

BG Sustainable Bond Fund

Financial Statements

December 31, 2025 and December 31, 2024



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, 2025 and 2024, and its financial performance and its cash flows for the years then ended 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, 2025 and 2024;
- the statements of comprehensive income for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flows for the years then ended; and
- 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.

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

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.

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

March 26, 2026

BG Sustainable Bond Fund
Statements of Financial Position
As at December 31, 2025 and December 31, 2024

	2025	2024
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	52,698	46,525
Financial assets at fair value through profit or loss*	1,363,627	1,217,638
Unrealized gain on foreign currency forward contracts	703	3
Accrued interest	11,845	9,738
	<u>1,428,873</u>	<u>1,273,904</u>
Liabilities		
Current liabilities		
Accrued liabilities	58	50
Unrealized loss on foreign currency forward contracts	-	2,625
	<u>58</u>	<u>2,675</u>
Net Assets Attributable to Holders of Redeemable Units	<u>1,428,815</u>	<u>1,271,229</u>
Net asset per unit	10.14	10.33
*Financial assets at average cost	1,354,540	1,178,835

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

BG Sustainable Bond Fund
Statements of Comprehensive Income
For the years ended December 31, 2025 and December 31, 2024

	2025	2024
	\$	\$
Income		
Net gains (losses) on financial instruments at fair value through profit or loss		
Interest for distribution purposes	56,397	50,876
Net realized gain (loss) on sale of investments	16,312	11,532
Net realized gain (loss) on foreign currency forward contracts	(896)	(1,407)
Change in unrealized appreciation (depreciation) in the value of investments	(29,716)	6,875
Change in unrealized appreciation (depreciation) in the value of foreign currency forward contracts	3,325	(6,398)
Net gains (losses) on financial instruments at fair value through profit or loss	45,422	61,478
Other income		
Net realized gain (loss) on foreign currency transactions	(769)	939
Total income	44,653	62,417
Expenses		
Administrative fees	629	547
Total expenses	629	547
Increase (decrease) in net assets attributable to holders of redeemable units for the year	44,024	61,870
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.33	0.53

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 years ended December 31, 2025 and December 31, 2024

	2025 \$	2024 \$
Net assets attributable to holders of redeemable units - Beginning of year	1,271,229	1,166,819
Increase (decrease) in net assets from operations for the year	44,024	61,870
Distributions to unitholders		
From net investment income	(56,638)	(48,805)
From net realized gains on investments	(14,656)	(7,484)
	<u>(71,294)</u>	<u>(56,289)</u>
Capital transactions		
Proceeds from issue	690,000	42,701
Proceeds from reinvestments of distributions	71,294	56,289
Payments on redemption	(576,438)	(161)
	<u>184,856</u>	<u>98,829</u>
Increase (decrease) in net assets attributable to holders of redeemable units	<u>157,586</u>	<u>104,410</u>
Net assets attributable to holders of redeemable units - End of year	<u>1,428,815</u>	<u>1,271,229</u>

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

BG Sustainable Bond Fund

Statements of Cash Flows

For the years ended December 31, 2025 and December 31, 2024

	2025 \$	2024 \$
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	44,024	61,870
Adjustments for		
Net realized (gain) loss on sale of investments	(16,312)	(11,532)
Change in unrealized (appreciation) depreciation in the value of investments	29,716	(6,875)
Change in unrealized (appreciation) depreciation in the value of foreign currency forward contracts	(3,325)	6,398
Purchases of investments	(1,496,984)	(1,363,347)
Proceeds from sale of investments	1,337,591	1,280,623
(Increase) decrease in accrued interest	(2,107)	(1,817)
Increase (decrease) in accrued liabilities	8	8
	<hr/>	<hr/>
Net cash from (used in) operating activities	(107,389)	(34,672)
Cash flows from (used in) financing activities		
Proceeds from redeemable units issued	690,000	42,701
Redemption of redeemable units	(576,438)	(161)
	<hr/>	<hr/>
Net cash from (used in) financing activities	113,562	42,540
Net increase (decrease) in cash and cash equivalents	6,173	7,868
Cash and cash equivalents - Beginning of year	46,525	38,657
	<hr/>	<hr/>
Cash and cash equivalents - End of year*	52,698	46,525
	<hr/>	<hr/>
*Cash and cash equivalents include		
Cash at banks	4,857	9,384
Short-term investments	47,841	37,141
	<hr/>	<hr/>
	52,698	46,525
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Supplemental information		
Cash flows from operations include:		
Interest received	54,290	49,059

