



## *Independent auditor's report*

To the Shareholders of New Commerce Split Fund (the Fund)

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at November 30, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Fund's financial statements comprise:

- the statements of financial position as at November 30, 2021 and 2020;
- the statements of comprehensive income/(loss) for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable Capital shares for the years then ended;
- the statements of cash flow for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

#### **Independence**

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

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### *Other information*

Management is responsible for the other information of the Fund. The other information comprises the Annual Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

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\*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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### *Responsibilities of management and those charged with governance for the financial statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Joseph Pinizzotto.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 16, 2022

**NEW COMMERCE SPLIT FUND**  
**STATEMENTS OF FINANCIAL POSITION**

AS AT NOVEMBER 30, 2021 AND NOVEMBER 30, 2020

	November 30, 2021 (\$)	November 30, 2020 (\$)
<b>ASSETS</b>		
Current Assets		
Investments	12,767,224	10,250,174
Cash	195,017	419,472
Interest, dividends and other receivables	399	117
	<u>12,962,640</u>	<u>10,669,763</u>
<b>LIABILITIES</b>		
Current Liabilities		
Written Options	8,775	39,563
Fees and other accounts payable	34,889	30,650
Distributions payable	95,257	50,430
Class I Preferred shares (notes 1 and 6)	4,482,660	4,482,660
Class II Preferred shares (notes 1 and 6)	4,482,660	4,482,660
	<u>9,104,241</u>	<u>9,085,963</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CAPITAL SHARES (note 1)</b>		
	<b>3,858,399</b>	<b>1,583,800</b>
Number of units (1 Class I Preferred share, 1 Class II Preferred share and 1 Capital share) outstanding (note 6)		
Number of Class I Preferred shares outstanding	896,532	896,532
Number of Class II Preferred shares outstanding	896,532	896,532
Number of Capital shares outstanding	896,532	896,532
Net assets per unit	\$14.30	\$11.77
Net assets per Class I Preferred share	\$5.00	\$5.00
Net assets per Class II Preferred share	\$5.00	\$5.00
Net assets per Capital share	\$4.30	\$1.77

Approved on behalf of the Board of Directors

  
**WAYNE FINCH**  
 Director

  
**PETER CRUICKSHANK**  
 Director

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

**NEW COMMERCE SPLIT FUND**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR THE YEARS ENDED NOVEMBER 30

	2021 (\$)	2020 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives (note 5)</b>		
Net realized gain (loss)	8,780	(183,321)
Net change in unrealized appreciation/depreciation	2,809,828	(241,479)
Dividends	528,526	474,212
<b>Net gain (loss) on investments and derivatives</b>	<u>3,347,134</u>	<u>49,412</u>
<b>EXPENSES (note 7)</b>		
Management fees	68,470	53,584
Service fees	3,800	-
Audit fees	18,272	21,069
Director's fees	23,583	23,583
Independent Review Committee fees	4,268	4,268
Custodial fees	18,403	19,372
Shareholder reporting costs	13,040	13,350
Legal fees	19,701	38,912
Other operating expenses	44,271	40,605
Harmonized Sales Tax	24,721	25,114
Transaction costs	4,713	5,892
	<u>243,242</u>	<u>245,749</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Capital shares before distributions on Preferred shares</b>	<b>3,103,892</b>	<b>(196,337)</b>
Distributions on Preferred shares	(605,160)	(521,110)
<b>Increase (decrease) in net assets attributable to holders of redeemable Capital shares per share</b>	<u>2,498,732</u>	<u>(717,447)</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Capital shares per share</b>	<b>2.79</b>	<b>(0.80)</b>

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

**NEW COMMERCE SPLIT FUND**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CAPITAL SHARES**  
**FOR THE YEARS ENDED NOVEMBER 30**

	2021 (\$)	2020 (\$)
<b>Net Assets attributable to holders of redeemable Capital shares - Beginning of year</b>	1,583,800	2,410,817
Increase (decrease) in net assets attributable to holders of redeemable Capital shares	2,498,732	(717,447)
Capital share redemptions	-	(109,570)
<b>Distributions on Capital shares</b>		
Canadian dividends	(224,133)	-
<b>Change in net assets attributable to holders of redeemable Capital shares</b>	<u>2,274,599</u>	<u>(827,017)</u>
<b>Net assets attributable to holders of redeemable Capital shares - End of year</b>	<u>3,858,399</u>	<u>1,583,800</u>

