

# Healthcare Special Opportunities Fund

Financial statements  
December 31, 2023



# Independent auditor's report

To the Unitholders of  
**Healthcare Special Opportunities Fund**

## Opinion

We have audited the financial statements of the **Healthcare Special Opportunities Fund** [the "Fund"], which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in net assets attributable to holders of redeemable units and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information.

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

## Basis for opinion

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

## Other information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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

## Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is David Tedesco.

*Ernst & Young LLP*

Chartered Professional Accountants  
Licensed Public Accountants

Toronto, Canada  
March 21, 2024



## Healthcare Special Opportunities Fund

### Statements of financial position

As at December 31

	2023	2022
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Financial assets at fair value through profit or loss <i>[schedule 1]</i>	18,597,530	19,061,702
Cash	347,376	3,105,861
Dividends receivable	14,009	16,423
Interest receivable	—	19,916
Receivables for investments sold	—	200,938
<b>Total current assets</b>	<b>18,958,915</b>	<b>22,404,840</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accrued liabilities	52,346	45,367
Redemptions payable to unitholders	—	2,931,070
Management fees payable	19,569	22,886
<b>Total current liabilities [excluding net assets attributable to holders of redeemable units]</b>	<b>71,915</b>	<b>2,999,323</b>
<b>Net assets attributable to holders of redeemable units <i>[note 4]</i></b>	<b>18,887,000</b>	<b>19,405,517</b>
<b>Net assets attributable to holders of redeemable units per class</b>		
Class A	18,879,535	19,398,102
Class U	7,465	7,415
<b>Net assets attributable to holders of redeemable units per class per unit <i>[note 4]</i></b>		
Class A	12.03	11.98
Class U	14.93	14.83

See accompanying notes

Approved on behalf of LDIC Inc., as Manager of the Healthcare Special Opportunities Fund.

/s/ Michael B. Decter  
Michael B. Decter, Director

/s/ Ron Bailey  
Ron Bailey, Director

## Healthcare Special Opportunities Fund

### Statements of comprehensive income (loss)

Years ended December 31

	2023	2022
	\$	\$
<b>Net gain (loss) on financial instruments</b>		
Dividend income	187,873	260,335
Interest for distribution purposes	51,700	99,775
Foreign exchange gain	17,632	395,921
Other changes in fair value on financial assets and financial liabilities at fair value through profit or loss		
Net realized gain (loss) on sale of investments	441,544	(880,186)
Change in unrealized appreciation (depreciation) in value of investments	288,942	(4,551,166)
Change in unrealized depreciation in value of foreign currency exchange	(6,256)	(10,656)
<b>Net gain (loss) on financial instruments</b>	<b>981,435</b>	<b>(4,685,977)</b>
<b>Expenses [note 5]</b>		
Management fees	264,461	418,249
Securityholder reporting costs	61,488	65,329
Transaction costs [note 7]	57,854	55,484
Valuation fees	32,777	32,506
Audit fees [note 12]	40,937	26,948
Other	22,126	25,635
Filing fees	18,351	14,890
Legal fees	8,483	14,291
Custodian fees	8,364	8,244
Independent Review Committee fees	6,024	4,390
Performance fees (recovery)	—	(791)
<b>Total expenses</b>	<b>520,865</b>	<b>665,175</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units before withholding taxes</b>	<b>460,570</b>	<b>(5,351,152)</b>
Withholding taxes [note 6]	(23,309)	(14,158)
<b>Increase (decrease) in net assets attributable to holders of redeemable units [excluding distributions]</b>	<b>437,261</b>	<b>(5,365,310)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per class from operations [excluding distributions]</b>		
Class A	437,082	(5,363,739)
Class U	179	(1,571)
<b>Average number of units outstanding for the year per class</b>		
Class A	1,598,921	2,421,202
Class U	500	559
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit from operations [excluding distributions]</b>		
Class A	0.27	(2.22)
Class U	0.36	(2.81)