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

BG Sustainable Bond Fund

Schedule of Investment Portfolio

As at December 31, 2025

Currency	Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
Cash Equivalents							
Discount Commercial Paper							
USD	35,000	Farm Credit Corp.	3.77	15-Jan-26	48,111	47,841	3.35
					48,111	47,841	3.35
Canadian Bonds							
Federal Bonds							
	14,000	Canadian Government Bond	3.50	1-Dec-56	13,478	13,118	0.92
	16,000	Canadian Government Bond	2.75	1-Dec-55	13,161	12,887	0.90
	18,000	Canadian Government Bond	5.00	1-Jun-37	21,404	20,532	1.44
	32,000	Canadian Government Bond	3.25	1-Dec-35	31,482	31,537	2.21
	20,089	Canadian Government Bond	3.25	1-Jun-35	20,181	19,872	1.39
	1,000	Canadian Government Bond	3.25	1-Dec-34	998	993	0.07
	73,000	Canadian Government Bond	3.50	1-Mar-34	73,344	74,102	5.19
	2,000	Canadian Government Bond	3.00	1-Mar-32	2,009	1,988	0.14
					176,057	175,029	12.26
Provincial Bonds							
	69,000	First Nations Finance Authority	4.10	1-Jun-34	69,370	70,698	4.95
	4,000	First Nations Finance Authority	1.71	16-Jun-30	3,801	3,764	0.26
	7,000	Municipal Finance Authority of British Columbia	4.05	3-Dec-33	6,815	7,199	0.50
	32,000	Province of Alberta	3.10	1-Jun-50	27,026	24,925	1.74
	21,000	Province of Alberta	3.95	1-Jun-35	21,325	21,256	1.49
	10,000	Province of British Columbia	4.45	18-Dec-55	10,578	9,698	0.68
	33,000	Province of British Columbia	2.95	18-Jun-50	26,622	24,845	1.74
	4,000	Province of Ontario	4.10	7-Oct-54	3,794	3,691	0.26
	45,000	Province of Ontario	1.90	2-Dec-51	28,423	26,846	1.88
	51,000	Province of Ontario	3.50	2-Jun-43	44,767	45,079	3.15
	24,000	Province of Ontario	4.70	2-Jun-37	25,830	25,390	1.78
	17,000	Province of Ontario	3.95	2-Dec-35	17,279	17,096	1.20
	27,000	Province of Ontario	4.10	4-Mar-33	27,005	28,066	1.96
	12,000	Province of Quebec	3.50	1-Dec-48	10,654	10,011	0.70
	26,000	Province of Quebec	3.50	1-Dec-45	23,682	22,206	1.55
	39,000	Province of Quebec	4.00	1-Sep-35	38,951	39,307	2.75
	50,000	Province of Quebec	3.90	22-Nov-32	49,401	51,332	3.59
	43,000	South Coast British Columbia Transportation Authority	2.65	29-Oct-50	30,934	29,597	2.07
	4,000	South Coast British Columbia Transportation Authority	3.85	1-Dec-35	3,992	3,959	0.28
					470,249	464,965	32.53
Municipal Bonds							
	25,000	City of Toronto	4.50	11-Mar-55	24,127	23,955	1.68
	10,000	City of Toronto	4.40	14-Dec-42	9,368	9,767	0.68
					33,495	33,722	2.36

