# CWB Core Equity Fund

Semi-Annual Financial Statements

**June 30, 2018**
*(unaudited)*

CWB | MUTUAL FUNDS

## CWB Core Equity Fund

## Notice of Non-review of Interim Financial Statements for the Six Months Ended June 30, 2018

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

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

# CWB Core Equity Fund

Statements of Financial Position

**As at June 30, 2018 and December 31, 2017** *(unaudited)*

| | June 30, 2018 | December 31, 2017 |
|---|---|---|
| **Assets** | | |
| Cash | $ 244,886 | $ 1,609,238 |
| Subscriptions receivable | 41,774 | 77,259 |
| Dividends receivable | 161,995 | 154,938 |
| Investments at fair value through profit or loss | 52,219,882 | 57,856,653 |
| Due from CWB Wealth Management Ltd. | 34,411 | 84,559 |
| | 52,702,948 | 59,782,647 |
| **Liabilities** | | |
| Redemptions payable | 92,852 | 1,254,021 |
| Accrued liabilities (note 3) | 57,145 | 63,816 |
| | 149,997 | 1,317,837 |
| **Net assets attributable to holders of redeemable units** | $ 52,552,951 | $ 58,464,810 |
| **Redeemable units outstanding** (note 5) | 2,760,772 | 3,102,550 |
| **Net assets attributable to holders of redeemable units per unit** | $ 19.04 | $ 18.84 |

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

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

(Signed) *"David Schaffner"*

David Schaffner
President & Chief Executive Officer

(Signed) *"Carolyn J. Graham"*

Carolyn J. Graham
Executive VP & Chief Financial Officer

# CWB Core Equity Fund

Statements of Comprehensive Income

**For the six months ended June 30, 2018 and 2017** *(unaudited)*

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| **Revenue** | | |
| Dividends | $ 886,368 | $ 1,001,508 |
| Interest for distribution purposes | 20,004 | 33,983 |
| Foreign exchange gain | 971 | 1,447 |
| Net realized gain on sale of investments | 2,152,216 | 1,404,718 |
| Net change in unrealized depreciation in fair value of investments | (2,123,473) | (2,251,382) |
| **Total revenue** | 936,086 | 190,274 |
| | | |
| **Expenses** | | |
| Management fees (note 3) | 289,844 | 310,523 |
| Administration fees | 17,053 | 16,254 |
| Record keeping | 9,964 | 12,506 |
| Legal fees | 7,959 | 4,545 |
| Trustee fees | 6,563 | 10,500 |
| Custodian fees | 5,251 | 5,248 |
| Transaction fees | 4,160 | 3,014 |
| Audit fees | 3,714 | 9,595 |
| Activity fees | 1,112 | 3,824 |
| Other | 1,366 | 4,646 |
| **Total expenses before fee refund** | 346,986 | 380,655 |
| Management fees refunded (note 3) | (20,454) | (19,536) |
| **Total expenses** | 326,532 | 361,119 |
| | | |
| **Increase (decrease) in net assets attributable to holders of redeemable units before withholding taxes** | 609,554 | (170,845) |
| Withholding tax expense (note 4) | 55,187 | 59,018 |
| **Increase (decrease) in net assets attributable to holders of redeemable units** | $ 554,367 | $ (229,863) |
| | | |
| **Weighted average units outstanding during the period** | 2,969,387 | 3,197,183 |
| | | |
| **Increase (decrease) in net assets attributable to holders of redeemable units per unit** | $ 0.19 | $ (0.07) |

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

# CWB Core Equity Fund

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units

**For the six months ended June 30, 2018 and 2017** *(unaudited)*

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| **Net assets attributable to holders of redeemable units – Beginning of period** | $ 58,464,810 | $ 59,157,709 |
| Increase (decrease) in net assets attributable to holders of redeemable units | 554,367 | (229,863) |
| **Distributions to unitholders of redeemable units** | | |
| From management fees refunded (note 3) | (20,454) | (19,536) |
| **Redeemable unit transactions** (note 5) | | |
| Issuance of redeemable units | 1,098,706 | 2,554,092 |
| Reinvested distributions from holders of redeemable units | 20,454 | 19,536 |
| Redemption of redeemable units | (7,564,932) | (2,383,268) |
| | (6,445,772) | 190,360 |
| **Net decrease in net assets attributable to holders of redeemable units** | (5,911,859) | (59,039) |
| **Net assets attributable to holders of redeemable units – End of period** | $ 52,552,951 | $ 59,098,670 |