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

**NEW COMMERCE SPLIT FUND**  
**STATEMENTS OF CASH FLOW**  
FOR THE YEARS ENDED NOVEMBER 30

	2021 (\$)	2020 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable Capital shares	2,498,732	(717,447)
Adjustment for:		
Distributions on Preferred shares	605,160	521,110
Net realized (gain) loss on investments and derivatives	(8,780)	183,321
Net change in unrealized appreciation/depreciation of investments and derivatives	(2,809,828)	241,479
Purchase of investments, net of option premiums	(614,236)	(6,986,924)
Proceeds from sale of investments	885,006	4,617,115
(Increase) decrease in interest, dividends and other receivables	(282)	100
Increase (decrease) in fees and other accounts payable	4,239	(10,303)
Cash flows from (used in) operating activities	<u>560,011</u>	<u>(2,151,549)</u>
<b>Cash flows from (used in) financing activities</b>		
Amounts paid on redemption of Capital shares and Preferred shares	-	(7,364,940)
Distributions paid on Preferred shares	(605,160)	(561,921)
Distributions paid on Capital shares	<u>(179,306)</u>	<u>-</u>
Cash flows from (used in) financing activities	<u>(784,466)</u>	<u>(7,926,861)</u>
Net increase (decrease) in cash for the year	(224,455)	(10,078,410)
Cash at beginning of the year	<u>419,472</u>	<u>10,497,882</u>
<b>Cash at end of the year</b>	<b><u>195,017</u></b>	<b><u>419,472</u></b>
Dividends received*	528,526	474,312

\* Included as part of Cash Flows from Operating Activities.

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

**NEW COMMERCE SPLIT FUND**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT NOVEMBER 30, 2021

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	<b>Core Holding</b>		
	<b>Canadian Common Equities</b>		
89,626	Canadian Imperial Bank of Commerce	8,876,544	12,767,224
	<b>Total Canadian Common Equities in Core Holdings (100.1%)</b>	<u>8,876,544</u>	<u>12,767,224</u>
	<b>Call options written (100 shares per contract)</b>		
(150)	Canadian Imperial Bank of Commerce @ \$150 December 2021	<u>(18,755)</u>	<u>(8,775)</u>
	<b>Total Canadian call options written (-0.1%)</b>	<u>(18,755)</u>	<u>(8,775)</u>
		<u>8,857,789</u>	<u>12,758,449</u>
	less adjustment for transaction costs	<u>(2,309)</u>	
	<b>Total Investments (100.0%)</b>	<u>8,855,480</u>	<u>12,758,449</u>

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

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

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### **1. Incorporation**

New Commerce Split Fund (the "Fund") was formed as a result of the reorganization of Commerce Split Corp. (the "Company"). On March 26, 2010, the effective reorganization date, the assets of Commerce Split Corp. were divided pro rata into two separate investment portfolios to be known as the "Original Commerce Split Fund" and the "New Commerce Split Fund" in accordance with the reorganization plan contained in the Management Information Circular dated December 23, 2009. The Original Commerce Split Fund was subsequently terminated on October 31, 2013. The division of the assets was based on the elections made by both Priority Equity shareholders and Class A shareholders immediately prior to the reorganization. The Fund invests primarily in common shares of Canadian Imperial Bank of Commerce ("CIBC") and has also implemented a covered call writing program to supplement the dividend income earned from CIBC common shares. The manager and the investment manager of the Fund is Quadravest Capital Management Inc. ("Quadravest" or "Manager"). The Fund's principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

On February 21, 2019, the Fund announced the extension of its termination date for a further five year from December 1, 2019 to December 1, 2024. In connection with the extension of the termination date of the Fund, a special retraction right was offered allowing existing shareholders to tender any or all classes of shares and receive a retraction price based on the November 30, 2019 net asset value of \$11.49 per unit (\$5.00 per Class I Preferred share, \$5.00 per Class II Preferred share and \$1.49 per Capital share). There were more Class II Preferred Shares tendered for retraction than Class I Preferred shares and Capital shares pursuant to this special retraction. In order to maintain an equal number of shares of each class, the Fund called a prorata redemption of 44.35% of the Class I Preferred shares outstanding on November 29, 2019 and implemented a Capital share consolidation as further detailed below.