BG Sustainable Bond Fund

Schedule of Investment Portfolio

As at December 31, 2025

Currency	Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
		Corporate Bonds					
	20,000	407 International Inc.	6.47	27-Jul-29	22,207	22,103	1.55
	7,000	Air Canada	4.63	15-Aug-29	6,855	7,009	0.49
	16,000	AltaGas Ltd.	3.03	10-Nov-27	16,000	15,967	1.12
	2,000	ARC Resources Ltd.	4.41	17-Jun-32	2,000	2,024	0.14
	5,000	ARC Resources Ltd.	3.58	17-Jun-28	5,000	5,026	0.35
	3,000	ARC Resources Ltd.	2.35	10-Mar-26	2,766	2,999	0.21
	9,179	Athabasca Indigenous Midstream LP	6.07	5-Feb-42	9,177	9,876	0.69
	5,000	AtkinsRéalis Group Inc.	5.70	26-Mar-29	5,014	5,168	0.36
	8,000	Bank of Montreal	3.11	27-Oct-29	8,000	7,969	0.56
	5,000	Bank of Montreal	4.42	17-Jul-29	5,000	5,177	0.36
	5,000	Bell Canada	5.60	11-Aug-53	5,187	5,251	0.37
	6,000	Bell Canada	4.70	14-Mar-36	6,047	6,062	0.42
	4,000	Bell Canada	5.15	24-Aug-34	4,145	4,213	0.29
	10,000	Bell Canada	4.55	9-Feb-30	9,961	10,348	0.72
	7,000	Bell Canada	3.65	14-Aug-29	6,997	7,030	0.49
	15,000	Brookfield Renewable Partners ULC	5.45	12-Mar-55	15,000	15,116	1.06
	19,000	Brookfield Renewable Partners ULC	5.29	28-Oct-33	18,911	20,257	1.42
	2,000	Canadian Imperial Bank of Commerce	5.30	16-Jan-34	2,078	2,097	0.15
	6,000	Canadian Imperial Bank of Commerce	3.65	10-Dec-28	6,025	6,059	0.42
	3,000	Canadian National Railway Co.	4.20	10-Jun-35	2,995	3,005	0.21
	2,889	Canadian Pacific Railway Co.	4.40	13-Jan-36	2,888	2,909	0.20
	25,000	Canadian Western Bank	5.94	22-Dec-32	26,459	26,245	1.84
	10,000	Capital Power Corp.	8.13	5-Jun-54	10,000	11,263	0.79
	10,000	Capital Power Corp.	4.23	14-Jan-33	9,999	9,922	0.69
	10,000	Capital Power Corp.	5.38	25-Jan-27	9,999	10,253	0.72
	2,000	Coastal Gaslink Pipeline LP	5.86	30-Jun-49	2,305	2,222	0.16
	4,000	Coastal Gaslink Pipeline LP	5.40	30-Sep-36	4,000	4,332	0.30
	6,000	Coastal Gaslink Pipeline LP	5.19	30-Sep-34	6,158	6,438	0.45
	6,000	Definity Financial Corp.	4.39	12-Sep-35	6,000	5,950	0.42
	1,000	Enbridge Inc.	8.75	15-Jan-84	1,000	1,198	0.08
	12,000	Enbridge Inc.	3.10	21-Sep-33	9,830	11,207	0.78
	5,000	Equinix Canada Financing Ltd.	4.00	15-Nov-32	4,959	4,928	0.34
	9,000	Equitable Bank	3.74	5-May-28	9,043	9,044	0.63
	2,000	Equitable Bank	3.91	17-Dec-27	2,000	2,020	0.14
	10,000	Fédération des caisses Desjardins du Québec	5.28	15-May-34	10,000	10,502	0.74
	5,000	Fédération des caisses Desjardins du Québec	5.47	17-Nov-28	5,000	5,295	0.37
	14,000	Ford Credit Canada Co.	6.33	10-Nov-26	14,377	14,348	1.00
	11,000	Fortis Inc.	5.68	8-Nov-33	11,795	12,058	0.84
	4,000	Gibson Energy Inc.	8.70	12-Jul-83	4,400	4,397	0.31
	15,000	Granite REIT Holdings LP	6.07	12-Apr-29	16,089	16,095	1.13
	2,000	Greater Toronto Airports Authority	4.53	2-Dec-41	2,046	1,965	0.14