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

# CWB Core Equity Fund

Statements of Cash Flows

**For the six months ended June 30, 2018 and 2017** *(unaudited)*

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Increase (decrease) in net assets attributable to holders of redeemable units | $ 554,367 | $ (229,863) |
| Adjustments for: | | |
| Net realized gain on sale of investments | (2,152,216) | (1,404,718) |
| Foreign exchange gain | (971) | (1,447) |
| Net change in unrealized depreciation in value of investments | 2,123,473 | 2,251,382 |
| Purchase of investments | (12,432,522) | (11,702,702) |
| Proceeds from sale of investments | 18,098,036 | 10,702,971 |
| Dividends, net of withholding taxes | (831,181) | (942,490) |
| Interest for distribution purposes | (20,004) | (33,983) |
| Due from CWB Wealth Management Ltd. | 50,148 | 32,442 |
| Accrued liabilities | (6,671) | 390 |
| Dividends received, net of withholding taxes | 824,124 | 947,154 |
| Interest received | 20,004 | 33,983 |
| | 6,226,587 | (346,881) |
| **Cash flows from (used in) financing activities** | | |
| Proceeds from issuances of redeemable units | 1,134,191 | 2,724,700 |
| Amounts paid on redemption of redeemable units | (8,726,101) | (2,400,980) |
| | (7,591,910) | 323,720 |
| Effect of foreign exchange fluctuations on cash | 971 | 1,447 |
| Net decrease in cash | (1,365,323) | (23,161) |
| Cash - Beginning of period | 1,609,238 | 72,593 |
| **Cash - End of period** | $ 244,886 | $ 50,879 |

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

# CWB Core Equity Fund

Schedule of Investment Portfolio

**As at June 30, 2018** *(unaudited)*

| | Maturity Date | Par Value ($) | Average Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|---|
| **Short-term notes** | | | | | |
| Government of Canada Treasury Bill | 10/04/2018 | 80,000 | 79,712 | 79,712 | 0.2 |
| **Total short-term notes** | | | 79,712 | 79,712 | 0.2 |
| **Equities** | | | | | |
| **Domestic equities** | | **Number of Shares** | | | |
| **Energy** | | | | | |
| ARC Resources Ltd. | | 38,730 | 813,742 | 525,953 | 1.0 |
| Canadian Natural Resources Ltd. | | 17,906 | 648,281 | 849,640 | 1.6 |
| Cenovus Energy Inc. | | 31,981 | 708,900 | 436,541 | 0.9 |
| Ensign Energy Services Inc. | | 90,360 | 656,002 | 530,413 | 1.0 |
| Pembina Pipeline Corp. | | 18,220 | 801,478 | 829,557 | 1.6 |
| Suncor Energy Inc. | | 18,068 | 608,714 | 966,638 | 1.8 |
| TransCanada Corp. | | 17,054 | 709,662 | 970,031 | 1.8 |
| Vermilion Energy Inc. | | 12,460 | 511,805 | 590,729 | 1.2 |
| | | | 5,458,584 | 5,699,502 | 10.9 |
| **Industrials** | | | | | |
| Canadian National Railway Co. | | 8,735 | 380,546 | 939,275 | 1.8 |
| Maxar Technologies Ltd. | | 12,946 | 759,804 | 854,436 | 1.6 |
| Russel Metals Inc. | | 23,334 | 572,694 | 626,985 | 1.2 |
| Stantec Inc. | | 28,610 | 910,610 | 967,304 | 1.8 |
| Toromont Industries Ltd. | | 9,611 | 408,136 | 546,481 | 1.1 |
| TransContinental Inc., Class A | | 28,895 | 483,063 | 882,164 | 1.7 |
| | | | 3,514,853 | 4,816,645 | 9.2 |
| **Consumer discretionary** | | | | | |
| Canadian Tire Corp., Class A | | 4,900 | 633,757 | 840,840 | 1.6 |
| | | | 633,757 | 840,840 | 1.6 |
| **Consumer staples** | | | | | |
| Alimentation Couche-Tard Inc., Class B | | 14,000 | 312,396 | 799,540 | 1.5 |
| Loblaw Companies Ltd. | | 8,425 | 394,862 | 569,530 | 1.1 |
| | | | 707,258 | 1,369,070 | 2.6 |
| **Financials** | | | | | |
| Bank of Nova Scotia | | 18,028 | 1,129,824 | 1,342,004 | 2.6 |
| Cananadian Imperial Bank of Commerce | | 7,330 | 812,753 | 838,259 | 1.6 |
| Manulife Financial Corp. | | 27,595 | 454,242 | 651,794 | 1.2 |
| Royal Bank of Canada | | 19,488 | 1,377,426 | 1,929,117 | 3.7 |
| Sun Life Financial Inc. | | 12,685 | 489,965 | 670,149 | 1.3 |
| Toronto Dominion Bank | | 27,795 | 1,335,208 | 2,114,922 | 4.0 |
| | | | 5,599,418 | 7,546,245 | 14.4 |

