

# BIG BANC SPLIT CORP.

**INTERIM MANAGEMENT REPORT  
OF FUND PERFORMANCE AND  
UNAUDITED FINANCIAL STATEMENTS**  
For the financial period ended June 30, 2022

**Purpose**  
INVESTMENTS

Where thoughtful  
Canadians invest.



This interim management report of fund performances contains financial highlights, but does not contain either interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-866-261-4569, by writing to us at 130 Adelaide St. W, Suite 3100, P.O. Box 109, Toronto, ON M5H 3P5 or by visiting our website at [www.purposeinvest.com](http://www.purposeinvest.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Shareholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## **CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects," "anticipates," "intends," "plans," "believes," "estimates," or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties, and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events. We stress that the abovementioned list of important factors is not exhaustive. We encourage you to consider these and other factors carefully before making any investment decisions, and urge you to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

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## INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

The management report of fund performance presents the views of the manager and the portfolio management team concerning significant factors and developments that have affected the Fund's performance and outlook.

Please read the caution on the inside of the cover page regarding forward-looking statements.

### INVESTMENT OBJECTIVES AND STRATEGIES

Big Banc Split Corp. is a mutual fund corporation with its Class A and Preferred shares listed on the Toronto Stock Exchange, under the symbols BNK and BNK.PR.A, respectively. The Fund is managed by Purpose Investments Inc. ("Purpose" or the "Manager") and commenced operations on June 24, 2020 upon completion of the initial public offering of Class A shares and Preferred shares.

The investment objectives for the Preferred shares are to provide their holders with fixed cumulative preferential monthly cash distributions in the amount of \$0.05 per Preferred share (\$0.60 per annum or 6.0% per annum on the issue price of \$10.00 per Preferred share) until the scheduled maturity date and to return the original issue price of \$10.00 to holders on the Maturity Date.

The investment objectives for the Class A shares are to provide their holders with regular monthly non-cumulative cash distributions initially in the amount of \$0.067 per Class A share representing a yield on the issue price of the Class A shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A share.

All Class A shares and Preferred shares outstanding on November 30, 2023 will be redeemed by the Fund on that date.

The Fund will invest on an approximately equally-weighted basis in Portfolio Shares of the following publicly traded Canadian banks: Bank of Montreal; Canadian Imperial Bank of Commerce; National Bank of Canada; Royal Bank of Canada; The Bank of Nova Scotia; and The Toronto-Dominion Bank. The Portfolio will generally be rebalanced on a quarterly basis, starting on September 30, 2020, so that as soon as practicable after each calendar quarter the Portfolio Shares will be held on an approximately equal weight basis.

The Fund does not intend to borrow money or employ other forms of leverage other than for working capital purposes. The Fund may establish a credit facility that may be used by the Company for working capital purposes and expects that the maximum amount it borrows thereunder will be limited 5% of the Net Asset Value of the Company. The Company may pledge Portfolio Shares as collateral for amounts borrowed thereunder. Accordingly, at the time such leverage is incurred, the maximum amount of leverage that the Company could obtain is 1:05:1.

In order to seek to generate additional returns and enhance the Portfolio's income, the Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio. The Manager expects that initially covered call options will be written on up to 30% of the Portfolio Shares in the Portfolio.

### RISK

The risks of investing in the Fund are disclosed in the Fund's prospectus and there have been no significant changes during the period that affected the overall level of risk associated with the Fund.

#### *Pandemic risk*

Concerns over the spread of viruses (including COVID-19 and monkeypox) have resulted in a high level of uncertainty and volatility in the financial markets in addition to disruptions to businesses worldwide as societies face increased threat of viral outbreaks. Pandemic risk and its effect on the global economy has had an enormous impact on consumers in all sectors. Fluctuation in security prices, larger bid/ask spreads and lower liquidity caused by pandemics may impact valuation of investments, classification of fair value hierarchy, and assumptions by the Manager to make accounting estimates. The impact of pandemics may last for an extended period and could adversely affect the

performance of the Fund. The Manager continues to closely monitor the impact of pandemic risk and its effects on the Fund's risk exposures.

### RESULTS OF OPERATIONS

The Fund offers Class A shares listed on the Toronto Stock Exchange under the ticker BNK and Preferred shares listed on the Toronto Stock Exchange under the ticker BNK.PR.A.

The net asset value per share as at:

	June 30, 2022 (\$)	December 31, 2021 (\$)
Shares		
Preferred Shares	10.02	10.02
Class A Shares	13.65	18.27

During the period ended June 30, 2022, the Fund paid distributions as follows:

Month	Preferred Shares (\$)	Class A Shares (\$)
January	0.0500	0.0662
February	0.0500	0.0662
March	0.0500	0.0662
April	0.0500	0.0662
May	0.0500	0.0662
June	0.0500	0.0662
Total	0.3000	0.3972

Over the last two years, governments and central banks sent out record amounts of cash to fend off the pandemic's economic impact, which found its way into every investible asset class. After two straight years of double-digit returns in equities and all risk assets flying, the term "everything bubble" was coined. But all bubbles must deflate at some point, which is what the first half of 2022 went through. While it was the worst start to an investing year since 1970, with the largest amount of capital destroyed in history, the high coming into 2022 needed a reset.

Heading into the year, the consensus was that times were changing and volatility was coming. And it happened quickly. Everyone's favourite pandemic winners – Peloton, Zoom, and Netflix – were all off over 50% from recent highs, with Netflix falling back to levels not seen since 2018 and Amazon returning to early 2020. In the earlier months of the year, inflation worries allowed real assets, such as energy, to perform very well and show impressive gains. However, commodity and asset prices took a hit in June as fears shifted from inflation to recession.

Fund performance was down as worries about inflation, a possible recession, and a stalled Canadian housing market caused investors to sell bank stocks at substantially off-peak prices. Shares of Canadian banks are likely to come under further pressure during the second half of the year, threatening the historical pattern of strong second-half performance. Shares of the big banks were down between 11.5% and 16% over the first two quarters of 2022.

### RECENT DEVELOPMENTS

There were no changes to the Manager of the Fund, nor were there any material changes to the investment philosophy or process. The Manager actively monitors the positioning of the Fund's portfolio for changes in current market conditions and the economic environment.



