

# Annual Financial Statements

For the Years Ended December 31, 2021 and 2020

## *CWB Core Equity Fund*





KPMG LLP  
2200, 10175 – 101 Street  
Edmonton, AB T5J 0H3  
Telephone (780) 429-7300  
Fax (780) 429-7379  
www.kpmg.ca

## INDEPENDENT AUDITORS' REPORT

To the Unitholders of CWB Core Equity Fund

### ***Opinion***

We have audited the financial statements of CWB Core Equity Fund (“the Fund”), which comprise:

- the statements of financial position as at December 31, 2021 and December 31, 2020
- the statements of comprehensive income 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 significant accounting policies

(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, 2021 and December 31, 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### ***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 “***Auditors’ Responsibilities for the Audit of the Financial Statements***” section of our auditors’ 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, other than the financial statements and the auditors' report thereon, included in the Annual 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 information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' 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 auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

### ***Auditors' 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 auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.



Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of 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 auditors' 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 auditors' 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'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Edmonton, Canada

March 28, 2022

# CWB Core Equity Fund

## Statements of Financial Position

As at December 31

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	2021	2020
<b>Assets</b>		
Cash	\$ 64,022	\$ 61,605
Subscriptions receivable	43,010	3,016
Dividends receivable	68,149	53,955
Investments at fair value through profit or loss	43,596,131	38,222,560
Due from CWB Wealth Management Ltd. (note 4)	10,499	33,568
	<u>43,781,811</u>	<u>38,374,704</u>
<b>Liabilities</b>		
Redemptions payable	64,722	28,392
Accrued liabilities (note 4)	44,637	39,323
	<u>109,359</u>	<u>67,715</u>
<b>Net assets attributable to holders of redeemable units</b>	<u>\$ 43,672,452</u>	<u>\$ 38,306,989</u>
<b>Redeemable units outstanding</b> (note 5)	1,954,284	1,974,289
<b>Net assets attributable to holders of redeemable units per unit</b>	<u>\$ 22.35</u>	<u>\$ 19.40</u>

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

Approved by CWB Wealth Management Ltd. in its capacity as manager of CWB Core Equity Fund



Matthew Evans  
President & Chief Executive Officer



R. Matthew Rudd  
Executive VP & Chief Financial Officer

**CWB Core Equity Fund**  
**Statements of Comprehensive Income**  
**For the years ended December 31**

	<b>2021</b>	<b>2020</b>
<b>Revenue</b>		
Dividends	\$ 909,887	\$ 991,810
Interest for distribution purposes	5,507	7,669
Foreign exchange (loss) gain	(46)	39
Net realized gain on sale of investments	4,966,884	1,322,851
Net change in unrealized appreciation (depreciation) in value of investments	4,306,022	(262,932)
<b>Total revenue</b>	<u>10,188,254</u>	<u>2,059,437</u>
<b>Expenses</b>		
Management fees (note 4)	429,977	377,777
Administration fees	37,481	38,911
Research fees	19,981	8,016
Audit fees	11,501	11,384
Legal fees	10,786	6,292
Record keeping	10,778	12,258
Custodian fees	10,542	10,496
Transaction fees	5,162	7,374
Trustee fees	3,571	3,571
Independent Review Committee fees	2,964	2,746
Other	7,057	6,574
<b>Total expenses before fee waiver and refund</b>	<u>549,800</u>	<u>485,399</u>
Management fees refunded (note 4)	(32,441)	(33,460)
<b>Total expenses</b>	<u>517,359</u>	<u>451,939</u>
<b>Increase in net assets attributable to holders of redeemable units before withholding taxes</b>	9,670,895	1,607,498
Withholding tax expense (note 6)	36,412	51,652
<b>Increase in net assets attributable to holders of redeemable units</b>	<u>\$ 9,634,483</u>	<u>\$ 1,555,846</u>
<b>Weighted average units outstanding during the year</b>	1,873,646	1,972,334
<b>Increase in net assets attributable to holders of redeemable units per unit</b>	<u>\$ 5.14</u>	<u>\$ 0.79</u>

