

# Annual Management Report of Fund Performance

For the year ended December 31, 2022

## *CWB Core Equity Fund*

Portfolio Manager CWB Wealth Management Ltd. (“CWB WM”)

### DISCLOSURE

This annual management report of fund performance contains financial highlights but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-855-292-9655, by writing to us at Suite 3000, 10303 Jasper Avenue, Edmonton, AB T5J 3X6, by visiting our website at [www.cwbwealth.com](http://www.cwbwealth.com), or by visiting SEDAR at [www.sedar.com](http://www.sedar.com).

CWB WM is the manager of the fund, and a wholly owned subsidiary of Canadian Western Bank (“CW Bank”).

Security holders may also contact us using one of these methods to request a copy of the investment fund’s interim financial report, proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.



## Caution Regarding Forward Looking Information

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

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

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

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

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

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

# Management Discussion of the Performance of the CWB Core Equity Fund

## Investment Objectives and Strategies

The investment objective of CWB Core Equity Fund (the “Fund”) is to achieve long-term capital appreciation by employing a growth at a reasonable price (“GARP”) investment approach. The Fund invests primarily in Canadian equity securities but may invest up to 50% of the portfolio in U.S. and other foreign equities.

The Fund’s GARP investment strategy is designed to maximize potential returns while controlling risk. This approach strives to build a portfolio with more attractive value characteristics than the market, while at the same time emphasizing stronger profitability parameters.

## Risks

The risks of investing in the Fund and the suitability of the Fund for investors remain as discussed in the Fund’s most recent simplified prospectus or any amendments or fund facts. No changes affecting the Fund’s overall level of risk were made during the 12-month period ended December 31, 2022 (the “Period”).

## Results of Operations

Over the Period, the Fund’s net assets decreased by \$8,505,471 to \$35,166,981. This reflects a decrease in net assets of \$2,733,152 resulting from investment performance (net of expenses), distributions to unitholders of \$769,445, and net unit withdrawals of \$5,002,874.

The Fund returned (6.87%) over the Period versus the Fund’s internal benchmark (the “Fund Benchmark”), a combination of the S&P TSX Composite Total Return (“TR”) Index, S&P 500 TR Index \$CAD and the MSCI All Country World Index (ACWI) ex-USA TR \$CAD, which returned (8.07%). The Fund’s general market index benchmarks, the S&P/TSX Composite TR Index, and the S&P 500 Composite TR Index (the “Broad-Based Benchmarks”), returned (5.84%) and (12.41%), respectively, over the Period. Unlike the Fund Benchmark and the Broad-Based Benchmarks, the Fund’s return is calculated after the deduction of fees and expenses.

The period marked the return to a more normal environment in North America as pandemic restrictions were largely lifted. High levels of inflation experienced in 2021 that were originally anticipated to be transitory in nature proved to be more persistent than expected, causing both the Bank of Canada and the Federal Reserve in the U.S. to aggressively raise rates in response from 0.25% at the start of the year to 4.25% and 4.5% respectively by the Period end. Despite strong economic growth in 2022, higher interest rates and inflation raised concerns of an imminent recession causing volatility in equity markets.

The Canadian equity market, as measured by the S&P/TSX Composite, was one of the best performing markets in the world despite falling 5.84% in 2022. Canada’s stock market benefited from strong oil and natural gas pricing. The Energy sector is the second largest sector in the S&P/TSX. Conversely the Technology heavy U.S. market, as measured by the S&P 500, was one of the worst performing markets in the developed world.

The Fund’s relative performance was aided by an underexposure relative to the benchmark in Shopify and Meta Platforms, two large technology names that performed extremely well during the pandemic but experienced headwinds as interest rates rose and the economy opened back up. The Fund had a significant overallocation to

the Consumer Discretionary sector versus the benchmark and stock selection in this sector aided relative performance. Autozone, which is a Fund holding in this sector performed well as more car owners decided to do repairs on their vehicles, while not owning Tesla also helped relative performance. Although stocks such as Canadian Natural Resources and Suncor Energy were some of the best performers in the Fund over the period, an overall underexposure vs the benchmark hurt relative returns.