# CWB Core Equity Fund

Schedule of Investment Portfolio *...continued*

**As at June 30, 2018** *(unaudited)*

| | Number of Shares | Average Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|
| **Information technology** | | | | |
| CGI Group Inc., Class A | 9,610 | 557,883 | 800,609 | 1.5 |
| | | 557,883 | 800,609 | 1.5 |
| **Materials** | | | | |
| First Quantum Minerals Ltd. | 17,732 | 265,759 | 343,469 | 0.6 |
| | | 265,759 | 343,469 | 0.6 |
| **Telecommunication services** | | | | |
| BCE Inc. | 19,710 | 843,654 | 1,049,360 | 2.0 |
| Telus Corp. | 23,287 | 594,008 | 1,087,503 | 2.1 |
| | | 1,437,662 | 2,136,863 | 4.1 |
| **Utilities** | | | | |
| Emera Inc. | 22,670 | 979,775 | 970,276 | 1.8 |
| Fortis Inc. | 22,277 | 873,678 | 936,079 | 1.8 |
| | | 1,853,453 | 1,906,355 | 3.6 |
| **Real estate** | | | | |
| Crombie Real Estate Investment Trust | 63,693 | 790,197 | 810,175 | 1.5 |
| | | 790,197 | 810,175 | 1.5 |
| **Total domestic equities** | | 20,818,824 | 26,269,773 | 50.0 |
| **Foreign equities** | | | | |
| **Energy** | | | | |
| Exxon Mobil Corp. | 7,665 | 838,086 | 834,156 | 1.6 |
| Helmerich & Payne | 8,270 | 679,677 | 693,627 | 1.3 |
| Phillips 66 | 3,335 | 283,482 | 492,704 | 0.9 |
| | | 1,801,245 | 2,020,487 | 3.8 |
| **Consumer staples** | | | | |
| Archer Daniels Midland Co. | 11,660 | 545,921 | 702,944 | 1.4 |
| Walgreens Boots Alliance Inc. | 6,375 | 591,979 | 503,283 | 0.9 |
| Wal-Mart Stores Inc. | 6,100 | 557,586 | 687,273 | 1.3 |
| | | 1,695,486 | 1,893,500 | 3.6 |
| **Industrials** | | | | |
| Cummins Inc. | 3,085 | 676,771 | 539,733 | 1.0 |
| Fedex Corp. | 2,085 | 648,366 | 622,757 | 1.2 |
| Fluor Corp. | 8,790 | 622,078 | 564,031 | 1.1 |
| General Electric Co. | 30,100 | 789,785 | 538,886 | 1.0 |
| Harris Corp. | 3,900 | 245,135 | 741,523 | 1.4 |
| Snap-On Inc. | 3,360 | 656,113 | 710,365 | 1.4 |
| | | 3,638,248 | 3,717,295 | 7.1 |
| **Telecommunications services** | | | | |
| AT&T Inc. | 18,935 | 735,245 | 799,793 | 1.5 |
| | | 735,245 | 799,793 | 1.5 |
| **Consumer discretionary** | | | | |
| Best Buy Inc. | 6,370 | 258,193 | 624,934 | 1.2 |
| Carnival Corp. | 8,355 | 333,149 | 629,867 | 1.2 |
| Target Corp. | 6,365 | 411,095 | 637,337 | 1.2 |
| Whirlpool Corp. | 3,395 | 465,226 | 653,053 | 1.2 |
| | | 1,467,663 | 2,545,191 | 4.8 |

