

Annual Financial Statements

For the Years Ended December 31, 2022 and 2021

CWB Core Equity Fund





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INDEPENDENT AUDITOR'S REPORT

To the Unitholders of CWB Core Equity Fund

Opinion

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

- the statements of financial position as at December 31, 2022 and December 31, 2021
- the statements of comprehensive income for the years then ended
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended
- the statements of cash flows for the years then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

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

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Annual Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

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

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

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

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

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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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 Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Chartered Professional Accountants

Edmonton, Canada

March 31, 2023

CWB Core Equity Fund

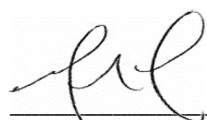
Statements of Financial Position

As at December 31

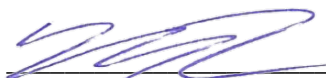
	2022	2021
Assets		
Cash	\$ 68,874	\$ 64,022
Subscriptions receivable	5,058	43,010
Dividends receivable	61,196	68,149
Investments at fair value through profit or loss	35,090,193	43,596,131
Due from CWB Wealth Management Ltd. (note 4)	10,499	10,499
	<u>35,235,820</u>	<u>43,781,811</u>
Liabilities		
Redemptions payable	31,429	64,722
Accrued liabilities (note 4)	37,410	44,637
	<u>68,839</u>	<u>109,359</u>
Net assets attributable to holders of redeemable units	<u>\$ 35,166,981</u>	<u>\$ 43,672,452</u>
Redeemable units outstanding (note 5)	1,726,408	1,954,284
Net assets attributable to holders of redeemable units per unit	<u>\$ 20.37</u>	<u>\$ 22.35</u>

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

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



Matthew Evans
President & Chief Executive Officer



R. Matthew Rudd
Chief Financial Officer

CWB Core Equity Fund
Statements of Comprehensive (Loss) Income
For the years ended December 31

	2022	2021
Revenue		
Dividends	\$ 802,669	\$ 909,887
Interest for distribution purposes	12,667	5,507
Foreign exchange gain (loss)	46	(46)
Net realized gain on sale of investments	2,106,055	4,966,884
Net change in unrealized (depreciation) appreciation in value of investments	(5,122,714)	4,306,022
Total (loss) revenue	<u>(2,201,277)</u>	<u>10,188,254</u>
Expenses		
Management fees (note 4)	402,115	429,977
Administration fees	40,227	37,481
Research fees	29,977	19,981
Legal fees	13,067	10,786
Audit fees	12,307	11,501
Custodian fees	11,032	10,542
Record keeping	9,980	10,778
Trustee fees	3,571	3,571
Other	3,455	6,089
Transaction fees	3,326	5,162
Independent Review Committee fees	3,143	2,964
Activity fees	895	968
Total expenses before fee waiver and refund	<u>533,095</u>	<u>549,800</u>
Management fees waived (note 4)	(9,233)	-
Management fees refunded (note 4)	(20,516)	(32,441)
Total expenses	<u>503,346</u>	<u>517,359</u>
(Decrease) increase in net assets attributable to holders of redeemable units before withholding taxes	(2,704,623)	9,670,895
Withholding tax expense (note 6)	28,529	36,412
(Decrease) increase in net assets attributable to holders of redeemable units	<u>\$ (2,733,152)</u>	<u>\$ 9,634,483</u>
Weighted average units outstanding during the year	1,809,251	1,873,646
(Decrease) increase in net assets attributable to holders of redeemable units per unit	<u>\$ (1.51)</u>	<u>\$ 5.14</u>

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

CWB Core Equity Fund

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

	2022	2021
Net assets attributable to holders of redeemable units – Beginning of year	\$ 43,672,452	\$ 38,306,989
(Decrease) increase in net assets attributable to holders of redeemable units	(2,733,152)	9,634,483
Distributions to unitholders of redeemable units		
From net investment income	(164,235)	(283,698)
Net realized capital gains	(584,694)	(3,617,814)
From management fees refunded (note 4)	(20,516)	(32,441)
	<u>(769,445)</u>	<u>(3,933,953)</u>
Redeemable unit transactions (note 5)		
Issuance of redeemable units	950,811	1,513,561
Reinvested distributions from holders of redeemable units	769,445	3,933,953
Redemption of redeemable units	(6,723,130)	(5,782,581)
	<u>(5,002,874)</u>	<u>(335,067)</u>
Net (decrease) increase in net assets attributable to holders of redeemable units	<u>(8,505,471)</u>	<u>5,365,463</u>
Net assets attributable to holders of redeemable units – End of year	<u>\$ 35,166,981</u>	<u>\$ 43,672,452</u>