## Recent Developments

Notwithstanding the overall results in 2022, the fourth quarter of the year was a positive one. The hope that interest rate increases were coming to an end, and that there may be rate relief in 2023 seemed to take hold, buoying stock prices. Inflation data will be key in 2023, as central banks have indicated they will be vigilant in raising interest rates should inflation remain elevated. Whether a soft landing (no recession) can be engineered in North America remains to be seen, as we have not yet felt the full effects of 2022 rate increases on the economy. Either way economic growth is expected to slow in 2023 from 2022 levels which will impact corporate earnings growth and could limit upside equity market returns. In such an environment, quality companies with balance sheet strength to absorb higher rates as well as pricing power appear to be well positioned.

## Related Party Transactions

CWB WM is the trustee, manager, portfolio advisor, and principal distributor of the Fund. The Fund pays CWB WM a management fee as compensation for its services. Refer to the section titled 'Management Fees' for a summary of fees paid to CWB WM.

CWB WM is party to a participating dealer agreement (the "Dealer Agreement") with Canadian Western Financial Ltd. ("CWF"), a subsidiary of CWB WM. Pursuant to the Dealer Agreement, CWB WM pays CWF a monthly trailing commission equal to  $1/12^{\text{th}}$  of 0.5% of the net asset value attributable to units of the Fund held by CWF clients. This trailing commission will be paid directly by CWB WM and will not increase the management fees paid to CWB WM by the Fund.

# Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's performance for the past five years.

## CWB Core Equity Fund's Net Assets per Unit<sup>1</sup>

	2022	2021	2020	2019	2018
Net Assets, beginning of year	\$22.35	\$19.40	\$18.93	\$16.83	\$18.84
Increase (decrease) from operations:					
Total investment income <sup>2</sup>	\$0.45	\$0.50	\$0.51	\$0.53	\$0.60
Total expenses	(\$0.29)	(\$0.30)	(\$0.26)	(\$0.27)	(\$0.26)
Realized gains (losses) for the year	\$1.16	\$2.65	\$0.67	\$2.24	\$0.83
Unrealized gains (losses) for the year	(\$2.83)	\$2.29	(\$0.13)	\$0.96	(\$2.54)
Total increase (decrease) from operations <sup>2</sup>	(\$1.51)	\$5.14	\$0.79	\$3.46	(\$1.37)
Distributions:					
From income (excluding dividends)	\$0.11	\$0.16	\$0.23	\$0.33	\$0.39
From dividends	-	-	-	-	-
From capital gains	\$0.34	\$1.85	\$0.05	\$0.82	\$0.08
Return of capital		-	-	-	-
Total Annual Distributions <sup>3</sup>	\$0.45	\$2.01	\$0.28	\$1.15	\$0.47
Net Assets as at December 31 of year shown	\$20.37	\$22.35	\$19.40	\$18.93	\$16.83

<sup>1</sup> This information is derived from the Fund's audited annual financial statements. All figures presented are prepared in accordance with IFRS, which requires the Fund to measure the fair value of its investments based on close market prices, where the close market price falls between the bid-ask spread, which is consistent with the method used in measuring the net asset value for transactions with unitholders.

<sup>2</sup> Total investment income is comprised of interest and dividend income, foreign exchange gains (losses), realized gains (losses) on sale of investments, and unrealized appreciation (depreciation) in value of investments. Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

<sup>3</sup> Distributions were paid in cash, reinvested in additional units of the Fund or both.

## Ratios and Supplemental Data

	2022	2021	2020	2019	2018
Total net asset value (000's) <sup>1</sup>	\$35,167	\$43,672	\$38,307	\$38,309	\$43,499
Number of units outstanding <sup>1</sup>	1,726,408	1,954,284	1,974,289	2,023,952	2,584,916
Management expense ratio <sup>2</sup>	1.25%	1.20%	1.20%	1.16%	1.13%
Management expense ratio before waivers or absorptions	1.32%	1.28%	1.29%	1.23%	1.20%
Trading expense ratio <sup>3</sup>	0.02%	0.04%	0.04%	0.07%	0.08%
Portfolio turnover rate <sup>4</sup>	12.26%	34.56%	26.97%	33.94%	23.73%
Net asset value per unit	\$20.37	\$22.35	\$19.40	\$18.93	\$16.83

<sup>1</sup> This information is provided as at December 31 of the year shown unless otherwise stated.