## RELATED PARTY TRANSACTIONS

Purpose is deemed to be a related party as Manager of the Fund. Please refer below to the “Management Fee” section for fees paid to Purpose. Purpose has also appointed an Independent Review Committee (“IRC”) as required by National Instrument 81-107 *Independent Review Committee for Investment Funds*. The mandate of the IRC is to review, and provide input on, the Manager’s written policies and procedures that deal with conflict of interest matters in respect of the Fund. IRC members receive fees and reimbursement of expenses for services provided to the Fund and other Purpose managed funds and such costs are allocated among all the Funds on a fair and reasonable basis. The fees for services rendered to the Fund are reported in the Statements of Comprehensive Income. There are no other related party transactions for the Fund.

## INDEPENDENT REVIEW COMMITTEE

The Manager is required to comply with the policies and procedures presented to the IRC with respect to various potential conflicts of interest including valuation and the allocation of operating expenses and to provide periodic reports to the IRC in accordance with NI 81-107.

The members of the Independent Review Committee as at June 30, 2022 were Douglas G. Hall (Chair), Randall C. Barnes, and Jean M. Fraser.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund’s financial performance for the years ended December 31, except 2022 which is provided as at June 30:

### NET ASSETS PER CLASS A SHARE<sup>1</sup>

Class A Shares (TSX: BNK)	2022 <sup>a</sup> (\$)	2021 (\$)	2020 <sup>b</sup> (\$)
<b>Net assets, beginning of period</b>	<b>18.27</b>	<b>12.21</b>	<b>10.00<sup>c</sup></b>
<b>Increase (decrease) from operations:</b>			
Total revenue	0.47	0.98	0.48
Total expenses	(0.44)	(0.86)	(1.58)
Realized gains (losses) for the period	1.65	3.79	0.64
Unrealized gains (losses) for the period	(4.66)	2.94	3.08
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(2.98)</b>	<b>6.85</b>	<b>2.62</b>
<b>Distributions to Class A shareholders:</b>			
From investment income	(0.40)	-	-
From dividends	-	(0.33)	(0.23)
From capital gains	(1.24)	(0.46)	(0.09)
Return of capital	-	-	(0.09)
<b>Total distributions to Class A shareholders<sup>3</sup></b>	<b>(1.64)</b>	<b>(0.79)</b>	<b>(0.41)</b>
<b>Net assets, end of period</b>	<b>13.65</b>	<b>18.27</b>	<b>12.21</b>

Notes:

- Information presented is for the period January 1, 2022 to June 30, 2022.
  - Information presented is for the period June 24, 2020 to December 31, 2020.
  - Initial offering price.
- This information is derived from the Fund’s financial statements prepared in accordance with IFRS. For purposes of shareholder transactions, the Net Asset Value is calculated in accordance with the valuation rules as set out in the Fund’s prospectus. The Fund’s accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with shareholders.
  - Net assets and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted-average number of shares outstanding over the financial period.
  - Distributions were paid in cash or reinvested in additional shares of the Fund.

### RATIOS AND SUPPLEMENTAL DATA

Class A Shares (TSX: BNK)	2022	2021	2020
Total net asset value (\$) (000s) <sup>1</sup>	21,300	28,506	22,050
Number of Class A shares outstanding (000s) <sup>1</sup>	1,560	1,560	1,805
Management expense ratio <sup>2</sup>	1.59%	1.48%	14.87%
Management expense ratio excluding issue costs and agents’ fees <sup>2</sup>	1.59%	1.48%	4.43%
Management expense ratio excluding distributions on Preferred shares and issuance costs	1.16%	1.01%	1.48%
Trading expense ratio <sup>3</sup>	0.06%	0.13%	0.15%
Portfolio turnover rate <sup>4</sup>	11.06%	44.29%	54.63%
Closing market price – Class A shares (\$) (TSX: BNK)	12.20	17.23	10.85
Closing market price – Preferred shares (\$) (TSX: BNK.PR.A)	11.00	10.85	10.60

Notes:

- The financial information presented in the Ratios and Supplemental Data table is derived from the Fund’s Net Asset Value and is provided as at December 31 of the year shown except 2022 which is shown as at June 30.
- The management expense ratio (“MER”) is calculated as the total expenses, excluding distributions, commissions and other portfolio transaction costs, for the stated period and is expressed as an annualized percentage of the average daily NAV of the Fund. The Manager, at its sole discretion, may waive management fees or absorb expenses. Such waivers and absorptions can be terminated at any time.
- The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of the Fund’s daily average NAV. The trading expense ratio is calculated at the portfolio level and applies to all classes of shares of the Fund.
- The portfolio turnover rate is based on the lesser of purchases or proceeds of sales of securities for the year, excluding cash, short-term notes, and bonds having maturity dates at acquisition of one year or less, divided by the average value of the portfolio securities for the year. The Fund’s portfolio turnover rate indicates how actively the Fund’s investment 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 year. The higher the portfolio turnover rate in a year, the greater the trading costs payable in the year and the greater the chance of taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and fund performance. The portfolio turnover rate is calculated at the portfolio level and applies to all classes of shares of the Fund.



## MANAGEMENT FEES

Purpose manages and administers the business, operations and affairs of the Fund. As compensation for the services it provides to the Fund, Purpose is entitled to receive an annual management fee in an amount equal to 0.75% of the NAV of the Fund. The management fees are calculated daily and paid monthly in arrears based on the average NAV of the Company calculated at each Valuation Time during that month.

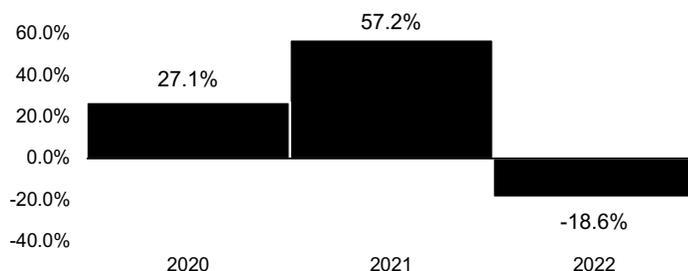
## PAST PERFORMANCE

Please note that the performance information shown in this section assumes that all dividends made by the Fund, if any, in the periods shown were reinvested in additional securities of the Fund. It does not take into account sales, redemptions, distributions or other optional charges, or income taxes payable by any investor, which would have reduced the returns. The performance of the Fund in the past does not necessarily indicate how it will perform in the future.

