

Financial Statements of

**ALGONQUIN FIXED INCOME 2.0  
FUND**

And Independent Auditor's Report thereon

December 31, 2023 and 2022



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## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Algonquin Fixed Income 2.0 Fund

### ***Opinion***

We have audited the financial statements of Algonquin Fixed Income 2.0 Fund (the Fund), which comprise:

- the statements of financial position as at December 31, 2023 and December 31, 2022
- the statements of comprehensive income (loss) for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of material accounting policy information

(Hereinafter referred to as the "financial statements").

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 December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

### ***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 auditor's 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. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, 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.

### ***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.



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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 the 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.
- 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.

A handwritten signature in black ink that reads 'KPMG LLP' with a horizontal line underneath.

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Canada

March 22, 2024

# ALGONQUIN FIXED INCOME 2.0 FUND

## Statements of Financial Position December 31, 2023 and 2022

	2023	2022
<b>ASSETS</b>		
<b>Current assets</b>		
Investments owned (Cost:\$843,245,265 - 2022:\$438,340,416) (note 8)	\$ 849,138,188	\$ 419,847,736
Unrealized gain on foreign exchange forward contracts (note 8)	907,064	202,451
Unrealized gain on futures contracts (note 8)	1,803,521	–
Subscriptions receivable (note 10)	203,104	689,138
Due from broker (note 3)	6,859,219	3,863,377
Due from related fund (note 5)	–	8,914
Interest and dividends receivable	6,381,325	3,295,043
Expense reimbursements receivable (note 5)	84,343	55,005
Prepaid expenses	–	22,204
	<u>865,376,764</u>	<u>427,983,868</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Investments sold short (Proceeds:\$429,875,215 - 2022:\$286,172,618) (note 8)	437,223,997	281,565,726
Unrealized loss on futures contracts (note 8)	–	247,976
Due to broker (note 3)	124,129,688	1,151,599
Accounts payable and accrued liabilities	90,480	171,223
Interest and borrowing fees payable on investments sold short	1,992,889	841,982
Management fees payable (note 5)	176,380	121,277
Redemptions payable (note 11)	137,831	210,681
Distributions payable	1,736,724	463,621
	<u>565,487,989</u>	<u>284,774,085</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 299,888,775</u>	<u>\$ 143,209,783</u>
<b>Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 15,680,859	\$ 3,261,036
Series F	222,115,002	112,089,527
Series FF	20,284,182	24,369,816
Series I	41,808,732	3,489,404
	<u>\$ 299,888,775</u>	<u>\$ 143,209,783</u>
<b>Number of Redeemable Units Outstanding (note 6)</b>		
Series A	163,605	34,543
Series F	2,234,612	1,164,588
Series FF	205,963	259,574
Series I	436,688	37,136
<b>Net Assets Attributable to Holders of Redeemable Units per Unit</b>		
Series A	\$ 95.85	\$ 94.41
Series F	99.40	96.25
Series FF	98.48	93.88
Series I	95.74	93.96

Approved on behalf of the Fund by the Trustee and Manager,  
Algonquin Capital Corporation:

# ALGONQUIN FIXED INCOME 2.0 FUND

## Statements of Comprehensive Income (Loss) Years ended December 31, 2023 and 2022

	2023	2022
<b>Income</b>		
Interest income for distribution purposes	\$ 21,850,382	\$ 11,522,980
Dividend income	247,800	473,554
Net realized loss on sale of investments, including foreign exchange adjustments	(1,329,246)	(1,247,187)
Net realized loss on foreign exchange forward contracts	(80,589)	(1,610,788)
Net realized (loss) gain on futures contracts	(3,015,391)	2,556,054
Net change in unrealized gain on foreign exchange forward contracts	704,613	565,209
Net change in unrealized appreciation (depreciation) in value of investments	12,424,486	(13,282,994)
Net change in unrealized gain (loss) on futures contracts	2,051,497	(260,946)
Other income	33,224	48,640
	<u>32,886,776</u>	<u>(1,235,478)</u>
<b>Expenses</b>		
Interest and borrowing fees	7,552,831	4,157,304
Management fees (note 5)	1,957,427	947,821
Operating costs	331,971	199,296
Audit and accounting fees	87,336	85,387
Commissions and other portfolio transaction costs	10,816	9,230
Independent review committee fees	(9,046)	29,216
Legal fees	(26,342)	45,931
	<u>9,904,993</u>	<u>5,474,185</u>
Expenses reimbursed by the Manager (note 5)	(29,338)	(54,537)
	<u>9,875,655</u>	<u>5,419,648</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>\$ 23,011,121</u>	<u>\$ (6,655,126)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Series</b>		
Series A	\$ 1,056,182	\$ (345,371)
Series F	16,339,948	(3,238,719)
Series FF	2,109,887	(2,092,353)
Series I	3,505,104	(978,683)
	<u>\$ 23,011,121</u>	<u>\$ (6,655,126)</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit (note 9)</b>		
Series A	\$ 12.65	\$ (9.78)
Series F	9.79	(4.56)
Series FF	9.22	(7.02)
Series I	9.26	(8.58)

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

# ALGONQUIN FIXED INCOME 2.0 FUND

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units Years ended December 31, 2023 and 2022

	Net assets attributable to holders of redeemable units, beginning of year	Issuance of redeemable units	Redemption of redeemable units	Transfers	Distributions to holders of redeemable units	Reinvestments of distributions	Increase in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2023</b>								
Series A	\$ 3,261,036	\$ 14,913,325	\$ (763,832)	\$ (2,539,793)	\$ (849,175)	\$ 603,116	\$ 1,056,182	\$ 15,680,859
Series F	112,089,527	123,661,701	(29,700,035)	2,539,793	(11,384,343)	8,568,411	16,339,948	222,115,002
Series FF	24,369,816	–	(5,926,417)	–	(1,067,029)	797,925	2,109,887	20,284,182
Series I	3,489,404	38,025,686	(3,211,461)	–	(3,338,979)	3,338,978	3,505,104	41,808,732
	<u>\$ 143,209,783</u>	<u>\$ 176,600,712</u>	<u>\$ (39,601,745)</u>	<u>\$ –</u>	<u>\$ (16,639,526)</u>	<u>\$ 13,308,430</u>	<u>\$ 23,011,121</u>	<u>\$ 299,888,775</u>

	Net assets attributable to holders of redeemable units, beginning of year	Issuance of redeemable units	Redemption of redeemable units	Transfers	Distributions to holders of redeemable units	Reinvestments of distributions	Decrease in net assets attributable to holders of redeemable units	Net assets attributable to holders of redeemable units, end of year
<b>December 31, 2022</b>								
Series A	\$ 5,273,752	\$ 1,573,770	\$ (623,381)	\$ (2,547,538)	\$ (113,979)	\$ 43,783	\$ (345,371)	\$ 3,261,036
Series F	57,357,407	89,374,454	(32,640,270)	2,547,538	(3,218,841)	1,907,958	(3,238,719)	112,089,527
Series FF	39,114,875	480	(12,396,066)	–	(1,184,448)	927,328	(2,092,353)	24,369,816
Series I	12,638,565	6,255,000	(14,425,478)	–	(445,101)	445,101	(978,683)	3,489,404
	<u>\$ 114,384,599</u>	<u>\$ 97,203,704</u>	<u>\$ (60,085,195)</u>	<u>\$ –</u>	<u>\$ (4,962,369)</u>	<u>\$ 3,324,170</u>	<u>\$ (6,655,126)</u>	<u>\$ 143,209,783</u>

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

# ALGONQUIN FIXED INCOME 2.0 FUND

## Statements of Cash Flows

Years ended December 31, 2023 and 2022

	2023	2022
<b>Cash provided by (used in):</b>		
<b>Operating Activities</b>		
Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units	\$ 23,011,121	\$ (6,655,126)
Adjustments for non-cash items		
Net realized loss on sale of investments, including foreign exchange adjustments	1,329,246	1,247,187
Net realized loss on foreign exchange forward contracts	80,589	1,610,788
Net realized loss (gain) on futures contracts	3,015,391	(2,556,054)
Net change in unrealized gain on foreign exchange forward contracts	(704,613)	(565,209)
Net change in unrealized (appreciation) depreciation in value of investments	(12,424,486)	13,282,994
Net change in unrealized (gain) loss on futures contracts	(2,051,497)	260,946
Change in non-cash balances		
Decrease (increase) in due from related fund	8,914	(8,914)
Decrease in receivable for investments sold	-	3,591,042
Increase in interest and dividends receivable	(3,086,282)	(726,692)
Increase in expense reimbursements receivable	(29,338)	(54,536)
Decrease in prepaid expenses	22,204	7,343
Decrease in payable for investments purchased	-	(3,622,381)
(Decrease) increase in accounts payable and accrued liabilities	(80,743)	30,372
Decrease in due to related fund	-	(17,442)
Increase in interest and borrowing fees payable on investments sold short	1,150,907	248,601
Increase in management fees payable	55,103	39,501
Proceeds from sale of investments	1,592,804,275	803,238,767
Purchase of investments	(1,858,254,627)	(806,616,036)
Cash (used in) provided by operating activities	<u>(255,153,836)</u>	<u>2,735,151</u>
<b>Financing Activities</b>		
Proceeds from redeemable units issued	177,086,746	99,498,527
Amount paid on redemption of redeemable units	(39,674,595)	(60,198,162)
Distributions paid to holders of redeemable units, net of reinvestments	(2,057,993)	(1,444,659)
Cash provided by financing activities	<u>135,354,158</u>	<u>37,855,706</u>
(Decrease) increase in cash and cash equivalents during the year	(119,799,678)	40,590,857
Foreign exchange (loss) gain on cash and cash equivalents	(182,569)	153,724
Cash and cash equivalents, beginning of year	<u>2,711,778</u>	<u>(38,032,803)</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ (117,270,469)</u>	<u>\$ 2,711,778</u>
<b>Cash and cash equivalents represented by:</b>		
Due from broker	\$ 6,859,219	\$ 3,863,377
Due to broker	(124,129,688)	(1,151,599)
	<u>\$ (117,270,469)</u>	<u>\$ 2,711,778</u>
<b>Supplemental information*</b>		
Interest paid	\$ 5,025,853	\$ 3,043,039
Interest received	18,769,626	10,742,543
Dividends received, net of withholding taxes	242,273	527,299