See accompanying notes

## Healthcare Special Opportunities Fund

### Statements of changes in net assets attributable to holders of redeemable units

Years ended December 31

	Class A		Class U	
	2023	2022	2023	2022
	\$	\$	\$	\$
<b>Net assets attributable to holders of redeemable units, beginning of year</b>	<b>19,398,102</b>	36,179,354	<b>7,415</b>	10,749
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations [excluding distributions]</b>	<b>437,082</b>	(5,363,739)	<b>179</b>	(1,571)
<b>Redeemable unit transactions</b>				
Redemption of redeemable units	(577,571)	(10,844,464)	—	(1,578)
<b>Distributions to holders of redeemable units</b>				
Return of capital	(378,078)	(573,049)	(129)	(185)
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(518,567)</b>	(16,781,252)	<b>50</b>	(3,334)
<b>Net assets attributable to holders of redeemable units, end of year</b>	<b>18,879,535</b>	19,398,102	<b>7,465</b>	7,415
			<b>Total</b>	
			<b>2023</b>	<b>2022</b>
			\$	\$
<b>Net assets attributable to holders of redeemable units, beginning of year</b>			<b>19,405,517</b>	36,190,103
<b>Increase (decrease) in net assets attributable to holders of redeemable units from operations [excluding distributions]</b>			<b>437,261</b>	(5,365,310)
<b>Redeemable unit transactions</b>				
Redemption of redeemable units			(577,571)	(10,846,042)
<b>Distributions to holders of redeemable units</b>				
Return of capital			(378,207)	(573,234)
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>			<b>(518,517)</b>	(16,784,586)
<b>Net assets attributable to holders of redeemable units, end of year</b>			<b>18,887,000</b>	19,405,517

See accompanying notes

## Healthcare Special Opportunities Fund

### Statements of cash flows

Years ended December 31

	2023	2022
	\$	\$
<b>Operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units from operations [excluding distributions]	437,261	(5,365,310)
Adjustments for:		
Foreign exchange gain	(17,632)	(395,921)
Net realized (gain) loss on sale of investments	(441,544)	880,186
Change in unrealized (appreciation) depreciation in value of investments	(288,942)	4,551,166
Purchases of investments	(12,203,225)	(11,234,208)
Proceeds from sale of investments	13,598,821	19,415,770
Dividends receivable	2,414	16,468
Interest receivable	19,916	2,576
Accrued liabilities	6,979	9,704
Management fees payable	(3,317)	(15,208)
<b>Net cash provided by operating activities</b>	<b>1,110,731</b>	<b>7,865,223</b>
<b>Financing activities</b>		
Distributions paid to holders of redeemable units, net of reinvested distributions	(378,207)	(573,234)
Redemption of redeemable units	(3,508,641)	(7,914,972)
<b>Net cash used in financing activities</b>	<b>(3,886,848)</b>	<b>(8,488,206)</b>
<b>Foreign exchange gain</b>	<b>17,632</b>	<b>395,921</b>
<b>Net decrease in cash during the year</b>	<b>(2,758,485)</b>	<b>(227,062)</b>
Cash, beginning of year	3,105,861	3,332,923
<b>Cash, end of year</b>	<b>347,376</b>	<b>3,105,861</b>
<b>Supplemental cash flow information</b>		
Dividends received, net of withholding taxes	166,978	262,645
Interest received	71,616	102,351

