

**OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND**

**FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED JUNE 30, 2024 (UNAUDITED)**

**(Expressed in Canadian dollars)**

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Financial Statements

June 30, 2024

### Table of Contents

### Page

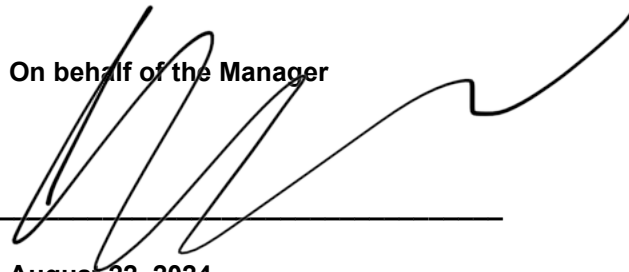
Management Responsibility for Financial Reporting	1
Financial Statements	
Statement of Financial Position	2-3
Statement of Comprehensive Income	4
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units	5
Statement of Cash Flows	6
Schedule of Investment Portfolio	7-8
Schedule 1 – Forward Contracts	9
Notes to Financial Statements	10-28

## **MANAGEMENT RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements have been prepared by Oak Hill Asset Management Inc., in its capacity as the Manager of the Fund. The Fund's Manager is responsible for the information and representations contained in these financial statements.

The Manager maintains appropriate processes to ensure that relevant and reliable financial information is produced. The unaudited interim financial statements have been prepared in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments made by the Manager. The material accounting policy information which the Manager believes are appropriate for the Fund are described in Note 3 to the unaudited interim financial statements.

**On behalf of the Manager**

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke, positioned above a solid horizontal line.

**August 22, 2024**

## **NOTICE TO UNITHOLDERS**

**The Auditors of the Fund have not reviewed these financial statements.**

Oak Hill Asset Management Inc., the Manager of the Fund, appoints an independent auditor to audit the Fund's annual financial statements. Applicable securities laws require that if an auditor has not reviewed the Fund's interim financial statements, this must be disclosed in an accompanying notice.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Statement of Financial Position As at June 30, 2024 (Unaudited)

	June 30, 2024	December 31, 2023
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ —	\$ 21,763,441
Investments at fair value through profit or loss (Note 8)	81,727,640	52,585,860
Foreign exchange forwards, at fair value (Note 8)	99,124	432,281
Foreign exchange swaps, at fair value (Note 8)	—	199,844
Receivable for investments sold (Note 3)	791,165	1,342,669
Dividends receivable	27,739	90,053
Interest receivable	124,942	118,796
Subscriptions receivable	100,610	166,448
Other receivables	21,852	11,459
	<u>82,893,072</u>	<u>76,710,851</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Bank Indebtedness	9,752,638	—
Investments sold short, at fair value through profit or loss (Note 8)	4,342,348	13,106,887
Foreign exchange forwards, at fair value (Note 8)	49,458	125,014
Foreign exchange swaps, at fair value (Note 8)	—	209,376
Accounts payable and accrued liabilities	71,068	80,540
Dividends payable on investments sold short	—	22,917
Interest and borrowing fees payable	16,181	—
Payable for investments purchased (Note 3)	1,577,379	2,126,970
Management fees payable (Note 7)	49,508	45,591
Performance fees payable (Note 7)	87,248	113,717
Redemptions payable	6,688	2,293
Distributions payable	—	27
	<u>15,952,516</u>	<u>15,833,332</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 66,940,556</u>	<u>\$ 60,877,519</u>
<b>Net assets attributable to holders of redeemable units per series</b>		
Series A	\$ 30,108	\$ 33,266
Series A - USD	397,498	171,208
Series F	13,545,817	7,388,534
Series F - USD	390,254	191,120
Series X	52,576,879	53,093,391
	<u>\$ 66,940,556</u>	<u>\$ 60,877,519</u>
<b>Number of redeemable units outstanding (Note 6)</b>		
Series A	2,902	3,271
Series A - USD	28,491	12,556
Series F	1,277,697	713,889
Series F - USD	27,503	13,857
Series X	5,019,517	5,197,213

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

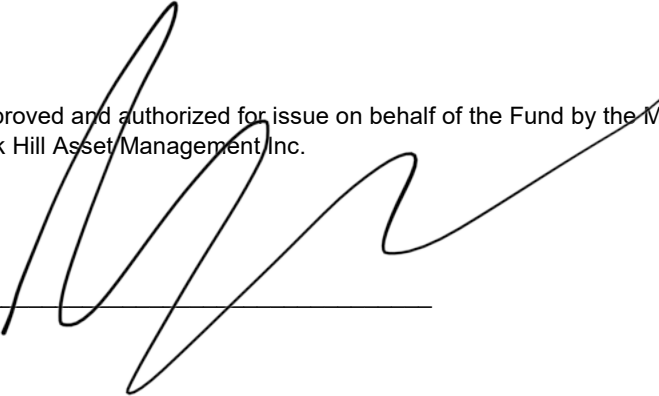
## Statement of Financial Position (continued) As at June 30, 2024 (Unaudited)

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### Net assets attributable to holders of redeemable units per unit (Note 11)

Series A	\$	10.37	\$	10.17
Series A - USD		13.95		13.64
Series F		10.60		10.35
Series F - USD		14.19		13.79
Series X		10.47		10.22

Approved and authorized for issue on behalf of the Fund by the Manager:  
Oak Hill Asset Management Inc.



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# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Statement of Comprehensive Income

For the six-months ended June 30, 2024 (Unaudited)

	2024	2023*
<b>Income</b>		
Dividends	\$ 354,610	\$ 26,694
Interest income for distribution purposes	897,028	108,540
Net change in unrealized appreciation (depreciation) in value of investments, including derivatives and foreign exchange adjustments	1,721,130	(12,588)
Net realized (loss) gain on sale of investments, including derivatives and foreign exchange adjustments	(126,683)	28,706
Other income	8,484	–
	<u>2,854,569</u>	<u>151,352</u>
<b>Expenses</b>		
Performance fees (Note 7)	315,260	54
Management fees (Note 7)	282,382	40,612
Dividend expense on investments sold short	253,063	–
Operating costs	143,982	35,637
Commission and other portfolio transaction costs	136,287	37,432
Audit fees	59,270	6,919
Withholding taxes	30,262	3,727
Interest and borrowing fees	22,685	5,587
IRC fees	13,560	–
Offering costs	2,657	–
Custodian fees	(5,000)	27,673
	<u>1,254,408</u>	<u>157,641</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<u>\$ 1,600,161</u>	<u>\$ (6,289)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per series</b>		
Series A	\$ 611	\$ 120
Series A - USD	4,922	–
Series F	262,573	12
Series F - USD	7,316	(9)
Series X	1,324,739	(6,412)
	<u>\$ 1,600,161</u>	<u>\$ (6,289)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit (Note 10)</b>		
Series A	\$ 0.23	\$ 0.02
Series A - USD	0.30	–
Series F	0.26	–
Series F - USD	0.34	(0.01)
Series X	0.26	–

