

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2018

## *CWB Onyx Canadian Equity Fund*



### DISCLOSURE

This interim management report of fund performance contains financial highlights but does not contain either the interim financial report or annual financial statements of the investment fund. You can get a copy of the interim financial report or annual financial statements at your request, and at no cost, by calling 1-855-292-9655, by writing to us at Suite 3000, 10303 Jasper Avenue, Edmonton, AB T5J 3X6, by visiting our website at [www.cwbwealth.com](http://www.cwbwealth.com), or by visiting SEDAR at [www.sedar.com](http://www.sedar.com).

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

### ***Caution Regarding Forward Looking Information***

This document may contain forward-looking statements (“FLS”) concerning the investment fund, its future performance, its strategies or prospects or about future events or circumstances. Such FLS include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as “may”, “could”, “should”, “outlook”, “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates”, and other similar expressions. By their very nature, FLS imply the use of assumptions and necessarily involve inherent risks and uncertainties, both general and specific. There is a significant risk that the explicit and implicit forecasts contained in these FLS might not materialize or that they may not prove to be accurate. In fact, a number of factors could cause future results, conditions or events to differ materially from the objectives and expectations expressed in such FLS. Such differences might be caused by, for example, changes in Canadian and worldwide economic and financial conditions (in particular, interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events, specifically those related to the war on terrorism, and other risks described in detail in the investment fund’s current simplified prospectus.

The foregoing list of factors is not exhaustive. Before making any investment decisions, investors and others relying on our FLS should carefully consider the foregoing factors and the uncertainties and risks they contain. We caution readers not to place undue reliance on these FLS.

FLS are issued in good faith and may be modified without notice. We assume no obligation to update FLS in the light of new information, future events or other circumstances unless applicable legislation so requires.

## **MANAGEMENT DISCUSSION OF THE PERFORMANCE OF CWB ONYX CANADIAN EQUITY FUND**

### **Results of Operations**

In the first six months of 2018 (the “Period”), the net assets of the CWB Onyx Canadian Equity Fund (the “Fund”) increased to \$34,666,541, reflecting a decrease of \$92,724 from negative investment performance and net contributions of \$8,858,875 to the Fund (including re-invested distributions to unit holders of \$401,069). The Series A units of the Fund returned -1.08% for the Period, net of fees and expenses. Returns for other series of the Fund may vary, largely due to differences in fees and expenses.

Over the Period, the S&P 500 Total Return Index (the “S&P 500”) was up 6.7% in Canadian dollar terms (1.7% in U.S. Dollar terms) and the S&P/TSX Composite Total Return Index (the “S&P/TSX”) gained 0.4%. Globally, Europe and Japan were negative for the Period, with the Euro Stoxx 50 and Nikkei 225 indices losing 3.1% and 2.0%, respectively, in their local currencies.

Despite solid economic growth, the Canadian equity market posted a small gain over the first six months of the year. The market continued to be concerned with the renegotiation of North American Free Trade Agreement and the U.S. government’s hard ball tactics. Financials underperformed (down 1.5% over the Period), as measures to curb soaring housing prices impacted sales and raised concerns about a substantial correction. Global oil prices rose nicely in the first half of 2018, but the discount paid for Canadian oil grew as producers continued to suffer from a lack of pipeline capacity. The Technology sector was the top performer of the market returning 22.3% over the Period.

The Fund realized positive relative performance in the Materials sector, despite its significant underweighting, due to favourable security selection. Other sectors did not see the same result, as the Fund’s overweighting in the Energy and Industrials sectors, while positive, were overshadowed by weak security selection.

The Fund remains defensively biased focusing on stable, high quality companies with solid dividends. This should provide reasonable returns as the economy continues to show growth and safety in case investor confidence falls. We believe that the recent volatility in the markets provides some opportunity to add undervalued securities.