BG Sustainable Bond Fund

Schedule of Investment Portfolio

As at December 31, 2025

Currency	Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
	1,000	Greater Toronto Airports Authority	3.26	1-Jun-37	907	900	0.06
	8,000	Husky Midstream LP	4.10	2-Dec-29	7,983	8,144	0.57
	3,000	Hydro One Inc.	4.16	27-Jan-33	3,057	3,059	0.21
	9,000	Inter Pipeline Ltd.	5.76	17-Feb-28	9,457	9,422	0.66
	3,000	Keyera Corp.	6.00	15-Oct-55	3,000	3,011	0.21
	3,000	Keyera Corp.	4.20	15-Apr-33	3,020	2,977	0.21
	5,000	Keyera Corp.	5.02	28-Mar-32	5,248	5,230	0.37
	5,000	Laurentian Bank of Canada	4.19	23-Jan-28	5,000	5,053	0.35
	10,000	Lower Mattagami Energy LP	4.85	31-Oct-33	10,000	10,610	0.74
	4,000	Manulife Bank of Canada	3.99	22-Feb-28	4,000	4,073	0.29
	4,000	National Bank of Canada	3.52	17-Jul-29	4,000	4,027	0.28
	17,000	Northland Power Inc.	9.25	30-Jun-83	17,408	18,659	1.31
	26,000	OMERS Realty Corp.	4.96	10-Feb-31	27,662	27,633	1.93
	10,000	Ontario Power Generation Inc.	4.83	28-Jun-34	10,503	10,465	0.74
	25,000	Pembina Pipeline Corp.	5.02	12-Jan-32	26,022	26,274	1.84
	6,000	RioCan Real Estate Investment Trust	1.97	15-Jun-26	5,570	5,982	0.42
	11,000	Royal Bank of Canada	4.63	1-May-28	11,095	11,372	0.80
	13,000	Sienna Senior Living Inc.	3.52	18-Dec-28	13,000	13,027	0.91
	5,000	Stantec Inc.	2.05	8-Oct-27	4,552	4,919	0.34
	34,000	Stonlasec8 Indigenous Holdings LP	4.52	11-Jul-55	33,942	33,555	2.35
	14,000	Suncor Energy Inc.	2.95	14-Nov-27	13,988	13,954	0.98
	8,000	TMX Group Ltd.	4.68	16-Aug-29	8,000	8,358	0.58
	3,000	Toronto-Dominion Bank/The	7.28	31-Oct-82	3,000	3,171	0.22
	10,000	Toyota Credit Canada Inc.	5.16	13-Jul-28	10,209	10,483	0.73
	10,000	TransAlta Corp.	5.63	24-Mar-32	10,000	10,394	0.73
	15,000	TransCanada PipeLines Ltd.	5.13	19-Nov-55	15,000	14,831	1.04
	6,000	Videotron Ltd.	3.95	15-Oct-32	5,996	5,924	0.41
	15,000	Videotron Ltd.	4.50	15-Jan-30	14,873	15,222	1.07
	4,000	WSP Global Inc.	4.75	12-Sep-34	4,046	4,080	0.29
	6,000	WSP Global Inc.	4.12	12-Sep-29	6,002	6,113	0.43
					624,252	636,269	44.52
		Total Canadian Bonds			1,304,053	1,309,985	91.67
		United States Bonds					
		Corporate Bonds					
USD	6,000	Albertsons Cos Inc. / Safeway Inc. / New Albertsons LP / Albertsons LLC	6.50	15-Feb-28	8,100	8,431	0.59

BG Sustainable Bond Fund

Schedule of Investment Portfolio

As at December 31, 2025

Currency	Number of shares/units par value	Description	Coupon rate %	Maturity date	Average cost \$	Fair value \$	Percentage of net assets %
USD	10,000	Cheniere Energy Inc.	4.63	15-Oct-28	12,569	13,689	0.96
	5,000	NextEra Energy Capital Holdings Inc.	4.67	12-Jun-35	4,997	5,091	0.36
Total United States Bonds					25,666	27,211	1.91
International Bonds							
	11,000	Électricité de France SA	5.38	17-May-34	11,052	11,579	0.81
	4,000	Heathrow Funding Ltd.	4.90	6-Aug-39	4,000	4,089	0.29
	7,000	Heathrow Funding Ltd.	3.73	13-Apr-33	6,191	6,789	0.48
	4,000	Heathrow Funding Ltd.	2.69	13-Oct-27	3,578	3,974	0.28
Total International Bonds					24,821	26,431	1.86
Total Bonds					1,354,540	1,363,627	95.44
Transaction Costs					-		
Foreign Currency Forward Contracts (Schedule A)						703	0.05
Total Investments					1,354,540	1,364,330	95.49
Total Investments and Cash Equivalents					1,402,651	1,412,171	98.84
Other Assets Net of Liabilities						16,644	1.16
Net Assets Attributable to Holders of Redeemable Units						1,428,815	100.00

Par Value stated in: USD - U.S. Dollar

Contracts	Counterparty	Credit Rating of the Counterparty	Contract Rate (\$)	Pay	Receive	Unrealized Gain (Loss) (\$)
1	Toronto-Dominion Bank/The	A-1+	1.38	(49,000)	USD \$ 67,777 CAD \$	703
Total Foreign Currency Forward Contract Value						703

BG Sustainable Bond Fund

Notes to Financial Statements

December 31, 2025 and December 31, 2024

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 March 26, 2026.

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 years ended December 31, 2025 and December 31, 2024:

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, 2025 and December 31, 2024

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.

