

**Financial Statements of**

**CWB MCLEAN & PARTNERS  
TACTICAL MONTHLY INCOME POOL**

**And Independent Auditor's Report thereon**

**For the year ended December 31, 2022**



KPMG LLP  
205 5th Avenue SW  
Suite 3100  
Calgary AB  
T2P 4B9  
Telephone (403) 691-8000  
Fax (403) 691-8008  
www.kpmg.ca

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of CWB McLean & Partners Tactical Monthly Income Pool

### ***Opinion***

We have audited the financial statements of CWB McLean & Partners Tactical Monthly Income Pool (the Entity), which comprise:

- the statement of financial position as at December 31, 2022
- the statement of comprehensive (loss) income for the year then ended
- the statement of changes in net assets attributable to holders of redeemable units for the year then ended
- the statement of cash flows for the year 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 Entity as at December 31, 2022, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

### ***Basis for Opinion***

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the “***Auditor’s Responsibilities for the Audit of the Financial Statements***” section of our auditor’s report.



We are independent of the Entity 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.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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 Entity'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 Entity or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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

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 Entity'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 Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity 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.

KPMG LLP

Chartered Professional Accountants

Calgary, Canada

March 30, 2023

# CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

## Statement of Financial Position

(in Canadian dollars)

As at December 31, 2022, with comparative information for 2021

	2022	2021
<b>Assets</b>		
Investments, at fair value (note 6)	\$ 183,573,132	\$ 192,401,680
Cash	27,791	152,671
Subscriptions receivable	50,000	76,468
Dividends receivable	171,063	1,090,235
Derivative assets	23,268	147,616
<b>Total assets</b>	<b>183,845,254</b>	<b>193,868,670</b>
<b>Liabilities</b>		
Redemptions payable	–	76,456
Accrued expenses	26,419	34,960
Distribution payables	–	308,756
<b>Total liabilities</b>	<b>26,419</b>	<b>420,172</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>\$ 183,818,835</b>	<b>\$ 193,448,498</b>
<b>Number of redeemable units outstanding (note 7)</b>	<b>17,192,436</b>	<b>16,358,090</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>\$ 10.69</b>	<b>\$ 11.83</b>

See accompanying notes to financial statements.

On behalf of the Fund by its Fund Manager, CWB Wealth Management Ltd.:



Matthew Evans  
President & Chief Executive Officer



R. Matthew Rudd  
Chief Financial Officer

## CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

### Statement of Comprehensive (Loss) Income

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

	2022	2021
Dividends	\$ 3,391,315	\$ 2,555,215
Interest for distribution purposes	6,025	1,426
Income from investment funds	4,790,225	2,814,727
Securities lending	6,105	5,531
Changes in fair value of investments and derivatives		
Net realized gain on sale of investments	1,641,028	6,388,795
Net realized loss on derivatives	(380,592)	(228,024)
Net foreign exchange (loss) gain on cash	(19,956)	177,167
Net other gain (loss)	31,635	(118,633)
Change in unrealized (depreciation) appreciation of investments and derivatives	(19,638,423)	13,030,889
Total investment (loss) income	(10,172,638)	24,627,093
Bank overdraft charges	3,251	2,124
Withholding taxes	90,151	122,642
Custodian and administrative fees (note 5)	15,900	16,009
Unitholder recording fees (note 5)	24,176	26,977
Fund valuation costs (note 5)	24,063	28,438
Transaction costs (note 5)	56,049	48,888
Total expenses	213,590	245,078
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (10,386,228)	\$ 24,382,015
(Decrease) increase in net assets attributable to holders of redeemable units per unit	\$ (0.61)	\$ 1.63

See accompanying notes to financial statements.

**CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL**  
Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

	2022	2021
Net assets attributable to holders of redeemable units at beginning of year	\$ 193,448,498	\$ 150,786,205
(Decrease) increase in net assets attributable to holders of redeemable units	(10,386,228)	24,382,015
Distribution to unitholders of redeemable units from:		
Net investment income	(7,618,467)	(6,315,025)
Net realized capital gains	(1,255,487)	–
Total distributions to holders of redeemable units	(8,873,954)	(6,315,025)
Redeemable unit transactions:		
Proceeds from redeemable units issued	23,521,583	31,641,189
Reinvestments of distributions to holders of redeemable units	3,893,606	2,887,432
Redemption of redeemable units	(17,784,670)	(9,933,318)
Net increase from redeemable unit transactions	9,630,519	24,595,303
Net (decrease) increase in net assets attributable to holders of redeemable units	(9,629,663)	42,662,293
Net assets attributable to holders of redeemable units at end of year	\$ 183,818,835	\$ 193,448,498

See accompanying notes to financial statements.

## CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

### Statement of Cash Flows

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

	2022	2021
<b>Cash flows from operating activities</b>		
(Decrease) increase in net assets attributable to holders of redeemable units	\$(10,386,228)	\$ 24,382,015
Adjustment for:		
Net foreign exchange loss (gain) on cash	19,956	(177,167)
Net realized gain on sale of investments and derivatives	(1,260,436)	(6,160,771)
Net change in unrealized depreciation (appreciation) of investments and derivatives	19,638,423	(13,030,889)
Purchases of investments and derivatives	(125,209,197)	(122,725,122)
Proceeds from sale of investments and derivatives	115,784,106	99,522,034
Dividends receivable	919,172	(133,187)
Accrued expenses	(8,541)	(1,127)
Net cash used in operating activities	(502,745)	(18,324,214)
<b>Cash flows from financing activities</b>		
Distributions paid to holders of redeemable units	(5,289,104)	(3,387,599)
Proceeds from issuance of redeemable units	23,548,051	31,564,721
Amounts paid on redemption of redeemable units	(17,861,126)	(9,876,301)
Net cash provided by financing activities	397,821	18,300,821
Net decrease in cash during the year	(104,924)	(23,393)
Net foreign exchange (loss) gain on cash	(19,956)	177,167
Cash (overdraft), beginning of the year	152,671	(1,103)
Cash, end of year	\$ 27,791	\$ 152,671
<b>Supplemental disclosure of cash flow information</b>		
Interest received	\$ 6,025	\$ 1,426
Dividends received, net of withholding taxes	\$ 4,220,336	\$ 2,299,386

See accompanying notes to financial statements.



# CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

## Schedule of Investment Portfolio

(in Canadian dollars)

As at December 31, 2022

Description	Number of Shares	Average Cost	Fair Value
<b>Canadian Pooled Funds:</b>			
Bond Capital Fund VII L.P.	2,939,834	\$ 2,062,897	\$ 1,337,725
Canso Bank Loan Fund	1,921,375	17,448,218	16,352,819
CC&L Tax Institutional Infrastructure Holdings	691,764	691,764	691,764
CC&L Taxable Institutional Infrastructure Fund	120,135	1,230,203	1,267,668
Crestpoint Investment Real Estate Fund	228,121	4,998,454	5,129,977
CWB McLean & Partners Diversified Fixed Income Pool	4,587,245	46,212,149	40,514,545
CWB McLean & Partners International Equity Pool	994,559	11,006,544	11,765,634
CWB McLean & Partners U.S. Equity Pool	603,172	11,501,977	11,173,765
Jov Leon Frazer Bond, Class "I"	1,158,054	10,000,000	9,828,716
Fiera Diversified Lending Fund	521,608	5,179,231	5,035,603
Fiera Global Infrastructure Fund , Class 'T'	1,013,324	10,133,598	9,954,897
Four Quadrant Global Real Estate Partners L.P., Class 'J', ADR	1,018,333	12,272,686	11,975,597
LF Canadian Dividend Fund	1,246,848	17,429,786	16,897,795
		<u>150,167,507</u>	<u>141,926,505</u>
Total Canadian Pooled Funds (77.21%)		<u>150,167,507</u>	<u>141,926,505</u>
<b>Canadian Equities:</b>			
Energy (5.53%):			
ARC Resources Ltd.	227,200	3,084,993	4,146,400
Canadian Natural Resources Ltd.	30,000	997,029	2,255,700
Pembina Pipeline Corp.	45,800	1,574,665	2,104,968
TC Energy Corp.	30,810	1,590,684	1,663,124
		<u>7,247,370</u>	<u>10,170,192</u>
Financial Services (8.65%):			
CT REIT	195,000	2,656,332	3,040,050
Granite REIT	45,000	3,536,770	3,108,600
InterRent REIT	155,000	1,857,673	1,984,000
Nexus Industrial REIT	350,000	2,342,084	3,374,000
RioCan REIT	126,000	2,940,568	2,662,380
Toronto-Dominion Bank (The)	19,670	1,112,632	1,724,469
		<u>14,446,059</u>	<u>15,893,499</u>
Utilities (1.44%):			
Brookfield Renewable Corp.	35,000	1,733,378	1,304,450
Brookfield Renewable Partners L.P.	39,110	582,891	1,340,691
		<u>2,316,269</u>	<u>2,645,141</u>
Total Canadian Preferred Equities (15.62%)		<u>24,009,698</u>	<u>28,708,832</u>

## CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

### Schedule of Investment Portfolio (continued)

(in Canadian dollars)

As at December 31, 2022

Description	Number of Shares	Average Cost	Fair Value
<b>International Equities:</b>			
United States (6.20%):			
AllianceBernstein Global High Income Fund Inc.	225,000	\$ 3,451,522	\$ 2,810,844
BlackRock Floating Rate Income Strategies Fund Inc.	229,353	3,907,184	3,499,178
Blackstone / GSO Strategic Credit Fund	100,000	1,723,578	1,684,203
Nuveen Real Asset Income and Growth Fund	215,091	4,162,149	3,409,819
		<u>13,244,433</u>	<u>11,404,044</u>
Total International Equities (6.20%)		<u>13,244,433</u>	<u>11,404,044</u>
<b>Short-Term Investments:</b>			
Short-Term Investments - CAD			
Canadian Imperial Bank of Commerce, Demand Deposit, Variable Rate	1,286,155	<u>1,286,155</u>	<u>1,286,472</u>
Short-Term Investments - USD			
CIBC Mellon Trust, Demand Deposit	182,501	<u>248,562</u>	<u>247,279</u>
Total Short-Term Investments (0.84%)		<u>1,534,717</u>	<u>1,533,751</u>
Adjustment for transaction costs included in average cost		(34,965)	–
Total Investments (99.87%)		\$ 188,921,390	\$ 183,573,132
Derivative Assets (0.01%)			23,268
Other Net Assets (0.12%)			222,435
Total Net Assets attributable to holders of redeemable units (100.00%)			<u>\$ 183,818,835</u>

See accompanying notes to financial statements.

## CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

### Schedule of Forward Foreign Currency Contracts

(in Canadian dollars)

As at December 31, 2022

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Amounts	Settlement Date	Fair Value	Appreciation
<b>Contracts to Buy:</b>			
4,500,000 USD (Payable 6,093,484 CAD)	March 21, 2023	\$ <u>6,116,751</u>	\$ <u>23,268</u>
Total unrealized gain on forward foreign currency contracts			\$ <u>23,268</u>

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See accompanying notes to financial statements.

# **CWB MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL**

## **Notes to Financial Statements**

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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### **General:**

CWB McLean & Partners Tactical Monthly Income Pool (the “Fund”) is an open-ended unit trust created under the laws of the Province of Alberta and governed by the Second Amended and Restated Declaration of Trust dated March 22, 2018. The address of the Fund’s registered office is 801 10 Avenue SW, Calgary, Alberta. The Fund’s units are not traded in a public market and it does not file its financial statements with a securities commission or other regulatory organization for the purpose of issuing any class of instruments in a public market.

Under the Declaration of Trust, the Fund may issue an unlimited number of units in an unlimited number of series.

CWB Wealth Management Ltd. (“CWB Wealth” or the “Fund Manager”), a company incorporated under the laws of the Province of Alberta, is a registered investment fund manager with the Alberta and Ontario Securities Commissions. CWB Wealth is the administrative manager, investment advisor and promoter of the Fund. CWB Wealth replaced CWB McLean & Partners Wealth Management Ltd. as the fund manager on April 1, 2022 after CWB McLean & Partners Wealth Management Ltd. resigned effective as of midnight on March 31, 2022. CWB Wealth is the parent company of CWB McLean & Partners Wealth Management Ltd., now called CWB Wealth Partners Ltd.

CIBC Mellon Global Securities Services Company is the administrator and custodian of the Fund and CIBC Mellon Trust Company is the trustee of the Fund (collectively, “CIBC Mellon”).

