

CWB Core Equity Fund

Semi-Annual Financial Statements

June 30, 2019
(unaudited)



CWB Core Equity Fund

Notice of Non-review of Interim Financial Statements for the Six Months Ended June 30, 2019

The accompanying unaudited interim financial statements have been prepared on behalf of CWB Wealth Management Ltd. as trustee and manager of CWB Core Equity Fund.

CWB Core Equity Fund's independent auditors have not performed a review of these financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditors.

CWB Core Equity Fund
Statements of Financial Position
As at June 30, 2019 and December 31, 2018

(unaudited)

	June 30, 2019	December 31, 2018
Assets		
Cash	\$ 186,471	\$ 367,762
Subscriptions receivable	68,861	173,580
Dividends receivable	93,580	117,840
Investments at fair value through profit or loss	41,141,305	43,318,908
Due from CWB Wealth Management Ltd.	70,889	62,351
	<u>41,561,106</u>	<u>44,040,441</u>
Liabilities		
Distributions payable	-	6,095
Redemptions payable	130,006	481,908
Accrued liabilities (note 4)	45,642	53,835
	<u>175,648</u>	<u>541,838</u>
Net assets attributable to holders of redeemable units	<u>\$ 41,385,458</u>	<u>\$ 43,498,603</u>
Redeemable units outstanding (note 5)	2,187,006	2,584,916
Net assets attributable to holders of redeemable units per unit	<u>\$ 18.92</u>	<u>\$ 16.83</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

(Signed) “*David Schaffner*”

David Schaffner
President & Chief Executive Officer

(Signed) “*Carolyn Graham*”

Carolyn J. Graham
Executive VP & Chief Financial Officer

CWB Core Equity Fund
Statements of Comprehensive Income
For the six monthes ended June 30, 2019 and 2018

(unaudited)

	June 30, 2019	June 30, 2018
Revenue		
Dividends	\$ 644,903	\$ 886,368
Interest for distribution purposes	8,029	20,004
Foreign exchange (loss) gain	(32)	971
Net realized gain on sale of investments	3,291,841	2,152,216
Net change in unrealized appreciation (depreciation) in value of investments	<u>1,548,028</u>	<u>(2,123,473)</u>
Total revenue	<u>5,492,769</u>	<u>936,086</u>
Expenses		
Management fees (note 4)	228,490	289,844
Administration fees	16,529	17,053
Legal fees	8,395	7,959
Record keeping	7,885	9,964
Audit fees	7,561	3,714
Custodian fees	5,248	5,251
Transaction fees	4,826	4,160
Trustee fees	1,875	6,563
Activity fees	719	1,112
Independent Review Committee fees	571	-
Other	2,351	1,366
Total expenses before fee refund	<u>284,450</u>	<u>346,986</u>
Management fees refunded (note 4)	<u>(17,895)</u>	<u>(20,454)</u>
Total expenses	<u>266,555</u>	<u>326,532</u>
Increase in net assets attributable to holders of redeemable units before withholding taxes	5,226,214	609,554
Withholding tax expense (note 6)	<u>35,734</u>	<u>55,187</u>
Increase in net assets attributable to holders of redeemable units	<u>\$ 5,190,480</u>	<u>\$ 554,367</u>
Weighted average units outstanding during the period	2,388,037	2,969,387
Increase in net assets attributable to holders of redeemable units per unit	<u>\$ 2.17</u>	<u>\$ 0.19</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 six months ended June 30, 2019 and 2018

(unaudited)