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

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



# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio As at December 31, 2023

Number of shares/units /par value	Investments owned	Average cost	Fair value	% of net asset value
<b>Canadian equity</b>				
75,000	BMO Short Corporate Bond Index ETF	\$ 988,856	\$ 1,006,500	0.34
<b>Canadian fixed income</b>				
500,000	Algonquin Power & Utilities Corp. 5.25% 18JAN82	500,000	418,474	0.14
2,000,000	Alimentation Couche-Tard Inc. 5.592% 25SEP30	2,000,000	2,132,639	0.71
2,000,000	Allied Properties Real Estate Investment Trust 1.726% 12FEB26	1,882,286	1,840,319	0.61
1,000,000	Allied Properties Real Estate Investment Trust 3.113% 08APR27	1,034,450	915,519	0.31
2,000,000	Allied Properties Real Estate Investment Trust 3.131% 15MAY28	1,709,400	1,777,119	0.59
500,000	Allied Properties Real Estate Investment Trust 3.394% 15AUG29	534,015	434,644	0.14
5,500,000	Allied Properties Real Estate Investment Trust 3.636% 21APR25	5,421,887	5,335,000	1.78
1,000,000	AltaGas Canada Inc. 3.13% 07APR27	1,000,000	955,170	0.32
2,250,000	AltaGas Canada Inc. 3.15% 06APR26	2,161,123	2,172,668	0.72
2,000,000	AltaGas Canada Inc. 4.26% 05DEC28	2,043,900	1,970,380	0.66
4,800,000	AltaGas Ltd. 1.227% 18MAR24	4,763,152	4,757,664	1.59
5,000,000	AltaGas Ltd. 4.12% 07APR26	4,827,300	4,954,350	1.65
1,500,000	AltaGas Ltd. 4.638% 15MAY26	1,500,000	1,501,920	0.50
500,000	AltaGas Ltd. 5.25% 11JAN82	500,000	417,335	0.14
300,000	AltaGas Ltd. 7.35% 17AUG82	300,000	300,267	0.10
500,000	AltaGas Ltd. 8.90% 10NOV83	500,000	522,390	0.17
3,000,000	AT&T Inc. 4% 25NOV25	2,893,890	2,955,030	0.99
1,000,000	AutoCanada Inc. 5.75% 07FEB29	1,000,000	892,930	0.30
5,000,000	Bank of Montreal 1.551% 28MAY26	4,522,850	4,691,700	1.56
5,000,000	Bank of Montreal 1.928% 22JUL31	4,453,850	4,648,550	1.55
3,000,000	Bank of Montreal 2.077% 17JUN30	2,777,700	2,872,950	0.96
3,000,000	Bank of Montreal 2.37% 03FEB25	2,981,604	2,913,270	0.97
5,000,000	Bank of Montreal 2.88% 17SEP29	4,831,511	4,908,900	1.64
4,000,000	Bank of Montreal 3.65% 01APR27	3,893,120	3,904,960	1.30
1,000,000	Bank of Montreal 4.30% 26NOV80	941,250	946,940	0.32
5,000,000	Bank of Montreal 4.309% 01JUN27	4,841,400	4,978,250	1.66
1,500,000	Bank of Montreal 4.537% 18DEC28	1,500,000	1,508,055	0.50
2,000,000	Bank of Montreal 5.039% 29MAY28	2,000,000	2,047,480	0.68
7,000,000	Bank of Montreal 6.034% 07SEP33	7,000,000	7,318,780	2.44
750,000	Bank of Montreal 7.057%	750,000	751,298	0.25
2,000,000	Bell Canada 2.20% 29MAY28	1,762,236	1,840,620	0.61
2,000,000	Bell Canada 3% 17MAR31	1,762,200	1,817,320	0.61
3,000,000	Bell Canada Inc. 2.50% 14MAY30	2,539,470	2,685,000	0.90
5,100,000	Bell Canada Inc. 2.90% 10SEP29	4,554,849	4,740,297	1.58

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
2,000,000	Bell Canada Inc. 3.60% 29SEP27	\$ 1,923,800	\$ 1,955,180	0.65
1,700,000	Bell Telephone Co of Canada or Bell Canada 5.25% 15MAR29	1,698,249	1,773,457	0.59
2,000,000	Bruce Power LP 4.70% 21DEC27	1,999,300	2,023,740	0.67
202,000	Canadian Government Bond 1.50% 01JUN31	176,952	180,742	0.06
3,000,000	Canadian Imperial Bank of Commerce 2.01% 21JUL30	2,785,470	2,864,610	0.96
9,000,000	Canadian Imperial Bank of Commerce 2.25% 07JAN27	8,396,880	8,458,470	2.82
6,000,000	Canadian Imperial Bank of Commerce 2.75% 07MAR25	5,883,910	5,849,760	1.95
6,000,000	Canadian Imperial Bank of Commerce 2.95% 19JUN29	5,840,820	5,925,540	1.98
500,000	Canadian Imperial Bank of Commerce 4% 28JAN82	500,000	401,465	0.13
3,000,000	Canadian Imperial Bank of Commerce 4.95% 29JUN27	3,047,520	3,043,110	1.01
7,000,000	Canadian Imperial Bank of Commerce 5% 07DEC26	7,005,500	7,095,480	2.37
4,000,000	Canadian Imperial Bank of Commerce 5.33% 20JAN33	3,917,080	4,046,160	1.35
3,000,000	Canadian Imperial Bank of Commerce 5.50% 14JAN28	3,003,540	3,109,140	1.04
1,000,000	Canadian Imperial Bank of Commerce 7.15% 28JUL82	998,130	994,230	0.33
1,000,000	Canadian Imperial Bank of Commerce 7.365%	1,000,000	1,006,080	0.34
1,500,000	Canadian Tire Corp Ltd. 6.055277% 14SEP26	1,500,000	1,501,305	0.50
2,500,000	Canadian Western Bank 5.261% 20DEC25	2,500,000	2,519,450	0.84
400,000	Canadian Western Bank 6% 30APR81	400,000	362,556	0.12
2,000,000	Capital Power Corp. 3.147% 01OCT32	1,641,460	1,714,220	0.57
1,500,000	Capital Power Corp. 4.284% 18SEP24	1,621,365	1,487,520	0.50
2,700,000	Capital Power Corp. 5.378% 25JAN27	2,699,757	2,743,470	0.91
750,000	Capital Power Corp. 5.816% 15SEP28	750,000	780,450	0.26
1,500,000	Capital Power Corp. 5.973% 25JAN34	1,499,820	1,567,185	0.52
500,000	Capital Power Corp. 7.95% 09SEP82	500,000	494,505	0.16
3,000,000	Caterpillar Financial Services Ltd. 5.19% 25SEP26	2,999,520	3,081,840	1.03
800,000	Central 1 Credit Union 4.648% 07FEB28	800,000	787,248	0.26
3,250,000	Chartwell Retirement Residences 4.211% 28APR25	3,468,474	3,180,158	1.06
3,000,000	Chartwell Retirement Residences 6% 08DEC26	2,997,720	3,034,710	1.01
3,000,000	Choice Properties Real Estate Investment Trust 2.848% 21MAY27	2,783,010	2,839,380	0.95
3,000,000	Choice Properties Real Estate Investment Trust 3.546% 10JAN25	2,923,350	2,949,210	0.98
3,000,000	Choice Properties Real Estate Investment Trust 3.556% 09SEP24	2,955,570	2,963,400	0.99
2,000,000	Choice Properties Real Estate Investment Trust 4.178% 08MAR28	2,220,880	1,966,200	0.66
3,000,000	Cogeco Communications Inc. 2.991% 22SEP31	2,544,996	2,626,710	0.88

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
1,000,000	Corus Entertainment Inc. 5% 11MAY28	\$ 1,006,250	\$ 679,460	0.23
2,000,000	Crombie Real Estate Investment Trust 3.133% 12AUG31	2,000,000	1,717,200	0.57
1,000,000	Crombie Real Estate Investment Trust 3.211% 09OCT30	1,001,885	883,880	0.29
2,295,000	Crombie Real Estate Investment Trust 3.677% 26AUG26	2,412,434	2,221,193	0.74
258,000	Crombie Real Estate Investment Trust 4.80% 31JAN25	285,271	255,737	0.09
2,000,000	Crombie Real Estate Investment Trust 5.244% 28SEP29	2,001,405	2,012,200	0.67
2,500,000	Dream Industrial Real Estate Investment Trust 5.8275% 17JUN24	2,500,000	2,494,250	0.83
500,000	Dream Summit Industrial LP 1.82% 01APR26	449,140	466,585	0.16
1,500,000	Dream Summit Industrial LP 2.15% 17SEP25	1,383,765	1,431,420	0.48
2,000,000	Dream Summit Industrial LP 2.25% 12JAN27	1,780,760	1,851,880	0.62
2,690,000	Enbridge Inc. 2.44% 02JUN25	2,603,861	2,604,297	0.87
2,000,000	Enbridge Inc. 2.99% 03OCT29	1,805,640	1,849,840	0.62
700,000	Enbridge Inc. 3.10% 21SEP33	567,364	607,040	0.20
1,000,000	Enbridge Inc. 4.10% 21SEP51	986,150	835,820	0.28
1,000,000	Enbridge Inc. 4.90% 26MAY28	999,870	1,019,760	0.34
3,300,000	Enbridge Inc. 5.36% 26MAY33	3,348,733	3,427,446	1.14
982,000	Enbridge Pipelines Inc. 3% 10AUG26	933,479	949,555	0.32
1,050,000	Equitable Bank 1.939% 10MAR25	1,050,000	1,006,457	0.34
500,000	Exchange Income Corp. 5.25% 31JUL28	500,000	483,410	0.16
1,000,000	Fairfax Financial Holdings Ltd. 4.70% 16DEC26	1,119,958	1,000,400	0.33
3,000,000	Federated Co-Operatives Ltd. 3.917% 17JUN25	2,904,270	2,933,040	0.98
5,000,000	Federation des Caisses Desjardins du Quebec 1.093% 21JAN26	4,465,467	4,672,050	1.56
5,000,000	Federation des Caisses Desjardins du Quebec 2.856% 26MAY30	4,724,300	4,834,500	1.61
3,000,000	Federation des Caisses Desjardins du Quebec 4.407% 19MAY27	2,933,400	2,993,880	1.00
1,000,000	Federation des Caisses Desjardins du Quebec 5.035% 23AUG32	990,667	1,001,540	0.33
4,000,000	Federation des Caisses Desjardins du Quebec 5.20% 01OCT25	3,979,400	4,029,320	1.34
6,000,000	Federation des Caisses Desjardins du Quebec 5.467% 17NOV28	5,997,304	6,256,200	2.09
2,000,000	Federation des Caisses Desjardins du Quebec 5.475% 16AUG28	2,000,000	2,086,440	0.70
600,000	Ford Credit Canada Co. 2.961% 16SEP26	600,000	565,698	0.19
1,000,000	Ford Credit Canada Co. 6.326% 10NOV26	1,000,000	1,026,050	0.34
500,000	Ford Credit Canada Co. 6.382% 10NOV28	500,000	523,065	0.17
1,000,000	Ford Credit Canada Co. 8.6325% 21MAR24	1,005,000	1,006,150	0.34
1,000,000	Fortified Trust 4.419% 23DEC27	1,000,000	996,720	0.33
500,000	General Motors Financial of Canada Ltd. 1.70% 09JUL25	499,325	476,080	0.16