\*For the period from January 5, 2023 (date of incorporation) to June 30, 2023

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Statement of Changes in Net Assets Attributable to Holders of Redeemable Units For the six-months ended June 30, 2024 (Unaudited)

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Reinvestment of redeemable units	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2024</b>						
Series A	\$ 33,266	\$ 9,500	\$ (13,269)	\$ –	\$ 611	\$ 30,108
Series A - USD	171,208	221,368	–	–	4,922	397,498
Series F	7,388,534	6,827,439	(932,729)	–	262,573	13,545,817
Series F - USD	191,120	237,670	(45,852)	–	7,316	390,254
Series X	53,093,391	10,195	(1,851,473)	27	1,324,739	52,576,879
	<u>\$ 60,877,519</u>	<u>\$ 7,306,172</u>	<u>\$ (2,843,323)</u>	<u>\$ 27</u>	<u>\$ 1,600,161</u>	<u>\$ 66,940,556</u>

	Net assets attributable to holders of redeemable units, beginning of period	Proceeds from redeemable units issued	Redemption of redeemable units	Reinvestment of redeemable units	Increase (decrease) in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of period
<b>June 30, 2023*</b>						
Series A	\$ –	\$ 50,000	\$ –	\$ –	\$ 120	\$ 50,120
Series F	–	187,000	–	–	12	187,012
Series F - USD	–	13,380	–	–	(9)	13,371
Series X	–	33,351,119	(234,422)	–	(6,412)	33,110,285
	<u>\$ –</u>	<u>\$ 33,601,499</u>	<u>\$ (234,422)</u>	<u>\$ –</u>	<u>\$ (6,289)</u>	<u>\$ 33,360,788</u>

\*For the period from January 5, 2023 (date of incorporation) to June 30, 2023

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Statement of Cash Flows

For the six-months ended June 30, 2024 (Unaudited)

	2024	2023*
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	\$ 1,600,161	\$ (6,289)
Adjustments for non-cash items		
Commission and other portfolio transaction costs	136,287	37,432
Net change in unrealized (appreciation) depreciation in value of investments, including derivatives and foreign exchange adjustments	(1,721,130)	12,588
Net realized loss (gain) on sale of investments, including derivatives and foreign exchange adjustments	126,683	(28,706)
Commissions and fees adjustment	(4,446)	(17,109)
Change in non-cash balances		
Decrease (increase) dividends receivable	62,314	(17,153)
Increase in interest receivable	(6,146)	(48,528)
Increase in other receivables	(10,393)	–
(Decrease) increase in accounts payable and accrued liabilities	(9,472)	50,713
Decrease in dividends payable on investments sold short	(22,917)	–
Increase in interest and borrowing fees payable	16,181	–
Increase in management fees payable	3,917	21,793
(Decrease) increase in performance fees payable	(26,469)	48
Proceeds from sale of investments	176,423,145	16,742,802
Purchase of investments	(213,037,988)	(41,200,835)
Cash used in operating activities	<u>(36,470,273)</u>	<u>(24,453,244)</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	7,372,010	33,340,429
Redemption of redeemable units	(2,838,928)	(219,522)
Cash provided by financing activities	<u>4,533,082</u>	<u>33,120,907</u>
(Decrease) increase in cash and cash equivalents during the period	(31,937,191)	8,667,663
Foreign exchange gain (loss) on cash	421,112	(298,877)
Cash and cash equivalents, beginning of period	<u>21,763,441</u>	<u>–</u>
<b>(Bank indebtedness) cash and cash equivalents, end of period</b>	<u>\$ (9,752,638)</u>	<u>\$ 8,368,786</u>
<b>Supplemental information**</b>		
Interest paid	\$ 3,894	\$ 5,587
Interest received	890,882	60,013
Dividends paid	275,980	–
Dividends received, net of withholding taxes	386,663	5,815

\*For the period from January 5, 2023 (date of incorporation) to June 30, 2023

\*\*Included as a part of cash flows from operating activities



# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Schedule of Investment Portfolio As at June 30, 2024 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>United Kingdom equities</b>				
104,475	DS Smith PLC	\$ 697,547	\$ 760,835	1.14
165,000	IQGEO Group PLC	1,344,670	1,332,897	1.99
171,810	Lok'nStore Group PLC	3,296,085	3,269,166	4.88
119,942	Mattioli Woods PLC	1,651,159	1,634,908	2.44
		<u>6,989,461</u>	<u>6,997,806</u>	<u>10.45</u>
<b>Canadian equities</b>				
166,550	Copperleaf Technologies Inc.	1,972,584	1,973,618	2.95
50,940	Park Lawn Corp.	1,324,343	1,324,949	1.98
		<u>3,296,927</u>	<u>3,298,567</u>	<u>4.93</u>
<b>Swedish equity</b>				
62,939	Kindred Group PLC	982,480	1,023,804	1.53
<b>U.S. equities</b>				
98,704	Apartment Income REIT Corp.	5,228,781	5,285,348	7.90
28,390	Assetmark Financial Holdings Inc.	1,322,575	1,342,621	2.01
22,020	Atlantica Yield plc	662,345	661,594	0.99
2,928	Atrion Corp.	1,811,752	1,813,270	2.71
1,817	Diamond Offshore Drilling Inc.	37,963	38,525	0.06
13,404	Encore Wire Corp.	5,293,513	5,317,626	7.94
80,992	Endeavor Group Holdings Inc.	2,912,863	2,996,596	4.48
90,153	Everbridge Inc.	4,030,395	4,317,816	6.45
22,140	HashiCorp Inc.	993,299	1,020,983	1.53
23,761	Haynes International Inc.	1,953,487	1,909,162	2.85
10,218	Hess Corp.	1,968,558	2,063,273	3.08
28,907	Hibbett Sports Inc.	3,434,566	3,450,717	5.15
16,461	Marathon Oil Corp.	632,665	645,987	0.97
4,700	National Western Life Group Inc.	3,085,905	3,196,994	4.78
44,750	Nuvei Corp.	1,985,743	1,983,398	2.96
388,680	Overseas Shipholding Group Inc.	4,499,467	4,511,574	6.74
13,100	Perficient Inc.	1,316,641	1,341,080	2.00
86,080	PowerSchool Holdings Inc.	2,642,901	2,638,131	3.94
42,156	Silk Road Medical Inc.	1,551,702	1,560,293	2.33
4,039	Squarespace Inc.	240,625	241,212	0.36
250,500	US Silica Holdings Inc.	5,301,661	5,297,564	7.91
699,880	Whole Earth Brands Inc.	4,590,206	4,655,859	6.96
2,195	WillScot Corp.	142,063	113,090	0.17
		<u>55,639,676</u>	<u>56,402,713</u>	<u>84.27</u>
<b>U.S. fixed income</b>				
1,000,000	Alteryx Inc. 8.75% 15MAR28	1,401,609	1,402,350	2.09
1,450,000	Atlantica Sustainable Infrastructure PLC 4.125% 15JUN28	1,936,539	1,945,759	2.91
1,899,000	Michael Kors USA Inc. 4.25% 01NOV24	2,521,964	2,577,517	3.85
610,000	Model N Inc. 1.875% 15MAR28	821,403	832,471	1.24
1,000,000	Perficient Inc. 0.125% 15NOV26	1,328,744	1,326,121	1.98