### **1. Investment objective of the Fund:**

The objective of the Fund is to generate returns through capital appreciation and income by investing in dividend yielding equities, fixed income securities, and high yield strategies, both private and publicly traded. To achieve its investment objectives, the Fund may hold individual securities or units of other pooled funds managed by CWB Wealth (“Pooled Funds”). The Fund has concluded that the Pooled Funds in which it invests, but that it does not consolidate, meet the definition of structured entities because the voting rights in the Pooled Funds are not dominant rights in deciding who controls them because the rights relate to administrative tasks only, and the Pooled Funds have unique and well-defined objectives to provide investment opportunities to investors. The Schedule of Investment Portfolio lists the Pooled Funds in which the Fund holds an interest but does not consolidate. During the years ended December 31, 2022 and 2021, the Fund did not provide financial support to the Pooled Funds and has no intention of providing financial or other support.

The assets of the Fund will be managed within certain specified guidelines to ensure adequate portfolio diversification by industry sectors and geographic regions. The Fund is not expected to hold more than 65 publicly traded securities and there is a maximum weighting of 10% invested in any single security; and no limit on cash and cash equivalents.

# MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

Notes to Financial Statements, page 2

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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## 1. Investment objective of the Fund (continued):

Net capital gains and net investment income are calculated in accordance with the provisions of the Income Tax Act (Canada) and the Fund will make monthly distributions of net income and annual distributions of net realized capital gains to the unitholders such that no income tax is payable by the Fund.

## 2. Basis of presentation and measurement:

The financial statements have been prepared in compliance with International Financial Reporting Standards (IFRS). The policies applied in the financial statements are based on IFRS issued and effective as of December 31, 2022. These financial statements have been prepared on the historical cost basis except for financial assets and liabilities recorded at fair value through profit or loss. The financial statements of the Fund were approved and were authorized for issue by the Fund Manager's Board of Directors on behalf of the Fund on March 30, 2023.

## 3. Summary of significant accounting policies:

### (a) Financial instruments:

#### (i) Classification:

Classification and measurement categories under IFRS 9 are amortized cost, fair value through other comprehensive income ("FVOCI"), and fair value through profit or loss ("FVTPL"). Cash, dividends receivable, bank overdraft, redemptions payable, accrued expenses, and distribution payable are classified as subsequently measured at amortized cost. Investments, derivative assets, derivative liabilities, and net assets attributable to holders of redeemable units are classified as FVTPL.

The Fund's business model is one in which financial assets are managed with the objective of realizing cash flows through the sale of assets. Decisions are made based on the assets' fair values and assets are managed to realize these fair values. This business model is aligned with the FVTPL classification and measurement category therefore the Fund measures investments at FVTPL. Debt securities are designated at FVTPL as the Fund does not expect to hold the assets to collect contractual cash flows based on its business model. Collection of the contractual cash flows is not integral to achieving the Fund's business model objective but is instead incidental to it.

#### (ii) Expected credit losses:

Trade receivables are held to collect contractual cash flows and are expected to give rise to cash flows representing solely payments of principal and interest. Thus, the Fund measures loans and trade receivables at amortized cost under IFRS 9.

IFRS 9, *Financial Instruments*, requires that an entity recognize an allowance for expected credit losses on financial assets which are measured at amortized cost or FVOCI, except for investments in equity instruments. Financial assets held by the Fund which are measured at FVTPL are not subject to the new impairment requirements.

# MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

Notes to Financial Statements, page 3

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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## 3. Summary of significant accounting policies (continued):

### (a) Financial instruments (continued):

#### (ii) Expected credit losses (continued):

With respect to loans and receivables, the Fund considers both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statement date, all loans and receivables are due to be settled within the short term. The Fund considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligation in the near term.

Given the negligible exposure of the Fund to credit risk, no allowance for expected credit losses has been recognized.

#### (iii) Measurement and recognition of financial instruments:

Portfolio investments, including short-term investments, are recognized at fair value upon initial recognition. The Fund's investments are classified as FVTPL and measured at fair value. Factors leading to the FVTPL designation include the performance evaluation and management of the investments of the Fund on a fair value basis.

The other financial assets and liabilities of the Fund are recognized at fair value on the date they originate and are subsequently measured at amortized cost.

Portfolio investment transactions are accounted for on a trade date basis. Realized gains/losses on sale of investments and unrealized appreciation/depreciation on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities.