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)		Average cost	Fair value	% of net asset value
	<b>Canadian fixed income (continued)</b>				
3,000,000	General Motors Financial of Canada Ltd. 5.95% 14MAY24	\$	3,456,840	\$ 3,005,010	1.00
2,000,000	George Weston Ltd. 4.115% 17JUN24		2,168,180	1,987,040	0.66
3,025,000	Gibson Energy Inc. 2.45% 14JUL25		2,941,834	2,918,520	0.97
1,500,000	Gibson Energy Inc. 2.85% 14JUL27		1,361,985	1,413,870	0.47
3,500,000	Gibson Energy Inc. 3.60% 17SEP29		3,226,238	3,310,195	1.10
400,000	Gibson Energy Inc. 5.25% 22DEC80		400,000	340,760	0.11
1,650,000	Gibson Energy Inc. 5.75% 12JUL33		1,649,373	1,738,127	0.58
4,250,000	Gibson Energy Inc. 5.80% 12JUL26		4,248,258	4,265,513	1.42
500,000	Glacier Credit Card Trust 1.388% 22SEP25		500,000	471,910	0.16
1,000,000	Glacier Credit Card Trust 5.681% 20SEP28		1,000,000	1,048,870	0.35
2,500,000	Honda Canada Finance Inc. 5.73% 28SEP28		2,500,000	2,650,300	0.88
6,000,000	Honda Canada Finance Inc. 6.015873% 29JUN26		6,000,000	6,017,340	2.01
10,000,000	HSBC Bank Canada 1.782% 20MAY26		9,200,800	9,450,000	3.15
5,000,000	HSBC Bank Canada 3.403% 24MAR25		4,902,570	4,913,750	1.64
1,900,000	Hydro One Inc. 3.93% 30NOV29		1,899,734	1,904,123	0.63
1,750,000	Hydro One Inc. 4.16% 27JAN33		1,749,720	1,754,550	0.59
500,000	Hyundai Capital Canada Inc. 5.565% 08MAR28		500,000	516,125	0.17
2,000,000	iA Financial Corp Inc. 5.685% 20JUN33		2,004,229	2,062,320	0.69
1,700,000	Inter Pipeline Ltd. 3.983% 25NOV31		1,700,000	1,553,970	0.52
2,000,000	Inter Pipeline Ltd. 4.232% 01JUN27		2,028,548	1,968,740	0.66
1,500,000	Inter Pipeline Ltd. 6.59% 09FEB34		1,499,415	1,619,655	0.54
554,000	Inter Pipeline Ltd. 6.625% 19NOV79		575,086	525,364	0.18
2,000,000	John Deere Financial Inc. 1.34% 08SEP27		1,748,292	1,817,440	0.61
1,000,000	John Deere Financial Inc. 5.17% 15SEP28		999,910	1,047,440	0.35
250,000	Keyera Corp. 5.95% 10MAR81		250,000	224,083	0.07
500,000	Laurentian Bank of Canada 1.15% 03JUN24		499,885	491,105	0.16
5,000,000	Manulife Bank of Canada 1.536% 14SEP26		4,709,000	4,656,550	1.55
3,000,000	Manulife Bank of Canada 2.378% 19NOV24		2,849,730	2,930,970	0.98
5,000,000	Manulife Bank of Canada 2.864% 16FEB27		4,631,125	4,787,950	1.60
1,000,000	Manulife Financial Corp. 7.117% 19JUN82		1,000,000	1,002,140	0.33
650,000	Mercedes-Benz Finance Canada Inc. 5.12% 27JUN28		650,000	670,300	0.22
1,000,000	Mercedes-Benz Finance Canada Inc. 5.14% 29JUN26		999,890	1,018,400	0.34
800,000	Metro Inc/CN 1.922% 02DEC24		800,000	777,968	0.26
4,000,000	Metropolitan Life Global Funding I 6.120951% 15JUN26		4,000,000	4,022,720	1.34
2,500,000	Mondelez International Inc. 3.25% 07MAR25		2,417,675	2,452,200	0.82
5,000,000	Morgan Stanley 5.8225% 21MAR25		4,957,650	4,985,750	1.66
5,000,000	National Bank of Canada 1.534% 15JUN26		4,497,500	4,673,300	1.56
4,000,000	National Bank of Canada 2.237% 04NOV26		3,809,569	3,770,480	1.26
3,750,000	National Bank of Canada 2.58% 03FEB25		3,628,854	3,648,000	1.22
500,000	National Bank of Canada 2.983% 04MAR24		514,740	498,040	0.17
4,000,000	National Bank of Canada 5.023% 01FEB29		3,999,520	4,097,880	1.37
5,000,000	National Bank of Canada 5.219% 14JUN28		4,990,764	5,157,450	1.72
1,000,000	National Bank of Canada 5.296% 03NOV25		1,000,000	1,009,670	0.34
4,000,000	National Bank of Canada 5.426% 16AUG32		3,945,965	4,052,320	1.35

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
1,035,000	Nestle Holdings Inc. 2.192% 26JAN29	\$ 908,833	\$ 956,154	0.32
2,500,000	New York Life Global Funding 5.25% 30JUN26	2,498,825	2,555,025	0.85
4,000,000	North West Redwater Partnership / NWR Financing Co., Ltd. 2% 01DEC26	3,605,260	3,754,000	1.25
4,000,000	North West Redwater Partnership / NWR Financing Co., Ltd. 2.80% 01JUN31	3,408,560	3,591,280	1.20
5,000,000	North West Redwater Partnership / NWR Financing Co., Ltd. 4.15% 01JUN33	4,666,600	4,868,850	1.62
2,000,000	North West Redwater Partnership / NWR Financing Co., Ltd. 4.35% 10JAN39	1,830,600	1,928,980	0.64
246,000	NOVA Gas Transmission Ltd. 6.30% 27MAY30	316,110	259,496	0.09
4,000,000	OMERS Realty Corp. 4.539% 09APR29	3,995,000	4,027,600	1.34
500,000	Parkland Corp. 6% 23JUN28	500,000	500,090	0.17
2,000,000	Pembina Pipeline Corp. 3.31% 01FEB30	1,807,240	1,858,060	0.62
6,420,000	Pembina Pipeline Corp. 3.54% 03FEB25	6,299,130	6,301,872	2.10
4,000,000	Pembina Pipeline Corp. 3.62% 03APR29	3,652,520	3,821,720	1.27
500,000	Pembina Pipeline Corp. 3.71% 11AUG26	476,089	490,680	0.16
2,000,000	Pembina Pipeline Corp. 4.02% 27MAR28	1,945,720	1,960,120	0.65
6,100,000	Pembina Pipeline Corp. 4.24% 15JUN27	5,913,008	6,053,518	2.02
880,000	Pembina Pipeline Corp. 4.74% 21JAN47	924,686	801,398	0.27
300,000	Pembina Pipeline Corp. 4.80% 25JAN81	300,000	253,656	0.08
2,200,000	Pembina Pipeline Corp. 5.72% 22JUN26	2,199,516	2,207,656	0.74
900,000	Primaris Real Estate Investment Trust 4.267% 30MAR25	900,000	881,847	0.29
500,000	Primaris Real Estate Investment Trust 4.727% 30MAR27	476,150	489,985	0.16
1,000,000	Primaris Real Estate Investment Trust 6.374% 30JUN29	999,880	1,041,440	0.35
2,000,000	Reliance LP 2.67% 01AUG28	1,869,556	1,809,600	0.60
2,500,000	Reliance LP 2.68% 01DEC27	2,280,383	2,300,875	0.77
11,590,000	Reliance LP 3.836% 15MAR25	11,770,788	11,397,142	3.80
1,500,000	RioCan Real Estate Investment Trust 5.962% 01OCT29	1,499,490	1,547,640	0.52
3,000,000	RioCan Real Estate Investment Trust 6.488% 29SEP26	3,000,000	3,020,580	1.01
1,000,000	Rogers Communications Inc. 2.90% 09DEC30	979,773	898,140	0.30
3,000,000	Rogers Communications Inc. 3.10% 15APR25	2,868,900	2,931,570	0.98
4,000,000	Rogers Communications Inc. 3.30% 10DEC29	3,946,431	3,739,600	1.25
6,100,000	Rogers Communications Inc. 3.65% 31MAR27	5,776,507	5,954,759	1.99
2,000,000	Rogers Communications Inc. 3.75% 15APR29	1,838,540	1,929,040	0.64
3,000,000	Rogers Communications Inc. 3.80% 01MAR27	3,242,328	2,943,060	0.98
3,200,000	Rogers Communications Inc. 5% 17DEC81	3,218,000	3,047,936	1.02
3,000,000	Rogers Communications Inc. 5.65% 21SEP26	2,995,590	3,092,400	1.03
4,000,000	Rogers Communications Inc. 5.70% 21SEP28	3,994,840	4,208,600	1.40
5,000,000	Rogers Communications Inc. 5.90% 21SEP33	5,144,350	5,387,600	1.80
4,000,000	Royal Bank of Canada 1.589% 04MAY26	3,641,480	3,766,080	1.26
5,500,000	Royal Bank of Canada 1.936% 01MAY25	5,269,680	5,303,760	1.77