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Schedule of Investment Portfolio (continued)

As at June 30, 2024 (Unaudited)

Number of shares/units	Investments owned	Average cost	Fair value	% of net asset value
<b>U.S. fixed income (continued)</b>				
1,177,000	SRS Distribution Inc. 4.625% 01JUL28	\$ 1,611,617	\$ 1,648,938	2.46
500,000	SRS Distribution Inc. 6% 01DEC29	693,920	721,488	1.08
1,300,000	Vista Outdoor Inc. 4.50% 15MAR29	1,677,429	1,789,351	2.67
		<u>11,993,225</u>	<u>12,243,995</u>	<u>18.28</u>
<b>U.S. option</b>				
20,500	United States Steel Corp. Put \$40 17JAN25	72,176	162,750	0.24
<b>U.S. preferred Share</b>				
56,095	Seritage Growth Properties Preferred Shares 7%	1,750,019	1,594,012	2.38
<b>U.S. right</b>				
7,479	Novartis AG - CVR	3,920	3,993	0.01
	<b>Total investments owned</b>	80,727,884	81,727,640	122.09
Number of shares/units	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>U.S. equities</b>				
(10,471)	Chevron Corp.	\$ (2,102,231)	\$ (2,241,922)	(3.35)
(4,198)	ConocoPhillips	(645,837)	(657,253)	(0.98)
(13,425)	International Paper Co.	(791,165)	(792,930)	(1.18)
(1,944)	McGrath RentCorp	(331,183)	(283,524)	(0.42)
(420)	Noble Corp PLC	(25,630)	(25,669)	(0.04)
		<u>(3,896,046)</u>	<u>(4,001,298)</u>	<u>(5.97)</u>
<b>U.S. options</b>				
(2,900)	Hibbett Inc. Call \$90 18OCT24	(2,982)	(496)	0.00
(2,200)	Perficient Inc. Call \$80 18OCT24	(581)	(602)	0.00
(20,500)	United States Steel Corp. Call \$47 17JAN25	(159,253)	(58,646)	(0.09)
(20,500)	United States Steel Corp. Put \$47 17JAN25	(107,551)	(281,306)	(0.42)
		<u>(270,367)</u>	<u>(341,050)</u>	<u>(0.51)</u>
	<b>Total investments sold short</b>	(4,166,413)	(4,342,348)	(6.48)
	Commissions and other portfolio transaction costs	(39,117)	–	–
	<b>Net investments owned</b>	<u>\$ 76,522,354</u>	77,385,292	115.61
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		49,666	0.07
	<b>Other liabilities, net</b>		<u>(10,494,402)</u>	<u>(15.68)</u>
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<u>\$ 66,940,556</u>	<u>100.00</u>

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Schedule 1 - Forward Contracts As a June 30, 2024 (Unaudited)

Settlement date	Currency	Counterparty	Forward rates	Fair value	Notional amount	Unrealized gain
September 27, 2024	USD	TD Securities	1.3659	\$ (64,098,451)	\$ (64,148,003)	\$ 49,552
<b>Net unrealized gain (loss) on forward contracts</b>						<b>\$ 49,552</b>

Settlement date	Currency	Counterparty	Forward rates	Fair value	Notional amount	Unrealized loss
August 30, 2024	GBP	TD Securities	1.2642	\$ (1,206,938)	\$ (1,199,458)	\$ (10,238)
<b>Net unrealized gain (loss) on forward contracts</b>						<b>\$ (10,238)</b>

Settlement date	Currency	Counterparty	Forward rate	Fair value	Notional amount	Unrealized gain (loss)
November 29, 2024	USD	Goldman Sachs	10.5180	\$ 7,590,785	\$ 7,806,886	\$ (27,899)
September 3, 2024	USD	Goldman Sachs	0.7910	\$ 954,172	\$ 947,542	\$ 11,470
August 30, 2024	USD	Goldman Sachs	0.7910	\$ (948,749)	\$ (954,677)	\$ 10,254
August 16, 2024	USD	Goldman Sachs	0.7911	\$ 1,550,478	\$ 1,535,407	\$ 26,069
July 31, 2024	USD	Goldman Sachs	0.7912	\$ 365,104	\$ 371,568	\$ (11,181)
July 10, 2024	USD	Goldman Sachs	1.4983	\$ 1,493,343	\$ 1,493,496	\$ (140)
September 30, 2024	USD	Goldman Sachs	0.7908	\$ 773,229	\$ 772,200	\$ 1,780
<b>Net unrealized gain (loss) on forward contracts</b>						<b>\$ 10,353</b>

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 1. FUND ORGANIZATION AND NATURE OF OPERATIONS

Oak Hill Nexpoint Global Merger Arbitrage Fund (the "Fund") is a mutual fund trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust (the "Master Trust Agreement") dated January 05, 2023 and amended and restated on April 19, 2023. Oak Hill Asset Management Inc., a corporation incorporated under the laws of Canada, is the manager and trustee (the "Manager", and the "Trustee") of the Fund. The Fund commenced active operations on April 19, 2023. The registered address of the Fund is 161 Bay Street, Suite 2460, Toronto, Ontario, M5J 2S1.

The Manager is responsible for managing and directing the business affairs of the Fund and to make investment decisions in accordance with the general investment policies, objectives, restrictions and guidelines of the Fund. SGGG Fund Services Inc. (the "Administrator") has been appointed by the Manager as the administrator of the Fund. RBC Investors Services Trust (the "Custodian") has been appointed as the custodian of the Fund.