Portfolio investments listed on recognized public securities exchanges are valued using the last trade price on the securities exchange on which they are principally traded. If no trade volume is reported to have taken place, closing bid quotations for long positions and closing ask quotations for short positions from the primary exchange or market makers will be used. Portfolio investments not listed on recognized public securities exchanges, or for which reliable quotations are not readily available, are valued using valuation techniques, as determined pursuant to procedures established by the Fund Manager.

The value of forward currency contracts entered into by the Fund is recorded as the difference between the contract rate and the forward market rate. Realized and unrealized gains or losses on the contracts are recorded as realized gain (loss) on derivatives and the change in unrealized appreciation (depreciation) of derivatives in the Statement of Comprehensive (Loss) Income.

# MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

Notes to Financial Statements, page 4  
(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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### 3. Summary of significant accounting policies (continued):

(a) Financial instruments (continued):

(iii) Measurement and recording of financial instruments (continued):

Options are valued at their close price as reported by the principal exchange or over-the-counter market on which the contract is traded. Premiums paid for purchased call and put options are included in options purchased in the Statement of Financial Position. When a purchased option expires, the Fund will realize a loss in the amount of the cost of the option. For the closing transaction of the purchased put options, the Fund will realize a gain or loss depending on whether the proceeds are greater or less than the premium paid at the time of purchase. When a purchased call option is exercised, the cost of security purchased is increased by the premium paid at the time of purchase.

Premiums received from writing options are included as a liability for written options in the Statement of Financial Position. When a written option expires unexercised, premiums received from writing options are recorded as income on the Statement of Comprehensive (Loss) Income. When a written call option is exercised, the Fund will record a realized gain or loss depending on whether the cost of closing the transaction exceeds the premium received. When a written put is exercised, the cost of the security purchased is reduced by the premiums received at the time the option was written.

(iv) Fair value hierarchy:

IFRS 13 "Fair Value Measurement" requires a fair value hierarchy for disclosure of the inputs used in the valuation of each financial asset and liability reported by a Fund. The hierarchy of inputs is as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included in Level 1 that are based on observable market data for assets or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Changes in valuation methods may result in transfers into or out of the assets' or liabilities' assigned levels. The level summary base on the hierarchy of inputs is disclosed in Note 6. All transfers are deemed to occur at the end of each reporting period.

Equity securities using quoted market prices are included in Level 1.

Fixed-income securities valued at an evaluated bid price as reported by the primary valuation source on the valuation date are included in Level 2.

Level 3 financial instruments consist of portfolio investments not listed on recognized public securities exchanges or for which reliable quotations are not readily available are valued using valuation techniques as determined pursuant to procedures established by the Fund Manager.

# MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

Notes to Financial Statements, page 5

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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### 3. Summary significant accounting policies (continued):

(b) Investment income:

Distributions from the underlying investment funds are recognized on the ex-distribution date. Investment transactions are recorded on the trade date. Interest for distribution purposes is coupon interest recognized on an accrual basis and or imputed interest on zero coupon bonds. Dividend income is recognized on the ex-dividend date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis.

The Fund generally incurs 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 Statement of Comprehensive (Loss) Income.

(c) Foreign currency translation:

The Fund's functional and presentation currency is Canadian dollars. Transactions in foreign currencies are translated into the Fund's reporting currency using the exchange rate prevailing on the trade date. The quoted fair value of investments and other assets and liabilities denominated in foreign currencies is translated at the period-end exchange rate. Foreign exchange gains and losses relating to cash are presented as "Net foreign exchange gain (loss) on cash" and those relating to other financial assets and liabilities represented with "Net realized gain (loss) on sale of investments and derivatives" and "Changes in unrealized appreciation (depreciation) on investments and derivatives" in the Statement of Comprehensive (Loss) Income.

(d) Cash:

Cash is comprised of deposits with financial institutions.

(e) Offsetting of financial instruments:

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to offset the amounts and it intends to either settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses are presented on a net basis for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit or loss.

(f) Net assets attributable to holders of redeemable units per unit:

Net assets attributable to holders of redeemable units per unit is calculated by dividing the net assets attributable to holders of redeemable units by the number of redeemable units outstanding at the end of the year. Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statement of Comprehensive (Loss) Income is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the weighted average number of units outstanding during the period.