## Recent Developments

### Market Developments

The U.S. Federal Reserve Board (the “Fed”) raised the benchmark interest rate by 50 basis points (“bps”) over the Period. We believe an additional 50 to 75 bps increase in U.S. interest rates is likely over the next six months. The Fed has been executing its plan for reducing its System Open Market Account, which serves to put upward pressure on U.S. interest rates.

The Bank of Canada (the “Bank”) is also expected to raise rates 25 to 50 bps over the remainder of the year. Economic indicators (year-to-date) have supported the Bank in its efforts to raise rates, although markets are questioning the sustainability of continued Canadian economic growth.

Political issues remain a primary concern for markets. Tax relief and reduced regulations have provided a boost to the U.S. economy; however, this has also served to reduce Canada’s relative advantage. Protectionism (real and anticipated) is having a dampening effect on market sentiment, and investors are concerned about the negative effect on growth that increased protectionism will have. With Canada being a trading nation, it will be particularly exposed to this kind of economic retraction.

Oil prices continue to rise from depressed levels, with West Texas Intermediate (the U.S. benchmark oil price) increasing more than 16% year to date in U.S. dollar terms. Canadian energy companies have been restricted in their ability to take advantage of higher world oil prices, as there are limited markets they are able to access economically. Efforts to alleviate this issue have been met with unfavorable political opportunism, and this problem for Canadian producers will likely persist into the near future.

Effective September 1, 2017, CWB Wealth Management Ltd. (“CWB WM” or “we”) adopted the risk classification methodology under National Instrument 81-102 – Investment Funds (the “new risk classification methodology”). Pursuant to the new risk classification methodology, certain funds’ risk ratings were changed in conjunction with the funds’ most recent prospectus renewal on June 19, 2018. CWB WM reviews each fund’s risk rating on an annual basis or if there has been a material change to a fund’s investment objectives or investment strategies. Any changes to a fund’s risk rating are the result of CWB WM’s annual review and the adoption of the new risk classification methodology.

## **Related Party Transactions**

CWB WM serves as trustee, manager, portfolio advisor, and principal distributor of the Fund. The Fund pays CWB WM a management fee as compensation for its services. Refer to the section titled 'Management Fees' for a summary of fees paid to CWB WM.

McLean & Partners Wealth Management Ltd. ("M&P") acts as a sub-advisor to the Fund. M&P is a subsidiary of CWB WM. As a sub-advisor, M&P is paid a fee for their services. This fee is paid by CWB WM directly and does not increase the management fees paid by the Fund.

The CWB Onyx Managed Solution Funds, comprised of the CWB Onyx Conservative Solution, CWB Onyx Balanced Solution and the CWB Onyx Growth Solution, invest in Series O units of the Fund. As at June 30, 2018, 3.9% of the Series O units of the Fund are held by the CWB Onyx Conservative Solution, 32.3% of the Series O units of the Fund are held by the CWB Onyx Balanced Solution, and 22.6% of the Series O units of the Fund are held by the CWB Onyx Growth Solution.

CWB WM is party to a participating dealer agreement (the "Dealer Agreement") with Canadian Western Financial Ltd. ("CWF"), a subsidiary of CWB WM. Pursuant to the Dealer Agreement, CWB WM pays CWF a monthly trailing commission equal to 1/12th of 1% of the net asset value attributable to units of the Fund held by CWF clients. This trailing commission is paid directly by CWB WM and does not increase the management fee paid to CWB WM by the Fund.

Upon commencement of operations of the Fund, Canadian Western Bank provided an initial investment of \$2 million in exchange for 200,000 Series O units. During the six months ended June 30, 2018, Canadian Western Bank redeemed all Series O units held as a result of the increase in unitholders since commencement of operations.

## FINANCIAL HIGHLIGHTS

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's performance for the periods since inception and for the period ended June 30, 2018.