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
	<b>Canadian fixed income (continued)</b>			
4,000,000	Royal Bank of Canada 2.088% 30JUN30	\$ 3,714,880	\$ 3,833,560	1.28
4,000,000	Royal Bank of Canada 2.609% 01NOV24	3,857,245	3,917,560	1.31
5,000,000	Royal Bank of Canada 2.74% 25JUL29	4,839,900	4,919,750	1.64
6,500,000	Royal Bank of Canada 3.369% 29SEP25	6,281,044	6,358,885	2.12
750,000	Royal Bank of Canada 3.65% 24NOV81	560,000	567,195	0.19
5,000,000	Royal Bank of Canada 4.612% 26JUL27	4,883,650	5,034,100	1.68
4,000,000	Royal Bank of Canada 5.235% 02NOV26	4,036,240	4,084,160	1.36
5,000,000	Royal Bank of Canada 5.341% 23JUN26	5,000,000	5,098,600	1.70
2,000,000	Russel Metals Inc. 5.75% 27OCT25	1,995,000	2,000,820	0.67
3,000,000	Saputo Inc. 1.415% 19JUN26	2,695,620	2,793,120	0.93
5,000,000	Saputo Inc. 2.242% 16JUN27	4,491,035	4,662,450	1.55
1,615,000	Saputo Inc. 3.603% 14AUG25	1,603,911	1,585,268	0.53
2,500,000	Saputo Inc. 5.25% 29NOV29	2,565,480	2,597,300	0.87
4,000,000	Saputo Inc. 5.492% 20NOV30	4,000,000	4,210,680	1.40
1,000,000	Sienna Senior Living Inc. 2.82% 31MAR27	1,003,290	924,840	0.31
840,000	Sienna Senior Living Inc. 3.109% 04NOV24	858,999	818,538	0.27
2,724,000	Sienna Senior Living Inc. 3.45% 27FEB26	2,815,101	2,606,514	0.87
327,000	Smart Real Estate Investment Trust 3.444% 28AUG26	346,090	313,524	0.10
4,000,000	Smart Real Estate Investment Trust 3.556% 06FEB25	4,263,120	3,908,600	1.30
1,400,000	SmartCentres Real Estate Investment Trust 1.74% 16DEC25	1,400,000	1,310,904	0.44
1,500,000	Stantec Inc. 5.393% 27JUN30	1,500,000	1,552,275	0.52
4,200,000	Suncor Energy Inc. 5.60% 17NOV25	4,194,372	4,264,386	1.42
243,000	TELUS Communications Inc. 8.80% 22SEP25	321,572	257,449	0.09
3,000,000	TELUS Corp. 2.75% 08JUL26	2,816,430	2,889,810	0.96
6,000,000	TELUS Corp. 3.15% 19FEB30	5,390,805	5,571,060	1.86
4,000,000	TELUS Corp. 3.30% 02MAY29	3,780,300	3,793,320	1.26
5,000,000	TELUS Corp. 3.35% 01APR24	4,913,250	4,974,450	1.66
3,000,000	TELUS Corp. 5.25% 15NOV32	2,922,000	3,114,540	1.04
3,400,000	TELUS Corp. 5.60% 09SEP30	3,421,386	3,597,336	1.20
3,000,000	TELUS Corp. 5.75% 08SEP33	3,005,520	3,212,580	1.07
5,000,000	The Bank of Nova Scotia 1.85% 02NOV26	4,525,250	4,664,400	1.56
6,000,000	The Bank of Nova Scotia 1.95% 10JAN25	5,866,660	5,814,600	1.94
5,000,000	The Bank of Nova Scotia 2.16% 03FEB25	4,755,150	4,842,450	1.61
5,000,000	The Bank of Nova Scotia 2.836% 03JUL29	4,850,850	4,930,800	1.64
1,250,000	The Bank of Nova Scotia 3.70% 27JUL81	951,875	936,150	0.31
4,000,000	The Bank of Nova Scotia 3.934% 03MAY32	3,761,320	3,871,000	1.29
5,000,000	The Bank of Nova Scotia 5.50% 08MAY26	5,038,015	5,105,250	1.70
2,500,000	The Bank of Nova Scotia 5.50% 29DEC25	2,498,225	2,539,175	0.85
800,000	The Bank of Nova Scotia 7.023% 27JUL82	800,000	790,608	0.26
6,000,000	The Bell Telephone Co of Canada or Bell Canada 4.55% 09FEB30	5,827,100	6,048,300	2.02
1,300,000	The Bell Telephone Co of Canada or Bell Canada 5.15% 14NOV28	1,298,921	1,348,139	0.45
1,000,000	The Bell Telephone Co of Canada or Bell Canada 5.85% 10NOV32	1,012,320	1,087,340	0.36

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
<b>Canadian fixed income (continued)</b>				
1,000,000	The Empire Life Insurance Co. 3.625% 17APR81	\$ 1,005,385	\$ 784,530	0.26
4,000,000	The Empire Life Insurance Co. 5.503% 13JAN33	4,000,000	4,032,960	1.34
5,000,000	The Goldman Sachs Group Inc. 2.599% 30NOV27	4,561,550	4,718,500	1.57
5,500,000	The Goldman Sachs Group Inc. 5.95% 29APR25	5,501,620	5,487,900	1.83
5,000,000	The Toronto-Dominion Bank 2.496% 02DEC24	4,800,500	4,882,550	1.63
5,000,000	The Toronto-Dominion Bank 2.667% 09SEP25	4,736,200	4,838,300	1.61
5,000,000	The Toronto-Dominion Bank 3.06% 26JAN32	4,570,130	4,744,400	1.58
1,495,000	The Toronto-Dominion Bank 3.105% 22APR30	1,421,102	1,454,799	0.49
7,000,000	The Toronto-Dominion Bank 3.224% 25JUL29	6,790,840	6,902,840	2.30
1,000,000	The Toronto-Dominion Bank 3.60% 31OCT81	782,500	758,340	0.25
5,000,000	The Toronto-Dominion Bank 4.21% 01JUN27	4,917,195	4,965,400	1.66
2,000,000	The Toronto-Dominion Bank 4.68% 08JAN29	2,000,000	2,025,400	0.68
2,500,000	The Toronto-Dominion Bank 5.423% 10JUL26	2,500,000	2,554,225	0.85
600,000	Toyota Credit Canada Inc. 5.29% 13JUL26	599,850	614,166	0.20
500,000	TransAlta Corp. 7.30% 22OCT29	570,000	532,130	0.18
2,000,000	TransCanada PipeLines Ltd. 2.97% 09JUN31	1,736,200	1,784,520	0.60
4,000,000	TransCanada PipeLines Ltd. 3.30% 17JUL25	3,857,400	3,914,880	1.31
3,000,000	TransCanada PipeLines Ltd. 3.80% 05APR27	3,027,190	2,944,380	0.98
500,000	TransCanada PipeLines Ltd. 4.34% 15OCT49	547,560	433,755	0.14
2,000,000	TransCanada PipeLines Ltd. 4.35% 12MAY26	1,957,320	1,997,220	0.67
3,000,000	TransCanada PipeLines Ltd. 5.277% 15JUL30	2,998,800	3,111,780	1.04
5,000,000	TransCanada PipeLines Ltd. 5.419% 10MAR26	4,992,150	5,004,500	1.67
5,000,000	TransCanada PipeLines Ltd. 6.45784% 10MAR26	5,006,660	5,005,200	1.67
3,000,000	Transcanada Trust 4.65% 18MAY77	2,703,520	2,744,040	0.92
4,000,000	Transcontinental Inc. 2.28% 13JUL26	4,031,450	3,731,200	1.24
2,000,000	Transcontinental Inc. 2.667% 03FEB25	1,919,990	1,931,040	0.64
3,000,000	Verizon Communications Inc. 2.375% 22MAR28	2,660,070	2,770,860	0.92
5,000,000	Verizon Communications Inc. 2.50% 16MAY30	4,216,140	4,473,650	1.49
500,000	Videotron Ltd. 3.125% 15JAN31	502,813	428,775	0.14
1,000,000	Videotron Ltd. 5.625% 15JUN25	1,120,000	1,002,680	0.33
5,000,000	VW Credit Canada Inc. 1.50% 23SEP25	4,693,250	4,729,300	1.58
6,000,000	VW Credit Canada Inc. 2.05% 10DEC24	5,776,710	5,821,860	1.94
1,500,000	VW Credit Canada Inc. 5.75% 21SEP26	1,499,670	1,541,640	0.51
10,000,000	Wells Fargo & Co. 2.568% 01MAY26	9,543,350	9,683,200	3.23
5,000,000	Wells Fargo & Co. 3.874% 21MAY25	4,847,750	4,912,550	1.64
5,000,000	Westcoast Energy Inc. 3.43% 12SEP24	4,870,850	4,935,450	1.65
		<u>711,302,497</u>	<u>717,414,155</u>	<u>239.23</u>
<b>Canadian Money Market</b>				
13,000,000	Enbridge Inc CP 05JAN2024	12,964,250	12,990,069	4.33
10,000,000	Enbridge Inc CP 09JAN2024	9,969,300	9,986,185	3.33
3,500,000	Enbridge Inc CP 10JAN2024	3,489,220	3,494,610	1.17
8,000,000	Enbridge Inc. CP 4JAN2024	7,978,000	7,995,111	2.67
5,000,000	ENMAX Corp CP 03JAN2024	4,970,900	4,997,575	1.67
12,000,000	ENMAX Corp CP 05JAN2024	11,930,160	11,990,300	4.00
5,000,000	ENMAX Corp CP 09JAN2024	4,972,600	4,992,747	1.66

