

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the year ended December 31, 2018

## *CWB Onyx Conservative Solution*



### DISCLOSURE

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the 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 interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

***Caution Regarding Forward Looking Information***

Certain portions of this report, including, but not limited to, “Results of Operations” and “Recent Developments”, may contain forward-looking statements including, but not limited to, statements about the Fund, its strategy, risks, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “anticipates”, “believes”, “estimates”, “expects”, “intends”, “plans”, “may”, or future or conditional verbs such as “will”, “should”, “would” and “could”, and similar forward-looking expressions or negative versions thereof. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement.

Forward-looking statements are based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, equity and capital markets, and the general economic and business environment, in each case assuming no material changes to applicable tax or other laws, government regulations, or policies.

By their very nature, forward-looking statements involve numerous assumptions and are subject to inherent risks and uncertainties, which give rise to the possibility that the Fund’s predictions, forecasts, projections, expectations and conclusions will not prove to be accurate, and that its assumptions may not be correct.

Forward-looking statements are not guarantees of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Fund. A variety of factors, many of which are beyond the Fund’s control, may cause actual results to differ materially from the expectations expressed in the forward-looking statements. These factors include, but are not limited to, general economic, political and relevant market factors in North America and internationally, interest and foreign exchange rates, equity and capital markets, business competition, technological change, changes in government relations, unexpected judicial or regulatory proceedings and catastrophic events, and other risks described in the Fund’s current simplified prospectus. The above-mentioned list of important factors is not exhaustive.

Before making any investment decisions, investors and others relying on forward-looking statements should carefully consider the foregoing factors and the uncertainties and risks they contain. We caution readers not to place undue reliance on these forward-looking statements.

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

## MANAGEMENT DISCUSSION OF THE PERFORMANCE OF CWB ONYX CONSERVATIVE SOLUTION

### *Investment Objectives and Strategies*

The investment objectives of the CWB Onyx Conservative Solution (the “Fund”) are to provide investors with steady income and some capital appreciation, while preserving principal and reducing volatility.

The Fund invests in units of the CWB Onyx Portfolio Series, including the CWB Onyx Canadian Equity Fund, the CWB Onyx Global Equity Fund and the CWB Onyx Diversified Income Fund. We target an allocation of 25% in affiliated mutual funds that invest primarily in Canadian, U.S. and international equity securities, real estate investment trusts and similar investment vehicles. We target an allocation of 75% in affiliated mutual funds that invest primarily in Canadian, U.S. and international fixed income securities. We will position our equity and fixed income exposures within a +/- 10% range relative to the above target allocation.

### *Risks*

No changes to the Fund affecting the Fund’s overall level of risk were made during the 12-month period ended December 31, 2018 (the “Period”). The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Fund’s most recent simplified prospectus or any amendments or fund facts.

### *Results of Operations*

Over the Period, the Fund’s net assets decreased by \$7,391,720 to \$9,158,290, reflecting a decrease of \$356,349 from negative investment performance, distributions to unitholders of \$238,063, and net withdrawals of \$6,795,887.

Series A units of the Fund returned -3.38% over the Period versus the Fund’s internal benchmark, a combination of FTSE/TMX 91 day T-bill Index<sup>1</sup>, FTSE/TMX Universe Bond Index<sup>2</sup>, S&P/TSX Preferred Share Index<sup>3</sup>, S&P/TSX Composite TR Index<sup>4</sup>, S&P 500 Composite TR Index \$CAD<sup>5</sup> and the MSCI All Country World Index ex-USA \$CAD<sup>6</sup>, which returned -0.86% over the Period<sup>7</sup>. Unlike the benchmark, the Fund’s return is calculated after the deduction of fees and expenses. Returns for individual Series O unitholders of the Fund may vary, largely due to differences in fees and expenses.

During the Period, the Fund underwent two shifts in its asset class mix. A tactical shift was made in the first quarter to take advantage of relatively attractive return opportunities outside of Canada. The primary drivers of the mix shift were concerns that the Canadian housing market and negative consumer economic data were likely to limit growth opportunities. Therefore, the Canadian equity weighting was decreased, and the international and U.S. weightings were increased.

Based on new data in the fourth quarter of 2018, a second asset mix shift was made to align weights with the Fund's target allocation across all asset classes. This resulted in the fixed income allocation increasing

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<sup>1</sup> The FTSE/TMX 91 day T-bill Index represents the return of the 3 month rolling Government of Canada T-bill

<sup>2</sup> The FTSE/TMX Universe Overall Bond Index is designed to be a broad measure of the Canadian investment-grade fixed income market.