## YEAR-BY-YEAR RETURNS

The bar charts show the performance of each class of shares for the financial period in percentage terms, indicating how much an investment made on the first day of the period would have grown or decreased by the last day of the period.

### Class A Shares – NAV



Return labelled 2022 is for the period from January 1, 2022 to June 30, 2022.

Return labelled 2020 is for the period from June 24, 2020 to December 31, 2020.

## SUMMARY OF INVESTMENT PORTFOLIO

As at June 30, 2022

### ASSET MIX

	% of Fund's Net Asset Value
<b>Long Positions</b>	
Canadian Equities	100.1
Cash and Cash Equivalents	0.3
Net Other Assets	(0.4)
<b>Total Net Asset Value</b>	<b>100.0</b>

### TOP 25 HOLDINGS

	% of Fund's Net Asset Value
Royal Bank of Canada	17.0
Toronto-Dominion Bank (The)	16.9
National Bank of Canada	16.9
Bank of Nova Scotia (The)	16.8
Bank of Montreal	16.2
Canadian Imperial Bank of Commerce	16.2

The investment portfolio may change due to ongoing portfolio transactions. An updated listing is available quarterly.

## NOTICE TO SHAREHOLDERS

Purpose Investments Inc., the Manager of *Big Banc Split Corp.* (the "Fund"), appoints independent auditors to audit the Fund's annual Financial Statements. Under Canadian securities laws (National Instrument 81-106), if an auditor has not reviewed the interim Financial Statements, this must be disclosed in an accompanying notice. The Fund's independent auditor has not performed a review of these interim Financial Statements in accordance with the standards established by the Chartered Professional Accountants of Canada.



## INTERIM FINANCIAL STATEMENTS (unaudited)

STATEMENTS OF FINANCIAL POSITION  
(unaudited)

As at:

	June 30, 2022 (\$)	December 31, 2021 (\$)
<b>Assets</b>		
Investments:		
Non-derivative financial assets	36,945,927	43,966,368
Cash and cash equivalents	125,641	242,015
Receivables:		
Dividends	147,294	226,918
Investment securities sold	-	449,960
Prepaid expenses	28,088	17,479
<b>Total assets</b>	<b>37,246,950</b>	<b>44,902,740</b>
<b>Liabilities</b>		
Payables:		
Management fees (note 6)	24,061	29,269
Independent review committee fees (note 6)	8,019	8,167
Other accrued liabilities (note 6)	184,581	72,817
Distributions	103,286	181,421
Investment securities purchased	-	449,088
Derivative liabilities:		
Options written, at fair value	-	28,850
Preferred shares (note 4)	15,627,030	15,627,030
Class J shares (note 4)	100	100
<b>Total liabilities (excluding Net Assets attributable to holders of redeemable Class A shares)</b>	<b>15,947,077</b>	<b>16,396,742</b>
<b>Net assets attributable to holders of redeemable Class A shares</b>	<b>21,299,873</b>	<b>28,505,998</b>
<b>Net assets attributable to holders of redeemable shares per class</b>		
Class A Shares	21,299,873	28,505,998
Total	21,299,873	28,505,998
<b>Number of shares outstanding (note 4)</b>		
Preferred Shares	1,560,204	1,560,204
Class A Shares	1,560,204	1,560,204
Class J Shares	100	100
<b>Net assets attributable to holders of redeemable shares per share</b>		
Preferred Shares	10.02	10.02
Class A Shares	13.65	18.27
Class J Shares	1.00	1.00

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

Approved on behalf of the Board of Directors of Big Banc Split Corp.

Som Seif  
Director  
August 29, 2022Jeff Bouganim  
DirectorSTATEMENTS OF COMPREHENSIVE INCOME  
(unaudited)

For the periods ended:

	June 30, 2022 (\$)	June 30, 2021 (\$)
<b>Income</b>		
Net gains (losses) on investments and derivatives:		
Dividend income	740,194	827,869
Net realized gain (loss) on sale of non-derivative financial assets	2,270,382	3,335,563
Net realized gain (loss) on options	309,041	199,036
Net change in unrealized appreciation (depreciation) on non-derivative financial assets	(7,289,462)	5,055,816
Net change in unrealized appreciation (depreciation) on options	10,650	3,545
Net gains (losses) on investments and derivatives	(3,959,195)	9,421,829
<b>Total revenue</b>	<b>(3,959,195)</b>	<b>9,421,829</b>
<b>Expenses</b>		
Management fees (note 6)	169,531	176,216
Custodian and fund accounting fees	22,016	3,832
Audit fees	13,865	793
Transaction costs (note 9) <sup>1,2</sup>	6,430	17,612
Interest and bank charges	3,470	-
Independent review committee fees (note 6)	2,476	4,194
Unitholder reporting	2,383	-
Other expenses (note 6)	2,022	1,185
<b>Total expenses</b>	<b>222,193</b>	<b>203,832</b>
<b>Net investment income (loss) before distributions on Preferred shares</b>	<b>(4,181,388)</b>	<b>9,217,997</b>
Distributions on Preferred shares (note 12)	468,811	541,561
<b>Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares (note 8)</b>	<b>(4,650,199)</b>	<b>8,676,436</b>
<b>Average number of shares outstanding (note 8)</b>	<b>1,560,204</b>	<b>1,803,243</b>
<b>Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares per share<sup>1</sup></b>	<b>(2.98)</b>	<b>4.81</b>

1) Soft dollar commission

85

236

2) Based on the weighted average number of Class A shares outstanding for the period (note 4).  
The accompanying notes are an integral part of the financial statements.