# CWB Core Equity Fund

Schedule of Investment Portfolio *...continued*

**As at June 30, 2018** *(unaudited)*

| | Number of Shares | Average Cost ($) | Fair Value ($) | % of Net Assets |
|---|---|---|---|---|
| **Financials** | | | | |
| Aflac Corp. | 11,740 | 315,747 | 664,371 | 1.3 |
| Annaly Capital Management Inc. | 50,310 | 648,142 | 680,992 | 1.3 |
| Discover Financial Services | 7,730 | 543,051 | 715,955 | 1.4 |
| M & T Bank Corp. | 3,390 | 399,030 | 758,759 | 1.4 |
| Metlife Inc. | 11,345 | 563,811 | 650,674 | 1.2 |
| State Street Corp. | 3,025 | 405,994 | 370,425 | 0.7 |
| | | 2,875,775 | 3,841,176 | 7.3 |
| **Information technology** | | | | |
| CA Inc. | 15,540 | 468,551 | 728,757 | 1.4 |
| Cisco Systems Inc. | 13,195 | 303,996 | 746,884 | 1.4 |
| Corning Inc. | 15,360 | 258,889 | 555,845 | 1.1 |
| Intel Corp. | 11,100 | 346,728 | 725,837 | 1.4 |
| Microsoft Corp. | 6,175 | 201,618 | 800,995 | 1.5 |
| Western Digital Corp. | 7,960 | 842,310 | 810,555 | 1.6 |
| | | 2,422,092 | 4,368,873 | 8.4 |
| **Materials** | | | | |
| DowDuPont Inc. | 7,763 | 335,534 | 673,161 | 1.3 |
| Greif Inc., Class A | 7,075 | 382,442 | 492,235 | 0.9 |
| Newmont Mining Corp. | 11,315 | 523,515 | 561,285 | 1.1 |
| | | 1,241,491 | 1,726,681 | 3.3 |
| **Health care** | | | | |
| Anthem Inc. | 2,395 | 287,466 | 749,910 | 1.4 |
| Becton Dickinson & Co. | 2,040 | 187,634 | 642,860 | 1.2 |
| Gilead Sciences Inc. | 6,010 | 659,249 | 560,048 | 1.1 |
| Johnson & Johnson | 4,735 | 433,942 | 755,781 | 1.4 |
| Pfizer Inc. | 14,630 | 445,422 | 698,206 | 1.4 |
| Quest Diagnostics Inc. | 4,505 | 442,258 | 651,512 | 1.2 |
| | | 2,455,971 | 4,058,317 | 7.7 |
| **Utilities** | | | | |
| Entergy Corp. | 8,460 | 748,752 | 899,084 | 1.7 |
| | | 748,752 | 899,084 | 1.7 |
| **Total foreign equities** | | 19,081,968 | 25,870,397 | 49.2 |
| **Total equities** | | 39,900,792 | 52,140,170 | 99.2 |
| **Total investments at fair value through profit or loss** | | 39,980,504 | 52,219,882 | 99.4 |
| **Other assets less liabilities** | | | 333,069 | 0.6 |
| **Total net assets** | | | 52,552,951 | 100.0 |

The Fund Specific Information related to the CWB Core Equity Fund (the Fund) contained herein should be read in conjunction with the "Notes to the Financial Statements – General Information" related to all CWB Core Funds beginning on page 15.

## 1 Investment objective

The Fund's investment objective is to achieve long-term capital appreciation by employing a "growth at a reasonable price" investment approach through investments in Canadian equities and investments in United States and foreign equities. The Fund strives to maintain investments in United States and other foreign equities at no more than 50% of the value of the portfolio. Market fluctuations may cause this figure to be exceeded on occasion, however, foreign equities will never exceed 60% of portfolio value.

## 2 Financial risk management

Specific risks applicable to the Fund are discussed in detail below. For a comprehensive discussion of the risks applicable to the Fund, refer to note C under the "Notes to the Financial Statements – General Information" related to all CWB Core Funds.

a) Currency risk

As at June 30, 2018, the Fund's exposure to currency risk was primarily related to its holdings in U.S. denominated foreign equities. The Canadian equivalent of the foreign equities as at June 30, 2018 was $25,870,397 (December 31, 2017 – $28,620,670), or 49.2% (December 31, 2017 – 49.0%) of net assets, of which 49.2% (December 31, 2017 – 46.2%) were investments in the United States.