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

# CWB Core Equity Fund

## Statements of Changes in Net Assets Attributable to Holders of Redeemable Units For the years ended December 31

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	2021	2020
<b>Net assets attributable to holders of redeemable units – Beginning of year</b>	\$ 38,306,989	\$ 38,308,760
Increase in net assets attributable to holders of redeemable units	9,634,483	1,555,846
<b>Distributions to unitholders of redeemable units</b>		
From net investment income	(283,698)	(428,348)
Net realized capital gains	(3,617,814)	(106,760)
From management fees refunded (note 4)	(32,441)	(33,460)
	<u>(3,933,953)</u>	<u>(568,568)</u>
<b>Redeemable unit transactions</b> (note 5)		
Issuance of redeemable units	1,513,561	4,202,764
Reinvested distributions from holders of redeemable units	3,933,953	568,568
Redemption of redeemable units	(5,782,581)	(5,760,381)
	<u>(335,067)</u>	<u>(989,049)</u>
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>	<u>5,365,463</u>	<u>(1,771)</u>
<b>Net assets attributable to holders of redeemable units – End of year</b>	<u>\$ 43,672,452</u>	<u>\$ 38,306,989</u>

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

# CWB Core Equity Fund

## Statements of Cash Flows

For the years ended December 31

	2021	2020
<b>Cash flows from (used in) operating activities</b>		
Increase in net assets attributable to holders of redeemable units	\$ 9,634,483	\$ 1,555,846
Adjustments for:		
Net realized gain on sale of investments	(4,966,884)	(1,322,851)
Foreign exchange loss (gain)	46	(39)
Net change in unrealized (appreciation) depreciation in value of investments	(4,306,022)	262,932
Purchase of investments	(18,612,893)	(15,494,448)
Proceeds from sale of investments	22,512,228	16,603,677
Dividends, net of withholding taxes	(873,475)	(940,158)
Interest for distribution purposes	(5,507)	(7,669)
Due from CWB Wealth Management Ltd.	23,069	(5,521)
Accrued liabilities	5,314	(8,574)
Dividends received, net of withholding taxes	859,281	937,963
Interest received	5,507	7,669
	<u>4,275,147</u>	<u>1,588,827</u>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issuances of redeemable units	1,473,567	4,239,442
Amounts paid on redemption of redeemable units	<u>(5,746,251)</u>	<u>(5,819,818)</u>
	<u>(4,272,684)</u>	<u>(1,580,376)</u>
Effect of foreign exchange fluctuations on cash	(46)	39
Net increase in cash	2,463	8,451
Cash - Beginning of year	<u>61,605</u>	<u>53,115</u>
<b>Cash - End of year</b>	<u>\$ 64,022</u>	<u>\$ 61,605</u>