<sup>2</sup> Management expense ratio ("MER") is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>3</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>4</sup> The Fund's portfolio turnover rate indicates how actively the Fund's portfolio adviser manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all the securities in its portfolio once during the year. The higher a fund's portfolio turnover rate in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

## Management Fees

The management fee for each applicable series is calculated and accrued daily as a percentage of its NAV. The annual management fees and a breakdown of the services received in consideration of the management fees, as a percentage of the management fees, for each series are as follows:

Fund	Management Fee (% of NAV)	Distribution Costs (% of Management Fee)	Others* (% of Management Fee)
CWB Core Equity Fund	1.00	1.87	98.13

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

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

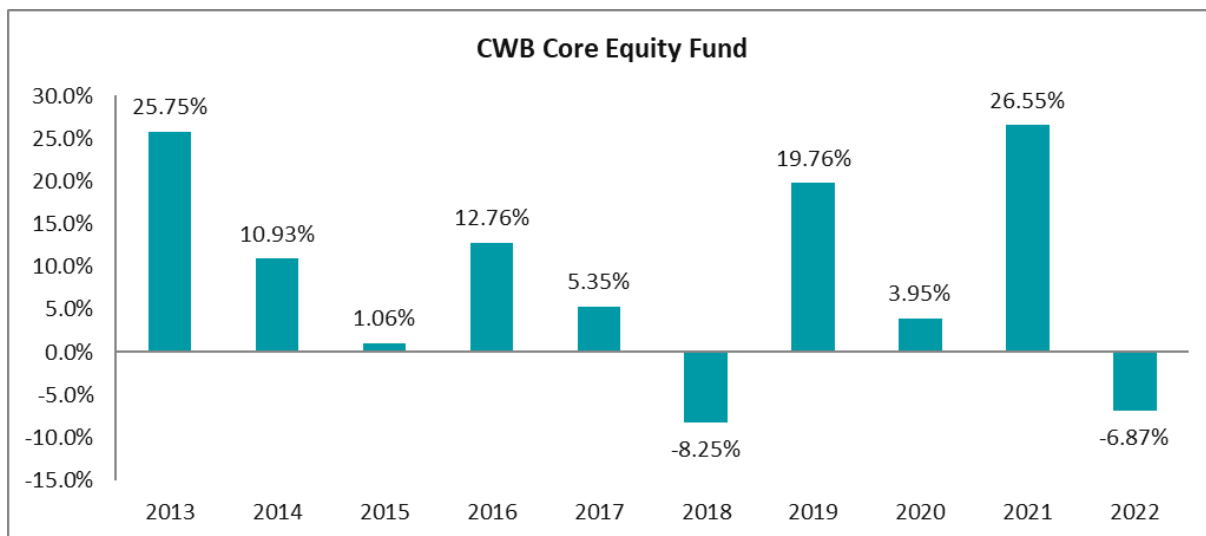
## Past Performance

The past performance of the Fund is set out in the following charts. The performance information shown assumes that all distributions made by the Fund in the years shown were reinvested in additional securities of the Fund and would be lower if distributions were not reinvested. The performance information does not take into account sales, redemption, distribution, or other optional charges, or income taxes payable, that would have reduced returns or performance.

Mutual fund returns are not guaranteed. Please note that past performance is not indicative of future performance.

## Year-by-Year Returns

The following bar chart shows the Fund's annual performance in each of the past ten years and illustrates how the Fund's performance has changed from year to year. The chart below shows, in percentage terms, how an investment made on January 1 would have increased or decreased by the last day of the fiscal year presented.