# MCLEAN & PARTNERS TACTICAL MONTHLY INCOME POOL

Notes to Financial Statements, page 6

(in Canadian dollars)

For the year ended December 31, 2022, with comparative information for 2021

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### 3. Summary significant accounting policies (continued):

(g) Transaction costs:

Transaction costs are expensed and are included in the Statement of Comprehensive (Loss) Income. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties.

### 4. Critical accounting estimates and judgments:

The preparation of financial statements requires management to use judgment in applying its accounting policies to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

#### *Fair value measurement of derivatives and securities not quoted in active market*

At times, the Fund holds financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry.

### 5. Fees and expenses:

All fees and expenses applicable to the administration, operation and directly attributable to portfolio transactions which include fees and commissions paid to brokers, dealers, and CIBC Mellon are payable by the Fund. At its discretion, the Fund Manager may, but is not obligated to, pay any of such expenses.

### 6. Financial risk management:

Unpredictable events such as environmental or natural disasters, war, terrorism, pandemics, outbreaks of infectious diseases, and similar public health threats may significantly affect the economy and the markets and issuers in which a fund invests. Certain events may cause instability across global markets, including reduced liquidity and disruptions in trading markets, while some events may affect certain geographic regions, countries, sectors and industries more significantly than others, and exacerbate other pre-existing political, social, and economic risks. The Fund's performance could be negatively impacted if the value of a portfolio holding were harmed by such events.

The Fund's activities expose it to a variety of financial risks. The Fund Manager seeks to minimize potential adverse effects of these risks on the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events and

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For the year ended December 31, 2022, with comparative information for 2021

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### 6. Financial risk management (continued):

by diversifying the investment portfolio within the constraints of the investment objective. To assist in managing risk, the Fund Manager also maintains a governance structure that monitors compliance with the Fund's stated investment strategy and securities regulations.

Market risk embodies the potential for both loss and gains and includes currency risk, interest rate risk and price risk. The Fund's strategies on the management of investment risk are driven by the Fund's investment objective to provide superior returns through capital appreciation and income by investing in equity securities of companies that have a history of dividend growth anywhere in the world.

Details of the nature of the Fund's investment portfolio at December 31, 2022 are disclosed in the Schedule of Investment Portfolio.

#### (a) Currency risk:

Currency risk arises from financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's functional currency. The Fund is exposed to the risk that the value of securities denominated in other currencies will fluctuate due to changes in exchange rates. The Fund may enter into forward currency contracts for hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Fund's exposure to currency risk is summarized in the tables below.

December 31, 2022	Currency Exposure	As a % of Net Assets
U.S. Dollar	\$ 6,944,815	3.78%

  

December 31, 2021	Currency Exposure	As a % of Net Assets
U.S. Dollar	\$ 13,657,508	7.06%

As at December 31, 2022, had the Canadian dollar strengthened or weakened by 1% in relation to all currencies, with all other variables held constant, net assets would have increased or decreased, respectively, by approximately \$69,000 (2021 – \$137,000). In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

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### **6. Financial risk management (continued):**

#### **Market risk (continued):**

##### **(b) Interest rate risk:**

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises on interest-bearing financial instruments held in the investment portfolio. The majority of the Fund's assets are non-interest bearing. Interest bearing financial assets mature or re-price in the short-term, no longer than twelve months. There are no interest-bearing financial liabilities.

As at December 31, 2022, the Fund held units in other Funds therefore it may have been exposed to indirect rate risk to the extent that the underlying funds invested in debt instruments.

##### **(c) Other price risk:**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk and currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All equity securities subject to market risk are listed in the Schedule of Investment Portfolio; to the extent there is a change in markets they are traded in, the portfolio will be affected accordingly. Maximum losses due to other price risk would be equivalent to the fair value of the securities and other financial instruments.

As at December 31, 2022, a 1% change in the price of equity investments held in the Fund's portfolio would have changed the Fund's net assets attributable to holders of redeemable units by approximately \$1,820,000 (2021 – \$1,666,000) with all other factors held constant. In practice, the actual results may differ from this sensitivity analysis and the difference could be material.

#### **Credit risk:**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The carrying amount of investments and other financial assets as presented on the Schedule of Investment Portfolio represents the maximum credit risk exposure as at December 31, 2022.

