceed 70%. As a result, a unitholder may be more likely to receive distributions of income or capital gains, which must be included in the unitholder's income. A high portfolio turnover rate does not mean the Fund's performance will be higher. The Fund's overall management program seeks to minimize the potentially adverse effect of risk on the Fund's financial performance in a manner consistent with the Fund's investment objective.

Credit risk

When the Fund invests in fixed income securities (such as bonds), it is vulnerable to credit risk. Credit risk is the risk the government or company issuing a fixed income security will not be able to pay the interest as required or pay back the original principal. Fixed income securities that have a low credit rating have high credit risk. Investments in companies or markets with low credit risk (such as well-established companies or markets in developed countries) may be less volatile in the short term than investments in fixed income securities with higher credit risk.

As at December 31, 2023 and December 31, 2022, the Fund invested in debt instruments with the following credit ratings as designated by a recognized rating agency.

Debt instruments by credit rating	Percentage of debt instruments*	
	2023 %	2022 %
AAA	17	21
AA	32	22
A	22	23
BBB	24	25
BB or lower	5	9
	<hr/> 100	<hr/> 100

* Excludes cash and cash equivalents.

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Liquidity risk

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

The Fund may be exposed to daily cash redemptions of redeemable units. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed of.

As at December 31, 2023 and December 31, 2022, the Fund did not have significant exposure to liquidity risk. All liabilities of the Fund are due within 12 months.

Interest rate risk

The value of the Fund's investments in bonds, other fixed income securities and, to a lesser extent, preferred shares and dividend yielding common shares, is directly affected by changes in the general level of interest rates.

As interest rates increase, the price of these investments tends to fall. Conversely, if interest rates fall, the price of fixed income securities increases. As a result, the Fund's investments in certain fixed income securities can experience gains or losses as interest rates change.

Interest rate risk arises on interest bearing financial instruments.

Debt instruments by maturity date*

	2023	2022
	\$	\$
	(in thousands of dollars)	
1 - 3 years	236	106
3 - 5 years	97	132
Greater than 5 years	784	531
	1,117	769

* Excludes cash and cash equivalents.

As at December 31, 2023 and December 31, 2022, had prevailing interest rates raised or lowered by 0.25%, assuming a parallel shift in the yield curve, with all other variables held constant, net assets would have decreased or increased, respectively, by approximately \$21,415 and \$14,800 . The Fund's sensitivity to interest rate changes was estimated using the weighted average duration of the bond portfolio. In practice, actual trading results may differ from the above sensitivity analysis and the difference could be material.

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Other price risk

Other price risk is the risk 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 foreign currency risk).

All investments represent a risk of loss of capital. The Manager of the Fund moderates the risk through a careful selection and diversification of securities and other financial instruments within the limits of the Fund's investment objectives and strategy. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's overall market positions are monitored on a daily basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of instruments.

The impact on net assets of the Fund due to a 1% change in benchmark, using historical correlation between the Fund's return as compared to the return of the Fund's benchmark, as at December 31, 2023 and December 31, 2022, with all other variables held constant, is included in the following table. Regression analysis has been utilized to estimate the historical correlation. The analysis uses 36 data points based on the monthly net returns of the units of the Fund.

Benchmark	Impact on NAV (\$000)	
	2023	2022
FTSE Canada Universe Bond Index	12	8

The historical correlation may not be representative of the future correlation, and accordingly the impact on net assets may be materially different.

Foreign currency risk

The Fund's investments in securities denominated in currencies other than the currency of the Fund are vulnerable to foreign currency risk, which is the risk the value of a financial instrument will fluctuate due to changes in the foreign currency exchange rates. For example, a security traded in US dollars will fall in value, in Canadian dollar terms, if the US dollar declines in value relative to the Canadian dollar, even though there is no change to the US dollar value of the security. Conversely, if the Canadian dollar falls in value relative to the US dollar, there is a corresponding gain in the value of the security attributable solely to the change in the foreign currency exchange rate.