<sup>3</sup> The S&P/TSX Preferred Share Index is an index representing the Canadian preferred share market that is traded on the Toronto Stock Exchange

<sup>4</sup> The S&P/TSX Composite Index is a stock market index of up to 300 large companies listed on the Toronto Stock Exchange

<sup>5</sup> The S&P 500 Composite Index is an index of the trading prices of the shares of the 500 top US companies.

<sup>6</sup> The MSCI All Country World Index ex-USA is an index of the trading prices of the shares of companies across developed and emerging markets worldwide, excluding the U.S. – See back for full disclosure

slightly, reducing equities. Within equities, the Canadian weighting was increased, and the U.S. and international weightings were decreased.

The Fund's greater emphasis on equities versus fixed income securities detracted from performance over the Period. The Fund's fixed income securities saw a positive rate of return despite a rising rate environment. Equities worldwide fell during the period, especially during the last quarter of 2018, as investor confidence fell amid softening economic data.

### ***Recent Developments***

#### Market Developments

The global economy started 2018 strong with growth across the board and central banks increasing interest rates in order to keep inflation in check. The U.S. economy was in a particularly strong position as a massive corporate tax cut took effect at the start of the year. As the year progressed growth expectations started to fall as the U.S. became embroiled in major trade disputes with China and its North American Free Trade Agreement (NAFTA) partners. These disputes lead to increased tariffs and uncertainty which started to weigh on global markets as companies became reluctant to invest without more clarity.

Strong stock market gains in the first three quarters of 2018 gave way to a significant correction in Q4. Virtually all global stock markets ended the year with a negative return. Fixed income returns were slightly positive on the year. Given the turmoil in the last half of 2018, expectations for rate increases are now subdued as market consensus is now for slowing global economic growth but not a recession. Overall stock market valuations entered 2019 at very reasonable levels.

The Canadian economy was healthy through most of 2018. Two factors weighed on Canada. First, the ongoing NAFTA negotiations caused significant uncertainty. The Canada-United States-Mexico Agreement (CUSMA) trade deal reached between Canada, the U.S. and Mexico cleared up the situation somewhat, although the deal is yet to be ratified. Second, lack of pipeline capacity saw the price for Canadian crude fall to record lows against global benchmarks. This caused the Alberta government to intervene by putting production curtailments in place which may be in place for the next two years. The Canadian economy looked to be decelerating going into 2019.

### ***Related Party Transactions***

CWB Wealth Management Ltd ("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.

The Fund invests in units of the CWB Onyx Portfolio Series funds, comprised of the CWB Onyx Canadian Equity Fund, the CWB Onyx Global Equity Fund and the CWB Onyx Diversified Income Fund. These funds are related and connected issuers of the Fund, as CWB WM serves as manager, principal portfolio advisor and trustee for all CWB Onyx Portfolio Series funds.

The Independent Review Committee (the "IRC") of the Fund has approved standing instructions permitting investments in the CWB Portfolio Series funds, and other mutual funds managed by CWB WM or its affiliates (the "Fund of Fund Investing"). The standing instructions require that the Fund of Fund Investing be conducted in accordance with CWB WM policy and that CWB WM will advise the IRC of a material breach of the standing instructions. CWB WM policy requires that an investment decision in respect of Fund of Fund Investing (i) is made free from any influence by an entity related to CWB WM and without taking into account any consideration relevant to an entity related to CWB WM; (ii) represents the business judgment of the portfolio manager/sub-advisor uninfluenced by considerations other than

the best interests of the Fund; (iii) complies with CWB WM policy; and (iv) achieves a fair and reasonable result for the Fund.

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 1/12<sup>th</sup> of 0.75% 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.