The Fund's objective is to generate consistent, positive absolute returns, with low volatility and low correlation to equity markets by investing in securities in Canada, the United States and in other foreign jurisdictions. To achieve this investment objective, the Fund will primarily focus on merger arbitrage by investing in securities of companies that are involved in publicly announced mergers.

The Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("NI 81-102"), which are designed to ensure that the investments of mutual funds are diversified and relatively liquid and to ensure the proper administration of mutual funds. The Manager intends to manage the Fund in accordance with these restrictions and practices or to obtain relief from the securities regulatory authorities before implementing any variations, such as the ability to invest more than 10% of its NAV in securities of a single issuer, either directly or through the use of specified derivatives, the ability to borrow cash, up to 30% of its NAV, to use for investment purposes, the ability to sell securities short (the combined level of cash borrowing and short selling is limited to 50% of its NAV in aggregate), and the ability to use leverage through the use of cash borrowing, short selling and specified derivatives. The maximum aggregate exposure to these sources of leverage shall not exceed 300% of the Fund's NAV.

### 2. BASIS OF PRESENTATION

These interim financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standard 34, Interim Financial Reporting ("together IFRS") as issued by the International Accounting Standards Board ("IASB").

The policies applied in these interim financial statements are based on IFRS issued and effective as of June 30, 2024. The interim financial statements were authorized for issue by the Manager on August 22, 2024.

#### Functional and Presentation Currency

The Fund's functional and presentation currency is the Canadian dollar.

#### Basis of Measurement

These interim financial statements have been prepared on a historical cost basis, except for financial assets and financial liabilities at fair value through profit or loss ("FVTPL") which are presented at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

#### Valuation of Investments

The fair value of financial assets and financial liabilities traded in active markets is based on quoted market prices. In accordance with the provisions of the Fund's Master Trust Agreement, investment positions are valued based on the last traded market price for the purpose of determining the net asset per unit for subscriptions and redemptions. For financial reporting purposes, 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. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

The fair value of financial assets and financial liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each Statement of Financial Position date. Valuation techniques used include the use of comparable recent arm's-length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

The swaps are valued using pricing models whose inputs are mostly observable from market inputs with some unobservable inputs as well. The Fund may use derivatives such as options and forward contracts to hedge against losses caused by changes in security prices or exchange rates. The fair value of a foreign currency forward contract is determined using quoted forward exchange rates at the reporting date as obtained from an independent source. Futures contracts are valued based on the difference between the contract price at the trade date and the settlement price on the valuation date.

When the Fund purchases an option an amount equal to fair value which is based on the premium paid, is recorded as an asset within investments owned, at fair value. When the Fund writes an option, an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability within investment sold short, at fair value. When options are closed the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a realized gain or loss and is presented in the statement of comprehensive income within net realized (loss) gain on sale of investments including derivatives and foreign exchange transactions.

#### Investments and other financial instruments

The Fund recognizes financial instruments at fair value upon initial recognition, plus transaction costs in the case of financial instruments not measured at FVTPL. Regular way purchases and sales of financial assets are recognized at their trade date. The Fund's investments owned and sold short and derivative instruments are measured at FVTPL.

Pursuant to IFRS 9, Financial Instruments, ("IFRS 9"), the Fund classifies its investments and derivative instruments at FVTPL based on the Fund's business model for managing those financial assets in accordance with the Fund's documented investment strategy. The portfolio of investments is managed and performance is evaluated on a fair value basis and the portfolio of investments is neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION - (Continued)

#### Investments and other financial instruments - (Continued)

All other financial assets and financial liabilities are recognized initially at fair value and subsequently measured at amortized cost i.e.:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Under this method, financial assets and liabilities reflect the amount required to be received or paid, discounted, when appropriate, at the contract's effective interest rate. The fair value of those financial instruments is approximated by their carrying value.

Transaction costs, such as brokerage commissions, incurred by the Fund in the purchase and sale of investments at fair value are recognized in the Statement of Comprehensive Income in the period incurred.

#### Classification of units of the Fund

The Fund accounts for its redeemable units as liability. IAS 32, Financial Instruments: Presentation ("IAS 32") requires that units of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset to be classified as a financial liability unless specific criteria are met. The Manager has determined that the Fund's units meet the criteria in IAS 32 for classification as liabilities because different series of units have different attributes with an obligation to deliver cash under unfavorable conditions and expected cash flows are based on the changes in their fair value.

#### Recognition and derecognition of financial assets and financial liabilities

The Fund recognizes financial assets and financial liabilities on the trade date – the date it commits to purchase or sell short the instruments. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the Statement of Comprehensive Income.

Financial assets are derecognized only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. The Fund derecognizes financial liabilities when the Fund's obligations are discharged, cancelled or they expire.

#### Investment transactions and revenue recognition

Dividend income is recognized on the ex-dividend date and distributions from underlying funds are recognized once the distribution is declared. Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date. Realized gains and losses from investment transactions are calculated on an average cost basis.

The interest income for distribution purposes shown on the Statement of Comprehensive Income 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.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION - (Continued)

#### Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liability simultaneously. In the normal course of business, the Fund enters into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the Statement of Financial Position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

#### Other assets and liabilities

Dividends receivable, interest receivable, receivable for investments sold, subscriptions receivable and other receivables are classified as measured at amortized cost and are recorded at amortized cost. Accounts payable and accrued liabilities, interest and borrowing fees payable, dividends payable in investments sold short, management fees payable, performance fees payable, redemptions payable, payable for investments purchased and distributions payable are designated as financial liabilities at amortized cost. Financial liabilities are generally settled within three months of issuance.

#### Valuation of redeemable units

The value of redeemable units is determined as at the designated business day on which i) regular session of the exchange is held; ii) the primary market or exchange for the majority of the securities held by the Fund is open for trading daily and, (iii) or such other day as agreed from time to time by the Manager ("Valuation Date"). The value of redeemable units on a Valuation Date is obtained by dividing the net assets of a specific class and/or series of units by the total number of units outstanding of the class and/or series at the close of business on the Valuation Date. Expenses directly attributable to a class and/or series are charged to that class and/or series while common Fund expenses are allocated to each class and/or series in a reasonable manner as determined by the Manager. Other income and realized and unrealized gains and losses are allocated to each class and/or series of the Fund based on that class and/or series' pro rata share of total net assets of the Fund.