### CWB Onyx Canadian Equity Fund's Net Assets per Unit<sup>1</sup>

	Series A June 30, 2018	Series O June 30, 2018	Series A 2017	Series O 2017	Series A 2016*	Series O 2016*
Net Assets, beginning of period	\$13.09	\$13.31	\$12.61	\$12.70	\$10.00 <sup>†</sup>	\$10.00 <sup>†</sup>
<b>(Decrease) increase from operations:</b>						
Total revenue	\$0.19	\$0.23	\$0.39	\$0.42	\$0.29	\$0.38
Total expenses	(\$0.13)	-	(\$0.27)	-	(\$0.30)	-
Realized (losses) gains for the period	(\$0.03)	(\$0.04)	\$0.14	\$0.15	(\$0.05)	(\$0.06)
Unrealized (losses) gains for the period	(\$0.12)	(\$0.23)	\$0.60	\$0.54	\$3.25	\$1.96
<b>Total (decrease) increase from operations<sup>2</sup></b>	<b>(\$0.09)</b>	<b>(\$0.04)</b>	<b>\$0.86</b>	<b>\$1.11</b>	<b>\$3.19</b>	<b>\$2.28</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$0.04	\$0.18	\$0.19	\$0.35	\$0.22	\$0.29
From Dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total Annual Distributions<sup>3</sup></b>	<b>\$0.04</b>	<b>\$0.18</b>	<b>\$0.19</b>	<b>\$0.35</b>	<b>\$0.22</b>	<b>\$0.29</b>
<b>Net Assets as at last date of period shown</b>	<b>\$12.29</b>	<b>\$13.13</b>	<b>\$13.09</b>	<b>\$13.31</b>	<b>\$12.61</b>	<b>\$12.70</b>

1 This information is derived from the Fund's unaudited interim or audited annual financial statements (as applicable). All figures presented for the interim period ended June 30, 2018 as well as the year ended December, 31, 2017 and 2016 are prepared in accordance with IFRS, which requires the Fund to measure the fair value of its investments based on close market prices, where the close market price falls within the bid-ask spread, which is consistent with the method used in measuring the net asset value for transactions with unitholders.

2 Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

3 Distributions were reinvested in additional units of the Fund.

\* Data reported represents results from the commencement of operations to December 31 of the year indicated.

† Initial offering price.

Ratios and Supplemental Data

	Series A June 30, 2018	Series O June 30, 2018	Series A 2017	Series O 2017	Series A 2016	Series O 2016
Total net asset value (000's) <sup>1</sup>	\$3,028	\$31,639	\$2,934	\$23,368	\$26	\$10,952
Number of units outstanding <sup>1</sup>	234,311	2,410,248	224,101	1,755,384	2,065	862,118
Management expense ratio <sup>2</sup>	2.10%	-	2.10%	-	2.10%	-
Management expense ratio before waivers or absorptions	2.36%	-	2.42%	-	2.22%	-
Trading expense ratio <sup>3</sup>	0.16%	0.16%	0.14%	0.14%	0.28%	0.28%
Portfolio turnover rate <sup>4</sup>	19.29%	19.29%	23.86%	23.86%	18.99%	18.99%
Net asset value per unit	\$12.92	\$13.13	\$13.09	\$13.31	\$12.61	\$12.70

1 This information is provided as at December 31 of the year shown unless otherwise stated.

2 Management expense ratio is based on total expenses (including applicable sales taxes and excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

3 The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

4 The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

**Management Fees**

The Fund pays CWB WM an annual management fee of 1.80% of the net asset value of Series A units of the Fund. No management fee is charged with respect to the Series O units, as each investor negotiates a separate fee that is paid directly to CWB WM. The annual management fee paid in respect to the Series O units will not exceed the annual management fee for the Series A units.

Management fees are calculated and accrued daily as a percentage of the net asset value of each series of units of the Fund, and paid monthly to CWB WM.

This fee compensates CWB WM for providing advisory and portfolio management services to the Fund, managing the daily operations of the Fund and acting as trustee for the Fund.