	June 30, 2019	June 30, 2018
Net assets attributable to holders of redeemable units – Beginning of period	\$ 43,498,603	\$ 58,464,810
Increase in net assets attributable to holders of redeemable units	5,190,480	554,367
Distributions to unitholders of redeemable units		
From management fees refunded (note 4)	(17,895)	(20,454)
Redeemable unit transactions (note 5)		
Issuance of redeemable units	1,049,615	1,098,706
Reinvested distributions from holders of redeemable units	17,895	20,454
Redemption of redeemable units	<u>(8,353,240)</u>	<u>(7,564,932)</u>
	(7,285,730)	(6,445,772)
Net decrease in net assets attributable to holders of redeemable units	<u>(2,113,145)</u>	<u>(5,911,859)</u>
Net assets attributable to holders of redeemable units – End of period	<u>\$ 41,385,458</u>	<u>\$ 52,552,951</u>

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

CWB Core Equity Fund

Statements of Cash Flows

For the six months ended June 30, 2019 and 2018

(unaudited)

	June 30, 2019	June 30, 2018
Cash flows from operating activities		
Increase in net assets attributable to holders of redeemable units	\$ 5,190,480	\$ 554,367
Adjustments for:		
Net realized gain on sale of investments	(3,291,841)	(2,152,216)
Foreign exchange loss (gain)	32	(971)
Net change in unrealized (appreciation) depreciation in value of investments	(1,548,028)	2,123,473
Purchase of investments	(10,759,898)	(12,432,522)
Proceeds from sale of investments	17,777,370	18,098,036
Dividends, net of withholding taxes	(609,169)	(831,181)
Interest for distribution purposes	(8,029)	(20,004)
Due from CWB Wealth Management Ltd.	(8,538)	50,148
Accrued liabilities	(8,193)	(6,671)
Dividends received, net of withholding taxes	633,429	824,124
Interest received	8,029	20,004
	<u>7,375,644</u>	<u>6,226,587</u>
Cash flows used in financing activities		
Proceeds from issuances of redeemable units	1,148,239	1,134,191
Amounts paid on redemption of redeemable units	(8,705,142)	(8,726,101)
	<u>(7,556,903)</u>	<u>(7,591,910)</u>
Effect of foreign exchange fluctuations on cash	(32)	971
Net decrease in cash	(181,259)	(1,365,323)
Cash - Beginning of period	<u>367,762</u>	<u>1,609,238</u>
Cash - End of period	<u>\$ 186,471</u>	<u>\$ 244,886</u>

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

CWB Core Equity Fund

Schedule of Investment Portfolio

As at June 30, 2019

(unaudited)

	Maturity Date	Par Value (\$)	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Short-term notes					
Government of Canada Treasury Bill	08/22/2019	74,000	73,806	73,806	0.2
Total short-term notes			73,806	73,806	0.2
Equities					
Domestic equities					
Energy					
					Number of Shares
ARC Resources Ltd.		18,595	370,105	119,194	0.3
Canadian Natural Resources Ltd.		17,001	651,724	600,305	1.5
Imperial Oil Ltd.		9,275	369,350	336,312	0.8
Pembina Pipeline Corp.		13,405	589,672	653,494	1.6
Suncor Energy Inc.		22,430	860,626	916,266	2.2
TC Energy Corp.		11,074	464,264	718,924	1.7
Vermilion Energy Inc.		12,875	519,227	366,294	0.9
			3,824,968	3,710,789	9.0
Industrials					
Canadian National Railway Co.		8,600	520,746	1,042,320	2.5
Russel Metals Inc.		18,964	464,640	419,104	1.0
Stantec Inc.		5,125	163,120	161,079	0.4
Toromont Industries Ltd.		6,556	278,404	406,931	1.0
			1,426,910	2,029,434	4.9
Consumer discretionary					
Canadian Tire Corp., Class A		4,515	589,771	644,200	1.5
Spin Master Corp.		6,270	274,645	237,445	0.6
			864,416	881,645	2.1
Consumer staples					
Alimentation Couche-Tard, Class B		6,280	167,502	517,535	1.3
Loblaw Companies Ltd.		9,415	408,297	631,276	1.5
Premium Brands Holdings Corp.		1,365	104,511	122,181	0.3
Saputo Inc.		9,400	428,070	368,480	0.9
			1,108,380	1,639,472	4.0
Financials					
Bank of Nova Scotia		14,903	935,628	1,048,277	2.5
Brookfield Asset Management Inc., Class A		8,700	485,826	545,055	1.3
Canadian Imperial Bank of Commerce		6,410	711,001	660,102	1.6
Manulife Financial Corp.		17,660	294,356	420,308	1.0
Royal Bank of Canada		14,863	1,052,806	1,546,792	3.8
Sun Life Financial Inc.		4,905	190,029	265,998	0.6
Toronto Dominion Bank		21,250	1,033,855	1,626,050	4.0
			4,703,501	6,112,582	14.8
Real Estate					
Allied Properties Real Estate Investment Trust		4,255	205,209	201,559	0.5
			205,209	201,559	0.5
Information technology					
CGI Inc.		7,420	438,494	747,046	1.8
			438,494	747,046	1.8