#### Translation of foreign currency

The fair value of foreign investments and other assets and liabilities denominated in foreign currencies are translated into US dollars at the exchange rates prevailing at 4:00pm Eastern Standard Time (the "closing rate") on each Valuation Date. Purchases and sales of foreign securities denominated in foreign currencies and the related income are translated into US dollars at rates of exchange prevailing on the respective dates of such transactions with the exception of options which are translated using the FX rate in effect on the option transaction date.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION - (Continued)

#### **Net Assets attributable to holders of redeemable units per unit**

The net assets attributable to holders of redeemable units of the Fund's are computed by dividing the net assets attributable to holders of units by the total number of units outstanding at the time. The net assets attributable to holders of redeemable units are determined at the end of period. Refer to Note 11 for the calculation.

#### **Increase (decrease) in net assets attributable to holders of redeemable units per series, per unit**

Increase (decrease) in net assets attributable to holders of redeemable units per series, per unit is based on the increase (decrease) in net assets attributable to holders of redeemable units attributed to each series of units, divided by the weighted average number of units outstanding of that series during the period. Refer to Note 10 for the calculation.

#### **Payable for investments purchased/receivable for investments sold**

Amounts receivable for investments sold and amounts payable for investments purchased that have been contracted are recorded on the statements of financial position at the amount to be received or delivered.

#### **Cash and cash equivalents/bank indebtedness**

Cash and cash equivalents/bank indebtedness are comprised of deposits/credit with financial institutions and cash equivalents that are readily convertible into cash and is carried at cost which approximates fair value.

#### **Derivative transactions**

The Fund may use derivative contracts to enhance returns of the Fund and to manage risks associated with the investments. The derivatives are designated as held-for-trading and, as a result, the contracts are measured at fair value on the valuation date and the resulting gains and losses, both realized and unrealized, are recognized in the Statement of Comprehensive Income.

#### **Distribution of net income and gains**

Net investment income (excluding dividends receivable) and net realized capital gains of the Fund are distributed to unitholders of record of the Fund as of the close of business on the last day of the taxation year of the Fund according to each unitholder's proportionate share of the Fund less any tax required to be deducted. All distributions are reinvested automatically in additional units of the Fund unless the Manager has determined to make the cash distribution option available to unitholders and the unitholder has requested payment of the distribution in cash.



# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 3. SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION - (Continued)

#### Investment entity

The Fund has determined that it is an investment entity as defined by IFRS 10, Consolidated Financial Statements ("IFRS 10") and the amendments to IFRS 10, as the following conditions exist:

- (a) The Fund has obtained funds from one or more investors for the purpose of providing those investors with investment management services.
- (b) The Fund has committed to its investors that its business purpose is to invest funds solely for returns from capital appreciation and investment income; and
- (c) The Fund measures and evaluates the performance of substantially all of its investments on a fair value basis.

As an investment entity, the Fund is exempted from consolidating or applying IFRS 3 for the measurement of its investments in controlled and significantly influenced entities and instead is required to measure such investments at FVTPL.

### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgment that the Fund has made in preparing the financial statements:

#### *Fair value measurement of investments not quoted in an active market*

The Fund may, from time to time, hold financial instruments that are not quoted in active markets, such as unlisted securities, private securities or derivatives. The valuation methods for these financial instruments are described in note 3. The values of these securities are independently assessed by the Manager to ensure they are reasonable. However, because of the inherent uncertainty of valuation, the estimated fair value for these securities may be materially different from the values that would have been used had a ready market for the investment existed.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 5. EXPENSES

All expenses of the Fund shall be paid by the Fund or on behalf of the Fund, including without limitation: all fees and expenses relating to its operation, including registrar and transfer agent fees and expenses, audit, accounting, administration (other than advertising and promotional expenses which are paid for by the Manager), record keeping and legal fees and expenses, trustee, custody and safekeeping charges, all costs and expenses associated with the qualification for sale of units (except for formation and organization costs and costs associated with the preparation and filing the simplified prospectus), providing financial and other reports to unitholders and convening and conducting meetings of unitholders, all taxes, assessments or other governmental charges levied against the Fund, interest, all brokerage and other fees relating to the purchase and sale of the assets of the Fund, and the fees and expenses of the independent review committee. The annual fee payable to each member of the independent review committee is \$5,000 and \$7,000 for the chair, plus applicable taxes or other deductions. Expenses incurred by the members of the independent review committee in connection with performing their duties are also the responsibility of the Fund. The Manager will pay for all expenses associated with the identification and management of the Fund's investments (other than direct expenses such as interest charges on margin borrowings and brokerage fees, which are the responsibility of the Fund).

The foregoing expenses shall be allocated by the Manager to each class or series of units of the Fund on the basis that (i) all class expenses or series expenses shall be allocated only to the class or series of units of the Fund in respect of which the class expenses or series expenses were incurred, and (ii) each type of common expense shall be allocated among the classes or series of units of the Fund as determined by the Manager, in its sole discretion.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 6. REDEEMABLE UNITS OF THE FUND

The Manager has sole discretion in determining whether beneficial interests of the Fund are to be divided into one or more series of units and whether a series is issued in one or more series of units, the attributes that shall attach to each class and/or series of units and whether units of any class and/or series of units should be redesignated as units of a different class and/or series of units, as applicable, from time to time. The number of units and classes and/or series of units of the Fund that may be issued is unlimited. As at June 30, 2024, Series A, Series A-USD, Series F, Series F-USD and Series X units have been issued.

Units of a particular class and/or series of a Fund may, at the option of the holder or the Manager, be redesignated as units of any other class and/or series of the Fund based on the applicable series net asset value and class net asset value, as the case may be, of each of the two classes and/or series on the date of the redesignation. Each unit shall be without nominal or par value and each whole unit of a particular class or series shall entitle the holder thereof to one vote at all meetings of unitholders of the Fund.

Each unit of a particular class or series shall entitle the holder thereof to participate pro rata, with respect to all distributions made to that class or series and, upon liquidation of the Fund, to participate pro rata with the other unitholders of that same class or series in the class or series net asset value of the Fund remaining after the satisfaction of outstanding liabilities of the Fund and the class or series. Units of a class or series of the Fund are not transferable by a unitholder except by operation of law or with the written consent of the Manager.

Fractional units of a class or series may be issued and shall be proportionately entitled to all the same rights as whole units of that same class or series.