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

CWB Core Equity Fund

Statements of Cash Flows

For the years ended December 31

	2022	2021
Cash flows from (used in) operating activities		
(Decrease) increase in net assets attributable to holders of redeemable units	\$ (2,733,152)	\$ 9,634,483
Adjustments for:		
Net realized gain on sale of investments	(2,106,055)	(4,966,884)
Foreign exchange (gain) loss	(46)	46
Net change in unrealized depreciation (appreciation) in value of investments	5,122,714	(4,306,022)
Purchase of investments	(7,472,101)	(18,612,893)
Proceeds from sale of investments	12,961,380	22,512,228
Dividends, net of withholding taxes	(774,140)	(873,475)
Interest for distribution purposes	(12,667)	(5,507)
Due from CWB Wealth Management Ltd.	-	23,069
Accrued liabilities	(7,227)	5,314
Dividends received, net of withholding taxes	781,093	859,281
Interest received	12,667	5,507
	<u>5,772,466</u>	<u>4,275,147</u>
Cash flows from (used in) financing activities		
Proceeds from issuances of redeemable units	988,763	1,473,567
Amounts paid on redemption of redeemable units	<u>(6,756,423)</u>	<u>(5,746,251)</u>
	<u>(5,767,660)</u>	<u>(4,272,684)</u>
Effect of foreign exchange fluctuations on cash	46	(46)
Net increase in cash	4,806	2,463
Cash - Beginning of year	64,022	61,605
Cash - End of year	<u>\$ 68,874</u>	<u>\$ 64,022</u>

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

CWB Core Equity Fund

Schedule of Investment Portfolio

As at December 31, 2022

	Maturity Date	Par Value (\$)	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Short-term notes					
Government of Canada Treasury Bill	04/27/2023	472,000	463,517	463,517	1.3
Total short-term notes			463,517	463,517	1.3
Equities					
Domestic equities					
Communication services					
BCE Inc.		9,960	446,900	592,519	1.7
Telus Corp.		21,099	283,142	551,317	1.6
			730,042	1,143,836	3.3
Consumer discretionary					
Canadian Tire Corp., Class A		2,305	282,421	326,157	0.9
Magna International Inc.		6,385	526,438	485,643	1.4
Restaurant Brands International Inc.		5,510	374,369	482,511	1.4
			1,183,228	1,294,311	3.7
Consumer staples					
Alimentation Couche-Tard, Class A		8,250	168,302	490,875	1.4
Loblaw Companies Ltd.		1,980	94,951	237,046	0.7
Saputo Inc.		10,240	429,480	343,245	1.0
Shopify Inc.		1,000	48,904	47,010	0.1
			741,637	1,118,176	3.2
Energy					
Canadian Natural Resources Ltd.		7,981	296,292	600,091	1.8
Pembina Pipeline Corp.		6,810	263,306	312,988	0.9
Suncor Energy Corp.		13,390	304,907	575,101	1.6
TC Energy Corp.		11,999	680,018	647,706	1.8
			1,544,523	2,135,886	6.1
Financials					
Bank of Montreal		5,730	675,968	702,842	2.0
Bank of Nova Scotia		8,008	500,673	531,251	1.5
Brookfield Asset Management Inc., Class A		2,605	82,371	100,996	0.3
Brookfield Corp.		10,422	373,811	443,769	1.3
Canadian Imperial Bank of Commerce		9,070	534,786	496,764	1.4
Element Fleet Management Corp.		17,885	181,253	329,978	0.9
Intact Financial Corp.		2,260	377,581	440,497	1.3
Royal Bank of Canada		8,748	684,272	1,113,620	3.2
Sun Life Financial Inc.		9,030	483,134	567,536	1.6
Toronto Dominion Bank		7,280	373,237	638,238	1.8
			4,267,086	5,365,491	15.3