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

# CWB Core Equity Fund

## Schedule of Investment Portfolio

As at December 31, 2021

	Maturity Date	Par Value (\$)	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Short-term notes</b>					
Government of Canada Treasury Bill	03/31/2022	71,000	70,972	70,972	
<b>Total short-term notes</b>			70,972	70,972	0.2
<b>Equities</b>					
<b>Domestic equities</b>					
<b>Communication services</b>					
BCE Inc.		11,615	521,158	764,383	
Telus Corp.		24,214	324,945	721,335	
			846,103	1,485,718	3.4
<b>Consumer discretionary</b>					
Canadian Tire Corp., Class A		2,305	282,421	418,219	
Magna International Inc.		6,385	526,438	653,505	
Restaurant Brands International Inc.		5,510	374,369	422,617	
			1,183,228	1,494,341	3.4
<b>Consumer staples</b>					
Alimentation Couche-Tard, Class B		8,250	168,302	437,250	
Loblaw Companies Ltd.		2,915	139,789	302,111	
Saputo Inc.		11,540	484,003	328,890	
			792,094	1,068,251	2.4
<b>Energy</b>					
Canadian Natural Resources Ltd.		10,266	381,122	548,718	
Enbridge Inc.		11,850	540,282	585,509	
Pembina Pipeline Corp.		8,885	343,535	340,917	
Suncor Energy Corp.		16,985	386,770	537,575	
TC Energy Corp.		10,294	562,027	605,596	
			2,213,736	2,618,315	6.0
<b>Financials</b>					
Bank of Montreal		5,730	675,968	780,369	
Bank of Nova Scotia		8,713	544,751	780,249	
Brookfield Asset Management Inc., Class A		10,107	421,395	772,074	
Canadian Imperial Bank of Commerce		5,125	604,361	755,681	
Element Fleet Management Corp.		17,885	181,253	230,359	
Intact Financial Corp.		2,565	428,538	421,737	
Royal Bank of Canada		9,818	767,968	1,318,067	
Sun Life Financial Inc.		8,895	473,597	626,297	
Toronto Dominion Bank		7,825	401,178	758,869	
			4,499,009	6,443,702	14.8
<b>Industrials</b>					
Boyd Group Services Inc.		1,600	300,726	319,392	
Canadian Pacific Railway Ltd.		7,885	747,866	717,375	
Russel Metals Inc.		7,454	167,533	250,678	
Stantec Inc.		3,395	114,444	241,283	
TFI International Inc.		2,350	327,557	333,395	
Toromont Industries Ltd.		4,231	194,213	483,857	
Waste Connections Inc.		3,715	611,678	640,466	
			2,464,017	2,986,446	6.8
<b>Information technology</b>					
CGI Inc.		4,930	323,497	551,421	
Constellation Software Inc.		169	257,851	396,633	
Open Text Corp.		9,120	487,809	547,565	
			1,069,157	1,495,619	3.4

# CWB Core Equity Fund

Schedule of Investment Portfolio ...continued

As at December 31, 2021

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Materials</b>				
Agnico Eagle Mines Ltd.	9,525	581,782	639,985	
CCL Industries Inc., Class B	6,745	358,462	457,513	
Methanex Corp.	7,980	401,505	399,319	
Nutrien Ltd.	6,605	434,293	628,003	
		1,776,042	2,124,820	4.9
<b>Real Estate</b>				
Allied Properties Real Estate Investment Trust	6,305	275,303	277,105	
		275,303	277,105	0.6
<b>Utilities</b>				
Brookfield Infrastructure	5,470	434,412	472,225	
Brookfield Renewable Partner	9,590	473,709	446,415	
Fortis Inc.	7,437	295,897	453,880	
		1,204,018	1,372,520	3.2
<b>Total domestic equities</b>				
		16,322,707	21,366,837	48.9
<b>Foreign equities</b>				
<b>Communication services</b>				
Alphabet Inc., Class A	412	764,711	1,507,674	
		764,711	1,507,674	3.5
<b>Consumer discretionary</b>				
Amazon.com Inc.	180	782,760	758,121	
AutoZone Inc.	298	521,996	789,122	
Booking Holdings Inc.	164	410,700	497,017	
Dollar General Corp.	1,650	279,908	491,517	
Dollar Tree Inc.	3,139	400,326	557,167	
Gentex Corp.	7,768	315,882	341,954	
Home Depot Inc.	1,139	316,472	597,088	
TJX Companies Inc.	6,776	514,428	649,809	
		3,542,472	4,681,795	10.7
<b>Consumer staples</b>				
Costco Wholesale Corp.	784	338,434	562,200	
Walmart Inc.	2,994	353,409	547,200	
		691,843	1,109,400	2.5
<b>Financials</b>				
Bank of America	7,954	288,956	446,996	
Berkshire Hathaway Inc., Class B	1,883	567,444	711,176	
JPMorgan Chase & Co.	4,025	629,873	805,081	
Moody's Corp.	871	391,881	429,718	
Wells Fargo & Co.	5,076	310,541	307,636	
		2,188,695	2,700,607	6.2
<b>Health care</b>				
Anthem Inc.	1,140	268,871	667,495	
Johnson & Johnson	3,600	473,171	777,915	
Quest Diagnostics Inc.	2,455	261,212	536,511	
UnitedHealth Group Inc.	604	311,201	383,105	
Waters Corp.	926	328,030	435,823	
		1,642,485	2,800,849	6.4