See accompanying notes

## Schedule of investment portfolio

As at December 31, 2023

Number of securities		Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
<b>Canadian equities</b>					
<b>Consumer discretionary</b>					
285,863	Grey Wolf Animal Health Corp.		306,215	211,539	
			<u>306,215</u>	<u>211,539</u>	<u>1.12</u>
<b>Consumer staples</b>					
9,882	Freshlocal Solutions Inc.		68,186	1,631	
			<u>68,186</u>	<u>1,631</u>	<u>0.01</u>
<b>Financials</b>					
15,000	Horizons High Interest Savings ETF		752,351	750,000	
250,000	Investx Series 19-08		124,005	57,689	
			<u>876,356</u>	<u>807,689</u>	<u>4.28</u>
<b>Healthcare</b>					
76,856	Arthritis Innovation Corp.		304,899	860,787	
218	Cairn Memory Care Opportunities Fund LP		132,259	246,994	
250	Cairn Memory Care Opportunities Fund LP, Restricted		151,673	283,250	
461,539	Damona Pharmaceuticals Inc.		402,303	395,581	
15,000	DRI Healthcare Trust		186,447	187,200	
204	Fero International Inc.		49,980	47,773	
90,000	Microbix Biosystems Inc., Warrants	19-May-24	16,200	—	
500,000	Newtopia Inc., Warrants	29-Apr-24	—	1	
14,285	Paume Inc.		49,998	49,998	
145,900	Quipt Home Medical Corp.		1,193,917	984,825	
154,050	Vitalhub Corp.		436,564	628,524	
			<u>2,924,240</u>	<u>3,684,933</u>	<u>19.51</u>
	<b>Total Canadian equities</b>		<u>4,174,997</u>	<u>4,705,792</u>	<u>24.92</u>



## Schedule of investment portfolio [continued]

As at December 31, 2023

Number of securities	Maturity/ expiry date	Average cost \$	Fair value \$	Percentage of net assets %
<b>Foreign equities</b>				
<b>Healthcare</b>				
11,115	AstraZeneca PLC.	847,712	987,099	
2,805	Becton Dickinson and Co.	750,085	901,848	
19,260	Boston Scientific Corp.	1,084,127	1,468,157	
3,975	Danaher Corp	1,101,156	1,212,554	
1,500	Eli Lilly & Co.	793,341	1,152,958	
3,200	HCA Healthcare Inc.	879,763	1,142,140	
2,520	Intuitive Surgical Inc	975,575	1,121,004	
8,550	Novo Nordisk A/S	1,000,171	1,166,299	
23,600	Proxamama, Inc.	449,577	441,267	
2,540	Stryker Corp.	763,847	1,002,965	
1,755	Thermo Fisher Scientific Inc	1,111,104	1,228,319	
1,480	UnitedHealth Group Inc.	722,157	1,027,421	
3,995	Zoetis Inc	888,713	1,039,707	
		<u>11,367,328</u>	<u>13,891,738</u>	<u>73.55</u>
	<b>Total foreign equities</b>	<b>11,367,328</b>	<b>13,891,738</b>	<b>73.55</b>
	<b>Total equities</b>	<b>15,542,325</b>	<b>18,597,530</b>	<b>98.47</b>
	<b>Transaction costs</b>	<b>(26,469)</b>		
	<b>Total investments</b>	<b>15,515,856</b>	<b>18,597,530</b>	<b>98.47</b>
	Other assets less liabilities		289,470	1.53
	<b>Net assets attributable to holders of redeemable units</b>		<b>18,887,000</b>	<b>100.00</b>

See accompanying notes

# Healthcare Special Opportunities Fund

## Notes to financial statements

December 31, 2023

### 1. General information

The Healthcare Special Opportunities Fund [the “Fund”] is a closed-end investment trust established under the laws of the Province of Ontario on June 26, 2015. LDIC Inc. [the “Manager”] is the Trustee and Manager of the Fund. The Fund was listed on the Toronto Stock Exchange [“TSX”] and commenced operations on July 15, 2015 when it first issued units through an initial public offering. The address of the Fund’s registered office is LDIC Inc., 10 Alcorn Ave., Suite 205, Toronto, Ontario. These financial statements were authorized for issue by the Manager on March 21, 2024.

The investment objective of the Fund is principally to provide holders of units with long-term total return through distributions and capital appreciation of the Fund’s investment portfolio by investing in equity and debt securities of issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services.

### 2. Basis of presentation

These financial statements of the Fund have been prepared in compliance with International Financial Reporting Standards [“IFRS”].