**STATEMENTS OF CHANGES IN FINANCIAL POSITION (unaudited)**

For the periods ended:

	June 30, 2022 (\$)	June 30, 2021 (\$)
<b>Class A Shares</b>		
Net assets attributable to holders of redeemable shares at beginning of period	28,505,998	22,049,521
Increase (decrease) in net assets attributable to holders of redeemable shares from operations	(4,650,199)	8,676,436
<b>Redeemable share transactions</b>		
Payments for redemption of redeemable shares	-	(27,625)
Net increase (decrease) from redeemable share transactions	-	(27,625)
<b>Dividends paid or payable to holders of redeemable shares</b>		
From investment income	(619,713)	-
From dividends	-	(716,200)
From capital gains	(1,936,213)	-
Total dividends to holders of redeemable shares	(2,555,926)	(716,200)
Net increase (decrease) in net assets attributable to holders of redeemable shares	(7,206,125)	7,932,611
<b>Net assets attributable to holders of redeemable shares at end of period</b>	<b>21,299,873</b>	<b>29,982,132</b>

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

**STATEMENTS OF CASH FLOWS (unaudited)**

For the periods ended:

	June 30, 2022 (\$)	June 30, 2021 (\$)
<b>Cash Flows from Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares from operations	(4,650,199)	8,676,436
Adjustments for:		
Purchase of investments	(6,835,165)	(16,787,385)
Proceeds from sale of investments	9,121,809	15,978,247
Net realized loss (gain) on sale of non-derivative financial assets	(2,270,382)	(3,335,563)
Net realized loss (gain) on options	(309,041)	(199,036)
Net change in unrealized depreciation (appreciation) on non-derivative financial assets	7,289,462	(5,055,816)
Net change in unrealized depreciation (appreciation) on options	(10,650)	(3,545)
Net change in non-cash working capital balances	97,288	(29,528)
Transaction costs (note 9)	6,430	17,612
	<b>2,439,552</b>	<b>(738,578)</b>
<b>Cash Flows from Financing Activities</b>		
Payments for Class A shares redeemed (note 4)	-	(27,625)
Distributions paid to holders of redeemable Class A shares, net of reinvestments (note 4)	(2,555,926)	(716,366)
	<b>(2,555,926)</b>	<b>(743,991)</b>
Net increase (decrease) in cash and cash equivalents	(116,374)	(1,482,569)
Cash and cash equivalents, at beginning of period	242,015	4,031,627
<b>Cash and cash equivalents, at end of period</b>	<b>125,641</b>	<b>2,549,058</b>
Distributions paid on redeemable Preferred shares (note 6)	468,811	541,561
Dividends received (paid), net of withholding taxes	819,818	832,392

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

**SCHEDULE OF INVESTMENTS (unaudited)**

As at June 30, 2022

Security	Number of Shares/Units/ Par Value	Average Cost (\$)	Fair Value (\$)
<b>Equities – 100.00%</b>			
<b>Financials – 100.00%</b>			
Bank of Montreal	48,333	5,204,288	5,982,659
Bank of Nova Scotia (The)	81,517	5,473,785	6,209,965
Canadian Imperial Bank of Commerce	95,660	5,731,629	5,979,706
National Bank of Canada	73,800	5,433,669	6,233,886
Royal Bank of Canada	50,489	5,543,298	6,292,949
Toronto-Dominion Bank (The)	74,005	5,999,882	6,246,762
<b>Total Equities – 100.00%</b>		<b>33,386,551</b>	<b>36,945,927</b>
<b>Total Investments – 100.00%</b>			<b>36,945,927</b>

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



## NOTES TO THE FINANCIAL STATEMENTS (unaudited)

### 1. THE FUND

Big Banc Split Corp. (the “Fund” or “the Company”) is a mutual fund corporation established under the laws of the Province of Ontario on May 15, 2020. Purpose Investments Inc. (the “Manager” or “Purpose”) is responsible for managing the affairs of the Fund. The Fund has been inactive between the date of incorporation and commencement of operations, other than the issuance of 100 Class J shares of the Company (“Class J shares”) for cash. The registered office of the Fund is located at 130 Adelaide Street West, Suite 3100 Toronto, Ontario M5H 3P5.

On June 24, 2020, the Fund commenced operations with the listing of Canadian dollar denominated Class A shares on the Toronto Stock Exchange (“TSX”) under the ticker symbol BNK and the concurrent listing of Preferred shares on the TSX under the ticker symbol BNK.PR.A.

The Fund’s financial statements include the *Schedule of Investments* as at June 30, 2022, the *Statements of Financial Position* as at June 30, 2022 and December 31, 2021, and the *Statements of Comprehensive Income*, the *Statements of Changes in Financial Position* and the *Statements of Cash Flows* for the periods ended June 30, 2022 and 2021 (the “financial statements”).

The financial statements were approved for issuance by the Manager on August 29, 2022.

### 2. INVESTMENT OBJECTIVES

The investment objectives for the Preferred shares are to provide their holders with fixed cumulative preferential monthly cash distributions in the amount of \$0.05 per Preferred share (\$0.60 per annum or 6.0% per annum on the issue price of \$10.00 per Preferred share) until the scheduled maturity date and to return the original issue price of \$10.00 to holders on the Maturity Date (November 30, 2023).

The investment objectives for the Class A shares are to provide their holders with regular monthly non-cumulative cash distributions initially in the amount of \$0.067 per Class A share representing a yield on the issue price of the Class A shares of 8.0% per annum and to provide holders with the opportunity for growth in the net asset value per Class A share.

The Company will invest on an approximately equally-weighted basis in a portfolio (the “Portfolio”) of equity securities (the “Portfolio Shares”) of the following publicly traded Canadian banks: Bank of Montreal; Canadian Imperial Bank of Commerce; National Bank of Canada; Royal Bank of Canada; The Bank of Nova Scotia; and The Toronto-Dominion Bank. In order to seek to generate additional returns and enhance the Portfolio’s income, the Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio.

In order to seek to generate additional returns and enhance the Portfolio’s income, the Manager may write covered call options and cash covered put options in respect of some or all of the Portfolio Shares held in the Portfolio. The Manager expects that initially covered call options will be written on up to 30% of the Portfolio Shares in the Portfolio.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

The financial statements have been prepared on a going concern basis using the historical cost convention. However, the Fund is an investment entity and primarily all financial assets and financial liabilities are measured at fair value in accordance with IFRS. Accordingly, the Fund’s accounting policies for measuring the fair value of investments and derivatives are consistent with those used in measuring the Net Asset Value for transactions with shareholders.

In applying IFRS, management may make estimates and assumptions that affect the reported amounts of assets, liabilities, income and expenses during the reporting periods. Actual results may differ from such estimates. The preparation of the Fund’s financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts recognized in the financial statements and disclosure of contingent liabilities. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in future periods.

