
World Financial Split Corp.

Semi-Annual Report 2022



MULVIHILL

World Financial Split Corp. [WFS.PR.A/WFS]

Management Report of Fund Performance

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2022 of World Financial Split Corp. (the “Fund”). The unaudited semi-annual condensed financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at info@mulvihill.com or by visiting our website at www.mulvihill.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2022, cash distributions paid to Preferred shareholders were \$0.26 per share, unchanged from the prior year. Distributions to Class A shareholders remained suspended in accordance with the terms of the prospectus which states: “No distribution will be paid to the Class A shares if: (i) the distributions payable on the Preferred shares are in arrears, or (ii) after the payment of the distribution by the Fund, the net asset value per Unit would be less than \$15.00”.

Since the inception of the Fund in February 2004, the Fund has paid total cash distributions of \$9.64 per Preferred share and \$5.54 per Class A share.

Revenue and Expenses

The Fund’s total revenue was \$0.18 per Unit for the six months ended June 30, 2022, unchanged from the same period in the prior year. Total expenses were \$0.23 per Unit, down from \$0.25 per Unit during the same period in the prior year. The Fund had a net realized and unrealized loss of \$1.94 per Unit in the first half of 2022 as compared to a net realized and unrealized gain of \$1.67 per Unit for the same period in the prior year.

Net Asset Value

The net asset value decreased 16.8 percent from \$13.43 per Unit at December 31, 2021 to \$11.18 per Unit at June 30, 2022. The net asset value of the Fund, excluding the Redeemable Preferred Share liability, decreased \$2.3 million, from \$12.5 million at December 31, 2021 to \$10.2 million at June 30, 2022, reflecting a decrease in net assets attributable to holders of Class A shares of \$2.1 million and redemptions of both Class A and Preferred shares of \$0.2 million.

Recent Developments

Mulvihill Capital Management Inc., the manager of World Financial Split Share Corp., announced on May 31, 2022 that the Fund would discontinue paying service fees, which were paid to dealers whose beneficial owners hold Class A shares of the Fund. An increasing number of TSX traded funds have discontinued or did not offer service fees. Discontinuing service fees will lower the management expense ratios of the Fund and will also enhance the ability for fee-based accounts to hold Class A shares of the Fund.

Related Party Transactions

Mulvihill Capital Management Inc. (“Mulvihill”), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Mulvihill dated January 27, 2004 and amended as of November 6, 2009.

Management Report of Fund Performance

Mulvihill is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Mulvihill dated January 27, 2004. As such, Mulvihill is responsible for providing or arranging for required administrative services to the Fund.

Mulvihill is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

Independent Review Committee

National Instrument 81-107 – Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert G. Bertram and R. Peter Gillin.

Management Report of Fund Performance

Financial Highlights

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

Information for the period ended June 30, 2022 is derived from the Fund's unaudited semi-annual condensed financial statements.

	Six months ended June 30, 2022
NET ASSETS PER UNIT	
Net Assets, beginning of period ⁽¹⁾	\$ 13.43
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.18
Total expenses	(0.23)
Realized gain (loss) for the period	0.05
Unrealized gain (loss) for the period	(1.99)
Total Increase (Decrease) from Operations ⁽²⁾	(1.99)
DISTRIBUTIONS	
Preferred Share	
Non-taxable distributions	(0.26)
Total Distributions ⁽³⁾	(0.26)
Net Assets, end of period ⁽¹⁾	\$ 11.18

(1) All per Unit figures are derived from the Fund's unaudited condensed financial statements for the six months ended June 30, 2022 and audited financial statements for the years ended December 31. Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

	Six months ended June 30, 2022
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 10.20
Net Asset Value (\$millions)	\$ 1.08
Number of Units outstanding	912,102
Management expense ratio ⁽¹⁾	3.40% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	79.23%
Trading expense ratio ⁽³⁾	0.12% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 11.18
Closing market price – Preferred	\$ 9.21 ⁽⁶⁾
Closing market price – Class A	\$ 1.80 ⁽⁷⁾

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, excluding Preferred share distributions, is 7.50% for the six months ended June 30, 2022 and 7.64%, 7.66%, 6.79%, 5.98% and 6.00% for the years ended December 31, 2021, 2020, 2019, 2018 and 2017, respectively. The MER, excluding withholding taxes, is 3.29% for the six months ended June 30, 2022 and 3.32%, 2.87%, 2.65%, 2.21% and 2.07% for the years ended December 31, 2021, 2020, 2019, 2018 and 2017, respectively.