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Currencies to which the Fund had exposure as at December 31, 2023 and December 31, 2022 are as follows:

Dec. 31, 2023

	Cash and cash equivalents	Financial assets at fair value	Derivatives	Other assets and liabilities	Total	Percentage of net assets
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(%)
United States Dollar	14	73	(83)	1	5	0.4
Total	14	73	(83)	1	5	0.4

Dec. 31, 2022

	Cash and cash equivalents	Financial assets at fair value	Derivatives	Other assets and liabilities	Total	Percentage of net assets
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(%)
United States Dollar	9	31	(38)	-	2	0.3
Total	9	31	(38)	-	2	0.3

The amounts in the above tables are based on the fair value of the Fund's financial instruments (including cash and cash equivalents), other financial assets (including dividend receivables, interest receivables and receivables for investments sold) and financial liabilities (including payables for investments purchased).

As at December 31, 2023, if the Canadian dollar had strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$50 (2022 - \$20).

In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographic location, product type, industry sector or counterparty type.

The following is a summary of the Fund's concentration risk as at December 31, 2023 and December 31, 2022:

Country segment	2023 %	2022 %
Canadian bonds		
Federal	15.00	24.68
Provincial	32.09	19.03
Municipal	0.87	-
Corporate	44.35	45.68
United States Bonds	2.27	4.14
International Bonds	1.11	1.51
	<hr/> 95.69	<hr/> 95.04

5 Income taxes

The Fund qualifies as a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the statements of financial position as a deferred income tax asset.

As at December 31, 2023, the Fund had \$2,282 cumulative capital loss carry-forwards for income tax purposes (2022 - \$330). The capital losses may be carried forward indefinitely to be applied against future capital gains. There were no non-capital loss carry-forwards as at December 31, 2023 and December 31, 2022.

6 Management and administrative fees

The Fund does not pay a management fee for such services but is responsible for the legal, audit and trustee expenses incurred by the Fund, plus all applicable taxes. Management fees are paid directly by the unitholders.

7 Redeemable units

The Fund may issue an unlimited number of classes of units and may issue an unlimited number of units of each class. The different classes of units of a Fund represent an interest in the same portfolio investments of the Fund. Currently, this Fund issues Class A units. Expenses of each class are tracked separately and separate net asset value is calculated for each class.

Unitholders may as of any valuation day subscribe for or redeem all or any part of their units by delivering to the Manager a properly completed and signed request. Requests received by 4:00 p.m. Toronto time on a particular valuation day will be transacted at the unit valuation on that day. Requests received after 4:00 p.m. will be transacted on the next valuation day at the unit valuation pertaining to the next day. As a security measure, telephone redemption requests will not be accepted.

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A unitholder may require a fund to redeem some or all of the unitholder's units by delivering by prepaid mail or courier to the Manager a properly completed and signed redemption request that a specified dollar amount or number of units be redeemed.

The table below discloses unit movements in each class during the years ended December 31, 2023 and 2022.

Fund Unit Transactions For the years ended December 31

2023	Units
Balance, beginning of the year	81,455
Redeemable units issued for cash	28,102
Reinvested units	3,850
Redeemable units redeemed	(8)
Balance, end of year	113,399

2022	Units
Balance, beginning of the period	-
Redeemable units issued for cash	80,000
Reinvested units	1,455
Redeemable units redeemed	-
Balance, end of period	81,455

Capital risk management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. The units are redeemable for cash equal to a pro rata share of the Fund's NAV.

8 Fair value measurements

IFRS Accounting Standards require that the Fund classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (that is, as prices) or indirectly (that is, derived from prices); and

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- Level 3 - inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability.

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

Investments whose values are based on quoted market prices in active markets, and therefore classified within Level 1, include active listed equities. The Manager does not adjust the quoted price for these instruments.

Financial instruments that trade in markets that are not considered to be active but are value based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2. These financial instruments include investment grade corporate bonds. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

The following table analyzes the Fund's financial assets within the fair value hierarchy measured at fair value as at December 31, 2023 and December 31, 2022:

	Level 1	Level 2	Level 3	2023 Total
	\$	\$	\$	\$
Financial instruments				
Bonds	-	1,116,507	-	1,116,507
Foreign currency forward contracts - assets	-	3,776	-	3,776
	-	1,120,283	-	1,120,283

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	Level 1	Level 2	Level 3	2022 Total
	\$	\$	\$	\$
Financial instruments				
Bonds	-	769,116	-	769,116
Foreign currency forward contracts - liabilities	-	(65)	-	(65)
	-	769,051	-	769,051

There were no transfers between levels during either year.

Offsetting of Financial Instruments

There were no financial instruments that are offset, or subject to netting agreements or other similar agreements but that are not offset, as at December 31, 2023 and December 31, 2022.