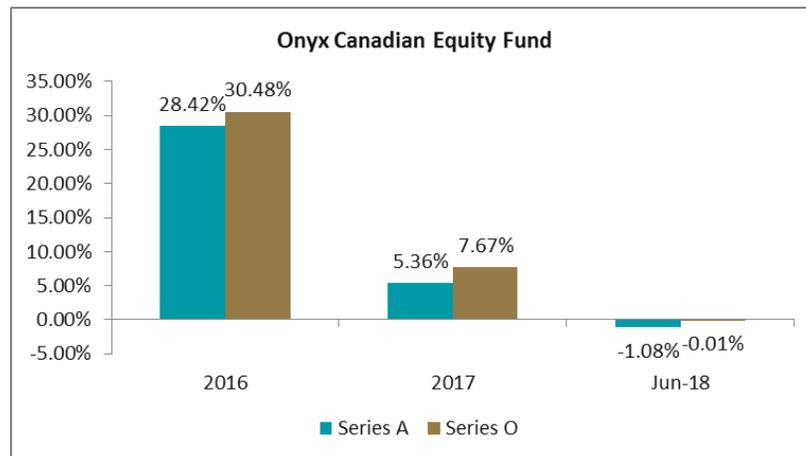
## Past Performance

The past performance of the Fund is set out in the following chart. The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. The performance information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns or performance.

Mutual fund returns are not guaranteed. Please note that past performance is not indicative of future performance.

## Year-by-Year Returns

The following bar chart shows the Fund's annual performance for each of the past two years and for the six month period ending June 30, 2018, and illustrates how the Fund's performance has changed from year to year. The chart shows, in percentage terms, how an investment made on January 1 would have increased or decreased by the last day of the fiscal period presented.



## SUMMARY OF INVESTMENT PORTFOLIO

The following table summarizes how the Fund assets were distributed across various sectors as at June 30, 2018.

Sector	% of Net Asset Value
Cash & Short-term Investments	1.8%
Other Net Assets	0.5%
Financials	30.6%
Energy	19.7%
Industrials	17.9%
Utilities	6.6%
Consumer discretionary	3.3%
Telecommunications services	6.6%
Consumer staples	4.9%
Information technology	3.0%
Real estate	2.2%
Materials	2.1%
Health care	0.8%
<b>Total</b>	<b>100.0%</b>

## Top 25 Holdings

The following table lists the twenty-five largest equity holdings of the Fund (based on percentage of net asset values of the Fund) as at June 30, 2018.

Toronto Dominion Bank	7.8%	Pembina Pipeline Corp.	2.7%
Royal Bank of Canada	6.7%	Canadian Natural Resources Ltd.	2.6%
Bank of Nova Scotia	5.3%	Vermilion Energy Inc.	2.4%
Suncor Energy Inc.	3.7%	ARC Resources Ltd.	2.4%
Telus Corp.	3.3%	Alimentation Couche-Tard Inc., Class B	2.4%
Stantec Inc.	3.3%	CGI Group Inc., Class A	2.3%
BCE Inc.	3.3%	Maxar Technologies Ltd.	2.3%
Canadian National Railway Co.	3.2%	Canadian Tire Corp., Class A	2.3%
Canadian Imperial Bank of Commerce	3.2%	Crombie Real Estate Investment Trust	2.2%
Transcontinental Inc., Class A	3.1%	Cash and Short-term Investments	1.8%
Emera Inc.	2.9%	Sun Life Financial Inc.	1.8%
Fortis Inc.	2.9%	Manulife Financial Corp.	1.8%
TransCanada Corp.	2.9%		

The investments and percentages may have changed by the time you purchase units of the Fund due to portfolio transactions of the Fund. The top 25 holdings are made available quarterly and may be obtained by contacting CWB WM at 1-855-292-9655 or by writing to: CWB Wealth Management Ltd., Suite 3000, 10303 Jasper Avenue, Edmonton, AB T5J 3X6.