
NEW COMMERCE SPLIT FUND
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
MAY 31, 2019

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2019. This MRFP contains financial highlights but does not contain the complete financial statements of the Fund. The semi-annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.commercesplit.com or by writing to the Fund at Investor Relations, 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

These reports are available to view and download at www.commercesplit.com or www.sedar.com.

INVESTMENT OBJECTIVES AND STRATEGIES

New Commerce Split Fund was formed as a result of a corporate reorganization that was approved at the special meeting of shareholders of Commerce Split Corp. on February 3, 2010 and subsequently implemented on March 26, 2010 (the reorganization date). This reorganization allowed for the creation of two distinct investment funds within Commerce Split Corp. and allowed all Priority Equity shareholders and Class A shareholders of Commerce Split Corp. to elect their choice of Fund effective March 26, 2010. Shareholders were given the option to 1) maintain the original investment characteristics in the Original Commerce Split Fund or 2) choose to have their Priority Equity and/or Class A shares reorganized into a new series of shares (the New Commerce Split Fund) that would potentially provide greater distribution and capital growth potential in the event that common shares of Canadian Imperial Bank of Commerce ("CIBC") increase over the remaining term of the Fund. The New Commerce Split Fund (the "Fund") invests primarily in common shares of CIBC and also implemented covered call writing strategy to supplement the dividend income earned from CIBC common shares. The Fund does not have the requirements of a Priority Equity share portfolio protection plan.

NEW COMMERCE SPLIT FUND

The following is a summary of some of the principal provisions of the Class I Preferred shares, Class II Preferred shares, and Capital shares of the Fund.

Class I Preferred shares

Each Class I Preferred share (Symbol: YCM.PR.A) pays fixed cumulative preferential monthly cash dividends in the amount of \$0.025 per Class I Preferred share to yield 6.00% per annum on the Class I Preferred share repayment amount of \$5.00; and has a repayment objective on or about the termination date on December 1, 2024 (subject to further 5 year extensions thereafter), to pay the holders of the Class I Preferred shares \$5.00 per Class I Preferred share.

Class II Preferred shares

Each Class II Preferred share (Symbol: YCM.PR.B) pays fixed cumulative preferential monthly cash dividends in the amount of \$0.03125 per Class II Preferred share to yield 7.50% per annum on the Class II Preferred share repayment amount of \$5.00, if and when the net asset value per unit exceeds \$10.00; and has a repayment objective on or about December 1, 2024 (subject to further 5 year extensions thereafter), to pay the holders of the Class II Preferred shares \$5.00 per Class II Preferred share.

Capital shares

Capital shares (Symbol: YCM) will participate in any net asset value growth over \$10.00 per unit and dividends would be reinstated only if and when the net asset value per unit exceeds \$15.00. The dividend rate on the Capital shares will be set by the Board of Directors of the Fund at its discretion, based on market conditions. No dividend payments will be made on the Capital shares unless all dividends on the Class I Preferred shares and, if applicable, Class II Preferred shares have been declared and paid.

RISK

The risks of investing in the Fund remain as discussed in the Annual Information Form dated February 25, 2019. In addition, note 5 of the semi-annual financial statements ("Management of Risk of Financial Instruments") contains disclosure on specific types of risks related to the financial investments held by the Fund.

RESULTS OF OPERATIONS

As at May 31, 2019, the New Commerce Split Fund had 99.6% of its net assets invested in CIBC common shares. The market price of CIBC decreased by 8% during the period. CIBC continues to remain profitable with strong earnings power and has continued to raise its dividend, which in the current low interest rate environment makes its dividend yield relatively attractive.

The net assets per unit (consisting of one Class I Preferred share, one Class II Preferred share and one Capital share) finished at \$10.36 per unit as at May 31, 2019, after the payment of \$0.34 in combined distributions to both classes of Preferred shares at the targeted rates.

On February 21, 2019, the Fund announced the extension of its termination date for a further five year period from December 1, 2019 to December 1, 2024. In connection with the extension of its term, the Fund will offer a special retraction right which will allow shareholders to tender shares and receive a retraction price based on the November 30, 2019 net asset value per unit. The Fund will have the right to amend the rate of cumulative preferential monthly dividends to be paid to Class I Preferred shares and Class II Preferred shares for the five year renewal period, commencing December 1, 2019. Any change to the Preferred share dividend rate will be announced no later than September 30, 2019.

The termination date of the Fund may be extended thereafter at the Fund's discretion for additional terms of five years each. Shareholders would be provided with a special retraction right in connection with any such extension.

Net assets of the Fund finished the period at \$16.8 million.

The dividend income from the common shares of CIBC is supplemented by income received from a selective covered call writing program.

Capital shares – Distributions

No distributions paid during the period.

Class I Preferred shares

Total distributions during the period amounted to \$0.1500 per Class I Preferred share, consisting of 6 regular monthly distributions at the monthly rate of \$0.025.