CWB Core Equity Fund

Schedule of Investment Portfolio ...continued

As at December 31, 2022

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Industrials				
Boyd Group Services Inc.	1,600	300,726	334,656	1.0
Canadian Pacific Railway Ltd.	7,380	699,142	745,011	2.1
Russel Metals Inc.	6,354	142,810	182,868	0.5
Stantec Inc.	5,005	215,764	324,724	0.9
TFI International Inc.	2,885	394,078	391,235	1.1
Toromont Industries Ltd.	3,566	163,688	348,434	1.0
Waste Connections Inc.	3,530	578,982	633,564	1.8
		2,495,190	2,960,492	8.4
Information technology				
CGI Inc.	4,930	323,497	575,380	1.7
Constellation Software Inc.	149	227,336	314,980	0.9
Open Text Corp.	1,250	49,166	50,150	0.1
		599,999	940,510	2.7
Materials				
Agnico Eagle Mines Ltd.	8,275	505,433	582,229	1.7
CCL Industries Inc., Class B	6,820	363,308	394,469	1.1
Methanex Corp.	6,230	313,455	319,350	0.9
Nutrien Ltd.	4,000	263,009	395,400	1.1
		1,445,205	1,691,448	4.8
Real Estate				
Allied Properties Real Estate Investment Trust	1,950	49,213	49,920	0.1
		49,213	49,920	0.1
Utilities				
Brookfield Infrastructure	7,117	376,835	374,852	1.2
Brookfield Renewable Partner	7,830	386,772	291,824	0.8
Fortis Inc.	7,437	295,897	402,937	1.1
		1,059,504	1,069,613	3.1
Total domestic equities				
		14,115,627	17,769,683	50.5
Foreign equities				
Communication services				
Alphabet Inc., Class A	7,460	718,717	891,828	2.5
		718,717	891,828	2.5
Consumer discretionary				
Amazon.com Inc.	2,000	422,285	227,633	0.6
AutoZone Inc.	228	399,380	761,878	2.2
Aramark Holdings Corp.	1,200	67,203	67,217	0.2
Dollar General Corp.	1,650	279,908	550,537	1.6
Dollar Tree Inc.	2,277	290,392	436,376	1.2
Gentex Corp.	7,768	315,882	287,025	0.8
Home Depot Inc.	1,139	316,472	487,466	1.4
Robert Half International Inc.	2,087	288,754	208,776	0.6
TJX Companies Inc.	6,776	514,428	730,823	2.1
		2,894,704	3,757,731	10.7

CWB Core Equity Fund

Schedule of Investment Portfolio ...continued

As at December 31, 2022

	Number of Shares	Average Cost (\$)	Fair Value (\$)	% of Net Assets
Consumer staples				
Costco Wholesale Corp.	744	321,168	460,193	1.3
		321,168	460,193	1.3
Financials				
Berkshire Hathaway Inc., Class B	1,713	516,214	716,970	2.2
JPMorgan Chase & Co.	2,400	376,784	436,080	1.2
Moody's Corp.	871	391,881	328,819	0.9
Wells Fargo & Co.	12,221	766,303	683,719	1.9
		2,051,182	2,165,588	6.2
Health care				
Elevance Health Inc.	1,140	268,872	792,360	2.3
Johnson & Johnson	3,148	413,761	753,485	2.1
McKesson Corp.	879	314,277	446,771	1.3
UnitedHealth Group Inc.	604	311,201	433,897	1.2
Waters Corp.	866	306,775	401,981	1.1
		1,614,886	2,828,494	8.0
Industrials				
Cintas Corp.	592	264,211	362,260	1.0
Deere & Co.	857	385,085	497,876	1.4
Fabrinet	1,595	229,682	277,104	0.8
Linde PLC	564	206,977	249,266	0.7
Union Pacific Corp.	2,367	579,935	664,112	1.9
Southern Copper Corp.	2,203	211,364	180,263	0.5
		1,877,254	2,230,881	6.3
Information technology				
Accenture PLC, Class A	1,429	335,381	516,665	1.6
Apple Inc.	5,776	448,829	1,016,863	2.8
Intel Corp	3,394	208,449	121,544	0.3
Mastercard Inc., Class A	1,563	726,184	736,423	2.1
Microsoft Corp.	4,220	406,514	1,371,273	3.9
Nvidia Corp.	300	66,139	59,404	0.2
Visa Inc., Class A	2,487	525,993	700,106	2.0
		2,717,489	4,522,278	12.9
Total foreign equities		12,195,400	16,856,993	47.9
Total equities		26,311,027	34,626,676	98.5
Total investments at fair value through profit or loss		26,774,544	35,090,193	99.8
Other assets less liabilities			76,788	0.2
Total net assets			35,166,981	100.0

CWB Core Equity Fund

Notes to Financial Statements

For the years ended December 31, 2022 and 2021

1 General

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

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

The financial statements were authorized for issue by the Manager on March 31, 2023.