As at June 30, 2018, if the Canadian dollar had strengthened or weakened by 5% in relation to the U.S. dollar, with all other factors remaining constant, net assets could possibly have decreased or increased, respectively, by approximately $1,294,000 (December 31, 2017 – $1,431,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

The Fund did not enter into forward currency contracts during the six months ended June 30, 2018 and 2017.

b) Interest rate risk

The Fund's exposure to interest rate risk is concentrated in its short-term notes. Other assets and liabilities are short-term in nature and non-interest bearing.

As at June 30, 2018, 0.2% (December 31, 2017 – 0.1%) of the Fund's net assets were invested in short-term notes with a term to maturity of less than three months. The Fund's sensitivity to interest rate risk as determined based on portfolio weighted duration was not significant.

c) Price risk

The Fund invests in a portfolio of Canadian equities, but maintains investments in the United States and foreign equities less than 60% of the total value of the portfolio. The Fund's maximum initial investment in any one security is limited to 10% of the value of the Fund's portfolio at the time of investment.

The Fund's policy is to manage price risk, where applicable, 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.

As at June 30, 2018, 99.2% (December 31, 2017 – 98.9%) 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 $5,214,000 (December 31, 2017– $5,781,000). In practice, actual results may differ from this sensitivity analysis and the difference could be material.

d) Credit risk

Credit risk to which the Fund is exposed arises from its investments in short-term notes. The Fund's exposure to counterparty credit risk on cash and other receivables is not significant.

As at June 30, 2018, the Fund had 0.2% (December 31, 2017 – 0.1%) of net assets invested in short-term notes, with 0.2% (December 31, 2017 – 0.1%) of net assets guaranteed by the federal government of Canada.

e) Liquidity risk

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

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

| | June 30, 2018 as a % of total equities | December 31, 2017 as a % of total equities |
|---|---|---|
| Financials | 21.8 | 22.5 |
| Industrials | 16.4 | 14.9 |
| Energy | 14.8 | 14.8 |
| Information technology | 9.9 | 9.9 |
| Health | 7.8 | 8.1 |
| Consumer discretionary | 6.5 | 7.6 |
| Consumer staples | 6.2 | 6.0 |
| Telecom services | 5.6 | 5.3 |
| Utilities | 5.4 | 6.1 |
| Materials | 4.0 | 3.2 |
| Real estate | 1.6 | 1.6 |
| | 100.0 | 100.0 |

## 3 Related party transactions

For the six months ended June 30, 2018, management fees incurred by the Fund totaled $289,844 (2017 – $310,523) and accrued liabilities included $39,378 (December 31, 2017 – $44,266) related to management fees payable. Actual operating and administrative expenses, excluding management fees, charged to the Fund totaled $57,142 (2017 – $70,132) during the six months ended June 30, 2018. CWBWM did not waive any management fees during the periods ended June 30, 2018 or 2017. During the six months ended June 30, 2018, CWBWM refunded $20,454 (2017 – $19,536) in management fees, which are reinvested back into the Fund, related to units held by employees of CWBWM and Canadian Western Bank, the Manager's parent company.

As at June 30, 2018, 136,025 units of the Fund (December 31, 2017 – 155,588) were held by employees of CWBWM and their immediate family members.

## 4 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 the tax year ended December 31, 2017, the Fund had no allowable capital or non-capital losses available for carryforward in future years.

Certain investment income and capital gains received by the Fund are subject to withholding tax imposed in the country of origin. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income. During the period ended June 30, 2018, the average withholding tax rate was 15% (2017 – 12%).