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- 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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- 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.

j) New standards, amendments and interpretations not yet effective

In April 2024, the IASB issued IFRS 18, "Presentation and Disclosure in the Financial Statements" which will replace IAS 1 "Presentation of Financial Statements". This new standard aims to improve the quality of financial reporting by introducing new requirements which include new required categories and subtotals in the Statement of comprehensive income and enhanced guidance on grouping of information. IFRS 18 is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted.

In May 2024, the IASB issued targeted amendments to IFRS 9 and IFRS 7 related to classification and measurement of financial instruments. The amendments include clarifying the date of recognition and derecognition of some financial assets and liabilities, further guidance on assessing the solely payments of

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principal and interest condition criterion, and new disclosures for certain instruments. The effective date for these amendments is for annual periods beginning on or after January 1, 2026.

Management is in the process of evaluating the implications of these changes and has determined that there are no material measurement implications on the Funds' financial statements.

4 Financial instrument risk

Significant market disruptions, such as those caused by pandemics, natural or environmental disasters, war, 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.

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

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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, 2025 and December 31, 2024, 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*	
	2025 %	2024 %
AAA	16	19
AA	40	36
A	10	15
BBB	29	22
BB or lower	5	8
	<hr/> 100	<hr/> 100

* Excludes cash and cash equivalents.

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, 2025 and December 31, 2024, 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.

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Debt instruments by maturity date*	2025	2024
	\$	\$
	(in thousands of dollars)	
Less than 1 year	23	19
1 - 3 years	152	132
3 - 5 years	127	191
Greater than 5 years	1,062	876
	<u>1,364</u>	<u>1,218</u>

* Excludes cash and cash equivalents.

As at December 31, 2025 and December 31, 2024, 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 \$25,560 and \$23,230. 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.

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, 2025 and December 31, 2024, 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)	
	2025	2024
FTSE Canada Universe Bond Index	14	13

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

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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.

Currencies to which the Fund had exposure as at December 31, 2025 and December 31, 2024 are as follows:

Dec. 31, 2025

	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	49	22	(66)	-	5	0.3
Total	49	22	(66)	-	5	0.3

Dec. 31, 2024

	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	32	53	(80)	-	5	0.4
Total	32	53	(80)	-	5	0.4

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, 2025, 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 \$nil (2024 - \$40).

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, 2025 and December 31, 2024:

Country segment	2025 %	2024 %
Short-term investments		
Treasury bills	3.35	0.78
Discount Commercial Paper	-	2.14
Canadian bonds		
Federal	12.26	17.11
Provincial	32.53	32.63
Municipal	2.36	0.78
Corporate	44.52	40.21
United States Bonds	1.91	3.09
International Bonds	1.86	1.97
	<u>98.79</u>	<u>98.71</u>

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, 2025, the Fund had no cumulative capital loss carry-forwards for income tax purposes (2024 - \$Nil). 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, 2025 and December 31, 2024.

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.

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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.

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, 2025 and 2024.

Fund Unit Transactions

For the years ended December 31

2025

Balance, beginning of the year	123,007
Redeemable units issued for cash	67,976
Reinvested units	6,972
Redeemable units redeemed	<u>(57,094)</u>
Balance, end of year	<u>140,861</u>

2024

Balance, beginning of the year	113,399
Redeemable units issued for cash	4,144
Reinvested units	5,480
Redeemable units redeemed	<u>(16)</u>
Balance, end of year	<u>123,007</u>

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, 2025 and December 31, 2024:

	Level 1	Level 2	Level 3	2025
	\$	\$	\$	Total
				\$
Financial instruments				
Bonds	-	1,363,627	-	1,363,627
Treasury bills	-	47,841	-	47,841
Foreign currency forward contracts - assets	-	703	-	703
	-	1,412,171	-	1,412,171

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	Level 1	Level 2	Level 3	2024
	\$	\$	\$	Total
				\$
Financial instruments				
Bonds	-	1,217,638	-	1,217,638
Treasury bills	-	37,141	-	37,141
Foreign currency forward contracts - liabilities	-	(2,622)	-	(2,622)
	-	1,252,157	-	1,252,157

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, 2025.

The following is a summary of the amounts for which the Fund has a legal right to offset in the event of default, insolvency or bankruptcy as at December 31, 2024. "Net amount" represents the impact to the Fund if all set-off rights were to be exercised.

Dec. 31, 2024	Assets	Liabilities
Gross amounts – assets (liabilities)	3	(2,625)
Amounts set-off in the Statement of Financial Position	-	-
Net amounts presented in the Statement of Financial Position	3	(2,625)
Related amounts not set-off	(3)	3
Collateral (received) pledged	-	-
Net amount	-	(2,622)