The changes in outstanding redeemable units during the period ended June 30, 2024 and the period from January 5, 2023 (date of incorporation) to June 30, 2023 is summarized as follows:

	Redeemable Units, beginning of period	Redeemable Units Issued	Redemption of Redeemable Units	Redeemable Units, end of period
<b>June 30, 2024</b>				
Series A	3,271	920	(1,289)	2,902
Series A - USD	12,556	15,935	–	28,491
Series F	713,889	652,646	(88,838)	1,277,697
Series F - USD	13,857	16,899	(3,253)	27,503
Series X	5,197,213	993	(178,689)	5,019,517
<b>June 30, 2023</b>				
Series A	–	5,000	–	5,000
Series F	–	18,679	–	18,679
Series F - USD	–	1,000	–	1,000
Series X	–	3,337,270	(23,503)	3,313,767

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 6. REDEEMABLE UNITS OF THE FUND - (Continued)

#### Redemption of units

Each unitholder of the Fund is entitled at any time and from time to time to require the Fund to redeem all or any part of that unitholder's units on a specified redemption date (the "Redemption Date", being any Valuation Date) at the class net asset value or series net asset value per unit for the applicable class or series of units. Upon payment to the redeeming unitholder of the class or series net asset value per unit of the units redeemed, as applicable, the Fund shall be discharged from all liability to the unitholder in respect of the units redeemed.

Redemptions are permitted on a daily basis. The Trustee shall be entitled, at any time and from time to time, at its absolute discretion, to compulsorily redeem or cause to be redeemed all or any part of the units held by any such unitholder pursuant to security legislations, from time to time, determined at its discretion, at the applicable class or series net asset value.

#### Distributions

The Manager will declare and credit as due and payable in each calendar year all of the net income of the Fund for the taxation year ending in such calendar year and a sufficient amount of the net capital gains of the Fund for the taxation year ending in such calendar year so that the Fund will not have any obligation to pay tax under the Tax Act. The distributions shall be payable to persons who are unitholders on December 31 of that year, and such amount shall be automatically reinvested in additional units of the same class or series of units of the Fund on which the amount was considered to have been declared. Immediately following such reinvestment, the number of units of the relevant class or series of units outstanding shall be automatically consolidated so that the class net asset value per unit or series net asset value per unit after the reinvestment shall be the same as it was immediately before the amount was considered to have been declared as due and payable by the Fund (before any redesignation of units from one class or series to another) unless the Manager has determined to make a cash distribution option available to unitholders and the unitholder has requested from the Manager in writing payment of the unitholder's distribution in cash.

All unitholders of the Fund participate in distributions and each series of the Fund ranks equally with the other series of the Fund in the payment of such distributions.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 6. REDEEMABLE UNITS OF THE FUND - (Continued)

#### Capital disclosure

The capital of the Fund is represented by issued and redeemable units. The unitholders are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's net asset per redeemable unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions.

### 7. RELATED PARTY BALANCES AND TRANSACTIONS

#### Management fees

In consideration for the services provided by the Manager, the Fund pays the Manager a management fees. The management fees for the Fund are calculated daily, on each business day, as a percentage of the NAV of each series of units that comprise the Fund. The management fees may vary from series to series and will be deducted as an expense of the Fund in the calculation of the net profits of the Fund. The management fees for each of the existing series of units is set out below.

The Manager will receive fees equal to: (i) 1/365 of 2% per annum of the aggregate NAV of the Series A units and Series A – USD units on the preceding business day, and (ii) 1/365 of 1% per annum of the aggregate NAV of the Series F units and Series F – USD units on the preceding business day, and (iii) 1/365 of 0.75% per annum of the aggregate NAV of the Series X units on the preceding business day.

The Manager may, in its discretion, agree to charge a reduced management fee as compared to the fee that the Manager otherwise would be entitled to receive from the Fund with respect to investments in the Fund by unitholders who hold a minimum amount of units during any period or meet other criteria as determined by the Manager from time to time. In such cases, an amount equal to the difference between the management fee otherwise chargeable and the reduced fee payable by the Fund will be distributed regularly by the Fund to those unitholders as management fee distributions ("Management Fee Distributions"). The Manager reserves the right, in its discretion, to discontinue or change Management Fee Distributions at any time.

The total management fees for the Fund for the period June 30, 2024, was \$282,382 (period from January 5, 2023 (date of incorporation) to June 30, 2023 - \$40,612), of which \$49,508 (December 31, 2023 - \$45,591) remained payable as at the period end.

#### Performance fees

The Manager is entitled to a performance fee from the Fund. The performance fees for the Fund will be calculated and accrued daily and paid quarterly. For all series of the units, the amount of performance fees will be equal to 15% of the amount by which the total return of the series of units exceeds the previous high water mark for each applicable series of units. On any day a performance fee is paid for the Fund, a high water mark is set, which is equal to the NAV of the Funds on such date, after deducting all fees and expenses. No further performance fee will be paid until the NAV, adjusted for any distributions since the high water mark was last set, exceeds this high water mark value. This high water mark is perpetual and cannot be reset. Deficiencies to the high water mark accrue for each day a Fund does not exceed the high water mark and performance fees will not be accrued until the series of units of the Fund has exceeded the high water mark.

The total performance fees for the Fund for the period June 30, 2024, was \$315,260 (period from January 5, 2023 (date of incorporation) to June 30, 2023 - \$54), of which \$87,248 (December 31, 2023 - \$113,717) remained payable as at the period end.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 7. RELATED PARTY BALANCES AND TRANSACTIONS - (Continued)

#### Related party unit holdings

As at June 30, 2024, the directors and key management personnel of the Manager and Portfolio Manager held 10,162 units (December 31, 2023 - 10,088 units) of Series X, and 1000 units (December 31, 2023 - 1,000 units) of Series F, of the Fund.

### 8. FAIR VALUE MEASUREMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The Fund's financial instruments are recorded at fair value or at amounts that approximate fair value in the financial statements. The Fund classifies fair value measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are as follows:

Level 1 – Inputs that reflect unadjusted publicly quoted prices in active markets for identical assets or liabilities that the entity has the ability to access at the measurement date;

Level 2 – Inputs other than publicly quoted prices that are either directly or indirectly observable for the asset or liability; and

Level 3 – Inputs that are unobservable for the assets or liabilities. There is little if any market activity. Inputs into the determination of fair value require significant management judgment or estimation.