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments owned (continued)	Average cost	Fair value	% of net asset value
<b>Canadian Money Market (continued)</b>				
9,000,000	ENMAX Corp CP 26JAN2024	\$ 8,954,820	\$ 8,962,107	2.99
4,000,000	Nova Scotia Power Inc CP 02JAN2024	3,978,760	3,998,751	1.33
14,000,000	Nova Scotia Power Inc CP 03JAN2024	13,925,660	13,993,441	4.67
10,000,000	Nova Scotia Power Inc CP 08JAN2024	9,946,900	9,987,506	3.33
3,250,000	Nova Scotia Power Inc CP 09JAN2024	3,232,743	3,245,432	1.08
2,000,000	Nova Scotia Power Inc CP 11JAN2024	1,990,020	1,996,569	0.66
4,000,000	Nova Scotia Power Inc CP 15JAN2024	3,978,760	3,989,014	1.33
		<u>102,282,093</u>	<u>102,619,417</u>	<u>34.22</u>
<b>Canadian Preferred shares</b>				
12,500	Bank of Montreal Preferred Shares 3.90%	306,625	227,750	0.08
18,500	BCE Inc. Preferred Shares 4.15%	253,197	262,700	0.09
15,000	Canadian Imperial Bank of Commerce Preferred Shares 3.75%	251,726	263,100	0.09
10,000	Canadian Imperial Bank of Commerce Preferred Shares 3.90%	174,166	183,500	0.06
20,000	Element Financial Corp. Preferred Shares 6.40%	496,600	498,000	0.17
20,000	Element Fleet Management Corp. Preferred Shares 6.21%	488,334	495,000	0.17
75,000	Element Fleet Management Corp. Preferred Shares 6.933%	1,894,500	1,874,250	0.62
10,000	Enbridge Inc. Preferred Shares 4.376%	156,200	187,600	0.06
8,500	Enbridge Inc. Preferred Shares 4.40%	117,283	124,780	0.04
12,500	Manulife Financial Corp. Preferred Shares 3.90%	209,343	233,875	0.08
17,500	Pembina Pipeline Corp. Preferred Shares 5%	305,781	318,325	0.11
10,000	Power Financial Corp. Preferred Shares 4.50%	250,000	166,800	0.06
15,000	Royal Bank of Canada Preferred Shares 3.70%	367,955	288,000	0.09
22,700	TC Energy Corp. Preferred Shares 3.762%	345,721	342,543	0.11
12,500	TC Energy Corp. Preferred Shares 3.903%	195,098	205,500	0.07
15,000	The Toronto-Dominion Bank Preferred Shares 3.80%	250,032	293,250	0.09
		<u>6,062,561</u>	<u>5,964,973</u>	<u>1.99</u>
<b>U.S. fixed income</b>				
2,000,000	Element Fleet Management Corp. 1.60% 06APR24	2,511,358	2,606,991	0.87
1,500,000	Element Fleet Management Corp. 6.271% 26JUN26	1,977,225	2,013,970	0.67
700,000	Expedia Group Inc. 2.95% 15MAR31	880,518	817,982	0.27
5,000,000	JPMorgan Chase & Co. 0.768% 09AUG25	6,463,210	6,404,975	2.14
3,000,000	JPMorgan Chase & Co. 1.578% 22APR27	3,724,436	3,657,237	1.22
500,000	MSCI Inc. 4% 15NOV29	685,248	621,331	0.21
1,000,000	Oracle Corp. 1.65% 25MAR26	1,241,243	1,232,389	0.41
1,000,000	Performance Food Group Inc. 4.25% 01AUG29	1,245,650	1,212,820	0.40
2,000,000	Royalty Pharma PLC 2.15% 02SEP31	2,469,259	2,163,188	0.72
1,150,000	United States Treasury Note/Bond 0.75% 31MAY26	1,411,111	1,402,260	0.47
		<u>22,609,258</u>	<u>22,133,143</u>	<u>7.38</u>
	<b>Total investments owned</b>	<b>843,245,265</b>	<b>849,138,188</b>	<b>283.15</b>



# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
<b>Canadian fixed income</b>				
(63,930,000)	Canadian Government Bond 0.25% 01MAR26	\$ (57,799,761)	\$ (59,490,700)	(19.84)
(1,595,000)	Canadian Government Bond 0.50% 01DEC30	(1,280,984)	(1,341,188)	(0.45)
(41,899,000)	Canadian Government Bond 0.50% 01SEP25	(39,023,202)	(39,618,018)	(13.21)
(50,965,000)	Canadian Government Bond 1% 01JUN27	(46,831,763)	(47,321,003)	(15.78)
(65,821,000)	Canadian Government Bond 1% 01SEP26	(60,740,963)	(61,728,250)	(20.58)
(6,750,000)	Canadian Government Bond 1.25% 01JUN30	(5,771,329)	(6,036,458)	(2.01)
(25,933,000)	Canadian Government Bond 1.25% 01MAR25	(24,774,659)	(25,046,869)	(8.35)
(20,207,000)	Canadian Government Bond 1.25% 01MAR27	(18,527,023)	(18,928,099)	(6.31)
(17,820,000)	Canadian Government Bond 1.50% 01APR25	(17,014,037)	(17,222,852)	(5.74)
(26,691,000)	Canadian Government Bond 1.50% 01JUN26	(25,484,625)	(25,435,455)	(8.48)
(12,764,000)	Canadian Government Bond 1.50% 01SEP24	(12,304,237)	(12,503,614)	(4.17)
(272,000)	Canadian Government Bond 2% 01DEC51	(212,968)	(219,784)	(0.07)
(13,126,000)	Canadian Government Bond 2% 01JUN28	(12,401,059)	(12,526,273)	(4.18)
(880,000)	Canadian Government Bond 2% 01JUN32	(771,760)	(809,134)	(0.27)
(16,155,000)	Canadian Government Bond 2.25% 01JUN25	(15,747,214)	(15,754,518)	(5.25)
(27,327,000)	Canadian Government Bond 2.25% 01JUN29	(25,651,905)	(26,242,391)	(8.75)
(3,000)	Canadian Government Bond 2.25% 01MAR24	(2,939)	(2,987)	0.00
(1,656,000)	Canadian Government Bond 2.50% 01DEC32	(1,561,610)	(1,580,718)	(0.53)
(3,520,000)	Canadian Government Bond 2.75% 01JUN33	(3,282,042)	(3,425,347)	(1.14)
(16,418,000)	Canadian Government Bond 2.75% 01SEP27	(15,822,437)	(16,106,551)	(5.37)
(2,700,000)	Canadian Government Bond 3% 01OCT25	(2,615,841)	(2,658,447)	(0.89)
(24,955,000)	Canadian Government Bond 3.25% 01SEP28	(24,238,872)	(25,050,827)	(8.35)
(4,670,000)	Canadian Government Bond 3.50% 01MAR28	(4,624,645)	(4,720,576)	(1.57)
(2,775,000)	Canadian Government Bond 3.75% 01FEB25	(2,764,945)	(2,755,020)	(0.92)
(6,800,000)	Canadian Government Bond 4.50% 01NOV25	(6,811,650)	(6,873,168)	(2.29)
(35,000)	Canadian Government Bond 5.75% 01JUN33	(51,272)	(42,441)	(0.01)
		<u>(426,113,742)</u>	<u>(433,440,688)</u>	<u>(144.53)</u>
<b>U.S. fixed income</b>				
(1,980,000)	United States Treasury Note/Bond 0.25% 15MAR24	(2,482,545)	(2,589,157)	(0.86)
(950,000)	United States Treasury Note/Bond 1.625% 15MAY31	(1,228,880)	(1,076,550)	(0.36)
		<u>(3,711,425)</u>	<u>(3,665,707)</u>	<u>(1.22)</u>
<b>U.S. options on futures</b>				
(2,500,000)	US 10yr Ultra Opt Feb24C 115.5	(25,433)	(92,844)	(0.03)
(2,500,000)	US 10yr Ultra Opt Feb24C 119	(24,615)	(24,758)	(0.01)
		<u>(50,048)</u>	<u>(117,602)</u>	<u>(0.04)</u>

# ALGONQUIN FIXED INCOME 2.0 FUND

## Schedule of Investment Portfolio (continued)

As at December 31, 2023

Number of shares/units /par value	Investments sold short	Proceeds on short sale	Fair value	% of net asset value
	<b>Total investments sold short</b>	(429,875,215)	(437,223,997)	(145.80)
	Commissions and other portfolio transaction costs	(7,492)	—	—
	<b>Net investments owned</b>	<b>\$ 413,362,558</b>	411,914,191	137.36
	Unrealized gain, foreign exchange forward contracts (Schedule 1)		907,064	0.30
	Unrealized gain, futures contracts (Schedule 2)		1,803,521	0.60
	<b>Other liabilities, net</b>		(114,736,001)	(38.26)
	<b>Net Assets Attributable to Holders of Redeemable Units</b>		<b>\$ 299,888,775</b>	<b>100.00</b>

### Schedule 1 - Foreign Exchange Forward Contracts

Settlement Date	Currency Sold	Currency Bought	Forward Rates	Contract Price	Fair Value	Unrealized Gain
January 31, 2024	USD	CAD	1.319899	\$ (19,829,669)	\$ (18,959,326)	\$ 870,343
January 31, 2024	USD	CAD	1.319899	(1,220,445)	(1,187,909)	32,536
January 31, 2024	USD	CAD	1.319899	(994,110)	(989,924)	4,186
Derivative assets						907,065
<b>Total unrealized gain on foreign exchange forward contracts</b>						<b>\$ 907,065</b>

### Schedule 2 - Futures contracts

Futures contracts	Settlement Date	Position	Number of Contracts	Contract Price	Notional Amount	Unrealized Gain
CAN 2YR BOND FUT	March 2024	Long	260	\$ 103.60	\$ 26,929,500	\$ 6,500
CAN 5YR BOND FUT	March 2024	Long	150	112.69	16,464,840	438,660
US 10YR NOTE (CBT)	March 2024	Long	75	112.89	8,220,117	325,728
US 10yr Ultra Fut	March 2024	Long	125	118.02	14,247,266	666,415
US 2YR NOTE (CBT)	March 2024	Long	50	102.96	10,247,656	63,443
US 5YR NOTE (CBT)	March 2024	Long	186	108.77	20,002,563	302,775
<b>Total unrealized gain on futures contracts</b>						<b>\$ 1,803,521</b>

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements

December 31, 2023

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Algonquin Fixed Income 2.0 Fund (the "Fund") is an alternative mutual fund trust formed and organized under the laws of the Province of Ontario pursuant to a master declaration of trust dated August 20, 2019, as may be amended from time to time (the "Declaration of Trust"). The Fund commenced active operations on December 9, 2019. The Fund's registered office is located at 40 King Street West, Suite 3402, Toronto, Ontario, M5H 3Y2.