Purpose has concluded that the Fund meets the additional characteristics of an investment entity within IFRS 10, *Consolidated Financial Statements*.

The financial statements have been presented in Canadian dollars, which is the Fund’s functional currency.

#### FINANCIAL INSTRUMENTS

Financial instruments include financial assets and liabilities such as debt and equity securities, open-ended investment funds and derivatives. The Fund classifies and measures financial instruments in accordance with IFRS 9, *Financial Instruments* (“IFRS 9”). Upon initial recognition, financial instruments are classified as fair value through profit or loss (“FVTPL”). All financial instruments are recognized in the Statements of Financial Position when the Fund becomes a party to the contractual requirements of the instrument. Financial assets 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. Financial liabilities are derecognized when the obligation is discharged, cancelled and expires. As such, investment purchase and sale transactions are recorded as of the trade date. Financial instruments are subsequently measured at FVTPL with changes in fair value recognized in the Statements of Comprehensive Income – Net unrealized gain (loss).

#### Cash and cash equivalents

Cash and cash equivalents are comprised of cash and short-term investments.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund includes in this category amounts relating to receivables in respect of amounts receivable for portfolio securities sold and other short-term receivables.

#### Other financial liabilities

This category includes all financial liabilities, other than those classified as fair value through profit or loss. The Fund includes in this category amounts relating to payables in respect of amounts payable for portfolio securities purchased and other accrued liabilities.

A financial asset or a financial liability is recognized when the Fund becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place (regular way trades) are recognized on the trade date.

Premiums received from writing options are included in derivative liabilities and subsequently measured at fair value on the Statements of Financial Position as initial reductions in the value of investments. Premiums received from writing options that expire unexercised are recorded as realized gains and reported as Net gain (loss) on sale of investments and derivatives on the Statements of Comprehensive Income. For a closing transaction, if the cost of closing the transaction exceeds the premium received, the Fund will record a realized loss or, if the premium received at the time the option was written is greater than the amount paid, the Fund will record a realized gain and are reported as Net gain (loss) on sale of investments and derivatives. If a written put option is exercised, the cost for the security delivered is reduced by the premiums received at the time the option was written.

#### Valuation of financial instruments

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statements of Financial Position at fair value upon initial



## NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)

recognition. All transaction costs such as brokerage commissions, incurred in the purchase and sale of securities for such instruments are recognized directly in profit or loss. Loans and receivables and other financial liabilities (other than those classified as fair value through profit and loss) are measured initially at their fair value plus any directly attributable incremental costs of acquisition or issue.

After initial measurement, the Fund measures financial instruments that are classified as fair value through profit or loss, at fair value. Subsequent changes in the fair value of those financial instruments are recorded in unrealized appreciation (depreciation) on investments. The applicable period change in unrealized appreciation (depreciation) of investments is included on the Statements of Comprehensive Income. The average cost of portfolio investments represents the sum of the average cost of each portfolio investment. For the purposes of determining the average cost of each portfolio investment, the purchase price of the portfolio investment acquired by a Fund is added to the average cost of the particular portfolio investment immediately prior to the purchase. The average cost of a portfolio investment is reduced by the number of shares or units sold multiplied by the average cost of the portfolio investment at the time of the sale. The average cost per share or unit of each portfolio investment sold is determined by dividing the average cost of the portfolio investment by the number of shares or units held immediately prior to the sale transaction. Transaction costs incurred in portfolio transactions are excluded from the average cost of investments and are recognized immediately in net income and are presented as a separate expense item in the financial statements. Realized gains and losses from the sale of portfolio investments are also calculated based on the average costs, excluding transaction costs, of the related investment.

Loans and receivables, and other assets and liabilities (other than those classified as fair value through profit or loss) are measured at amortized cost.

The Fund's obligation for net assets attributable to holders of redeemable shares is presented at the redemption amount before discount.

The Fund measures its financial instruments, such as equities, bonds and other interest-bearing investments and derivatives, at fair value at each reporting date. 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 measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability.

The fair values of each specific type of investment and derivative are determined in the following manner:

### **Portfolio Investments**

Portfolio investments listed on recognized public securities exchanges are valued using their last traded market price on the securities exchange when the price falls within the day's bid-ask spread. In the circumstance when the close or last traded price falls outside of the bid-ask spread, then fair value is determined by using bid price for long positions and ask price for short positions or a different point within the bid-ask spread that management determines to be more representative of fair value.

### **Derivatives**

Derivative instruments are financial contracts that derive their value from underlying changes in equity prices, interest rates, foreign exchange rates or other financial or commodity prices or indices. Derivative instruments are either regulated exchange-traded contracts or negotiated over-the-counter contracts. The Fund may use these instruments for trading purposes, as well to manage the Fund's risk exposure.

Derivatives are measured at fair value. Realized and unrealized gains and losses are recorded in the Statements of Comprehensive Income.

### **Valuation of Options**

When any option is written by the Fund, the premium received by the Fund will be reflected as a liability that will be valued at an amount equal to the current

fair value of the option that would have the effect of closing the position. Any difference resulting from revaluation shall be treated as an unrealized gain or loss on investment; the liability shall be deducted in arriving at the net assets attributable to holders of redeemable shares of the Fund. The securities that are the subject of a written option, if any, will be valued in the manner described above for listed securities.

### **Other financial assets and liabilities**

All trade receivables and other accounts receivable are designated as receivables. They are recorded at amortized cost, which approximates their fair value. Similarly, all trade payables and accrued expenses are designated as financial liabilities and are recorded at amortized cost, which approximates their fair value.

### **CLASSIFICATION OF PREFERRED SHARES**

IAS 32 Financial Instruments: Presentation, requires that securities of the Fund, which are considered puttable instruments, be classified as either financial liabilities or equity instruments. The preferred shares of the Fund do not meet the criteria to be classified as equity instruments. Consequently, the Fund's outstanding preferred shares are classified as financial liabilities in accordance with IAS 32.

### **INCOME RECOGNITION**

#### **Interest income for distribution purposes**

The interest for distribution purposes shown on the Statements of Comprehensive Income represents the interest received by the Fund accounted for on an accrual basis.