## 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 past three years.

### CWB Onyx Conservative Solution Fund Net Assets per Unit<sup>1</sup>

	Series A 2018	Series O 2018	Series A 2017	Series O 2017	Series A 2016*	Series O 2016*
Net Assets, beginning of period	\$10.55	\$10.72	\$10.41	\$10.53	\$10.00 <sup>†</sup>	\$10.00 <sup>†</sup>
<b>Increase (decrease) from operations:</b>						
Total revenue	\$0.30	\$0.02	\$0.31	\$0.26	\$0.44	\$0.18
Total expenses	(\$0.17)	-	(\$0.17)	-	(\$0.15)	-
Realized gains (losses) for the period	\$0.09	\$0.01	\$0.06	\$0.06	\$0.03	\$0.01
Unrealized gains (losses) for the period	(\$0.54)	\$0.02	\$0.05	\$0.20	\$0.06	\$0.61
<b>Total increase (decrease) from operations<sup>2</sup></b>	<b>(\$0.32)</b>	<b>\$0.05</b>	<b>\$0.25</b>	<b>\$0.52</b>	<b>\$0.38</b>	<b>\$0.80</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$0.08	\$0.23	\$0.15	\$0.28	\$0.24	\$0.26
From dividends	-	-	-	-	-	-
From capital gains	0.15	0.15	\$0.04	\$0.04	\$0.01	\$0.02
Return of capital	-	-	-	-	-	-
<b>Total Annual Distributions<sup>3</sup></b>	<b>\$0.23</b>	<b>\$0.38</b>	<b>\$0.19</b>	<b>\$0.32</b>	<b>\$0.25</b>	<b>\$0.28</b>
<b>Net Assets as at December 31 of year shown</b>	<b>\$9.97</b>	<b>\$10.17</b>	<b>\$10.55</b>	<b>\$10.72</b>	<b>\$10.41</b>	<b>\$10.53</b>

1 This information is derived from the Fund’s audited annual financial statements. All figures presented for the periods ended December 31, 2018, 2017 and 2016 are prepared in accordance with IFRS, which requires the Fund to measure the fair value of its investments based on closing market prices, where the closing market price falls between 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 paid in cash, reinvested in additional units of the fund or both.

\* Data reported represents results from the commencement of operations to December 31, 2016.

<sup>†</sup> Initial offering price.

**Ratios and Supplemental Data**

(Inception February 2, 2016)	Series A 2018	Series O 2018	Series A 2017	Series O 2017	Series A 2016	Series O 2016
Total net asset value (000's) <sup>1</sup>	\$9,116	\$42	\$14,257	\$2,293	\$5,916	\$2,182
Number of units outstanding <sup>1</sup>	914,082	4,149	1,351,066	213,928	568,401	207,297
Management expense ratio <sup>2</sup>	1.55%	-	1.55%	-	1.55%	-
Management expense ratio before waivers or absorptions	2.03%	-	2.04%	-	2.70%	-
Trading expense ratio <sup>3</sup>	-	-	-	-	-	-
Portfolio turnover rate <sup>4</sup>	19.49%	19.49%	16.03%	16.03%	5.13%	5.13%
Net asset value per unit	\$9.97	\$10.17	\$10.55	\$10.72	\$10.41	\$10.53

- This information is provided as at December 31 of the year shown.
- Management expense ratio ("MER") is based on total expenses (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.
- 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.
- 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 management fee for each applicable series is calculated and accrued daily as a percentage of its NAV. For the period ended December 31, 2018, a breakdown of the services received in consideration of the management fees as a percentage of the management fees is as follows:

Fund	Management Fee (% of NAV)	Distribution Costs (% of Management Fee)	Others* (% of Management Fee)
Onyx Conservative Solution Fund – Series A	1.30	45.85	54.15
Onyx Conservative Solution Fund – Series O	0.00	0.00	100

\* Includes investment advisory fees, administration fees, and other operating fees

The Fund's management fees were used by CWB WM to pay for the cost of managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements for the purchase and sales of investment portfolio, providing other services, and compensating CWB WM for acting as trustee of the Fund. CWB WM also used the management fee to fund trailing commissions and any other compensation to CWF whose clients invest in the Fund.

Series O management fee is negotiated and paid directly by each investor. Series O management fee is not to exceed the Series A management and advisory fee of the Fund.