# CWB Core Equity Fund

Schedule of Investment Portfolio ...continued

As at December 31, 2021

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
<b>Industrials</b>				
Cintas Corp.	607	265,667	339,793	
Deere & Co.	857	385,085	371,186	
Expeditors International of Washington Inc.	2,175	210,177	368,943	
Jacobs Engineering Group Inc.	2,563	300,592	450,752	
Union Pacific Corp.	2,329	568,056	741,148	
		1,729,577	2,271,822	5.2
<b>Information technology</b>				
Accenture PLC, Class A	1,414	328,951	740,427	
Apple Inc.	8,840	686,920	1,982,794	
Cisco Systems Inc.	7,415	244,566	593,541	
Mastercard Inc., Class A	1,863	865,567	845,571	
Microsoft Corp.	4,491	365,827	1,907,882	
Visa Inc., Class A	2,707	572,523	741,008	
		3,064,354	6,811,223	15.6
<b>Real Estate</b>				
CBRE Group Inc.	2,006	139,949	274,952	
		139,949	274,952	0.6
<b>Total foreign equities</b>				
		13,764,086	22,158,322	50.7
<b>Total equities</b>				
		30,086,793	43,525,159	99.6
<b>Total investments at fair value through profit or loss</b>				
		30,157,765	43,596,131	99.8
<b>Other assets less liabilities</b>				
			76,321	0.2
<b>Total net assets</b>				
			43,672,452	100.0

# CWB Core Equity Fund

Notes to Financial Statements

For the years ended December 31, 2021 and 2020

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## 1 General

The CWB Core Equity Fund (the Fund) is domiciled in Canada. The Fund is an open-ended mutual fund trust and was established by a Declaration of Trust made as of May 4, 2001, under the laws of Alberta. Prior to March 1, 2017, Adroit Investment Management Ltd. (Adroit) acted as the Fund's trustee, manager, distributor and portfolio manager. On March 1, 2017, CWB Wealth Management Ltd. (the Manager) assumed these duties after amalgamating with Adroit. RBC Investor Services is the custodian and administrator of the Fund.

The initial units of the Fund were issued to the public on August 10, 2001. The Fund is authorized to issue an unlimited number of units of a single series. All units of the Fund are of the same class with equal rights and privileges. Each unit is entitled to one vote at any meeting of unitholders and to equal participation in any distributions made by the Fund.

The financial statements were authorized for issue by the Manager on March 28, 2022.

## 2 Investment objective

The Fund's investment objective is to achieve long-term capital appreciation by employing a "growth at a reasonable price" investment approach through investments in Canadian equities and investments in United States and foreign equities. The Fund strives to maintain investments in United States and other foreign equities at no more than 50% of the value of the portfolio. Market fluctuations may cause this figure to be exceeded on occasion, however, foreign equities will never exceed 60% of portfolio value.

## 3 Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

### a) Basis of preparation

These financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) on a historic cost basis, except the revaluation of investments at fair value through profit or loss.

### b) Use of estimates and significant judgements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements as well as the reported amount of revenues and expenses during the period.

Estimated and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates.

# CWB Core Equity Fund

## Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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c) Financial instruments

i) Classification and measurement

Initial recognition and measurement

All financial instruments are measured at fair value on initial recognition. Subsequently, financial assets are classified into one of three categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on the cash flow characteristics and the business model under which the assets are held.

Debt financial assets

A debt financial asset is classified and subsequently measured at amortized cost only if the asset is held within a business model whose objective is to hold assets to collect contractual cash flows, the contractual terms give rise on specified dates to cash flows that are solely payments of principle and interest on the principle outstanding, and it is not designated as fair value through profit or loss.

A debt financial asset is classified and subsequently measured at fair value through other comprehensive income only if the asset is held within a business model is achieved by both collecting contractual cash flows and selling financial assets, the contractual terms of the financial asset give rise on the specified dates to cash flows that are solely payments of principle and interest on the principal amount outstanding, and it is not designated as fair value through profit or loss.

All other financial assets that do not meet the criteria are classified as measured at fair value through profit or loss.