#### **Dividend revenue**

Dividend revenue is recognized when the Fund's right to receive the payment is established. Dividend revenue is presented gross of any non-recoverable withholding taxes, which are disclosed separately in the Statements of Comprehensive Income.

#### **Securities lending**

The Fund may lend portfolio securities in order to earn additional revenue from fees paid by the counterparty, which is included on the Statements of Comprehensive Income. These transactions involve the temporary exchange of qualified securities as collateral with a commitment to deliver the same securities on a future date.

The market value of the loaned securities is determined on the close of any valuation date and any additional required collateral is delivered to the Fund on the next business day. The securities on loan continue to be included on the Schedule of Investments and are included in the total value on the Statements of Financial Position in investments at fair value.

### **FUNCTIONAL AND PRESENTATION CURRENCY**

The Fund's functional currency is the Canadian dollar (unless otherwise noted), which is the currency of the primary economic environment in which it operates. The Fund's performance is evaluated and its liquidity is managed in Canadian dollars (unless otherwise noted). Therefore, the Canadian dollar is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The Fund's presentation currency is also the Canadian dollar, unless otherwise noted.

### **FOREIGN CURRENCY TRANSLATIONS**

Transactions during the year, including purchases and sales of securities, income and expenses, are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange at the reporting date.

Foreign currency transaction gains and losses on financial instruments classified as fair value through profit or loss are included in profit or loss in the Statements of Comprehensive Income as part of the "net unrealized appreciation (depreciation) in the value of investments and derivatives".

**NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)****CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below. The Fund based the assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Fund. Such changes are reflected in the assumptions when they occur.

**Fair value of financial instruments**

When the fair values of financial assets and financial liabilities recorded in the Statements of Financial Position cannot be derived from active markets, their fair value is determined using a variety of valuation techniques that include the use of valuation models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, estimation is required in establishing fair values. The estimates include consideration of liquidity and model inputs related to items such as credit risk (both own and counterparty's), correlation and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments in the Statements of Financial Position and the level where the instruments are disclosed in the fair value hierarchy. The models are tested for validity by calibrating to prices from any observable current market transactions in the same instrument (without modification or repackaging) when available.

**Classification and measurement of investments and application of the fair value option**

In classifying and measuring financial instruments held by the Fund, Purpose is required to make significant judgements in order to determine the most appropriate classification in accordance with IFRS 9. Purpose has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded that FVTPL in accordance with IFRS 9 provides the most appropriate measurement and presentation of the Fund's financial instruments.

**4. REDEEMABLE SHARES**

The Company is authorized to issue an unlimited number of Preferred shares, and Class A shares and Class J shares, which will not rank in priority to the Preferred shares. The Preferred shares will not be rated by any rating organization. All of the issued and outstanding Class J shares of the Fund are owned by Big Banc Split Trust, a trust whose beneficiaries include the holders of Class A shares and Preferred shares from time to time. Until all the Class A shares and Preferred shares have been retracted, redeemed, or purchased for cancellation, no additional Class J shares shall be issued. As of June 30, 2022, 100 Class J shares were outstanding.

A unit means a notional unit consisting of one Preferred share and one Class A share. Net Asset Value per unit is determined by (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred shares will not be treated as liabilities), including any distributions declared and not paid that are payable to shareholders, less (iii) the stated capital of Class J shares (\$100).

Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation, or winding up of the Company.

Class A shares rank subsequent to the Preferred shares with respect to the payment of distributions and the repayment of capital out of the portfolio on the dissolution, liquidation or winding up of the Company. The Company may sub-divide the Class A shares into a greater number of Class A shares in its discretion from time to time.

The holders of Class J shares are not entitled to receive dividends. The holders of the Class J shares are entitled to one vote per Class J Share. The Class J shares are retractable at a price of \$1.00 per share and have a nominal liquidation entitlement of \$1.00 per share. The Class J shares rank subsequent

to the Preferred shares and prior to the Class A shares with respect to distributions on the dissolution, liquidation or winding-up of the Fund. There are 100 Class J shares issued and outstanding.

The Preferred shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol BNK.PR.A and the Class A shares are listed on the TSX under the ticker symbol BNK. Except as required by law or set out below, holders of Preferred shares and Class A shares will not be entitled to receive notice of, to attend or to vote at any meeting of the shareholders of the Fund. For matters requiring shareholder approval, each Preferred share and each Class A share will have one vote at such a meeting to discuss the matters requiring shareholder approval.

Changes in outstanding Class A shares during the periods ended June 30, 2022 and December 31, 2021 are summarized as follows:

	Number of Shares
	Class A Shares
Outstanding, December 31, 2020	1,805,204
Redeemed	(245,000)
Outstanding, December 31, 2021	1,560,204
Outstanding, June 30, 2022	1,560,204

**5. CAPITAL MANAGEMENT**

The Fund's capital is comprised of its Net Assets attributable to holders of redeemable shares. The Fund's objectives in managing its capital are:

- i) to provide holders of Preferred shares with fixed, cumulative, preferential monthly cash distributions and to return the original issue price to holders of the shares on the scheduled maturity date, and
- ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be at least \$0.662 per share and the opportunity for growth in Net Asset Value per share.

The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

**6. MANAGEMENT FEES, AGENTS' FEES AND OTHER EXPENSES****Initial Expenses**

The expenses of the Fund's initial public offering ("the Offering"), together with the Agents' fees, will be paid by the Fund from the gross proceeds of the Offering. Such expenses include the costs of creating and organizing the Company, the costs of printing and preparing the prospectus, marketing, legal and other out-of-pocket expenses incurred by the Agents, and certain other expenses. The expenses of the Offering shall not exceed 1.5% of the gross proceeds of the Offering, and any excess expenses will be paid for by the Manager.

As a result of the priority of the Preferred shares, the expenses of the Offering and any reduction in the value of the securities accepted pursuant to the Exchange Option between the date upon which their value is determined for such purposes and Closing will effectively be borne by holders of the Class A shares (for so long as the NAV per unit exceeds the Offering price per Preferred share plus accrued and unpaid distributions thereon) and the NAV per Class A share will reflect the expenses of the Offering of both the Preferred shares and Class A shares.