The policies applied in these financial statements are based on the annual financial statements issued as of March 21, 2024, which is the date on which the financial statements were authorized for issue by the Manager.

In the preparation of these financial statements, management has made judgments, estimates and assumptions that affect the application of the Fund’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The financial statements of the Fund have been prepared on a going concern basis using the historical cost basis. The Fund’s functional currency and presentation currency is the Canadian dollar.

### 3. Material accounting policy information

#### **IFRS 9, *Financial Instruments* [“IFRS 9”]**

The Fund classifies its financial instruments as amortized cost, fair value through profit or loss [“FVTPL”], or fair value through other comprehensive income [“FVOCI”] based on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of these assets. Assessment and decision on the business model approach used is an accounting judgment. The classification and measurement of financial liabilities remain generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the entity’s own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income. All other financial assets and liabilities are measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or settled, discounted when appropriate, at the financial instrument’s effective interest rate. The fair values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their carrying values due to their short-term nature.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### Foreign currency translation

The Fund's functional and presentation currency is the Canadian dollar. Foreign currency purchases and sales of investments and foreign currency dividend and interest income and expenses are translated into Canadian dollars at the rate of exchange prevailing at the date of the transactions.

Foreign exchange gains (losses) on purchases and sales of foreign currencies are included in "Foreign exchange gain (loss)" in the statements of comprehensive income (loss).

The fair values of investments and other assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing as at the statements of financial position date.

#### Fair value measurements

Financial instruments are valued at their fair value, which is defined as 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 is based on quoted market prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- Level 1 – quoted prices [unadjusted] in active markets for identical assets or liabilities;
- Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly [i.e., as prices] or indirectly [i.e., derived from prices]; and
- Level 3 – inputs for the asset or liability that are not based on observable market data [unobservable inputs].

Changes in valuation methods may result in transfers into or out of an investment's assigned level.

A valuation hierarchy table has been included in note 10, *Fair value disclosure*.

#### Impairment of financial assets

The Fund recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or FVOCI. Financial assets held by the Fund that are measured at FVTPL will not be subject to the new impairment requirements.

With respect to loans and receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the year-end date, all loans and 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.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### **Cash**

Cash consists of cash held on deposit with financial institutions with maturity dates of less than 30 days.

#### **Multi-class allocation**

Expenses, realized and unrealized gains/losses and income generally are allocated among the classes on a pro-rata basis.

Class-specific management fees are not allocated and do not require allocation.

#### **Transaction costs**

Transaction costs, such as brokerage commissions incurred in the purchase and sale of securities, are expensed and are included in "Transaction costs" in the statements of comprehensive income (loss).

#### **Investment transactions**

Investment transactions are accounted for on the trade date. All income, net realized gains (losses), unrealized appreciation (depreciation) in the value of investments and transaction costs are attributable to investments that are deemed held for trading.

#### **Revenue recognition**

- The interest for distribution purposes shown on the statements of comprehensive income (loss) represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed-income securities, except for zero-coupon bonds, which are amortized on a straight-line basis.
- Dividend income is recorded on the ex-dividend date and is gross of withholding taxes.
- Realized gains and losses on investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments.

#### **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 in the statements of comprehensive income (loss) represents the net increase (decrease) in net assets attributable to holders of redeemable units per unit, divided by the weighted average number of units outstanding during the period of that class of units.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### **Critical accounting estimates and judgments**

##### *Fair value measurements of financial instruments not quoted in an active market*

The Fund may hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources [such as pricing agencies] or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. When no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

##### *Classification and measurement of financial instruments and application of fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager has assessed the Fund's business model for managing its portfolio of investments and evaluating the performance on a fair value basis and concluded that these financial assets and liabilities should be measured at FVTPL in accordance with IFRS 9.