Class II Preferred shares

Total distributions during the period amounted to \$0.1875 per Class II Preferred share, consisting of 6 regular monthly distributions at the monthly rate of \$0.03125. The net asset value per unit must remain above the required \$10 per unit threshold for monthly distributions to be declared.

RECENT DEVELOPMENTS

On February 21, 2019, the Fund announced the extension of its termination date for a further five year period from December 1, 2019 to December 1, 2024. In connection with the extension of its term, the Fund will offer a special retraction right which will allow shareholders to tender shares and receive a retraction price based on the November 30, 2019 net asset value per unit. The Fund will have the right to amend the rate of cumulative preferential monthly dividends to be paid to Class I Preferred shares and Class II Preferred shares for the five year renewal period, commencing December 1, 2019. Any change to the Preferred share dividend rate will be announced no later than September 30, 2019. The termination date may be extended thereafter at the Fund's discretion for additional terms of five years each. Shareholders would be provided with a special retraction right in connection with any such extension.

RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. ("Quadravest") as investment manager and manager earns fees from the Fund as described below in the Management Fees section.

FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years. This information is derived from the Fund's semi-annual financial statements and previous audited annual financial statements. The information in the following table is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing net assets per unit.

The Fund's net assets per unit

	May 31, 2019	Years ended November 30				
		2018	2017	2016	2015	2014
Net assets per unit, beginning of period ⁽¹⁾	11.41	12.45	11.64	11.25	12.60	11.25
Increase (decrease) from operations						
Total revenue	0.28	0.53	0.52	0.51	0.54	0.44
Total expenses	(0.09)	(0.17)	(0.17)	(0.15)	(0.15)	(0.24)
Realized gains for the period	0.04	(0.12)	0.95	0.28	1.27	0.66
Unrealized gains (losses) for the period	(0.94)	(0.60)	0.19	0.37	(2.31)	1.07
Total increase (decrease) from operations ⁽²⁾	<u>(0.71)</u>	<u>(0.36)</u>	<u>1.49</u>	<u>1.01</u>	<u>(0.65)</u>	<u>1.93</u>
Distributions ⁽³⁾						
Canadian dividends	<u>(0.34)</u>	<u>(0.68)</u>	<u>(0.68)</u>	<u>(0.64)</u>	<u>(0.68)</u>	<u>(0.56)</u>
Total distributions	<u>(0.34)</u>	<u>(0.68)</u>	<u>(0.68)</u>	<u>(0.64)</u>	<u>(0.68)</u>	<u>(0.56)</u>
Net assets per unit at end of period	10.36	11.41	12.45	11.64	11.25	12.60
Net assets per Class I Preferred share	5.00	5.00	5.00	5.00	5.00	5.00
Net assets per Class II Preferred share	5.00	5.00	5.00	5.00	5.00	5.00
Net assets per Capital share	<u>0.36</u>	<u>1.41</u>	<u>2.45</u>	<u>1.64</u>	<u>1.25</u>	<u>2.60</u>
Net assets per unit at end of period	10.36	11.41	12.45	11.64	11.25	12.60

- (1) Net assets per unit is the difference between the aggregate amount of the Fund's assets and the aggregate amount of its liabilities, excluding Class I Preferred shares, Class II Preferred shares and net assets attributable to holders of redeemable Capital shares, at the valuation date, divided by the number of units then outstanding.
- (2) Total increase from operations is before the payment of any Preferred share and Capital share distributions, excludes any change in value of Preferred shares, and is calculated based on the weighted average number of units outstanding during the period.
- (3) Distributions on the Class I Preferred shares, Class II Preferred shares and Capital shares are based on the number of Class I Preferred shares, Class II Preferred shares and Capital shares outstanding on the record date for each distribution in the period and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

RATIOS AND SUPPLEMENTAL DATA

	May 31, 2019	2018	Years ended November 30			2014
			2017	2016	2015	
Net asset value (millions) ⁽¹⁾	\$16.8	\$18.5	\$20.6	\$19.2	\$19.3	\$34.5
Number of units outstanding	1,622,069	1,622,069	1,652,361	1,652,361	1,716,812	2,740,805
Base Management expense ratio ⁽²⁾	1.67%	1.40%	1.35%	1.37%	1.32%	1.97%
Management expense ratio including secondary offering expenses ⁽³⁾	1.67%	1.40%	1.35%	1.37%	1.32%	2.07%
Management expense ratio per Capital share ⁽⁴⁾	87.47%	39.13%	42.34%	82.19%	95.58%	43.36%
Management expense ratio per Class II Preferred share ⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A
Portfolio turnover rate ⁽⁶⁾	0.0%	0.0%	27.8%	5.6%	0.00%	33.8%
Trading expense ratio ⁽⁷⁾	0.01%	0.03%	0.04%	0.01%	0.02%	0.02%
Closing market price (TSX): Class I Preferred share	\$5.11	\$5.05	\$5.18	\$5.18	\$5.10	\$5.18
Closing market price (TSX): Class II Preferred share	\$5.00	\$5.02	\$5.07	\$4.96	\$4.68	\$5.10
Closing market price (TSX): Capital share	\$0.90	\$1.50	\$2.23	\$1.10	\$0.95	\$2.00

(1) This information is provided as at May 31 or November 30.