Algonquin Capital Corporation acts as the trustee (the "Trustee") of the Fund. The Trustee is a corporation formed and organized under the laws of the Province of Ontario. The Trustee also acts as the manager and the portfolio manager (the "Manager") of the Fund. The Manager is responsible for the management of the Fund. TD Securities Inc. ("TDSI") acts as the prime broker and custodian ("Prime Broker") for the Fund.

The investment objective of the Fund is to generate positive total returns over the long term and to preserve capital. The Manager will seek to achieve the Fund's investment objective by investing primarily in debt and income producing instruments of governments, corporations and financial institutions in the developed world as well as derivative contracts for investment or hedging purposes. The Fund may also invest in convertible debt securities, fixed-income securities of government agencies or of supernational agencies, floating rate securities, trusts, corporate bonds and loans, exchange-traded funds ("ETFs"), limited partnerships, and preferred shares. The Fund manages its long and short positions to reduce the impact of market volatility on the Fund's investment portfolio. The Fund may engage in securities lending, repurchase and reverse repurchase transactions to earn additional income for the Fund. The Fund may also seek exposure that is similar to direct investment in fixed income securities by using credit and interest rate derivatives.

The Fund is subject to certain restrictions and practices contained in securities legislation, including National Instrument 81-102 ("NI 81-102"), which are designed, in part, 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. The following provides a description of the exemptions that the Fund has obtained from the provisions of NI 81-102, and/or a description of the general investment activity.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## Alternative Fund Investment Relief:

In order to permit the Fund to engage in the short selling of "government securities" (as that term is defined in NI 81-102) up to a maximum of 300% of the Fund's Net Asset Value ("NAV"), the Fund has obtained exemptive relief from securities regulators from the following provisions of NI 81-102:

- (a) Subparagraph 2.6.1 (1)(c)(v), which restricts the Fund from selling a security short if, at that time, the aggregate market value of the securities sold short by the Fund exceeds 50% of the Fund's NAV; and
- (b) Section 2.6.2, which states that the Fund may not borrow cash or sell securities short if, immediately after entering into a cash borrowing or short selling transaction, the aggregate market value of cash borrowing combined with the aggregate market value of the securities sold short by the Fund would exceed 50% of its NAV.

## 1. Basis of presentation:

- (a) Statement of compliance:

These annual financial statements have been prepared in compliance with IFRS Accounting Standards ("IFRS"), as published by the International Accounting Standards Board ("IASB"). The financial statements were approved by the Trustee and authorized for issue on March 22, 2024.

- (b) Basis of measurement:

These annual 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.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information:

The following summarizes the material accounting policies of the Fund:

### (a) Functional currency and foreign currency translation:

The functional and presentation currency of the Fund is the Canadian dollar. Investment transactions and income and expenses in foreign currencies are translated into Canadian dollars at the rates of exchange prevailing at the time of the transactions. Purchases and sales of foreign securities denominated in foreign currencies and the related income, as well as any other monetary assets and liabilities are translated into Canadian dollars at rates of exchange prevailing on the respective dates of such transactions.

The fair value of investments quoted in foreign currencies has been translated into Canadian dollars at the rates of exchange prevailing at the end of the year. Foreign exchange gains and losses on the sale of investments are included in net realized loss on sale of investments, including foreign exchange adjustments in the statements of comprehensive income (loss). Unrealized foreign exchange gains (losses) on assets held by the Fund and the Fund's liabilities are included in the net change in unrealized appreciation (depreciation) in value of investments in the statements of comprehensive income (loss).

### (b) Financial instruments:

#### (i) Classification:

The Fund classifies its investments as financial assets and financial liabilities at FVTPL.

The Fund's investments are managed, and performance evaluated on a fair value basis and the portfolio of investments are 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.

All other financial assets and financial liabilities, excluding redeemable units, are measured at amortized cost, and are classified as measured at amortized cost. Redeemable units are measured at the redemption amount and are considered a residual.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information (continued):

### (ii) Recognition and initial measurement:

Financial assets or liabilities at FVTPL are initially recognized on the trade date, which is the date the Fund becomes a party to the contractual provisions of the instrument. From this date any gains and losses arising from changes in fair value of the assets or liabilities are recognized in the statements of comprehensive income (loss).

Other financial assets and financial liabilities are recognized on the date on which they are originated.

Financial assets and financial liabilities at FVTPL are initially measured at fair value, with transaction costs recognized in the statements of comprehensive income (loss). Financial assets and financial liabilities not at FVTPL are initially measured at fair value plus transaction costs that are directly attributable to their acquisition or issue.

The Fund's accounting policies for measuring the fair value of its investments and derivatives are identical to those used in measuring its NAV for transactions with unitholders.

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

### (iii) Valuation of investments:

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as "active" if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of credit default swaps is determined by market prices available from independent valuation services (i.e. Bloomberg), and the fair value of the foreign currency forward contracts 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.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information (continued):

The fair value of financial assets and financial liabilities traded in active markets (such as trading securities) is based on quoted market prices. The Fund uses either the last traded market price or evaluated prices from independent valuation services for both financial assets and financial liabilities where these prices fall within that day's bid-ask spread. In circumstances where the last traded or evaluated 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 of that financial asset or financial liability.

The fair value of the foreign currency forward contracts is determined using quoted forward exchange rates at the reporting date as obtained from an independent source.

### (c) Cost of investments:

The cost of investments represents the amount paid for each security and is determined on an average cost basis excluding commissions and other portfolio transaction costs.

### (d) Transaction costs:

Commissions and other transaction costs are incremental costs that are directly attributable to the acquisition, issue, or disposal of an investment, which include fees and commissions paid to agents, advisors, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Commissions and other portfolio transaction costs are included as expenses in the statements of comprehensive income (loss).

### (e) Cash and cash equivalents (overdraft):

Cash and cash equivalents (overdraft) is comprised of cash on deposit and is classified to be held for trading and carried at fair value.

### (f) Other financial assets and liabilities:

Subscriptions receivable, due from broker, due from related fund, interest and dividends receivable and expense reimbursements receivable are classified as and measured at amortized cost. Due to broker, accounts payable and accrued liabilities, interest and borrowing fees payable on investments sold short, management fees payable, redemptions payable and distributions payable are classified and measured at amortized cost. Financial liabilities are generally settled within 12 months of issuance. Other assets and liabilities are short-term in nature and are carried at amortized cost which approximates fair value.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information (continued):

- (g) Net assets attributable to holders of redeemable units per series per unit:

The net assets attributable to holders of redeemable units of a particular series of units is computed by calculating the value of that series' proportionate share of the assets and liabilities of the Fund common to all series less the liabilities of the Fund attributable only to that series. Expenses directly attributable to a series are charged directly to that series. Income, realized and unrealized gains and losses from investments and other expenses are allocated proportionately to each series based upon the relative net assets attributable to holders of redeemable units of each series.

For each Fund unit sold, the Fund receives an amount equal to the NAV per unit at the date of sale, which amount is included in net assets attributable to holders of redeemable units. Units are redeemable at the option of unitholders at their NAV on the redemption date. For each unit redeemed, NAVs attributable to holders of redeemable units is reduced by the NAV of the unit at the date of redemption.

The redeemable units are measured at the current value of the Fund's net assets and are considered a residual amount of the net assets attributable to holders of redeemable units.

The redeemable units are classified as financial liabilities as a result of the current series of units that have been issued and each series not having identical features.

The net assets attributable to holders of redeemable units per series per unit is calculated by dividing the net assets attributable to holders of redeemable units of a particular series of units by the total number of units of that particular series outstanding at the end of the year.

- (h) 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 year.



# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information (continued):

### (i) Investment transactions and revenue recognition:

The interest income 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.

Realized loss on sale of investments, including foreign exchange adjustments and unrealized appreciation (depreciation) in value of investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities except for zero-coupon bonds.

### (j) Income taxes:

The Fund qualifies as a mutual fund trust under the provisions of the Income Tax Act (Canada) (the "Tax Act") and, accordingly, is not subject to tax on its net taxable income for the tax year which ends in December which is paid or payable to its unitholders as at the end of the tax year. However, such part of the Fund's net income that is not so paid or payable, is subject to income tax. Income tax on net income not paid or payable is generally recoverable by virtue of refunding provisions contained in tax legislation, as redemptions occur. It is the intention of the Fund to distribute all of its income so that the Fund will not be subject to income tax.

The Fund is subject to withholding taxes on foreign income. In general, the Fund treats withholding tax as a charge against income for tax purposes.

As at December 31, 2023 and 2022, the Fund has no capital loss carry-forwards balances. As at December 31, 2023, the Fund has \$nil (2022 - \$6,415,049) of non-capital loss carryforwards balance.

### (k) Offsetting financial instruments:

Financial assets and financial liabilities may be offset and the net amount reported in the statements 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 asset and settle the liability simultaneously. In the normal course of business, the Fund may enter into various master netting agreements or similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be offset in certain circumstances, such as bankruptcy or termination of the contracts.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 2. Material accounting policy information (continued):

### (l) Interest and borrowing fees:

The Fund takes both long and short positions and incurs both interest expense and borrow fees which are calculated on an accrual basis. While the use of borrowed funds can substantially improve the return of invested capital, its use may also increase the adverse impact to which the investment portfolio of the Fund may be subjected by increasing the Fund's exposure to capital risk and higher current expenses.

### (m) Changes in accounting policies:

The Fund adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Manager reviewed the accounting policies and made updates to the information disclosed in Note 3 in certain instances in line with the amendments.

## 3. Due to/from broker:

The Fund has a prime brokerage agreement with its broker to carry its account as a customer. The broker has custody of the Fund's securities and, from time to time, cash balances which may be due from/due to broker. Financial instruments and/or cash positions serve as collateral for any amounts due to a broker or as collateral for any securities sold, not yet purchased or securities purchased on margin. The securities and/or cash positions also serve as collateral for potential defaults of the Fund.