Management Report of Fund Performance

The information for the years ended December 31 is derived from the Fund's audited annual financial statements.

		Years ended December 31				
		2021	2020	2019	2018	2017
	\$	11.55	\$ 13.50	\$ 12.72	\$ 14.85	\$ 13.74
		0.37	0.36	0.37	0.37	0.49
		(0.50)	(0.39)	(0.42)	(0.41)	(0.38)
		1.98	(1.36)	0.22	0.20	2.20
		0.58	(0.24)	1.14	(1.75)	(0.69)
		2.43	(1.63)	1.31	(1.59)	1.62
		(0.53)	(0.53)	(0.53)	(0.53)	(0.53)
		(0.53)	(0.53)	(0.53)	(0.53)	(0.53)
	\$	13.43	\$ 11.55	\$ 13.50	\$ 12.72	\$ 14.85

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses, excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of Units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution.

		Years ended December 31				
		2021	2020	2019	2018	2017
	\$	12.46	\$ 11.69	\$ 15.08	\$ 15.10	\$ 30.60
	\$	3.19	\$ 1.57	\$ 3.91	\$ 3.23	\$ 9.99
		927,634	1,011,787	1,117,014	1,187,743	2,060,607
		3.56%	3.06%	2.81%	2.38%	2.29%
		229.85%	192.10%	201.05%	213.51%	259.88%
		0.30%	0.37%	0.41%	0.44%	0.39%
	\$	13.43	\$ 11.55	\$ 13.50	\$ 12.72	\$ 14.85
	\$	9.75	\$ 9.50	\$ 10.05	\$ 9.58	\$ 10.23
	\$	2.90	\$ 1.75	\$ 3.08	\$ 2.07	\$ 4.30

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

(6) The last date with an executed trade was June 21, 2022.

(7) The last date with an executed trade was June 23, 2022.

Management Report of Fund Performance

Management Fees

Mulvihill, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Mulvihill also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and as to the execution of all portfolio and other transactions.

Mulvihill, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Past Performance

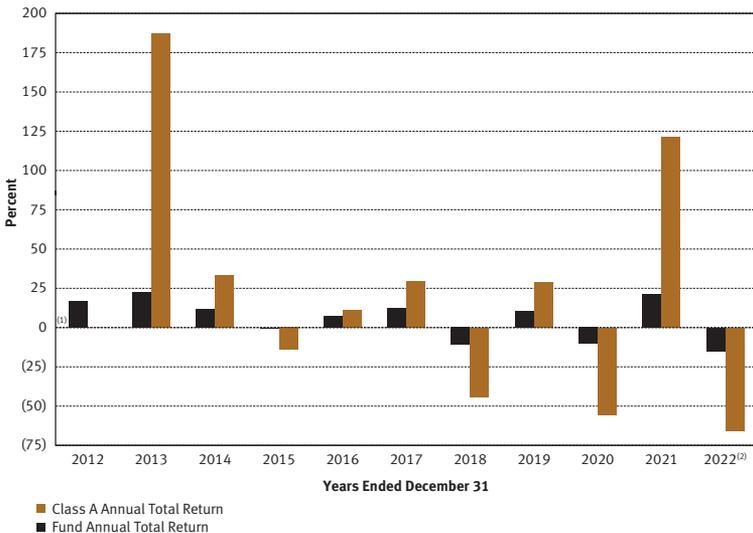
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in Units of the Fund;
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns; and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund’s total return varied from year to year for each of the past ten years and for the six months ended June 30, 2022. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of the fiscal year or June 30, 2022 for the six months ended.