##### *Investment entity*

In determining whether a Fund meets the definition of an investment entity, the Manager may be required to make significant judgments about whether a Fund has the typical characteristics of an investment entity. The Fund may hold only one investment, consisting of an underlying fund [or have only one investor or have investors that are its related parties]; however, consistent with the investment entity definition, the Fund primarily obtains funds from one or more investors for the purpose of providing investment management services, commits to its investors that the business purpose is to invest the funds solely for returns from capital appreciation, investment income or both, and measures and evaluates the performance of its investments on a fair value basis.

#### **Provisions**

Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### Financial assets derecognition

A financial asset [or, where applicable, a part of a financial asset or part of a Fund with similar financial assets] is primarily derecognized [i.e., removed from the Fund's statements of financial position] when:

- The rights to receive cash flows from the asset have expired; or
- The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either [a] the Fund has transferred substantially all the risks and rewards of the asset; or [b] the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Fund continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Fund also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Fund has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Fund could be required to repay.

Financial assets are written off either partially or in their entirety only when the Fund has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance and that is then applied against the gross carrying amount. Any subsequent recoveries are credited to provisions for losses.

#### 4. Units of the Fund

The Fund is authorized to issue an unlimited number of units of each class. The Class A units are denominated in Canadian dollars, and the Class U units are denominated in US dollars. The Class U units will not be listed on a stock exchange, but are convertible into Class A units on a weekly basis for liquidity. It is expected that liquidity for the Class U units will be obtained primarily by means of conversion into Class A units and the sale of such Class A units on a stock exchange.

Units may be redeemed at the option of unitholders by tendering units of the Fund by the second last business day of July for redemptions ["Annual Redemption Date"] commencing in 2017. Units must be properly surrendered for redemption at least 30 days prior to an Annual Redemption Date in each year. Unitholders whose units are redeemed on the Annual Redemption Date will receive a redemption price per unit equal to 100% of the net asset value ["NAV"] per unit of the applicable class on an Annual Redemption Date [less any costs associated with the redemption including brokerage costs].

In addition to the annual redemption right, unitholders may surrender units at any time for redemption on the second last Business Day [a "Business Day" being a day other than a Saturday, Sunday or statutory holiday in Toronto,

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

Ontario or any other day the TSX is not open for trading] in a month [a “Monthly Redemption Date”], subject to certain conditions. Unitholders surrendering a Class A unit for redemption on a Monthly Redemption Date will receive a redemption price equal to the lesser of [a] 95% of the “weighted average trading price” of the Class A units on the principal market on which the Class A units are quoted for trading [the TSX] during the 15 trading days preceding the applicable Monthly Redemption Date; and [b] the “closing market price” of the Class A units on the principal market on which the Class A units are quoted for trading on the applicable Monthly Redemption Date [the “Monthly Redemption Amount” less, in each case, any costs associated with the redemption, including brokerage costs]. Unitholders surrendering a Class U unit for redemption on a Monthly Redemption Date will receive in US dollars an amount equal to the US dollar equivalent of the product of [i] the Monthly Redemption Amount; and [ii] a fraction, the numerator of which is the most recently calculated NAV per unit of a Class U unit and the denominator of which is the most recently calculated NAV per unit of a Class A unit, less any costs associated with the redemption, including brokerage costs.

On June 22, 2017, the Fund announced a normal course issuer bid [“NCIB”] to repurchase its Class A units. The Fund was authorized to repurchase up to 623,418 Class A units, representing 10% of the public float. The Fund did not purchase in any given 30-day period, in the aggregate, more than 124,684 Class A units, being 2% of the issued and outstanding Class A units as of the date hereof. Purchase of Class A units under the NCIB commenced on July 28, 2017. All Class A units purchased by the Fund pursuant to the NCIB were cancelled. The NCIB expired on July 27, 2018 and was not renewed.

During the years ended December 31, 2023 and 2022, Class A units were not purchased for cancellation under the above NCIB.