## 5 Redeemable units

The following table summarizes unit transactions during the periods ended June 30, 2018 and 2017:

| | June 30, 2018 | June 30, 2017 |
|---|---|---|
| Redeemable units outstanding – Beginning of period | 3,102,550 | 3,195,606 |
| Redeemable units issued for cash | 57,981 | 137,046 |
| Redeemable units redeemed | (400,846) | (127,578) |
| Redeemable units issued on reinvestment of distributions and management fees refunded | 1,087 | 1,044 |
| Redeemable units outstanding – End of period | 2,760,772 | 3,206,118 |

## 6 Fair value of financial instruments

For a general discussion of the Fund's fair value measurements, refer to note B(d) in the "Notes to the Financial Statements - General Information" related to all CWB Core Funds. The following tables illustrate the classification of the Funds' financial instruments within the fair value hierarchy:

| Investments at fair value through profit or loss as at June 30, 2018 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| Short-term notes | - | 79,712 | - | 79,712 |
| Domestic equities | 26,269,773 | - | - | 26,269,773 |
| Foreign equities | 25,870,397 | - | - | 25,870,397 |
| | 52,140,170 | 79,712 | - | 52,219,882 |

| Investments at fair value through profit or loss as at December 31, 2017 | Level 1 $ | Level 2 $ | Level 3 $ | Total $ |
|---|---|---|---|---|
| Short-term notes | - | 49,790 | - | 49,790 |
| Domestic equities | 29,186,193 | - | - | 29,186,193 |
| Foreign equities | 28,620,670 | - | - | 28,620,670 |
| | 57,806,863 | 49,790 | - | 57,856,653 |

The carrying values of cash, subscriptions receivable, dividends receivable, amounts owing from CWBWM, 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 periods ended June 30, 2018 and June 30, 2017.

## 7 Brokerage commissions and soft dollars

The Fund may transact with brokers who charge a commission in "soft dollars" if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received by the Fund during the period ended June 30, 2018 was $8,573 (2017 – $8,592).

## 8 Comparative figures

Certain comparative figures have been reclassified to conform with the current period's presentation.

General information related to the CWB Core Funds contained herein should be read in conjunction with the "Notes to the Financial Statements – Fund Specific Information" beginning on page 10.

## A General

The CWB Core Funds consist of the CWB Core Fixed Income Fund and the CWB Core Equity Fund (collectively, the Funds). The Funds are headquartered at Suite 3000, 10303 Jasper Avenue in Edmonton, Alberta. The Funds are open-ended mutual fund trusts and were 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 Funds' 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 Funds.

The initial Fund units were issued to the public on August 10, 2001. Each of the Funds is authorized to issue an unlimited number of units of a single series. All units of the Funds 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 Funds. On or about September 10, 2018, the CWB Core Fixed Income Fund will merge into the CWB Onyx Diversified Fund. The CWB Core Fixed Income Fund will be wound up following the merger.

The financial statements were authorized for issue by the Manager on August 24, 2018.

## B Significant accounting policies

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

a) Basis of preparation

These unaudited interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34 – *Interim Financial Reporting* as issued by the International Accounting Standards Board ("IASB") using the same accounting policies as the audited financial statements for the year ended December 31, 2017, with the exception of the adoption of International Financial Reporting Standards ("IFRS") 9 - *Financial Instruments* as discussed below.

b) New accounting standards

The Funds adopted IFRS 9 effective January 1, 2018, which replaces IAS 39 – *Financial Instruments: Recognition and Measurement* (IAS 39), and has been applied retrospectively to January 1, 2017. The adoption of this standard did not result in any changes to the balances reported on December 31, 2017. The changes in accounting policies resulting from the adoption of IFRS 9 are described below.

Upon transition to IFRS 9, the Funds' financial instruments that were measured at fair value through profit or loss under IAS 39 continue to be measured at fair value through profit or loss. Financial instruments that were measured at amortized cost under IAS 39 continue to be measured at amortized cost.

b) New accounting standards….*continued*

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model. As the Funds measure a majority of its financial assets at fair value through profit or loss and hold only short-term financial assets at amortised cost, the impairment requirements under the new standard do not impact these financial statements.

c) Use of estimates and significant judgments

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.

d) Financial instruments

i) Classification and measurement

All financial instruments are measured at fair value on initial recognition. Subsequently, IFRS 9 requires financial assets to be classified into one of three categories: amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on the cash flow characteristics and the business model under which the assets are held.