Equity instruments

Equity instruments are classified and measured at fair value through profit or loss unless an irrevocable election is made to designate non-trading instruments at fair value through other comprehensive income at the time of initial recognition. This election has not been made.

Financial liabilities

A financial liability is generally measured at amortised cost, with exceptions that may allow for classification as fair value through profit or loss or designation at fair value through profit or loss. These exceptions include financial liabilities at fair value through profit or loss, such as derivatives that are liabilities, and financial liabilities that have been designated as measured at fair value through profit or loss.

ii) Recognition

Financial assets at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognized on the date on which they are originated. The Fund derecognizes a financial asset or liability when their contractual obligations are discharged, cancelled or expire, the Fund's right to receive cash flows expire or the Fund has transferred substantially all rights and rewards of ownership.

Financial assets and liabilities are 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. The Fund has not offset any financial instruments as at December 31, 2021 or December 31, 2020.

# CWB Core Equity Fund

## Notes to the Financial Statements

### For the years ended December 31, 2021 and 2020

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#### iii) Financial assets at fair value through profit or loss

Significant judgement is applied to determine the classification of the Fund's investments. Based on the Fund's business model, the manner in which the investments are managed, and how performance is evaluated on a fair value basis, fair value through profit or loss is the most appropriate classification.

Investments are measured at fair value through profit or loss and are initially recorded at their fair value, being 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, with the difference between this amount and cost recorded as unrealized appreciation (depreciation) in value of investments in the Statements of Comprehensive Income. In the case of securities listed on stock exchanges, the fair value means the last close price. For short-term notes, bonds and debentures, the fair value means the close price provided by independent security pricing services. In circumstances where the last close price is not within the bid-ask spread, the Fund's Management determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Investments for which reliable quotations are not readily available are valued at their fair value as determined by the custodian, independent of the Fund's Manager, using a valuation technique that requires the use of inputs and assumptions based on observable market data. Such investment valuations may differ from values that would have been determined had a ready market existed, and the difference could be significant.

The cost of investments represents the amount paid for each security and is determined on an average cost basis. Investment transactions are accounted for on a trade date basis, and transaction fees, being any costs that can be directly attributed to the acquisition or disposal of an investment, incurred in the purchase and sale of securities by the Fund are recognized in the Statements of Comprehensive Income.

All financial assets measured at fair value through profit or loss are mandatorily measured at fair value through profit or loss in accordance with IFRS 9.

#### iv) Financial assets at amortized cost

Financial assets at amortized cost, which are financial assets with fixed or determinable payments that are not quoted in an active market, are recognized initially at fair value plus directly attributable transaction costs. After initial recognition, these financial assets are measured at amortized cost, being the amount required to be received or paid, discounted, when appropriate, at the investment's effective interest rate, less impairment losses. The Fund's cash, subscriptions receivable, and dividends receivable as well as amounts owing from the Manager are classified as financial assets at amortized cost.

Financial assets at amortized cost are assessed at each reporting date to determine whether there is objective evidence of impairment, including forward-looking information. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

#### v) Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost. Redemptions payable and accrued liabilities are classified as financial liabilities.

# CWB Core Equity Fund

## Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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vi) Valuation models

The Fund is required to classify investments into three levels based on the method used to value the investments. Level 1 values are based on quoted prices in active markets for identical securities. Level 2 values are based on significant observable market inputs, such as quoted prices for similar securities and quoted prices in inactive markets. Level 3 values are based on significant unobservable inputs that reflect the Fund's determination of assumptions that market participants might reasonably use in valuing the securities. Refer to Note 8 for further information about the Fund's fair value measurements.

d) Cash

Cash is comprised of demand deposits with financial institutions. Outstanding bank overdraft balances are short-term in nature and used to accommodate unit redemption requests while the Fund effects an orderly liquidation of portfolio assets. Cash and bank overdrafts are carried at amortized cost which approximates fair value.