CWB Core Equity Fund

Schedule of Investment Portfolio... *continued*

As at June 30, 2019

(unaudited)

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Materials				
Agnico Eagle Mines Ltd.	8,465	379,959	568,340	1.4
CCL Industries Inc., Class B	8,665	476,055	556,466	1.3
Franco-Nevada Corp.	5,085	431,459	565,198	1.4
		1,287,473	1,690,004	4.1
Telecommunication services				
BCE Inc.	13,410	573,993	798,968	1.9
Telus Corp.	17,052	434,965	825,487	2.0
		1,008,958	1,624,455	3.9
Utilities				
Brookfield Infrastructure Partners LP	3,585	204,622	201,226	0.5
Emera Inc.	13,710	592,533	733,622	1.7
Fortis Inc.	14,407	565,026	744,986	1.8
		1,362,181	1,679,834	4.0
Total domestic equities				
		16,230,490	20,316,820	49.1
Foreign equities				
Energy				
EOG Resources Inc.	1,815	226,642	220,952	0.5
Exxon Mobil Corp.	6,685	730,933	669,409	1.6
Helmerich & Payne	4,280	351,756	283,111	0.7
Phillips 66	2,725	240,993	333,085	0.8
		1,550,324	1,506,557	3.6
Consumer staples				
Costco Wholesale Corp.	485	159,184	167,480	0.4
Dollar General Corp.	2,670	408,517	471,575	1.1
PepsiCo Inc.	1,220	214,710	209,051	0.5
Proctor & Gamble Co.	2,285	287,597	327,405	0.8
Wal-Mart Stores Inc.	4,170	403,337	602,074	1.5
		1,473,345	1,777,585	4.3
Industrials				
Cummins Inc.	2,210	484,818	494,814	1.2
Fedex Corp.	1,610	488,396	345,433	0.8
Harris Corp.	1,580	99,311	390,489	1.0
Snap-On Inc.	2,160	424,355	467,531	1.1
		1,496,880	1,698,267	4.1
Telecommunications services				
Omnicom Group	3,170	321,181	339,468	0.8
Verizon Communications Inc.	8,160	608,254	609,180	1.5
		929,435	948,648	2.3
Consumer discretionary				
Booking Holdings Inc.	167	404,553	409,111	1.0
Home Depot Inc.	1,025	246,769	278,558	0.7
Nike Inc., Class B	1,420	159,925	155,776	0.4
Target Corp.	3,520	244,681	398,384	1.0
Walt Disney Co.	2,740	443,772	499,979	1.2
Whirlpool Corp.	1,275	178,888	237,186	0.5
		1,678,588	1,978,994	4.8

CWB Core Equity Fund

Schedule of Investment Portfolio... *continued*

As at June 30, 2019

(unaudited)