Credit risk arising on transactions for assets purchased and sold relates to transactions awaiting settlement. Risk relating to unsettled transactions is considered small due to the short settlement period involved. Also, legal entitlement will not pass until all monies have been received for the assets purchased or the portfolio assets sold. If either party does not meet its obligation, then the transaction will fail.

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### 6. Financial risk management (continued):

#### Credit risk (continued):

The Fund lends portfolio securities from time to time in order to earn additional income. The Fund enters into securities lending transactions with approved counterparties through the securities lending program with the custodian, CIBC Mellon Global Securities Services Company. Credit risk associated with these transactions is considered minimal as all counterparties have approved creditworthiness based on Office of the Superintendent of Financial Institutions guidelines and the Fund is indemnified by the custodian for collateral credit or market loss. All cash is held on deposit with Canadian financial institutions; accordingly, no significant credit risk relates to cash.

#### Liquidity risk:

The Fund's exposure to liquidity risk is concentrated in the cash redemptions of units. Redemption notices must be received by the Fund prior to the redemption trade date and redemption payments are made by the Fund within three business days of the redemption trade date.

To manage the liquidity risk, the Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund Manager monitors the cash position on a daily basis and ensures that the Fund retains sufficient cash and cash equivalent positions to maintain liquidity.

#### Fair value of financial instruments:

The following is a summary of the inputs used as of December 31, 2022 and 2021 in valuing the Fund's investments carried at fair values:

December 31, 2022	Level 1	Level 2	Level 3	Total
Equities	\$ 40,112,876	\$ –	\$ –	\$ 40,112,876
Investment funds	–	141,926,505	–	141,926,505
Short-term investments	1,533,751	–	–	1,533,751
Derivative assets	23,268	–	–	23,268
Total	\$ 41,669,895	\$ 141,926,505	\$ –	\$ 183,596,400

December 31, 2021	Level 1	Level 2	Level 3	Total
Equities	\$ 61,754,022	\$ –	\$ –	\$ 61,754,022
Investment funds	104,818,248	–	–	104,818,248
Short-term investments	25,829,410	–	–	25,829,410
Derivative assets	147,616	–	–	147,616
Total	\$ 192,549,296	\$ –	\$ –	\$ 192,549,296

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## 6. Financial risk management (continued):

### Fair value of financial instruments (continued):

There were transfers of investment funds from Level 1 to Level 2 during the year ended December 31, 2022. As the majority of the Fund's net assets are invested in underlying funds, we have transferred the Investment Funds from Level 1 to Level 2 due to the nature of the inputs required to price the Funds.

The carrying values of cash, subscriptions receivable, dividends receivable, bank overdraft, redemptions payable, accrued expenses and distribution payables approximate their fair values due to their short term to maturity.

The Fund's Manager ensures that the underlying funds' portfolio advisor manages financial risks. The Fund's Manager reviews the underlying funds' investment portfolios to analyze the management style and compares performance against the Fund's benchmarks. They receive analysis on performance, sector allocations and the underlying funds' top positions.

## 7. Redeemable units:

The Fund is authorized to issue an unlimited number of transferable units. Units of the Fund are offered for sale on a continuous basis and may be purchased or redeemed at the Net Asset Value ("NAV") per unit. All units of the Fund are of the same class with equal rights and privileges, including equal participation in any distributions made by the Fund.

There is a contractual obligation to distribute any net income and net realized capital gains to the Fund's outstanding units. Consequently, the Fund's outstanding redeemable units are classified as financial liabilities in accordance with the requirements of International Accounting Standard 32 *Financial Instruments: Presentation*.

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### 7. Redeemable units (continued):

Unit transactions during the years ended December 31, 2022 and 2021 are as follows:

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	December 31, 2022
Redeemable units outstanding, beginning of year	16,358,090
Redeemable units issued, for proceeds	2,071,946
Redeemable units issued on reinvestment of distributions	352,857
Redeemable units redeemed	(1,590,457)
Redeemable units outstanding, end of year	17,192,436

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	December 31, 2021
Redeemable units outstanding, beginning of year	14,233,976
Redeemable units issued, for proceeds	2,746,546
Redeemable units issued on reinvestment of distributions	253,399
Redeemable units redeemed	(875,831)
Redeemable units outstanding, end of year	16,358,090

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