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, United States (U.S.) and foreign equities. The Fund strives to maintain investments in U.S. and other foreign equities at no more than 50% of the value of the portfolio. Market fluctuations may cause this figure to be exceeded on occasion, however, foreign equities will never exceed 60% of portfolio value.

3 Significant accounting policies

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

a) Basis of preparation

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

b) Use of estimates and significant judgements

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

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

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

c) Financial instruments

i) Classification and measurement

Initial recognition and measurement

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

Debt financial assets

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

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

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

Equity instruments

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

Financial liabilities

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

ii) Recognition

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

Financial assets and liabilities are offset, and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Fund has not offset any financial instruments as at December 31, 2022 or December 31, 2021.

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

iii) Financial assets at fair value through profit or loss

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

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

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

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

iv) Financial assets at amortized cost

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

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

v) Financial liabilities

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

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

vi) Valuation models

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

d) Cash

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

e) Redeemable units

In accordance with IFRS, the Fund classifies financial instruments issued as financial liabilities or equity instruments based on the substance of the contractual terms of the instruments. The Declaration of Trust establishes the termination date of the Funds on the 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 (NAVPU), upon the delivery of a redemption request to the Funds' Manager, together with any other documents the Manager may reasonably require. The NAVPU for the purposes of subscriptions or redemptions is computed by dividing the net asset value for the Fund by the total number of units outstanding at such time. Net asset value utilizes closing price to determine fair value, except where the last traded price for financial assets is not within the bid-ask spread, which is consistent with the presentation of net assets in the financial statements. As at December 31, 2022 and December 31, 2021, 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 (Loss) Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund amortizes premiums paid or discounts received on the purchase of fixed income securities using the effective interest rate method. Realized gains and losses from the sale of investments and unrealized appreciation (depreciation) in the value of investments are calculated with reference to the average cost of the related investments. All income, net realized gains (losses), unrealized appreciation (depreciation) in value, and transaction costs are attributable to investments.

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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 (Loss) 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 (Loss) 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 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 (Loss) Income, where applicable.

4 Related party transactions

The Manager is entitled to a management fee payable out of the assets of the Fund, calculated as one-twelfth of 1.0% of the monthly net asset value of the Fund and paid monthly. The management fee is paid in respect of managing the investment portfolio, providing investment analysis and recommendations, making investment decisions, making brokerage arrangements relating to the purchase and sale of the investment portfolio, making arrangements for the purchase and sale of units of the Fund by investors and ensuring compliance with the Fund's constating documents. For the year ended December 31, 2022, management fee expenses to the Manager totaled \$402,115 (2021 – \$429,977) and accrued liabilities included \$24,381 as at December 31, 2022 (December 31, 2021 – \$29,676) 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 (Loss) Income. For the year ended December 31, 2022, the Manager refunded \$20,516 (2021 – \$32,441) in management fees related to units held by employees of both the Manager and Canadian Western Bank.

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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 (Loss) Income. The Manager offers reduced management fees to achieve competitive fees for this type of fund. Actual operating and administrative expenses, excluding management fees, charged to the Fund totaled \$130,980 (2021 – \$119,823) during the year ended December 31, 2022. The Manager waived management fees totaled \$9,233 (December 31, 2021 – nil).

As at December 31, 2022, 142,738 units of the Fund (December 31, 2021 – 137,582) were held by key management personnel of the Manager and their immediate family members.

5 Redeemable units

The following table summarizes unit transactions during the years ended December 31, 2022 and 2021:

	2022	2021
Redeemable units outstanding – Beginning of year	1,954,284	1,974,289
Redeemable units issued for cash	45,501	70,582
Redeemable units redeemed	(311,121)	(266,732)
Redeemable units issued on reinvestment of distributions and management fees refunded	37,744	176,145
Redeemable units outstanding – End of year	<u>1,726,408</u>	<u>1,954,284</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, 2022, the Fund had no allowable capital losses or non-capital losses (December 31, 2021 – 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 (Loss) Income. During the year ended December 31, 2022, the average withholding tax rate was 14% (2021 – 14%).