(2) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Fund excluding the one time offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net asset value during the period.

(3) Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Fund or any subsequent secondary offering. Any expenses incurred with secondary offerings were offset by the accretion to net asset value per unit of such offerings.

(4) Management expense ratio per Capital share is based on the requirements of NI 81-106. This Instrument requires that all split share companies produce an expense ratio which allocates all operating expenses of the Fund, all distributions on Preferred shares and all issuance costs to the Capital shares and expresses this as an annualized percentage of net assets applicable only to the Capital shares during the period. The management expense ratio per Capital share should not be interpreted as the required return necessary for the Fund or the Capital shares to cover the operating expenses of the Fund. This calculation is based only on a portion of the Fund's assets whereas the Fund utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Fund, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Fund to achieve growth in net asset value per unit. A management expense ratio per Capital share was not calculated in periods in which the net assets attributable to the Capital shares were predominately NIL.

(5) Management expense ratio per Class II Preferred share is calculated in periods in which the net asset value is less than \$10 per unit (but greater than \$5 per unit) and includes all expenses of the Fund and all distributions on Class I Preferred Shares.

(6) The Fund's portfolio turnover rate indicates how actively Quadravest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The Fund employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Fund's portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period and the greater chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Fund.

(7) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of average net asset value during the period.

MANAGEMENT FEES

Pursuant to the terms of the investment management fee payable in arrears at an annual rate equal to 0.45% of the net asset value of the Fund, which includes the outstanding Class I and Class II Preferred shares, calculated as at each month-end valuation date.

Pursuant to the management agreement, QuadraVest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the net asset value of the Fund, which includes the outstanding Class I and Class II Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Capital shares at a rate of 0.50% per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Capital shares in respect of each month in such calendar quarter.

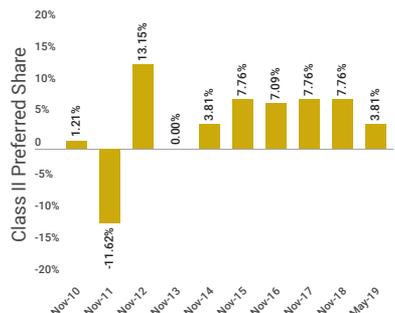
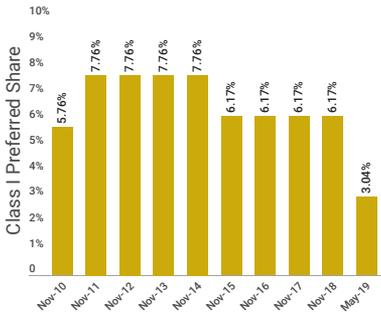
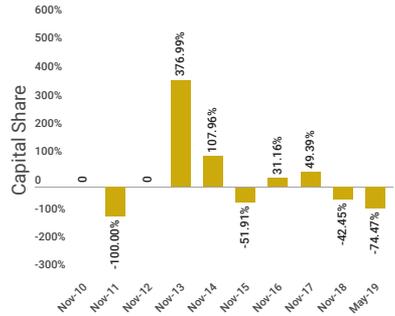
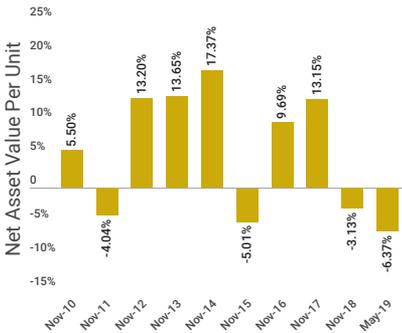
The base management fee was used by QuadraVest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Fund which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

PAST PERFORMANCE

Year-by-Year Returns

The past performance of 1) the net asset value per unit; 2) the Class I Preferred share on a net asset value basis; 3) the Class II Preferred share on a net asset value basis; and 4) the Capital share on a net asset value basis for the each year since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a Unit, a Class I Preferred share, a Class II Preferred share or a Capital share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Fund during the years shown were reinvested in the applicable securities of the Fund;
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- Past performance of the Fund does not necessarily indicate how it will perform in the future.



- As a result of the opening net assets attributable to the Capital share being nil, calculation of the return for the year ended November 30, 2010 cannot be made.
- Net assets attributable to the Capital shares decreased from \$0.19 at the start of the year to nil as at the end of November 30, 2012.
- Net assets attributable to the Capital shares increased from nil at the start of the year to \$0.26 as at the end of November 30, 2013 and as a result, a calculation of the return cannot be made.

SUMMARY OF INVESTMENT PORTFOLIO
All holdings as at May 31, 2019

Name	Weighting (%)
Canadian Imperial Bank of Commerce	99.6
Cash	1.2
Other net assets (liabilities)	-0.8
	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Fund.
Updates are available quarterly.