**Agents' Fees**

National Bank Financial Inc., CIBC World Markets Inc., BMO Nesbitt Burns Inc., Canaccord Genuity Corp., RBC Dominion Securities Inc., Richardson Wealth Limited, Scotia Capital Inc., TD Securities Inc., Industrial Alliance Securities Inc., Echelon Wealth Partners Inc., Raymond James Ltd., Desjardins Securities Inc., Hampton Securities Limited, Haywood Securities Inc., Mackie Research Capital Corporation, Manulife Securities Incorporated and PI Financial Corp. (collectively, the "Agents") conditionally

**NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)**

offer the Fund's shares on a best efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement.

Pursuant to the Agency Agreement, the Agents have agreed to offer the Preferred shares and Class A shares for sale, as agents of the Company, on a best efforts basis, if, as and when issued by the Company. The Agents will receive a fee equal to \$0.30 for each Preferred share sold (3.0%) and \$0.50 for each Class A share sold (5.0%) and will be reimbursed for out-of-pocket expenses incurred by them. The Agents may form a sub-agency group including other qualified investment dealers and determine the fee payable to the members of such group, which fee will be paid by the Agents out of their fees. While the Agents have agreed to use their best efforts to sell the Preferred shares and the Class A shares offered hereby, the Agents will not be obligated to purchase Preferred shares and Class A shares which are not sold.

**Management Fees**

The Preferred shares and Class A shares are charged a management fee at an annual rate of 0.75% of the Net Asset Value of the Fund plus applicable taxes, including HST. The management fee will be calculated and payable monthly in arrears based on the average NAV of the Fund calculated at each Valuation Time during that month. The Management Fee payable to the Manager in respect of the month in which Closing occurs shall be pro-rated. The pro-ration is based on the number of days from the Closing Date to the last day of the month.

**Operating Expenses**

The Fund is also responsible for various expenses relating to its operations and management. These expenses may include, without limitation, items such as financial reporting, mailing, printing, trustee fees, custodial fees, transfer agents' fees, legal fees, valuation agents' fees, audit fees, regulatory fees, and Independent Review Committee costs. The Fund is also responsible for all taxes, commissions and other costs of securities transactions and any extraordinary expenses that it may incur or that may be incurred on its behalf from time to time. Except for interest and bank charges paid or payable directly by the Fund, the Manager incurs such expenses on the Fund's behalf and is then reimbursed by the Fund for such expenses. The Fund's common operating expenses are allocated to share classes based on the average daily Net Asset Value of each class.

**7. INCOME TAXES AND WITHHOLDING TAXES**

The Company qualifies and intends to continue to qualify as a mutual fund corporation under the Income Tax Act (Canada). Mutual fund corporations are generally subject to tax in the same manner as other public corporations except that income taxes payable on realized capital gains are refundable on a formula basis when shares of the Company are redeemed or capital gains dividends are paid by the Company to its shareholders. The Company is subject to a special tax at the rate of 38 1/3% on taxable dividends received from taxable Canadian corporations. This tax is refundable to the Company upon the payment of taxable dividends to its shareholders at the rate of \$1 of tax for every \$2.61 of dividends paid.

As of December 31, 2021 and 2020, the Fund had no non-capital or capital losses for income tax purposes. Capital losses may be carried forward indefinitely to be applied against future capital gains. Non-capital losses may be utilized to reduce taxable income over the twenty years following the tax year in which they arise.

The Company may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

**8. INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE SHARES PER SHARE**

Increase (decrease) in net assets from operations attributable to holders of redeemable shares per share of each class is calculated by dividing the Increase (decrease) in net assets attributable to holders of redeemable shares from operations (excluding distributions), as reported in the Statements of Comprehensive Income, by the weighted average number of shares in issue during the related period.

**9. BROKERAGE COMMISSIONS**

Commissions paid to brokers in connection with portfolio transactions are included in transaction costs in the Fund's Statements of Comprehensive Income. Brokerage business is allocated based on which broker can deliver to the Fund the best trade execution.

Soft dollar arrangements are when trades are allocated to brokers that provide or pay for, in addition to transaction execution, investment research, statistical or other similar services. The Investment Advisor does not use soft dollar arrangements when selecting brokers for trade execution for the Fund.

**10. FAIR VALUE INVESTMENTS**

IFRS 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level 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. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The Fund's hierarchy for disclosing the fair value of its financial instruments is based on the inputs summarized below:

- Level 1 – valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities.
  - Level 2 – valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for that instrument; and inputs that are derived from or corroborated by observable market data by correlation or other means.
  - Level 3 – valuation techniques with significant unobservable market inputs.
- For assets and liabilities that are recognized in the financial statements on a recurring basis, the Fund determines whether transfers have occurred between levels in the hierarchy by reassessing the categorization at the end of each reporting period.

The following is a summary of the inputs used as of June 30, 2022 in valuing the Fund's financial assets and financial liabilities carried at fair value:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities	36,945,927	-	-	36,945,927
<b>Total financial assets</b>	36,945,927	-	-	36,945,927
<b>Total financial assets and liabilities</b>	36,945,927	-	-	36,945,927

**NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)**

The following is a summary of the inputs used as of December 31, 2021 in valuing the Fund's financial assets and financial liabilities carried at fair value:

	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Total (\$)
<b>Financial assets</b>				
Equities	43,966,368	-	-	43,966,368
<b>Total financial assets</b>	<b>43,966,368</b>	<b>-</b>	<b>-</b>	<b>43,966,368</b>
<b>Financial liabilities</b>				
Options	28,850	-	-	28,850
<b>Total financial liabilities</b>	<b>28,850</b>	<b>-</b>	<b>-</b>	<b>28,850</b>
<b>Total financial assets and liabilities</b>	<b>43,937,518</b>	<b>-</b>	<b>-</b>	<b>43,937,518</b>

During the periods ended June 30, 2022 and December 31, 2021 there were no transfers of assets between Level 1, Level 2 and Level 3. The Manager obtains pricing from a third party pricing vendor, which is monitored and reviewed daily by the portfolio manager. Any adjustments to the prices or estimates provided by the third party pricing vendor are approved by the portfolio manager.

**a) Equities**

The Fund's equity positions are classified as level 1, as the securities are actively traded and a reliable price is observable.

**b) Option Contracts**

The Fund's option contracts written are classified as level 1, as the options are based on unadjusted prices that are observable.