e) Redeemable units

In accordance with IFRS, the Fund classifies financial instruments issued as financial liabilities or equity instruments based on the substance of the contractual terms of the instruments. The Declaration of Trust establishes the termination date of the Funds on the 99<sup>th</sup> anniversary of the date of the Declaration of Trust therefore, the Fund's units do not qualify as equity under IFRS. The Funds' redeemable units, which are classified as liabilities, are measured at the redemption amount and provide investors with the right to require redemption, subject to available liquidity, for cash at a unit price based on the Funds' valuation policies at each redemption date. Units may be sold back to the Funds (the sale is called a 'redemption') at the then current Net Asset Value per Unit (NAVPU), upon the delivery of a redemption request to the Funds' Manager, together with any other documents the Manager may reasonably require. The NAVPU for the purposes of subscriptions or redemptions is computed by dividing the net asset value for the Fund by the total number of units outstanding at such time. Net asset value utilizes closing price to determine fair value, except where the last traded price for financial assets is not within the bid-ask spread, which is consistent with the presentation of net assets in the financial statements. As at December 31, 2021 and December 31, 2020, there were no differences between the Funds' NAVPU and its net assets attributable to holders of redeemable units per unit calculated in accordance with IFRS.

Distributions to holders of redeemable units are recognized in the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units when they are authorized and no longer at the discretion of the Manager.

f) Income and expense recognition

Dividend income is recognized on the ex-dividend date. Interest income for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund amortizes premiums paid or discounts received on the purchase of fixed income securities using the effective interest rate method. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments. All income, net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments.

# CWB Core Equity Fund

## Notes to the Financial Statements

### For the years ended December 31, 2021 and 2020

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g) Functional and foreign currencies

The financial statements are presented in Canadian dollars, which is the Fund's functional and presentation currency.

Foreign currency transactions are translated into Canadian dollars using the exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into Canadian dollars using the exchange rate prevailing at the period-end date.

The Fund does not isolate the foreign exchange component from the total realized and unrealized gains and losses on investments. Foreign exchange gains and losses arising on the translation of foreign cash balances or on the settlement of foreign denominated receivables and amounts payable are recognized in the Statements of Comprehensive Income.

h) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the period, divided by the weighted average number of units outstanding during the period.

i) Income and withholding taxes

The Fund qualifies as a mutual fund trust, is subject to tax under the Income Tax Act (the Act) on all of its taxable income (including net taxable capital gains) and is permitted a deduction in computing taxable income for all amounts which are paid or payable in the period to their unitholders. It is the policy of the Fund to allocate to the unitholders all income for the period so that it will not pay any Canadian federal income tax under Part I of the Act. Accordingly, no provision for income taxes has been made in these financial statements.

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

#### 4 Related party transactions

The Manager is entitled to a management fee payable out of the assets of the Fund, calculated as one-twelfth of 1.0% of the monthly net asset value of the Fund and paid monthly. The management fee is paid in respect of managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements relating to the purchase and sale of the investment portfolio, making arrangements for the purchase and sale of units of the Fund by investors and ensuring compliance with the Fund's constating documents. For the year ended December 31, 2021, management fees paid to the Manager totaled \$429,977 (2020 – \$377,777) and accrued liabilities included \$29,676 as at December 31, 2021 (December 31, 2020 – \$25,707) related to management fees payable.

The Manager refunds a portion of management fees for employees of the Manager as well as employees of Canadian Western Bank, the Manager's parent company. This is achieved by refunding a portion of the management fee charged to the Fund based on the aggregate value of the investments held by employees. Refunded amounts are automatically reinvested in additional units of the Fund. The refunded amounts are shown as management fees refunded on the Statements of Comprehensive Income. For the year ended December 31, 2021, the Manager refunded \$32,441 (2020 – \$33,460) in management fees related to units held by employees of both the Manager and Canadian Western Bank.

# CWB Core Equity Fund

## Notes to the Financial Statements

### For the years ended December 31, 2021 and 2020

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In addition to the management fees, the Fund pays its direct or proportionate share of all operating and administrative costs including custodian, trustee, audit and legal fees, unitholder servicing costs and costs of preparing and filing financial and regulatory reports. Management, operating and administrative expenses (excluding withholding taxes) are capped at one-twelfth of 1.3% of the monthly net asset value of the Fund paid monthly. Expenses above the cap, which are paid by the Manager and not charged to the Fund, are recorded as a reduction to the management fee and are shown as management fees waived on the Statements of Comprehensive Income. The Manager offers reduced management fees in order to achieve competitive fees for this type of fund. Actual operating and administrative expenses, excluding management fees, charged to the Fund totaled \$119,823 (2020 – \$107,622) during the year ended December 31, 2021. The Manager did not waive any management fees during the year ended December 31, 2021 or 2020.