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at June 30, 2024:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 67,722,890	\$ –	\$ –	\$ 67,722,890
Preferred share	–	1,594,012	–	1,594,012
Fixed income	–	12,243,995	–	12,243,995
Foreign exchange forwards	–	99,124	–	99,124
Options	162,750	–	–	162,750
Rights	–	–	3,993	3,993
	\$ 67,885,640	\$ 13,937,131	\$ 3,993	\$ 81,826,764
<b>Liabilities</b>				
Equities	\$ 4,001,298	\$ –	\$ –	\$ 4,001,298
Foreign exchange forwards	–	49,458	–	49,458
Options	341,050	–	–	341,050
	\$ 4,342,348	\$ 49,458	\$ –	\$ 4,391,806

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 8. FAIR VALUE MEASUREMENTS - (Continued)

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy as at December 31, 2023:

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equities	\$ 35,756,998	\$ –	\$ –	\$ 35,756,998
Preferred share	1,773,251	–	–	1,773,251
Fixed income	–	15,043,245	–	15,043,245
Foreign exchange forwards	–	432,281	–	432,281
Swap contracts	–	199,844	–	199,844
Options	8,514	–	–	8,514
Rights	–	–	3,852	3,852
	\$ 37,538,763	\$ 15,675,370	\$ 3,852	\$ 53,217,985
<b>Liabilities</b>				
Equities	\$ 13,106,887	\$ –	\$ –	\$ 13,106,887
Foreign exchange forwards	–	125,014	–	125,014
Swap contracts	–	209,376	–	209,376
	\$ 13,106,887	\$ 334,390	\$ –	\$ 13,441,277

The changes in investments measured at fair value using significant level 3 inputs are reflected below:

	Total
Beginning Balance, January 01, 2024	\$ 3,852
Change in unrealized appreciation included in net income	141
Ending Balance, June 30, 2024	\$ 3,993
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	Total
Beginning Balance, January 01, 2023	\$ –
Purchases	3,920
Change in unrealized depreciation included in net income	(68)
Ending Balance, December 31, 2023	\$ 3,852

All fair value measurements above are recurring. The carrying values of cash and cash equivalents, dividends receivable, interest receivable, other receivables, receivables for investments sold, subscriptions receivable, accounts payable and accrued liabilities, interest and borrowing fees payable, dividends payable on investments sold short, management fees payable, performance fees payable, redemptions payable, payables for investments purchased and distributions payable approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the security is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceases to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3. There was transfer of Seritage Growth Properties PFD 7% from Level 1 to Level 2 for an amount of \$1,594,012 during the six months ended June 30, 2024. There were no transfers for the period from January 5, 2023 (date of incorporation) to December 31, 2023.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

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### 9. FINANCIAL RISK MANAGEMENT

The value of investments within the Fund's portfolio can fluctuate on a daily basis as a result of changes in interest rates, economic conditions and the market and company news related to specific securities within the Fund. The Manager has the responsibility for the selection of securities within the investment policy guidelines. The Manager seeks to enhance the returns by opportunistically engaging in individual security selection, strategic sector rotation, and tactical or opportunity driven trading. The Manager selects individual securities which it believes have an opportunity for consistent and positive absolute returns based on their growth prospects and current market valuation.

The Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors and monitoring the Fund's positions and market events on a daily basis, and the Manager may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategies, internal guidelines and securities regulations.

The Fund's investment activities expose it to a variety of financial risks: market risk (including other price risk, foreign exchange risk and interest rate risk), credit risk, liquidity risk and concentration risk. These risks and related risk management practices employed by the Fund are discussed below:

#### (i) Other Price Risk

Other price risk is the risk that the market value or future cash flows of financial instruments will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk).

The investments of the Fund are subject to normal market fluctuations and the risks inherent in investment in financial markets. The Manager aims to moderate this risk through careful selection and diversification of securities and other financial instruments in accordance with the Fund's investment objective and strategy. Except for written options and securities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from written options and securities sold short can be unlimited. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to other price risk arising from uncertainties about future prices of the instruments. The Fund invests a certain portion in short positions according to the Fund's investment strategy.

The Fund is exposed to other price risk from its investment in equity securities and written options. As at June 30, 2024, had the prices on the respective stock exchanges for these investments increased or decreased by 10%, with all other variables held constant, Net Assets of the Fund would have increased or decreased by \$6,513,730 (December 31, 2023 - \$2,443,188).



# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 9. FINANCIAL RISK MANAGEMENT - (Continued)

#### (ii) Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the Fund invests in interest-bearing financial instruments.

The Fund is exposed to the risk that such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. Other assets and liabilities are short-term in nature and/or non-interest bearing. There is minimal sensitivity to interest rate fluctuations on any cash and cash equivalents invested at short-term market interest rates.

As at June 30, 2024 and December 31, 2023, the Fund's exposure to debt instruments by maturity and the impact on net assets had the yield curve shifted higher in parallel by 25 basis points, with all other variables held constant ("sensitivity"), are as follows:

<b>Bonds by Maturity Date</b>		<b>June 30, 2024</b>		<b>December 31, 2023</b>
0 to 1 year	\$	2,577,517	\$	2,466,424
1 to 3 years		1,326,121		2,240,434
3 to 5 years		7,618,869		7,464,822
Greater than 5 years		721,488		2,871,565
Other		–		1,773,251
<b>Total</b>	\$	<b>12,243,995</b>	\$	<b>16,816,496</b>
Sensitivity	\$	(17,330)	\$	(6,727)

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 9. FINANCIAL RISK MANAGEMENT - (Continued)

#### (iii) Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The schedule of investment portfolio identifies all investments denominated in foreign currencies. Equities and derivative instruments in foreign markets are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value.

Currency risk arises from financial instruments that are denominated in a currency other than Canadian dollars, which represents the functional currency of the Fund. The Fund may enter into foreign exchange forward contracts for hedging purposes to reduce its foreign currency exposure or to establish exposure to foreign currencies.

The currency risk related to the Fund as at June 30, 2024 and December 31, 2023, is shown below.

Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>June 30, 2024</b>						
U.S. Dollar	\$ (61,224,382)	\$ 66,065,115	\$ 4,840,733	\$ (3,061,219)	\$ 3,303,256	\$ 242,037
U.K. Pound Sterling	(1,618,598)	6,997,806	5,379,208	(80,930)	349,890	268,960
Swedish Krona	–	1,023,804	1,023,804	–	51,190	51,190
Australian Dollar	1,370,588	–	1,370,588	68,529	–	68,529
	\$ (61,472,392)	\$ 74,086,725	\$ 12,614,333	\$ (3,073,620)	\$ 3,704,336	\$ 630,716

% of Net Assets

Attributable to Holders

of Redeemable Units	(91.83)	110.68	18.85	(4.59)	5.53	0.94
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Currency	Exposure			Impact if CAD strengthened or weakened by 5% in relation to other currencies		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
<b>December 31, 2023</b>						
U.S. Dollar	\$ (24,924,016)	\$ 33,662,740	\$ 8,738,724	\$ (1,246,201)	\$ 1,683,137	\$ 436,936
U.K. Pound Sterling	(2,529,761)	3,226,742	696,981	(126,488)	161,337	34,849
Norwegian Krone	–	1,858,067	1,858,067	–	92,903	92,903
	\$ (27,453,777)	\$ 38,747,549	\$ 11,293,772	\$ (1,372,689)	\$ 1,937,377	\$ 564,688

% of Net Assets

Attributable to Holders

of Redeemable Units	(45.10)	63.65	18.55	(2.25)	3.18	0.93
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# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 9. FINANCIAL RISK MANAGEMENT - (Continued)

#### (iv) Credit Risk

Credit risk represents the potential loss that the Fund would incur if its counterparties failed to perform in accordance with the terms of their obligations to the Fund. The Fund maintains all of its cash and cash equivalents at its custodian. All transactions in listed securities are settled/paid for on delivery using approved brokers. The risk of counterparty default is considered minimal as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the custodian. The trade will fail if either party fails to meet its obligations.