**11. FINANCIAL RISKS**

In the normal course of business, the Fund is exposed to a variety of financial risks: market price risk, interest rate risk, currency risk, credit risk and liquidity risk. The Fund's primary risk management objective is to protect earnings and cash flow and, ultimately, shareholder value. Risk management strategies, as discussed below, are designed and implemented to ensure the Fund's risks and related exposures are consistent with its objectives and risk tolerance.

Most of the Fund's risks are derived from its investments. The value of the investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions, commodity prices, and the market and company news related to specific securities held by the Fund. The investments are made in accordance with the Fund's risk management policies. The policies establish investment objectives, strategies, criteria and restrictions.

The objectives of these policies are to identify and mitigate investment risk through a disciplined investment process and the appropriate structuring of each transaction.

**Market price risk**

Market price risk arises primarily from uncertainties about the future market prices of instruments held. Market price fluctuations may be caused by factors specific to an individual investment, or factors affecting all securities traded in a market or industry sector. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is equivalent to their fair value. The Fund's most significant exposure to market price risk arises from its investment in equity securities.

If equity prices for these securities had increased or decreased by 5% as at June 30, 2022 with all other variables held constant, the Fund's net assets would have increased or decreased, respectively, by approximately \$1.8 million (December 31, 2021 – \$2.2 million). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

**Interest rate risk**

Interest rate risk arises from interest-bearing financial instruments where the values of those instruments fluctuate due to changes in market interest rates.

The majority of the Fund's financial assets are equity shares, which are not interest bearing. As the Fund's financial liabilities are primarily short term in

nature and generally not interest bearing, the Fund's exposure to interest rate risk is considered low.

**Portfolio concentration risk**

Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Manager manages the risk through diversification and a thorough understanding of each investment in the portfolio.

**Credit risk**

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

The Fund is exposed to the risk that a security issuer or counterparty will be unable to pay amounts in full when due. The Fund's main exposure to credit risk is its trading of listed securities. The risk of default is considered minimal as all transactions are settled and paid for upon delivery using approved brokers.

**Liquidity risk**

Liquidity risk is the risk of not being able to meet the Fund's cash requirements in a timely manner and includes the risk of not being able to liquidate assets at reasonable prices. This risk mainly arises from the Fund's exposure to monthly and annual redemptions. Sufficient notification is required for redemption requests to allow the Manager to sell investments to raise cash to fund redemptions. In addition, the Fund retains sufficient cash positions to meet its daily cash requirements. All liabilities are due within three months except for the loan facility.

**Pandemic risk**

Concerns over the spread of viruses (including COVID-19 and monkeypox) have resulted in a high level of uncertainty and volatility in the financial markets in addition to disruptions to businesses worldwide as societies face increased threat of viral outbreaks. Pandemic risk and its effect on the global economy has had an enormous impact on consumers in all sectors. Fluctuation in security prices, larger bid/ask spreads and lower liquidity caused by pandemics may impact valuation of investments, classification of fair value hierarchy, and assumptions by the Manager to make accounting estimates. The impact of pandemics may last for an extended period and could adversely affect the performance of the Fund. The Manager continues to closely monitor the impact of pandemic risk and its effects on the Fund's risk exposures.

**12. DISTRIBUTIONS TO SHAREHOLDERS**

The policy of the Board of Directors of the Fund will initially be to pay monthly non-cumulative distributions to the holders of Class A shares in the amount of \$0.0662 per Class A share. Such distributions will be paid on or before the 15th day of the month following the month in respect of which the distribution is declared payable. No distributions will be paid on the Class A shares (i) if the distributions payable on the Preferred shares are in arrears, or (ii) if after paying a cash distribution, the NAV per unit would be less than \$15.00. The amount of any distributions on the Class A shares in any month or months will otherwise be in the discretion of the Board of Directors.

Holders of record of Preferred shares on the last Business Day of each month will be entitled to receive fixed, cumulative preferential monthly cash distributions equal to \$0.05 per Preferred share. On an annualized basis, this would represent a yield on the Preferred share offering price of 6.0%. Such distributions are expected to be paid by the Fund before the 15th day of the month following the period in respect of which the distribution was declared payable.

**NOTES TO THE FINANCIAL STATEMENTS (unaudited) (continued)****13. RELATED PARTY TRANSACTIONS**

Purpose is deemed to be a related party as Manager of the Fund. Please refer to Note 6 above for fees paid to Purpose. There are no other related party transactions for the Fund.

The Manager has appointed the Independent Review Committee (IRC) as required by National Instruments 81-107 *Independent Review Committee for Investment Fund*. The mandate of the IRC is to review, and provide input on, the Manager's written policies and procedures that deal with conflict of interest matters in respect of the Fund. The fees for services rendered to the Fund are reported in the Statements of Comprehensive Income.

## CORPORATE INFORMATION

### MANAGER AND PROMOTER

Purpose Investments Inc.  
130 Adelaide Street West  
Suite 3100, P.O. Box 109  
Toronto, ON M5H 3P5

### CUSTODIAN AND VALUATION AGENT

CIBC Mellon Trust Company  
1 York Street, Suite 700  
Toronto, ON M5J 0B6

### AUDITOR

Ernst & Young LLP  
EY Tower  
100 Adelaide Street West, P.O. Box 1  
Toronto, ON M5H 0B3

### REGISTRAR AND TRANSFER AGENT

TSX Trust Company  
100 Adelaide Street West, Suite 301  
Toronto, ON M5H 4H1

### TORONTO STOCK EXCHANGE LISTING

Ticker Symbols:  
Class A Shares – BNK  
Preferred Shares – BNK.PR.A

### INDEPENDENT REVIEW COMMITTEE OF BIG BANC SPLIT CORP.

#### DOUGLAS G. HALL

Chair of the Independent Review Committee

#### RANDALL C. BARNES

Member of the Independent Review Committee

#### JEAN M. FRASER

Member of the Independent Review Committee

### OFFICERS AND DIRECTORS OF PURPOSE INVESTMENTS INC.

#### SOM SEIF

Chief Executive Officer, Chairman of the Board of Directors  
and Director

#### VLADIMIR TASEVSKI

Chief Operating Officer and Director

#### JEFF BOUGANIM

Chief Financial Officer and Director

#### ALESSIA CRESCENZI

Chief Compliance Officer and Senior Legal Counsel

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