As at December 31, 2021, 137,582 units of the Fund (December 31, 2020 – 118,908) were held by key management personnel of the Manager and their immediate family members.

## 5 Redeemable units

The following table summarizes unit transactions during the years ended December 31, 2021 and 2020:

	2021	2020
Redeemable units outstanding – Beginning of year	1,974,289	2,023,952
Redeemable units issued for cash	70,582	247,370
Redeemable units redeemed	(266,732)	(326,399)
Redeemable units issued on reinvestment of distributions and management fees refunded	176,145	29,366
Redeemable units outstanding – End of year	<u>1,954,284</u>	<u>1,974,289</u>

## 6 Income and withholding taxes

Non-capital losses are available to be carried forward for twenty years. Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. As at December 31, 2021, the Fund had no allowable capital losses or non-capital losses (December 31, 2020 – nil) available for carryforward in future years.

Certain investment income and capital gains received by the Fund are subject to withholding tax imposed in the country of origin. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income. During the year ended December 31, 2021, the average withholding tax rate was 14% (2020 – 15%).

# CWB Core Equity Fund

## Notes to the Financial Statements

### For the years ended December 31, 2021 and 2020

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#### 7 Financial risk management

The Fund is exposed to a variety of financial risks, which are concentrated in their investment holdings. The Schedule of Investment Portfolio groups securities by asset type, geographic region and market segment, where applicable.

The Fund's risk management practice includes the monitoring of compliance with the investment guidelines contained in the Fund's constating documents. The Manager manages the potential effects of financial risks on the Fund's performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Fund's positions and market events as well as diversifying investment portfolios within the constraints of the Fund's investment guidelines. All investments result in a risk of loss of capital.

The impact of the COVID-19 pandemic on the economy continues to be uncertain and is dependent on actions taken by governments, businesses, and individuals to limit the spread of the COVID-19 virus, as well as government support programs, and the timing and impact of the withdrawal of this support. These impacts may have an effect on the performance of the Fund, and the relevant financial instrument risks associated with the Fund, and uncertainty exists as to the long-term implications.

##### a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Foreign equities are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for economic hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Fund did not enter into forward currency contracts during the years ended December 31, 2021 and 2020.

As at December 31, 2021, the Fund's exposure to currency risk was primarily related to its holdings in U.S. dollar denominated foreign equities. The Canadian equivalent of the foreign equities as at December 31, 2021 was \$22,158,322 (December 31, 2020 – \$18,991,619), or 50.7% (December 31, 2020 – 49.6%) of net assets and 49.0% of the Funds net assets (December 31, 2020 – 48.3%) were investments in the United States.

As at December 31, 2021, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$1,108,000 (December 31, 2020 – \$950,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

##### b) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities. The Fund's exposure to interest rate risk is concentrated in its short-term notes. Other assets and liabilities are short-term in nature and non-interest bearing.

As at December 31, 2021, 0.2% (December 31, 2020 – 2.8%) of the Fund's net assets were invested in short-term notes with a term to maturity of less than one year. The Fund's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant.

# CWB Core Equity Fund

## Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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c) Price risk

Price risk is the risk that the fair value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

The Fund's policy is to manage price risk through diversification and selection of securities and other financial instruments within the limits specified in the Fund's constating documents. The Fund has adopted the standard investment restrictions and practices prescribed by Canadian securities regulation and, in addition, will restrict its investments to those prescribed under the Tax Act for Tax Deferred Plans. The Fund invests in Canadian, US and foreign equities. US and foreign equities are maintained at less than 60% of the total value of the portfolio. The Fund's maximum initial investment in any one security is limited to 10% of the value of the Fund's portfolio at the time of investment.