#### Issued

During the year, unit transactions of the Fund were as follows:

	2023	
	Number of Class A units	Number of Class U units
<b>Units outstanding, beginning of year</b>	1,618,637	500
Redemption of redeemable units	(49,837)	-
<b>Units outstanding, end of year</b>	<b>1,568,800</b>	<b>500</b>
	2022	
	Number of Class A units	Number of Class U units
<b>Units outstanding, beginning of year</b>	2,619,502	600
Redemption of redeemable units	(1,000,865)	(100)
<b>Units outstanding, end of year</b>	<b>1,618,637</b>	<b>500</b>

On December 31, 2023, the Fund’s closing market price was \$11.85 per Class A unit [2022 – \$11.50 per Class A unit].

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### 5. Related party transactions

As at December 31, 2023, the Manager of the Fund and certain Directors and Officers of the Manager held a total of 296,226 [2022 – 306,675] Class A units of the Fund.

#### Management fees, performance fees and operating expenses

The Manager provides investment and administrative services to the Fund. In consideration for these services, the Manager receives a 1.25% fee per annum based on a percentage of the net assets of the Fund calculated daily and payable monthly.

The Manager is entitled to be paid a performance fee [the “Performance Fee”] from the Fund in respect of investments in the private equity investments [the “Private Portfolio”] including, for the purpose of calculating the Performance Fee, securities of private issuers in the Private Portfolio that have become publicly traded and public securities received on the disposition of securities of a private issuer in the Private Portfolio. The amount of the Performance Fee shall be determined as of the date of disposition [the “Determination Date”] for cash proceeds of each such investment.

The Performance Fee in respect of each investment will be equal to 20% of the amount by which the cash proceeds of disposition exceed 106% of the Threshold Amount [as defined below] calculated on a cumulative annual basis plus applicable taxes.

The Performance Fee shall be calculated and accrue daily and be paid upon each Determination Date; however, no Performance Fee shall be paid in respect of any dispositions of securities of private issuers in the Private Portfolio unless on the Determination Date the proceeds of disposition of the investment exceed 107% of the original book value of the investment [the “Threshold Amount”].

The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business. These expenses include, but are not limited to, administration and accounting costs, the costs of any back-office service provider retained by the Manager, transaction costs, audit and legal fees, custodian fees, the costs of preparing and distributing annual and semi-annual financial statements, unitholder reports and investor communications. At certain times, the Manager may pay a portion of the expenses otherwise payable by the Fund.

#### 6. Taxation of the Fund and allocation to unitholders

The Fund qualifies as a mutual fund trust as defined in the *Income Tax Act* (Canada) [the “Act”]. Pursuant to the terms of the Declaration of Trust, the Fund pays or makes payable in the calendar year to the unitholders all the net income and such portion of the net capital gains that will result in the Fund paying no tax under the current provisions of the Act. As a result, under existing tax legislation, the net income and net capital gains are taxable in the hands of the unitholders of the Fund. Accordingly, no provision for Canadian income taxes has been made in these financial statements.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and capital gains are recorded on a gross basis and the related withholding taxes are shown separately in the statements of comprehensive income (loss).



## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

Accumulated capital loss carryforwards may be applied against future years' capital gains and can be carried forward indefinitely. The Fund has accumulated capital loss carryforwards as at December 31, 2023 of \$589,822 [2022 – \$589,822]. The Fund has accumulated non-capital loss carryforwards as at December 31, 2023 of \$309,332 [2022 - \$304,455]. The non-capital losses expire in 20 years.

#### 7. Transaction costs

Commissions and other transaction fees paid for portfolio transactions for the year ended December 31, 2023 were \$57,854 [2022 – \$55,484].

#### 8. Soft dollar commissions

In addition to covering brokerage services on security transactions, commissions paid to certain brokers may also cover research services provided to the Manager. The value of the research services included in the commissions paid by the Fund to those brokers for the years ended December 31, 2023 and 2022 were \$15,360 and \$38,208, respectively.