Total Return



⁽¹⁾ The Class A annual total return was infinite as the net asset value per Class A share increased from nil at December 31, 2011 to \$1.02 at December 31, 2012.
⁽²⁾ For the six months ended June 30, 2022.

Portfolio Manager Report

The first half of 2022 was by most measures a historic six months for financial markets. Few asset classes or strategies provided shelter from the dangerous 2022 cocktail that is tighter monetary policy, run-away inflation and slower economic growth. Equities cratered around the globe, with the S&P 500 Index entering bear market territory, down 20 percent. The S&P/TSX Composite Index fared slightly better, declining 9.8 percent, aided by energy and commodity-based sectors. While bear markets are a normal occurrence over the course of an investment cycle, this one has had a different feel for many investors given the corresponding decline in fixed income markets. Viewed historically as a tool to lower volatility and preserve capital in a well-diversified portfolio, fixed income has accomplished neither of these in 2022 as interest rates moved rapidly higher.

For the six months ended June 30, 2022, the net asset value (“NAV”) of the Fund was \$11.18 per Unit compared to \$13.43 per Unit at December 31, 2021. Preferred shareholders received cash distributions of \$0.26 per share during the period, while the distribution for the Class A share remains suspended in accordance with the terms of the prospectus as the net asset value per Unit was less than \$15.00. The Fund’s Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on June 30, 2022 with a mid-price of \$9.32 per share, while the Class A shares, listed as WFS, closed at a mid-price of \$1.97 per share. When combined, the mid-prices represent a 1.0 percent premium to the NAV per Unit.

The Global Financials equities performance was dire during the period, with a total return of negative 15.8 percent, but still slightly outperformed the broader market that posted a negative total return of 16.6 percent. The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2022 was negative 15.0 percent per Unit. The best performing stock within the portfolio was Fairfax Financial Holdings Limited, up 15.8 percent during the period. At the other end of the spectrum, The ING Groep N.V., was the worst performing stock in the portfolio, down 32.5 percent while held in the Fund.

Volatility levels for Global Financial Services companies rose during the first half of the year as the stock prices moved lower. The CBOE Volatility Index (“VIX”) started the year at 17.2 and closed at 28.7 on June 30, 2022. The VIX did spike on several occasions, reaching a high of 36.5 on March 7, 2022, and averaged 26.3 in the first half of 2022. For the six-month period ended June 30, 2022, the Fund has on average 4.2 percent of the portfolio subject to covered calls compared to 11.6 percent for the same period last year. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 50 percent of the U.S. dollar exposure hedged.

World Financial Split Corp. [WFS.PR.A/WFS]

Management Report of Fund Performance

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.mulvihill.com.

Asset Mix

June 30, 2022

	% OF NET ASSET VALUE*
Canada	42.6%
United States	35.9%
International	20.1%
Cash	2.2%
Other Assets (Liabilities)	(0.8)%
	100.0%

* The Net Asset Value excludes the Redeemable Preferred Share liability.

Portfolio Holdings

June 30, 2022

	% OF NET ASSET VALUE*
Marsh & McLennan Cos Inc.	7.4%
Berkshire Hathaway Inc.	6.1%
Prologis, Inc.	6.1%
Chubb Limited	5.9%
Premium Income Corporation – Class A	5.8%
HSBC Holdings PLC	5.5%
National Bank of Canada	5.3%
Royal Bank of Canada	5.3%
UBS Group AG	5.3%
The Toronto-Dominion Bank	5.2%
The Bank of Nova Scotia	4.7%
MetLife Inc.	4.5%
Brookfield Asset Management Inc.	4.4%
Loews Corp.	4.1%
Canadian Imperial Bank of Commerce	4.0%
Bank of Montreal	3.9%
Fairfax Financial Holdings Limited	3.9%
The Progressive Corporation	3.9%
CME Group Inc.	3.8%
Mitsubishi UFJ Financial Group Inc.	3.5%
Cash	2.2%

* The Net Asset Value excludes the Redeemable Preferred share liability

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. 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 “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund’s views to change, the Fund does not undertake to update any forward-looking statements.