As at December 31, 2021, 99.6% (December 31, 2020 – 97.0%) of the Fund's net assets were traded on global stock exchanges. If equity prices on the global stock exchanges had increased or decreased by 10% as at the period-end, with all other factors remaining constant, net assets could possibly have increased or decreased, respectively, by approximately \$4,353,000 (December 31, 2020 – \$3,716,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

d) Credit risk

Credit risk is the risk that a loss could arise from a security issuer or counterparty to a financial instrument not being able to meet its financial obligations in full when they fall due. The main concentration to which the Fund is exposed arises from the Fund's investments in short-term notes. The Fund's exposure to counterparty credit risk on cash and other receivables is not significant.

As at December 31, 2021, the Fund had 0.2% (December 31, 2020 – 2.8%) of net assets invested in short-term notes, all guaranteed by the federal government of Canada.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and short-term investment holdings to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. The Fund did not enter into over-the-counter derivative contracts during the years ended December 31, 2021 and 2020.

Redeemable units are redeemable on demand at the holder's option, however, it is not expected that this is representative of the Fund's actual cash outflows as holders of these instruments typically retain them for a longer period.

The Fund held no illiquid securities at the reporting date. All accrued liabilities come due within the next fiscal year.

# CWB Core Equity Fund

## Notes to the Financial Statements

### For the years ended December 31, 2021 and 2020

f) Concentration risk

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type. The Fund's policy is to manage concentration risk through appropriate diversification within the limits specified in the Fund's constating documents.

The following table summarizes the Fund's concentration risk by industry sector related to investments in equities:

	<b>December 31, 2021</b> as a % of total equities	<b>December 31, 2020</b> as a % of total equities
Financials	21.0	20.6
Information technology	19.0	17.5
Consumer discretionary	14.2	10.0
Industrials	12.1	10.1
Communication services	6.9	8.9
Health care	6.4	6.6
Energy	6.0	6.8
Consumer staples	5.0	7.3
Materials	4.9	5.8
Utilities	3.2	3.8
Real estate	1.3	2.6
	100.0	100.0

## 8 Fair value of financial instruments

The following tables illustrate the classification of the Fund's financial instruments within the fair value hierarchy:

<b>Investments at fair value through profit or loss as at December 31, 2021</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
Short-term notes	-	70,972	-	70,972
Domestic equities	21,366,837	-	-	21,366,837
Foreign equities	22,158,322	-	-	22,158,322
	43,525,159	70,972	-	43,596,131
<b>Investments at fair value through profit or loss as at December 31, 2020</b>	<b>Level 1</b> \$	<b>Level 2</b> \$	<b>Level 3</b> \$	<b>Total</b> \$
Short-term notes	-	1,065,592	-	1,065,592
Domestic equities	18,165,349	-	-	18,165,349
Foreign equities	18,991,619	-	-	18,991,619
	37,156,968	1,065,592	-	38,222,560

The carrying values of cash, subscriptions receivable, dividends receivable, amounts owing from the Manager, redemptions payable and accrued liabilities approximate their fair values due to their short-term nature. The carrying amount of the Fund's net assets attributable to holders of redeemable units approximates fair value as it is measured at the redemption amount and is classified as Level 2 within the fair value hierarchy.

There were no significant transfers within the fair value hierarchy during the years ended December 31, 2021 and December 31, 2020

# CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2021 and 2020

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## 9 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units with no par value. The amount of net assets attributable to holders of redeemable units can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unitholders. The Fund has no restrictions or specific capital requirements on the subscriptions and redemptions of units. The Fund's objective in managing the assets of the Fund is to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

In order to maintain or adjust the capital structure, the Fund's policy is to perform the following:

- monitor the level of daily subscriptions and redemptions relative to the liquid assets and adjust the amount of distributions the Fund pays to redeemable unitholders; and
- redeem and issue new units in accordance with the constitutional documents of the Fund, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Manager monitors capital on the basis of the value of net assets attributable to redeemable unitholders.

## 10 Brokerage commissions and soft dollars

The Fund may transact with brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received by the Fund during the year ended December 31, 2021 was \$5,186 (2020 – \$2,990).