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

7 Financial risk management

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

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

a) Currency risk

Currency risk is the risk that the value of investments denominated in currencies, other than the functional currency of the Fund, will fluctuate due to changes in foreign exchange rates. Foreign equities are exposed to currency risk as the prices denominated in foreign currencies are converted to the Fund's functional currency in determining fair value. The Fund may enter into forward currency contracts for economic hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies. The Fund did not enter into forward currency contracts during the years ended December 31, 2022 and 2021.

As at December 31, 2022, the Fund's exposure to currency risk was primarily related to its holdings in US dollar denominated foreign equities. The Canadian equivalent of the foreign equities as at December 31, 2022 was \$16,856,993 (December 31, 2021 – \$22,158,322), or 47.9% (December 31, 2021 – 50.7%) of net assets and 45.7% of the Fund's net assets (December 31, 2021 – 49.0%) were investments in the US.

As at December 31, 2022, if the Canadian dollar had strengthened or weakened by 5% in relation to all foreign currencies represented in the portfolio, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately \$843,000 (December 31, 2021 – \$1,108,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

b) Interest rate risk

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

As at December 31, 2022, 1.3% (December 31, 2021 – 0.2%) of the Fund's net assets were invested in short-term notes with a term to maturity of less than one year. The Fund's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant.

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.

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

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

As at December 31, 2022, 98.5% (December 31, 2021 – 99.6%) 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 \$3,463,000 (December 31, 2021 – \$4,353,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

d) Credit risk

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

As at December 31, 2022, the Fund had 1.3% (December 31, 2021 – 0.2%) of net assets invested in short-term notes, all guaranteed by the federal government of Canada.

e) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Fund primarily invests in securities that are traded in active markets and can be readily disposed. In addition, the Fund retains sufficient cash and short-term investment holdings to maintain liquidity. The Fund may, from time to time, enter into over-the-counter derivative contracts or invest in unlisted securities, which are not traded in an organized market and may be illiquid. The Fund did not enter into over-the-counter derivative contracts during the years ended December 31, 2022 and 2021.

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.

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

f) Concentration risk (continued):

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

	December 31, 2022 as a % of total equities	December 31, 2021 as a % of total equities
Financials	21.7	21.0
Information technology	15.7	19.0
Industrials	15.0	12.1
Consumer discretionary	14.6	14.2
Health care	8.2	6.4
Energy	6.2	6.0
Communication services	5.9	6.9
Materials	4.9	4.9
Consumer staples	4.6	5.0
Utilities	3.1	3.2
Real estate	0.1	1.3
	100.0	100.0

8 Fair value of financial instruments

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

Investments at fair value through profit or loss as at December 31, 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Short-term notes	-	463,517	-	463,517
Domestic equities	17,769,683	-	-	17,769,683
Foreign equities	16,856,993	-	-	16,856,993
	34,626,676	463,517	-	35,090,193

Investments at fair value through profit or loss as at December 31, 2021	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Short-term notes	-	70,972	-	70,972
Domestic equities	21,366,837	-	-	21,366,837
Foreign equities	22,158,322	-	-	22,158,322
	43,525,159	70,972	-	43,596,131

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

There were no significant transfers within the fair value hierarchy during the years ended December 31, 2022 and December 31, 2021

CWB Core Equity Fund

Notes to the Financial Statements

For the years ended December 31, 2022 and 2021

9 Capital risk management

The capital of the Fund is represented by the net assets attributable to holders of redeemable units with no par value. The amount of net assets attributable to holders of redeemable units can, on a daily basis, change significantly 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.

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 based on the value of net assets attributable to redeemable unitholders.

10 Brokerage commissions and soft dollars

The Fund may transact with brokers who charge a commission in "soft dollars" to purchase services that provide value to the unitholders of the Fund. Any services received, which are purchased with brokerage commissions, are reviewed to ensure that they benefit all unitholders and that their costs are efficient when compared to replicating or obtaining similar services outside of this arrangement. Our primary use of soft dollars is for real time security pricing and analysis. The ascertainable soft dollar value received by the Fund during the year ended December 31, 2022 was \$2,167 (2021 – \$5,186).