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Financials				
Aflac Corp.	7,990	214,891	572,266	1.4
Bank of America	11,370	413,878	430,873	1.0
Berkshire Hathaway Inc., Class B	1,635	438,895	455,444	1.1
Discover Financial Services	4,005	281,361	406,068	1.0
JPMorgan Chase & Co.	3,135	449,535	458,005	1.1
M & T Bank Corp.	2,295	270,139	510,037	1.2
Metlife Inc.	8,010	398,072	519,897	1.3
		2,466,771	3,352,590	8.1
Information technology				
Accenture PLC, Class A	1,805	378,156	435,812	1.0
Adobe Inc.	435	161,053	167,489	0.4
Alphabet Inc.	350	569,507	495,230	1.2
Apple Inc.	3,455	922,264	893,570	2.2
Cisco Systems Inc.	8,515	201,276	608,977	1.5
Intel Corp.	7,420	255,818	464,150	1.1
Microsoft Corp.	6,425	380,617	1,124,707	2.7
Visa Inc., Class A	2,110	396,545	478,518	1.2
		3,265,236	4,668,453	11.3
Materials				
Dow Inc.	2,607	114,952	167,984	0.4
DuPont de Nemours Inc.	2,607	162,723	255,740	0.6
Newmont Gold Corp.	11,215	518,321	563,784	1.4
		795,996	987,508	2.4
Health care				
Anthem Inc.	1,445	174,983	532,882	1.3
Becton Dickinson & Co.	1,345	123,710	442,926	1.0
Gilead Sciences Inc.	5,540	600,881	489,092	1.2
Johnson & Johnson	3,770	364,871	686,153	1.7
Pfizer Inc.	9,670	308,415	547,401	1.3
Quest Diagnostics Inc.	3,380	336,977	449,674	1.1
		1,909,837	3,148,128	7.6
Utilities				
Entergy Corp.	5,085	450,048	683,949	1.7
		450,048	683,949	1.7
Total foreign equities		16,016,460	20,750,679	50.2
Total equities		32,246,950	41,067,499	99.3
Total investments at fair value through profit or loss		32,320,756	41,141,305	99.5
Other assets less liabilities			244,153	0.5
Total net assets			41,385,458	100.0

CWB Core Equity Fund

Notes to the Financial Statements

For the six months ended June 30, 2019 and 2018

(unaudited)

1 General

The CWB Core Equity Fund (the Fund) is headquartered at Suite 3000, 10303 Jasper Avenue in Edmonton, Alberta. 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 August 12, 2019.

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 unaudited interim financial statements have been prepared in accordance with International Accounting Standards (IAS) 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the same accounting policies as the audited financial statements for the year ended December 31, 2018.

b) New accounting pronouncements issued but not yet adopted

The Fund continues to monitor changes to accounting standards issued by the IASB. These issued changes may have a significant impact on future financial statements. Additional discussion on certain accounting standards that may impact the Fund is included in the December 31, 2018 audited financial statements.

c) 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 six months ended June 30, 2019 and 2018

(unaudited)

d) Financial instruments

i) Classification and measurement

All financial instruments are measured at fair value on initial recognition. Subsequently, IFRS 9 *Financial Instruments* (IFRS 9) requires financial assets to be 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.

A 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 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.

On initial recognition of an equity investment that is not held for trading, an irrevocable election can be made to present subsequent changes in fair value in other comprehensive income. This election has not been made.

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

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 June 30, 2019 or December 31, 2018.

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.

CWB Core Equity Fund

Notes to the Financial Statements

For the six months ended June 30, 2019 and 2018

(unaudited)

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 Manager 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, dividends receivable and 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, distributions payable and accrued liabilities are classified as financial liabilities.

CWB Core Equity Fund

Notes to the Financial Statements

For the six months ended June 30, 2019 and 2018

(unaudited)

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.

vii) 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 Funds classify 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 99th 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, upon the delivery of a redemption request to the Funds' Manager, together with any other documents the Manager may reasonably require. The Net Asset Value per Unit ("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 June 30, 2019 and December 31, 2018, 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. Interest receivable is shown separately on the Statements of Financial Position based on the fixed income securities' stated rates of interest. 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 six months ended June 30, 2019 and 2018

(unaudited)

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 six months ended June 30, 2019, management fees paid to the Manager totaled \$228,490 (2018 – \$289,844) and accrued liabilities included \$32,488 as at June 30, 2019 (December 31, 2018 – \$37,081) 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 six months ended June 30, 2019, the Manager refunded \$17,895 (2018 – \$20,454) in management fees related to units held by employees of both the Manager and Canadian Western Bank.