The Fund is subject to credit risk if a broker is unable to repay balances due or deliver securities in their custody. The Fund mitigates this risk by using only approved brokers, which are creditworthy financial institutions.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 4. Critical accounting estimates and judgments:

### (a) Use of estimates and assumptions:

The preparation of financial statements in accordance with IFRS requires management to use accounting estimates. It also requires management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

### (b) Valuation of investments:

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. In preparing the financial statements, the Fund has the most significant accounting judgments and estimates in the determination of the fair value of these instruments.

### (c) Classification and measurement of investments:

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to manage its portfolio of investments and evaluate performance on a fair value basis and that 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 most significant judgments made include assessing and determining the appropriate business model that enables the decision that the Fund's investments are classified as FVTPL.

## 5. Related party transactions:

### (a) Management fees:

The Manager receives management fees from the Fund, which accrue daily based on the percentage of the NAV of the series of units of the Fund and are payable on the last business day of each month. The monthly management fee for each series of units is equal to: (i)  $1/12^{\text{th}}$  of 1.45% of the aggregate NAV of Series A for Series A units; (ii)  $1/12^{\text{th}}$  of 0.50% of the aggregate NAV of Series F Founders for Series Founders units; and (iii)  $1/12^{\text{th}}$  of 0.95% of the aggregate NAV of Series F for Series F units. The management fee for Series I and Series I (USD) units are negotiable with the unitholder and do not exceed 0.95% per annum and are payable by the unitholders directly to the Manager.

## ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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### 5. Related party transactions (continued):

#### (a) Management fees (continued):

The Manager may agree to waive a portion of the management fee that it would otherwise be entitled to receive; an amount equal to the amount so waived is calculated and credited to the relevant unitholder on each business day and distributed on a monthly basis, first out of net income and net realized capital gains of the Fund and thereafter out of capital. All such distributions are automatically invested in additional units of the relevant series of the Fund.

During the year ended December 31, 2023, management fees paid to the Manager amounted to \$1,957,427 (2022 - \$ 947,821). As at December 31, 2023, management fees payable to the Manager amounted to \$176,380 (2022 - \$121,277).

#### (b) Expenses:

The Fund is responsible for all costs incurred in connection with the organization and ongoing activities of the Fund, including but not limited to brokerage commissions and fees, fees associated with securities lending transactions and related transaction fees, taxes, audit and legal fees, fees in connection with the operation of the independent review committee, safekeeping and custodial fees, interest expenses, operating, administrative and system costs, investor servicing costs and costs of financial and other reports to investors, as well as prospectuses, annual information forms and fund facts. Advertising costs and costs of dealer compensation programs are paid by the Manager. The Manager, in its sole discretion, may waive and/or reimburse a portion or all of the Fund's operating expenses.

During the year ended December 31, 2023, expenses reimbursed by the Manager amounted to \$29,338 (2022 - \$54,537). As at December 31, 2023, expense reimbursement receivable from the Manager amounted to \$84,343 (2022 - \$55,005).

## ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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### 5. Related party transactions (continued):

#### (c) Related party unit holdings:

As at December 31, 2023, directors and key management personnel of the Manager, directly or indirectly held 4,171 Series I units in the Fund (2022 – 4,411 Series I units) and 1,127 Series F units (2022 – 1,061 Series F units).

#### (d) Due to Manager and due to related fund:

As at December 31, 2023, \$nil (2022 - \$nil) is due to related fund and \$nil (2022 - \$8,914) is due from related fund, related by virtue of the fund being managed by the Manager.

### 6. Redeemable units of the Fund:

#### (a) Issuance of units:

The Fund is authorized to issue an unlimited number of series of units and may issue an unlimited number of units of each series. Each unit of a series represents an undivided ownership interest in the NAV of the Fund attributable to that series of units. Each unit of a series has equal rights to each other units of the same series with respect to all matters, including voting, receipt of distributions from the Fund, liquidation and other events in connection with the Fund, subject to the terms and conditions of the Declaration of Trust.

The following series of units are currently being offered by the Fund:

Series A units: Available to all investors.

Series F Founders: Available for purchase only until such time as the series reaches a net asset value of \$50 million. Series F units will be available during this period to investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investors for whom the Manager does not incur distribution costs.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 6. Redeemable units of the Fund (continued):

Series F units: Available to investors who are enrolled in a dealer-sponsored fee for service or wrap program and who are subject to an annual asset-based fee rather than commissions on each transaction or, at the discretion of the Manager, any other investor for whom the Manager incur distribution costs.

Series I units: Available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. Series I units will generally only be available for certain individual investors who make large investments in the Fund. The management fees for Series I units are paid directly by Series I unitholders, not by the Fund. Series I units are also available to certain of the Manager's employees and employees of affiliated entities and, at the Manager's discretion, to former employees and to relatives of current and former employees.

Series I (USD) units: Available on a case-by-case basis to institutional investors or to other investors who wish to have U.S. dollar currency exposure, all at the discretion of the Manager. Series I (USD) units will generally only be available for certain individual investors who make large investments in the Fund. Series I (USD) units are also available to certain number of the Manager's employees and employees of affiliated entities and, at the Manager's discretion, to former employees and to relatives of current and former employees. The unit price for the Series I (USD) units is calculated and reported in U.S. dollars based on the exchange rate at the time that the NAV is calculated. In addition, the costs and gains/losses relating to derivatives used to hedge the currency exposure for Series I (USD) units will accrue solely to the Series I (USD) units and will be reflected in the unit price of the Series I (USD) units.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 6. Redeemable units of the Fund (continued):

Units of any series of the Fund may be purchased on a daily basis on or before 4:00 p.m. (Eastern Time) on any business day. The appropriate documentation and payment for subscription must be provided to the Manager within two business days of receiving the purchase order. The unitholder may redesignate all or part of his investment from one series of units to another series of units of the Fund, as long as the unitholder is eligible to hold that series of units. The redesignation order must be received before 4:00 p.m. (Eastern Time) to be processed on the same date.

The unit activity for the years ended December 31, 2023 and 2022 is as follows:

	Redeemable Units, beginning of year	Redeemable Units Issued	Redemptions of Redeemable Units	Transfers	Reinvestments of Units	Redeemable Units, end of year
<b>December 31, 2023</b>						
Series A	34,543	157,251	(7,892)	(26,600)	6,303	163,605
Series F	1,164,588	1,259,709	(302,935)	26,045	87,205	2,234,612
Series FF	259,574	–	(61,946)	–	8,335	205,963
Series I	37,136	397,717	(33,159)	–	34,994	436,688
<b>December 31, 2022</b>						
Series A	50,270	15,868	(6,375)	(25,681)	461	34,543
Series F	536,855	910,230	(327,470)	25,194	19,779	1,164,588
Series FF	375,758	5	(126,036)	–	9,847	259,574
Series I	121,500	61,748	(150,812)	–	4,700	37,136

### (b) Redemption of units:

The redeemable units of the Fund can be redeemed on a daily basis on or before 4:00 p.m. (Eastern Time) on any business day (each, a "Redemption Date"). Any redemption order received after 4:00 p.m. on a Redemption Date is processed on the next Redemption Date. The latest the redemption proceeds will be paid to the unitholder will be two business days after the Redemption Date. Redemption proceeds are paid in the applicable currency that the series of units is denominated.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 6. Redeemable units of the Fund (continued):

Under exceptional circumstances the Manager may be unable to process redemption orders. This would most likely occur if market trading has been suspended on stock exchanges, options exchanges or futures exchanges on which more than 50% by value of the Fund's assets are listed and if the fund's portfolio securities cannot be traded on any other exchange that represents a reasonably practical alternative. During these years, units will also not be issued or redesignated.

In order to protect the interest of the majority of unitholders of the Fund and to discourage inappropriate short-term trading in the Fund, investors may be subject to a short-term trading fee. If an investor redeems Series A, Series F Founders or Series F units of the Fund within 30 days of purchasing such units, the Fund may deduct and retain, for the benefit of the remaining unitholders of the Fund, 2% of the NAV of the units of the particular series of the Fund being redeemed.

### (c) Distributions:

The Fund has a policy to make distributions quarterly at a rate determined from time to time by the Manager. These distributions are not guaranteed and may change at any time at the Manager's discretion. The Fund will also distribute, in respect of each taxation year, any net income in excess of the quarterly distributions at the end of each taxation year (normally December 31), or at such other times as may be determined by the Manager. The record date for a dividend or distribution is the valuation date prior to the payment date. A valuation day is any day the Toronto Stock Exchange ("TSX") is open for business (each, a "Valuation Date").

The Fund may make distributions in cash, units of the same series of the Fund or property in kind payable in proportions to be determined from time to time by the Manager. The unitholder may elect to receive cash payment by electronic transfer to their bank account; however, the Manager may, in respect of certain distributions, cause any such cash payments to be automatically reinvested in additional units of the same series of the Fund.



# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 6. Redeemable units of the Fund (continued):

### (d) Capital disclosure:

The capital of the Fund is represented by issued and redeemable units. The redeemable units are entitled to distributions, if any, and to payment of a proportionate share based on the Fund's NAV per unit upon redemption. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The relevant movements are shown on the statements of changes in net assets attributable to holders of redeemable units. In accordance with its investment objectives and strategies, and the risk management practices outlined in note 7, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

## 7. Financial instruments:

### (a) Risk management:

The primary objective of the Fund is to generate positive total returns over the long term and to preserve capital. The Manager seeks to achieve this objective by investing primarily in debt and income producing instruments of governments, corporations and financial institutions in the developed world as well as derivative contracts for investment or hedging purposes.

With the objective of capital preservation in mind, the Manager employs a variety of risk management techniques and methodologies. Concentration limits have been established with maximum threshold on non-investment grade debt, international securities and alternative debt instruments, as well as on portfolio leverage, short selling and exposure to a single issuer.

### (b) Management of financial instrument risks:

In the normal course of business, the Fund may be exposed to a variety of financial risks: credit risk, liquidity risk, leverage risk and market risk (including interest rate risk, other price risk and currency risk). The value of investments within the Fund's portfolio can fluctuate daily as a result of changes in interest rates, economic conditions, the market and company news related to specific securities held by the Fund. Significant risks that are relevant to the Fund are discussed below:

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 7. Financial instruments (continued):

(i) Credit risk:

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. It arises principally from debt securities held, and also from balances due from broker. The carrying amount of investments and other assets represents the maximum credit risk exposure as at the date of the Statement of Financial Position.