The following table is a summary of the Fund's debt instruments by credit rating, excluding cash and cash equivalents, as at June 30, 2024 and December 31, 2023.

<b>Bonds by Credit Rating</b>	<b>Percentage of bonds</b>	
<b>Market segment</b>	<b>June 30, 2024</b>	<b>December 31, 2023</b>
BB+	39.4	–
BB-	15.6	–
BBB L rated	–	16.4
Below BBB	–	52.9
Non rated	45.0	30.7
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

#### (v) Liquidity Risk

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of redeemable units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market. In addition, the Fund aims to retain sufficient cash and cash equivalents positions to maintain liquidity.

All financial liabilities are due within 12 months. Redeemable units are redeemable on demand on a daily basis at the holder's option. The Fund's investments are considered readily realizable and liquid, therefore the Fund's liquidity risk is considered minimal. The Fund may employ the use of derivatives to moderate certain risk exposures. There is no guarantee that a market will exist for some derivatives and it is possible that the exchanges may impose limits on trading derivatives.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 9. FINANCIAL RISK MANAGEMENT - (Continued)

#### (vi) Concentration Risk

Concentration risk arises because of the concentration exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The following table is a summary of the Fund's concentration risk as a percentage of the Fund's net assets:

Market segment	Percentage of net assets of the Fund	
	June 30, 2024	December 31, 2023
<b>Investments owned</b>		
Communications	8.8	3.6
Consumer Discretionary	16.7	15.5
Consumer Staples	16.5	2.3
Energy	10.6	(0.1)
Financials	22.0	5.4
Health Care	–	9.2
Industrials	18.8	10.3
Materials	(1.4)	1.0
Real Estate	2.4	3.0
Technology	20.2	13.8
Utilities	1.0	0.8
Total net investments	115.6	64.8
Cash and other assets and liabilities	(15.6)	35.2
	100.0	100.0

#### (vii) Leverage Risk

When the Fund makes investments in derivatives, borrows cash for investment purposes, or uses physical short sales on preferred shares, fixed income securities or other portfolio assets, leverage may be introduced into the Fund. Leverage occurs when the Fund's aggregate gross exposure to underlying assets is greater than the amount invested. Leverage may increase volatility, may impair the Fund's liquidity and may cause the Fund to liquidate positions at unfavorable times.

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

As at June 30, 2024, the Fund's lowest and highest aggregate gross exposure was 109% (December 31, 2023 – 91%) and 138% (December 31, 2023 – 145%) of the Fund's NAV respectively. The primary source of leverage was short positions in equities. The low and high end of the range are as a result of our investing activities, and timing of subscriptions and/or redemptions. The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than 300% of the Fund's NAV.

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 10. INCREASE (DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS PER SERIES, PER UNIT

The increase (decrease) in net assets attributable to holders of redeemable units per series, per unit for the period ended June 30, 2024 and the period from January 5, 2023 (date of incorporation) to June 30, 2023 is calculated as follows:

	Increase (decrease) in net assets attributable to holders of redeemable units per series	Weighted Average of Redeemable Units Outstanding During the Period	Increase (decrease) in net assets attributable to holders of redeemable units per unit
<b>June 30, 2024</b>			
Series A	\$ 611	2,616	\$ 0.23
Series A - USD	4,922	16,602	0.30
Series F	262,573	1,020,017	0.26
Series F - USD	7,316	21,376	0.34
Series X	1,324,739	5,126,831	0.26
<b>June 30, 2023</b>			
Series A	\$ 120	5,000	\$ 0.02
Series F	12	15,733	-
Series F - USD	(9)	1,000	(0.01)
Series X	(6,412)	2,928,349	-

### 11. COMPARISON OF NET ASSET VALUE (TRADING NAV) PER UNIT AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (IFRS) PER UNIT

The reason for the difference between the net asset value (Trading NAV) per unit and the net assets attributable to holders of redeemable units (IFRS) per unit is the offering costs which have been expensed under IFRS and amortized over five years for the purpose of calculating Trading NAV. The Fund's Trading NAV and IFRS NAV as at June 30, 2024 and December 31, 2023 is as follows:

	Net Asset Value Per Unit (Trading)	Unamortized Offering Cost Adjustment Per Unit	Net Assets Attributable to Holders of Redeemable Units per Unit (IFRS)
<b>June 30, 2024</b>			
Series A	\$ 10.38	\$ (0.01)	\$ 10.37
Series A - USD	13.95	(0.00)	13.95
Series F	10.60	(0.00)	10.60
Series F - USD	14.19	(0.00)	14.19
Series X	10.48	(0.01)	10.47

# OAK HILL NEXPOINT GLOBAL MERGER ARBITRAGE FUND

## Notes to Financial Statements

For the six months ended June 30, 2024 (Unaudited)

### 11. COMPARISON OF NET ASSET VALUE (TRADING NAV) PER UNIT AND NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS (IFRS) PER UNIT (Continued)

	Net Asset Value Per Unit (Trading)	Unamortized Offering Cost Adjustment Per Unit	Net Assets Attributable to Holders of Redeemable Units per Unit (IFRS)
<b>December 31, 2023</b>			
Series A	\$ 10.17	\$ (0.00)	10.17
Series A - USD	13.64	(0.00)	13.64
Series F	10.35	(0.00)	10.35
Series F - USD	13.80	(0.01)	13.79
Series X	10.22	(0.00)	10.22

### 12. INCOME TAXES

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) and, accordingly, is subject to tax on its income including net realized capital gains in the taxation year, which is not paid or payable to its unitholders as at the end of the taxation year. It is the intention of the Fund to distribute all of its net income and sufficient net realized capital gains so that the Fund will not be subject to income taxes other than foreign withholding taxes, if applicable.

Losses of the Fund cannot be allocated to unitholders and are retained in the Fund for future years. Non-capital losses may be carried forward for up to 20 years to reduce taxable income and realized capital gains in future years. Capital losses may be carried forward indefinitely to reduce future realized capital gains.

As at December 31, 2023, the Fund had no unused capital losses and non-capital losses.