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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 when applicable. Actual operating and administrative expenses, excluding management fees, charged to the Fund totaled \$55,960 (2018 – \$57,142) during the six months ended June 30, 2018. The Manager did not waive any management fees during the six months ended June 30, 2019 and 2018.

As at June 30, 2019, 96,831 units of the Fund (December 31, 2018 – 141,704) 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 six months ended June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Redeemable units outstanding – Beginning of period	2,584,916	3,102,550
Redeemable units issued for cash	57,413	57,981
Redeemable units redeemed	(456,300)	(400,846)
Redeemable units issued on reinvestment of distributions and management fees refunded	977	1,087
Redeemable units outstanding – End of period	<u>2,187,006</u>	<u>2,760,772</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, 2018, the Fund had no allowable capital and non-capital losses (December 31, 2017 – 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 six months ended June 30, 2019, the average withholding tax rate was 13% (2018 – 15%).

7 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 six months ended June 30, 2019 was \$6,240 (2018 – \$8,573).

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8 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.

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 six months ended June 30, 2019 and 2018.

As at June 30, 2019, the Fund's exposure to currency risk was primarily related to its holdings in U.S. denominated foreign equities. The Canadian equivalent of the foreign equities as at June 30, 2019 was \$20,750,679 (December 31, 2018 – \$21,063,709), or 50.2% (December 31, 2018 – 48.4%) of net assets, of which 49.2% (December 31, 2018 – 48.4%) were investments in the United States.

As at June 30, 2019, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$1,038,000 (December 31, 2018 – \$1,053,000). 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 June 30, 2019, 0.2% (December 31, 2018 – 0.6%) of the Fund's net assets were invested in short-term notes with a term to maturity of less than three months. The Fund's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant.

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.

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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 a portfolio of Canadian equities, but maintains investments in the United States and foreign equities 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 June 30, 2019, 99.3% (December 31, 2018 – 99.0%) 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 \$4,107,000 (December 31, 2018 – \$4,305,000). 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 June 30, 2019, the Fund had 0.2% (December 31, 2018 – 0.6%) of net assets invested in short-term notes, with 0.2% (December 31, 2018 – 0.6%) of net assets 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 six months ended June 30, 2019 and 2018.

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.

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.

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

	June 30, 2019 as a % of total equities	December 31, 2018 as a % of total equities
Financials	23.0	21.8
Information technology	13.2	10.7
Energy	12.6	13.1
Industrials	9.1	12.3
Consumer staples	8.3	8.5
Health care	7.7	8.3
Consumer discretionary	7.0	4.8
Materials	6.5	7.0
Telecom services	6.3	7.2
Utilities	5.8	6.3
Real estate	0.5	-
	100.0	100.0

9 Fair value of financial instruments

There were no significant transfers within the fair value hierarchy during the six months ended June 30, 2019 and 2018 based on the valuation methods described in Note 3(e)(vi).

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

Investments at fair value through profit or loss as at June 30, 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Short-term notes	-	73,806	-	73,806
Domestic equities	20,316,820	-	-	20,316,820
Foreign equities	20,750,679	-	-	20,750,679
	41,067,499	73,806	-	41,141,305
Investments at fair value through profit or loss as at December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Short-term notes	-	264,995	-	264,995
Domestic equities	21,990,204	-	-	21,990,204
Foreign equities	21,063,709	-	-	21,063,709
	43,053,913	264,995	-	43,318,908

The carrying values of cash, subscriptions receivable, dividends receivable, amounts owing from the Manager, redemptions payable, accrued liabilities and distributions payable 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.

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10 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.