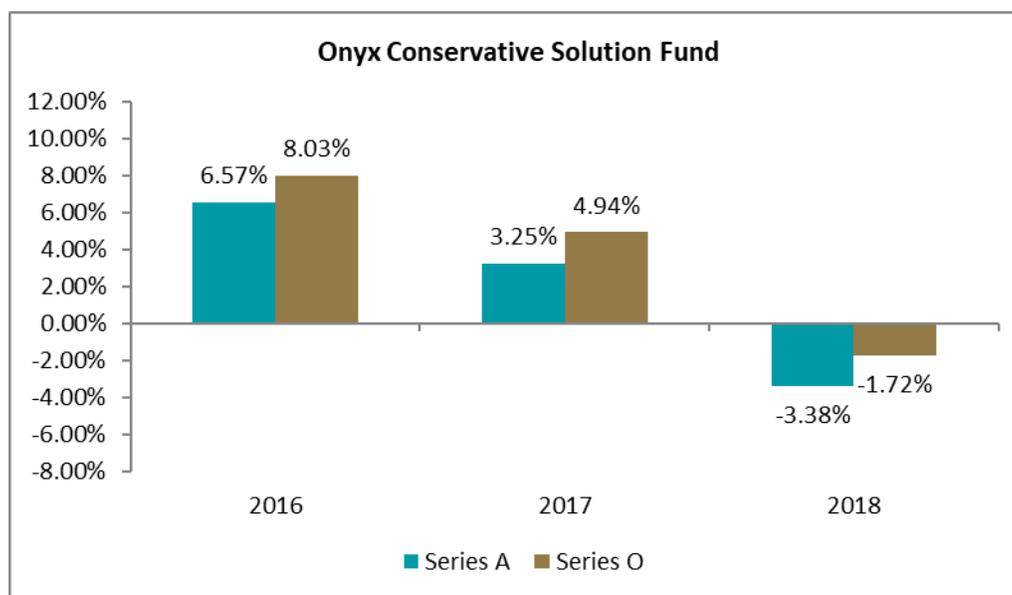
**PAST PERFORMANCE**

The past performance of the Fund is set out in the following charts. 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 in each of the past three years, 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 December 31 of the same year.



\*Return from February 10, 2016 (commencement of operations) to December 31, 2016, not annualized.

### Annual Compound Returns

The following table displays the historical annual compounded total return of the Fund for the periods shown ending on December 31, 2018. The annual compound total return is also compared to the Internal Conservative Solution Benchmark<sup>8</sup> calculated on the same compound basis. Two general market indices, the FTSE/TMX Universe Bond Index and the S&P Composite Index have also been added for comparison. All index returns are calculated in Canadian dollars on a total return basis, meaning that all distributions are reinvested.

	Series A Units	Series O Units	Internal Conservative Solution Benchmark	FTSE/TMX Universe Bond Index	S&P/TSX Composite Index
One Year	-3.38%	-1.72%	-0.82%	1.41%	-8.89%
Three Year	N/A	N/A	N/A	N/A	N/A
Five Year	N/A	N/A	N/A	N/A	N/A
Ten Year	N/A	N/A	N/A	N/A	N/A
Since Inception	2.14%	3.81%	4.03%	1.35%	8.66%

<sup>8</sup> The internal Balanced Solution Benchmark is comprised of 5% of the FTSE/TMX 91 day T-bill Index, 62.5% of the FTSE/TMX Universe Bond Index, 7.5% of the S&P/TSX Preferred Share Index, 12.5% of the S&P/TSX Composite TR Index, 6.25% of the S&P 500 Composite TR Index \$CAD and 6.25% of the MSCI All Country World Index ex-USA TR Index \$CAD.

## SUMMARY OF INVESTMENT PORTFOLIO

The following table summarizes how the Fund's assets were distributed across various sectors as at December 31, 2018.

<b>Portfolio Breakdown</b>	<b>Percentage of Net Asset Value</b>
Cash & Short-term Investments	1.8%
Other Net Assets	(0.2%)
Fixed Income Fund	73.7%
Canadian Equity Fund	9.9%
International Equity Fund	14.8%
<b>Total</b>	<b>100.0%</b>

### **Top 25 Holdings**

The following table lists the holdings of the Fund (based on percentage of net asset values of the Fund) as at December 31, 2018. The prospectuses and other information about the underlying investment funds are available online at [www.sedar.com](http://www.sedar.com).

CWB Onyx Diversified Income Fund, Series O	73.7%
CWB Onyx Global Equity Fund, Series O	14.8%
CWB Onyx Canadian Equity Fund, Series O	9.9%

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.

### **Additional Disclosures on Benchmarks**

The MSCI All Country World Index ex-USA is an index of the trading prices of the shares of companies across developed and emerging markets worldwide, excluding the U.S. Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent.

The blended returns are calculated by CWB WM using end of day index level values licensed from MSCI ("MSCI Data"). For the avoidance of doubt, MSCI is not the benchmark "administrator" for, or a "contributor", "submitter" or "supervised contributor" to, the blended returns, and the MSCI Data is not considered a "contribution" or "submission" in relation to the blended returns, as those terms may be defined in any rules, laws, regulations, legislation or international standards. MSCI Data is provided "AS IS" without warranty or liability and no copying or distribution is permitted. MSCI does not make any representation regarding the advisability of any investment or strategy and does not sponsor, promote, issue, sell or otherwise recommend or endorse any investment or strategy, including any financial products or strategies based on, tracking or otherwise utilizing any MSCI Data, models, analytics or other materials or information.