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

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

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

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

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

ii) Recognition

Financial assets at fair value through profit or loss are recognized initially on the trade date, which is the date on which the Funds become 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 Funds derecognize a financial asset or liability when their contractual obligations are discharged, cancelled or expire, the Funds' 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 Funds have not offset any financial instruments as at June 30, 2018 or December 31, 2017.

iii) Financial assets at fair value through profit or loss

Significant judgement is applied to determine the classification of the Funds' investments. Based on each 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 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 Funds' Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. Investments for which reliable quotations are not readily available are valued at their fair value as determined by the custodian, independent of the Funds' 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 Funds are recognized in the Statements of Comprehensive Income.

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

iv) Financial assets at amortized cost

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

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

v) Financial liabilities

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

vi) Valuation models

The Funds are 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 Funds' determination of assumptions that market participants might reasonably use in valuing the securities. Refer to note 6 in the "Notes to the Financial Statements - Fund Specific Information" for further information about the Fund's fair value measurements.

vii) Cash and bank overdrafts

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 Funds effect an orderly liquidation of portfolio assets. Cash and bank overdrafts are carried at cost which approximates fair value.

e) Redeemable units

IAS 32 - *Financial Instruments: Presentation* requires that units or shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset be classified as a financial liability. As the Declaration of Trust establishes the termination date of the Funds on the 99th anniversary of the date of the Declaration of Trust, the Funds' units do not meet the criteria of IAS 32 for classification as equity and, therefore, have been classified as financial liabilities at fair value through profit or loss.

e) Redeemable units…*continued*

The Funds' redeemable units 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') on a weekly basis at the then current net asset value per unit, upon the delivery of a redemption request to the Funds' Manager, together with any other documents the Funds' Manager may reasonably require. The Net Asset Value per Unit ("NAVPU") for the purposes of subscriptions or redemptions is computed by dividing the net asset value for the series by the total number of units of the series outstanding at such time. Net asset value utilizes closing price to determine fair value, except where the last traded price for financial assets is not within the bid-ask spread, which is consistent with the presentation of net assets in the financial statements. As at June 30, 2018 and December 31, 2017, 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 Statements of Changes in Net Assets Attributable to Holders of Redeemable Units when they are authorized and no longer at the discretion of the Manager.

f) Income and expense recognition

Dividend income is recognized on the ex-dividend date. Interest income for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Funds accounted for on an accrual basis. Interest receivable is shown separately on the Statements of Financial Position based on the fixed income securities' stated rates of interest. The Funds amortize 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.

The expenses of each Fund are allocated amongst the series of units on a series-by-series basis. Each series bears any expense that can be specifically attributed to that series. Common expenses, such as audit and custody fees, are allocated amongst the series on a pro rata basis relative to the net asset value of each series.

g) Functional and foreign currencies

The financial statements are presented in Canadian dollars, which is the Funds' 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 Funds do not isolate the foreign exchange component from the total realized and unrealized gains and losses on investments. Foreign exchange gains and losses arising on the translation of foreign cash balances or on the settlement of foreign denominated receivables and amounts payable are recognized in the Statements of Comprehensive Income.

h) Increase (decrease) in net assets attributable to holders of redeemable units per unit

Increase (decrease) in net assets attributable to holders of redeemable units per unit in the Statements of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the period, divided by the weighted average number of units outstanding during the period.

i) Income and withholding taxes

The Funds qualify as mutual fund trusts, are subject to tax under the Income Tax Act (the Act) on all of their taxable income (including net taxable capital gains) and are 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 each Fund to allocate to the unitholders all income of the Fund 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 Funds may incur withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income, where applicable.

**C Financial risk management**

The following is a general discussion of the financial risks to which the Funds are exposed. Detailed financial risk information applicable to the Fund is included in note 2 of the "Notes to the Financial Statements – Fund Specific Information".

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

The Funds' risk management practice includes the monitoring of compliance with the investment guidelines contained in the Funds' constating documents. The Manager manages the potential effects of financial risks on the Funds' performance by employing and overseeing professional and experienced portfolio advisors that regularly monitor the Funds' positions and market events as well as diversifying investment portfolios within the constraints of the Funds' 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 Funds' functional currency in determining fair value.

The Funds may enter into forward currency contracts for economic hedging purposes to reduce foreign currency exposure or to establish exposure to foreign currencies.

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 Funds' exposure to interest rate risk is concentrated in their investment in fixed income securities (bonds, debentures and short-term notes) and preferred shares. Other assets and liabilities are short-term in nature and/or non-interest bearing.