## Annual Compound Returns

The following table displays the historical annual compounded total return for each series of units of the Fund for the years shown ending on December 31, 2022, compared with the following benchmarks:

- Fund Benchmark:
  - 5.0% FTSE Canada 91 day T-bill Index
  - 47.5% S&P/TSX Composite TR Index
  - 23.8% S&P 500 TR Index \$CAD
  - 23.8% MSCI ACWI ex-USA TR Index \$CAD
- Broad-Based Benchmarks:
  - S&P 500 Composite TR Index \$CAD
  - S&P/TSX Composite TR Index

	CWB Core Equity Fund	Fund Benchmark	S&P 500 Composite TR Index \$CAD	S&P/TSX Composite TR Index
One Year	(6.87)	(8.07)	(12.41)	(5.84)
Three Year	7.00	6.98	9.17	7.54
Five Year	6.12	7.26	11.12	6.85
Ten Year	8.47	10.01	11.91	9.59

### Index Descriptions

- FTSE Canada 91 day T-bill Index: This index is a measure of the performance of the 3-month rolling Government of Canada T-bill.
- S&P/TSX Composite TR Index: This index is a broad-based stock market index of the largest Canadian firms listed on the Toronto Stock Exchange and includes the reinvestment of cash distributions in the calculation of returns.
- S&P 500 Composite TR Index \$CAD: This index a measure of the stock performance of 500 leading companies listed on stock exchanges in the United States, in Canadian dollars, and includes the reinvestment of cash distributions.
- MSCI All Country World Index ex-USA: This index is designed to measure large and mid cap companies across 22 of 23 developed market countries (excluding the U.S.) and 26 emerging markets (EM) countries, in Canadian dollars. Please see the end of this report for additional information about this index.

A discussion of the performance of the Fund relative to its benchmark(s) is found in the Results of Operations section of this report.

## Summary of Investment Portfolio

The following table summarizes how the Fund's assets were distributed across various sectors as at December 31, 2022.

Portfolio Breakdown	% of Net Asset Value
Cash and Short-term Investments	1.4
Other Net Assets	-
Financials	21.5
Information Technology	15.6
Industrials	14.7
Consumer Discretionary	14.4
Health Care	8.0
Energy	6.1
Communication Services	5.8
Materials	4.8
Consumer Staples	4.5
Utilities	3.1
Real Estate	0.1
<b>Total</b>	<b>100.0</b>

## Top 25 Holdings

The following table lists the top 25 holdings of the Fund (based on percentage of net asset values of the Fund) as at December 31, 2022. The prospectuses and other information about the underlying investment funds are available online at [www.sedar.com](http://www.sedar.com).

Security	%	Security	%
Microsoft Corp.	3.9	Union Pacific Corp.	1.9
Royal Bank of Canada	3.2	Wells Fargo & Co.	1.9
Apple Inc.	2.8	Canadian Natural Resources Ltd.	1.8
Alphabet Inc., Class A	2.5	TC Energy Corp.	1.8
Elevance Health Inc.	2.3	Toronto Dominion Bank	1.8
AutoZone Inc.	2.2	Waste Connections Inc.	1.8
Berkshire Hathaway Inc., Class B	2.2	Agnico Eagle Mines Ltd.	1.7
Canadian Pacific Railway Ltd.	2.1	BCE Inc.	1.7
Johnson & Johnson	2.1	CGI Inc.	1.7
Mastercard Inc., Class A	2.1	Accenture PLC, Class A	1.6
TJX Companies Inc.	2.1	Dollar General Corp.	1.6
Bank of Montreal	2.0	Sun Life Financial Inc.	1.6
Visa Inc., Class A	2.0		



The investments and percentages may have changed by the time you purchase units of the Fund due to portfolio transactions of the Fund. The top 25 holdings are made available quarterly and may be obtained by contacting CWB WM at 1-855-292-9655 or by writing to: [info@cwwealth.com](mailto:info@cwwealth.com) CWB Wealth Management Ltd., Suite 3000, 10303 Jasper Avenue, Edmonton, AB T5J 3X6.

## Additional Disclosures on Benchmarks

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

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