#### 9. Financial risk management

In the normal course of operations, the Fund's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk [which includes interest rate risk, currency risk, other price risk and concentration risk]. The value of investments in a Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and market news related to specific securities in the portfolio. The level of risk depends on the Fund's objectives and the type of securities that it holds. In order to mitigate risk, depending on conditions, the Manager diversifies the portfolio based on criteria such as asset class, country, industry and currency. Significant risks that are relevant to the Fund are discussed below. "Net assets" below is defined as net assets attributable to holders of redeemable units.

##### Credit risk

Credit risk represents the potential loss that the Fund would incur if counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Manager only trades with approved counterparties and monitors reporting that includes approved counterparty listings, trade volumes and exposure reports. The risk of default is considered minimal, as delivery of securities sold is only made once the Fund has received payment. Payment is made on a purchase once the securities have been received by the Fund. The trade will fail if either party fails to meet its obligation. The Fund maintains all of its cash at the custodian or in overnight deposits with approved counterparties and ensures that appropriate collateral is received.

As at December 31, 2023 and 2022, the Fund had not directly invested in debt instruments.

##### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations associated with its financial liabilities. The Fund's primary exposure to liquidity risk relates to its unitholders' rights to redeem their units on any valuation date. Liquidity risk is managed by retaining sufficient cash positions and investing the majority of the Fund's assets in portfolio investments that are traded in an active market and can be readily disposed of. There

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

can be no assurance that an active trading market for the investments will exist at all times, or that the prices at which the securities trade accurately reflect their values.

Thin trading in a security could make it difficult to liquidate holdings quickly. The Manager considers market depth and the relationship between liquidity and size of the position as part of the criteria for approval of a new investment and in its periodic re-evaluation of the investment.

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's activities may expose it to different types of market risk including interest rate risk, currency risk, other price risk and concentration risk.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk arises on interest-bearing financial instruments.

As at December 31, 2023 and 2022, the Fund had no direct exposure to debt instruments, and the majority of the financial instruments held by the Fund are non-interest bearing.

#### Currency risk

Currency risk is the risk that the fair value of financial instruments denominated in currencies other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate because of changes in foreign exchange rates.

	December 31, 2023		December 31, 2022	
	Currency exposure	Percentage of net assets	Currency exposure	Percentage of net assets
	\$	%	\$	%
US dollar	<b>14,619,754</b>	<b>77.41</b>	14,533,458	74.89

As at December 31, 2023, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other variables remaining constant, net assets would have decreased or increased by \$730,988 [2022 – \$726,673]. In practice, the actual results may differ and the difference could be material.

#### Other price risk

Other price risk represents the risk that the value of financial instruments will fluctuate as a result of changes in market prices [other than those arising from interest rate risk or currency risk], whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

The Fund is exposed to other price risk from investments in equities. As at December 31, 2023, 98.5% [2022 – 98.2%] of the Fund’s net assets were held directly in equities. If equity prices on the exchanges increased or decreased by 5% as at December 31, 2023, the net assets of the Fund would have increased or decreased by \$929,877, or 4.9% [2022 – \$953,085, or 5.0%] with all other factors remaining constant. In practice, the actual results may differ and the difference could be material.

#### *Concentration risk*

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund’s concentration risk:

<b>Investment sector</b>	<b>2023</b> %	<b>2022</b> %
Consumer discretionary	1.1	3.2
Financials	4.3	0.7
Healthcare	93.1	90.8
Information technology	—	3.5
Net other assets/liabilities	1.5	1.8
	<b>100</b>	<b>100.0</b>

#### **10. Fair value disclosure**

The following tables illustrate the classification of the Fund’s assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2023 and 2022:

	<b>2023</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	\$	\$	\$	\$
Equities	<b>16,212,560</b>	—	<b>2,384,970</b>	<b>18,597,530</b>

  

	<b>2022</b>			<b>Total</b>
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
	\$	\$	\$	\$
Equities	16,754,223	—	2,307,479	19,061,702

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

The following is a reconciliation of investments in which significant unobservable inputs [Level 3] were used to determine their fair value:

	<b>Bonds</b>	<b>Equities</b>
	\$	\$
Balance as at December 31, 2022	—	<b>2,307,479</b>
Purchases	—	<b>251,362</b>
Change in unrealized depreciation on investments	—	<b>(173,871)</b>
Balance as at December 31, 2023	—	<b>2,384,970</b>
<b>Net change in unrealized depreciation from investments as at December 31, 2023</b>	<b>—</b>	<b>(173,871)</b>
	<b>Bonds</b>	<b>Equities</b>
	\$	\$
Balance as at December 31, 2021	378,000	3,297,322
Purchases	—	150,940
Sales	—	(184,068)
Net transfers out	(350,000)	(523,788)
Change in unrealized depreciation on investments	(28,000)	(432,927)
Balance as at December 31, 2022	—	2,307,479
<b>Net change in unrealized appreciation from investments as at December 31, 2022</b>	<b>—</b>	<b>132,906</b>

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

The Manager of the Fund is responsible for performing the valuation of the fair value measurements included in the financial statements, including the Level 3 fair values. As at December 31, 2023 and 2022, the fair values of Level 3 securities held by the Fund comprised the following securities, and the unobservable inputs used in the fair value measurement of these investments were as follows:

Investment name	December 31, 2023		
	Fair value \$	Valuation technique	Unobservable inputs
Arthritis Innovation Corp.	860,787	Discounted cash flow	N/A
Cairn Memory Care Opportunities Fund LP	530,244	Discounted cash flow	N/A
Damona Pharmaceuticals Inc.	395,581	Recent transactions	N/A
Fero International Inc.	47,773	Discounted cash flow	N/A
Freshlocal Solutions Inc.	1,631	Recent transactions	N/A
Investx Series 19-08	57,689	Discounted cash flow	N/A
Paume Inc.	49,998	Recent transactions	N/A
Proxamama, Inc.	441,267	Discounted cash flow	N/A
	<b>2,384,970</b>		
Investment name	December 31, 2022		
	Fair value \$	Valuation technique	Unobservable inputs
Arthritis Innovation Corp.	909,975	Discounted cash flow	N/A
Cairn Memory Care Opportunities Fund LP	497,484	Discounted cash flow	N/A
Damona Pharmaceuticals Inc.	156,342	Recent transactions	N/A
Fero International Inc.	50,417	Discounted cash flow	N/A
Freshlocal Solutions Inc.	1,631	Recent transactions	N/A
Investx Series 19-08	128,721	Discounted cash flow	N/A
Paume Inc.	49,998	Recent transactions	N/A
Proxamama, Inc.	512,911	Discounted cash flow	N/A
	<b>2,307,479</b>		

There is no significant sensitivity impact related to the fair value of Level 3 securities.

## Healthcare Special Opportunities Fund

### Notes to financial statements

December 31, 2023

#### 11. Capital management

The Fund's investment objective is principally to provide unitholders with long-term total return by investing in equity and debt securities of issuers that derive a significant portion of their revenue or earnings from medical and healthcare products and/or services.

The Fund's objective when managing capital is to safeguard its ability to continue as a going concern in order to provide returns for unitholders, maximize unitholder value and maintain financial strength. The capital of the Fund is divided into unitholders two classes of units, Class A and Class U. The units issued and outstanding represent the capital of the Fund, and unitholders are entitled to distributions when declared.

The Fund manages its capital in accordance with its investment objectives and strategies and the risk management practices outlined in note 9, *Financial risk management*. The Manager actively monitors the cash position and financial performance to ensure sufficient liquidity to meet operating expenses, distributions and redemptions.

#### 12. Audit fees

For the year ended December 31, 2023, fees paid or payable to Ernst & Young for audit services to Canadian Reporting Issuer fund(s) were \$32,529. Fees for other services were \$4,700.

#### 13. Subsequent events

The Fund has evaluated events subsequent to December 31, 2023 through to the date of approval of the financial statements by the Board of Directors for disclosure and has determined that there were no events that should be disclosed in these financial statements.