The Funds' policies require the Manager to manage risk by positioning the portfolios to take advantage of shifts in yield curve by emphasizing the segments fixed income securities within the term maturity that offer the best value, and calculating the average duration of the portfolios of fixed income securities. The average effective duration of the Funds' portfolios is a measure of the sensitivity of the fair value of the Funds' fixed income securities to changes in market interest rates.

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.

The Funds' policy is to manage price risk through diversification and selection of securities and other financial instruments within the limits specified in the Funds' 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.

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 fair value of fixed income securities and preferred shares includes consideration of the credit worthiness of the issuer. The main concentration to which a Fund is exposed arises from the Funds' investments in fixed income securities and preferred shares. The Funds' exposure to counterparty credit risk on cash and other receivables is not significant. The carrying value of these financial instruments as recorded in the Statements of Financial Position reflects the Funds' maximum exposure to credit risk.

The risk management strategy for the Funds is to invest primarily in fixed income securities and preferred shares of higher credit quality issuers and to limit the amount of credit exposure with respect to any one corporate issuer. Credit risk is monitored by the Manager in accordance with the Funds' investment policies. The Funds have 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.

Transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered minimal, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation.

e) Liquidity risk

Liquidity risk is the risk that the Funds will encounter difficulty in meeting the obligations associated with their financial liabilities that are settled by delivering cash or another financial asset. The Funds' exposure to liquidity risk is concentrated in the daily cash redemptions of units. The Funds primarily invest in securities that are traded in active markets and can be readily disposed. In addition, the Funds retain sufficient cash and short-term investment holdings to maintain liquidity. The Funds 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.

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 Funds' policy is to manage concentration risk through appropriate diversification within the limits specified in the Funds' constating documents.

**D Related party transactions**

g) Management fees

Management fees are 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 Funds by investors and ensuring compliance with the Funds' constating documents. For Series A units, the management fee paid by each Fund is calculated daily as a percentage of the net asset value of Series A units of the Fund and paid monthly. No management fees are charged to the Funds with respect to Series O units. Instead, each Series O investor negotiates a separate fee that is paid directly to the Manager. The annual management fee paid by Series O unitholders will not exceed the annual management fee paid by Series A unitholders.

The Manager may also hire sub-advisors, including those that are related to the Manager, to manage the investment portfolios of the Funds. Any fees paid to sub-advisors are paid directly by the Manager, not the Funds. Currently, sub-advisory services are provided by McLean & Partners Wealth Management Ltd., a subsidiary of CWB Wealth Management Ltd.

At the Manager's discretion, management fees related to individual unitholders may be reduced depending on factors such as investment size or relationship with the unitholder. Refunded amounts are automatically reinvested in additional units of the relevant Fund. The refunded amounts are shown as management fees refunded on the Statements of Comprehensive Income.

h) Operating expenses

In addition to management fees, Series A units pay their 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. For fiscal 2017 and 2016, the Manager has agreed to waive fees and expenses charged to Series A units in excess of a specified annual percentage of the net asset value of the series. If within the period between January 1, 2018 and December 31, 2020, Series A fees and expenses are less than the specified percentage, the Manager has the right to seek reimbursement for previously waived costs. After December 31, 2017, the Manager may, but is not obligated to, reduce or waive fees or operating expenses in respect of Series A units.

No operating expenses (other than certain litigation related expenses, if any) are charged to Series O.

## E Capital risk management

The capital of the Funds is represented by the net assets attributable to holders of redeemable units with no par value. The amount of net assets attributable to holders of redeemable units can change significantly on a daily basis as the Funds are subject to daily subscriptions and redemptions at the discretion of unitholders. The Funds have no restrictions or specific capital requirements on the subscriptions and redemptions of units. The Funds' objective in managing the assets of the funds is to ensure a stable base to maximize returns to all investors, and to manage liquidity risk arising from redemptions.

In order to maintain or adjust the capital structure, the Funds' 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 Funds pay to redeemable unitholders; and

- redeem and issue new units in accordance with the constitutional documents of the Funds, which include the ability to restrict redemptions and require certain minimum holdings and subscriptions.

The Manager monitors capital on the basis of the value of net assets attributable to redeemable unitholders.