Where the Fund invests in debt instruments and derivatives, this represents the main concentration of credit risk. The fair value of debt instruments and derivatives includes consideration of the credit worthiness of the issuer.

All transactions executed by the Fund in listed securities are settled/paid for upon delivery using approved brokers. The risk of 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 broker. The trade will fail if either party fails to meet its obligation.

The following table is a summary of the Fund's debt instruments by credit rating, as at December 31, 2023 and 2022:

<b>Debt instruments*</b>	<b>% of NAV</b>	
<b>by credit rating</b>	<b>2023</b>	<b>2022</b>
AAA rated	2	1
AA rated	69	64
A rated	62	75
BBB rated	144	141
BB rated	5	11
B rated	1	1
Not rated	1	2

\*Excludes due to/from broker.

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

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## 7. Financial instruments (continued):

The Fund's cash is held with the Prime Broker that was rated as follows as at December 31, 2023 and 2022

S&P Global rating	TDSI
Short term	A-1+
Long term	AA-

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The Fund has provided the prime broker with a general lien over the financial assets held in custody as security for the custodian's exposures relation to the provision of custody services to the Fund. The terms under which the general lien is provided are usual and customary for custody agreements.

### (ii) Liquidity risk:

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

The Fund's exposure to liquidity risk is concentrated in the periodic cash redemptions of units. To mitigate this risk, the Fund holds sufficient liquid funds to meet redemption requirements. The Fund will not permit redemptions (either in whole or in part) at any time the Manager is of the opinion in its sole discretion that there are insufficient liquid assets in the Fund to fund such redemptions or that the liquidation of assets would be to the detriment of the Fund generally.

All financial liabilities of the Fund are due within 12 months.

### (iii) Market risk:

Market risk is the risk that the value of an investment will fluctuate as a result of changes in market prices whether those changes are caused by factors specific to the individual investment or factors affecting all securities traded in the market. A factor impacting all securities traded in a market would include geopolitical risk. In addition to exposure to foreign currency risk, interest rate risk, and pricing risk as discussed below, the Fund is exposed to other market risks.

#### (a) 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.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 7. Financial instruments (continued):

Interest rate risk arises when the Fund invests in interest-bearing financial instruments. The Fund is exposed to the risk that the value of such financial instruments will fluctuate due to changes in the prevailing levels of market interest rates. There is minimal sensitivity to interest rate fluctuations on any cash invested at short-term market interest rates.

The Fund actively manages interest rate exposure. As at December 31, 2023 and 2022, 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>Debt Instruments* by Maturity Date</b>	<b>2023</b>	<b>2022</b>
0 to 1 year	\$ (200,383) \$	(60,048)
1 to 3 years	(332,629)	(157,408)
3 to 5 years	(1,000,964)	(437,011)
Greater than 5 years	(1,533,536)	(507,033)
<b>Total</b>	<b>\$ (3,067,512) \$</b>	<b>(1,161,501)</b>

\*Excludes due to/from broker.

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

### (b) Other price risk:

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

All investments represent a risk of loss of capital. 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. The Fund's overall market positions are monitored on a regular basis by the Manager. Financial instruments held by the Fund are susceptible to market price risk arising from uncertainties about future prices of the instruments.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 7. Financial instruments (continued):

As at December 31, 2023, the estimated impact of a 1 basis point increase in the credit spreads of instruments held by the Fund, with all other factors remaining constant, was a loss of \$204,719 (2022 - \$119,280). Additionally, as at December 31, 2023, had the prices on the Canadian stock exchanges for equities and preferred shares held by the Fund increased or decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units could possibly have increased or decreased by approximately \$697,147 (2022 - \$261,443). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

### (c) Currency risk:

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates.

Currency risk arises from financial instruments (including cash and cash equivalents) 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 following table illustrates the effect on net assets attributable to holders of redeemable units as at December 31, 2023 and 2022, if the respective currency had strengthened by 5% in relation to all other currencies, with all other variables held constant:

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	\$ (19,145,372)	\$ 18,467,436	\$ (677,936)	\$ (957,269)	\$ 923,372	\$ (33,897)
	\$ (19,145,372)	\$ 18,467,436	\$ (677,936)	\$ (957,269)	\$ 923,372	\$ (33,897)
% of Net Assets						
Attributable to Holders						
of Redeemable Units	(6.38)	6.15	(0.23)	(0.32)	0.31	(0.01)

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 7. Financial instruments (continued):

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, 2022</b>						
U.S. Dollar	\$ (9,319,334)	\$ 9,576,352	\$ 257,018	\$ (465,967)	\$ 478,818	\$ 12,851
	\$ (9,319,334)	\$ 9,576,352	\$ 257,018	\$ (465,967)	\$ 478,818	\$ 12,851
% of Net Assets						
Attributable to Holders						
of Redeemable Units	(6.51)	6.69	0.18	(0.33)	0.33	0.00

The amounts in the above table is based on the fair value of the Fund's financial instruments (including cash and cash equivalents). Other financial assets and financial liabilities do not expose the Fund to significant currency risk.

As at December 31, 2023, if the U.S. dollar had strengthened or weakened by 5% in relation to all currencies, with all other variables held constant, net assets attributable to holders of redeemable units would have increased or decreased, respectively, by approximately \$(33,897) (2022 - \$12,851). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

### (d) Concentration risk:

Concentration risk arises because of the concentration of 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 percent of total exposure, excluding government securities and cash and cash equivalents, as at December 31, 2023 and 2022:

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 7. Financial instruments (continued):

Market Segment	2023	2022
Financial	45%	49%
Energy	16%	21%
Utilities	12%	4%
Communications	12%	9%
Consumer, non-cyclical	7%	7%
Consumer, cyclical	4%	4%
Industrial	2%	4%
Basic Materials	1%	1%
Technology	1%	1%
	100%	100%

(e) 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.

During the year ended December 31, 2023, the Fund's lowest and highest aggregate gross exposure was 187% (2022 – 169%) and 267% (2022 – 277%) of the Fund's NAV respectively. The primary source of leverage was short positions in fixed income securities and cash borrowing. The low and high end of the range are as a result of our investing activities, and timing of subscriptions and/or redemptions. The Fund's strategy is outlined in the simplified prospectus. The Manager monitors, on a daily basis, that the Fund's aggregate gross exposure is less than 300% (2022 - 300%) of the Fund's NAV.

# ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

## 7. Financial instruments (continued):

### (f) Geopolitical Risk

Terrorism, war, military confrontations, and related geopolitical events (and their aftermath) can lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally. Likewise, natural and environmental disasters, such as, for example, earthquakes, fires, floods, hurricanes, tsunamis and weather-related phenomena generally, as well as wide-spread disease and virus epidemics, can be highly disruptive to economies and markets into the medium term, adversely affecting individual companies, sectors, industries, markets, currencies, interest and inflation rates, credit ratings, investor sentiment, and other factors impacting the value of the Fund's investments.

## 8. Classification of financial instruments - fair value measurements:

Investments measured at fair value are classified into one of three fair value hierarchy levels, based on the lowest level input that is significant to the fair value measurement in its entirety. The inputs or methodologies used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The three fair value hierarchy levels are as follows:

- 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).

The following table summarizes the levels within the fair value hierarchy in which the fair value measurements of the Fund's investments fall as at December 31, 2023 and 2022

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity	\$ 1,006,500	\$ —	\$ —	\$ 1,006,500
Fixed income securities	—	739,547,298	—	739,547,298
Money market	—	102,619,417	—	102,619,417
Preferred shares	5,964,973	—	—	5,964,973
Foreign exchange forward contracts	—	907,064	—	907,064
Futures contracts	1,803,521	—	—	1,803,521
	\$ 8,774,994	\$ 843,073,779	\$ —	\$ 851,848,773
<b>Liabilities</b>				
Fixed income securities sold short	\$ —	\$ 437,106,395	\$ —	\$ 437,106,395
Options on futures	117,602	—	—	117,602
	\$ 117,602	\$ 437,106,395	\$ —	\$ 437,223,997



## ALGONQUIN FIXED INCOME 2.0 FUND

Notes to Financial Statements (continued)

December 31, 2023

### 8. Classification of financial instruments - fair value measurements (continued):

	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Equity	\$ 977,250	\$ –	\$ –	\$ 977,250
Fixed income securities	–	397,264,756	–	397,264,756
Money market	–	19,968,555	–	19,968,555
Preferred shares	1,637,175	–	–	1,637,175
Foreign exchange forward contracts	–	202,451	–	202,451
	\$ 2,614,425	\$ 417,435,762	\$ –	\$ 420,050,187
<b>Liabilities</b>				
Fixed income securities sold short	\$ –	\$ 281,565,726	\$ –	\$ 281,565,726
Futures contracts	247,976	–	–	247,976
	\$ 247,976	\$ 281,565,726	\$ –	\$ 281,813,702

There were no transfers between levels during the years ended December 31, 2023 and 2022.

### 9. 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 years ended December 31, 2023 and 2022 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 Year	Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit
<b>December 31, 2023</b>			
Series A	\$ 1,056,182	83,479	\$ 12.65
Series F	16,339,948	1,669,104	9.79
Series FF	2,109,887	228,747	9.22
Series I	3,505,104	378,652	9.26
<b>December 31, 2022</b>			
Series A	\$ (345,371)	35,302	\$ (9.78)
Series F	(3,238,719)	709,701	(4.56)
Series FF	(2,092,353)	297,970	(7.02)
Series I	(978,683)	114,063	(8.58)

# **ALGONQUIN FIXED INCOME 2.0 FUND**

Notes to Financial Statements (continued)

December 31, 2023

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**10. Subscriptions receivable:**

Subscriptions receivable represent amounts receivable in respect of the Fund's units for which subscription requests were received and units were issued prior to the year end, but for which the consideration was not received by the Fund at the end of the year.

**11. Redemptions payable:**

Redemptions payable represent amounts owing on the Fund's units for which redemption notices were received prior to end of the year, but which were not paid at the year end.