Immediately after the special retraction and redemption payments on December 16, 2019, there were 896,532 Class I Preferred shares, 896,532 Class II Preferred shares and 1,548,532 Capital shares outstanding. As a result, Capital shares were consolidated on the basis of 0.578956069 of a post-consolidation Capital share for every one pre-consolidation Capital share outstanding. A total of \$7,364,940 was paid on December 16, 2019 in connection with the special retraction and pro-rata redemption.

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

### **2. Basis of presentation**

These financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss ("FVTPL").

These financial statements were approved by the Board of Directors of the Fund on February 16, 2022.

### **3. Summary of significant accounting policies**

The following is a summary of the significant accounting policies followed by the Fund.

#### **Investments and financial instruments**

The Fund classifies its investments, including derivatives, based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

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financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value in other comprehensive income ("FVOCI"). Consequently, all investments, including derivatives are measured at fair value through profit or loss.

The Fund's obligations for net assets attributable to holders of redeemable Capital shares are presented at the annual redemption amount, which approximates their fair value. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value.

The Fund recognizes regular purchases and sales of financial instruments on the trade date, which is the date on which it commits to purchase or sell the instrument. Transaction costs, such as brokerage commissions, related to financial assets and financial liabilities at FVTPL are expensed as incurred and transaction costs related to financial instruments not at FVTPL are included in the carrying amounts thereof. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Fund has transferred substantially all the risks and rewards of ownership of the asset. Dividends are recognized as income on the ex-dividend date. Realized gains and losses and unrealized appreciation and depreciation are determined on an average cost basis. The cost of investments is determined using the average cost method.

Written option premiums received by the Fund are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Class I and Class II Preferred shares rank prior to the Capital shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Preferred shares is included in the Statements of Comprehensive Income/(Loss).

The Capital shares may be retracted monthly, annually, or on the termination date of the Fund. As a result, the shares contain multiple contractual obligations, and therefore, have been presented as financial liabilities.

The net asset value of the Fund is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process shareholder transactions. For financial reporting purposes, net assets of the Fund is determined as 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 ("Net Assets of the Fund").

### **Valuation of investments**

Fair value is 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. The fair value of financial assets and liabilities traded in active markets (such as publicly traded shares and options) are based on the last traded prices at the close of trading on the reporting date. The Fund uses the last traded market price for both financial assets and financial liabilities

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

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where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, Quadrainvest determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs. Refer to note 5 for further information about the Fund's fair value measurements.

#### **Cash**

Cash is comprised of demand deposits with a financial institution.

#### **Translation of foreign currencies**

The Fund's functional and presentation currency is Canadian dollars. The fair value of investments and other assets and liabilities in foreign currencies are translated into the Fund's functional currency at the rates of exchange prevailing at each measurement date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

#### **Management fees and administration fees**

Management fees and administration fees are accrued by the Fund over time, as services are rendered by Quadrainvest. Refer to note 7 for further information about the calculation of management and administration fees of the Fund.

#### **Increase (decrease) in net assets attributable to holders per redeemable Capital share**

Increase (decrease) in net assets attributable to holders per redeemable Capital share is based on the increase or decrease in net assets attributable to holders of redeemable Capital shares divided by the weighted average number of such shares outstanding during the year. Refer to note 8 for the calculation.

#### **Taxation**

Commerce Split Corp. qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act") and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net realized taxable capital gains, if any, at the rate applicable to mutual fund corporations. The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders.

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020**

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Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes.

All of the Fund's expenses including management fees, administration fees and operating expenses will be taken into account in determining its overall tax liability.

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1.15 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Fund qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Fund recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. As a result, the Fund has determined that it is in substance not taxable. Consequently, the tax benefit of capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

The Fund has estimated accumulated non capital losses for tax purposes as at November 30, 2021 of \$7,766,822 (November 30, 2020-\$7,530,386) that are available to lower taxable income in future years if required and expire after the scheduled termination date of the Fund on December 1, 2024. The Fund also has estimated accumulated capital losses for tax purposes of \$75,640,575 (November 30, 2020-\$77,684,445) which may be used to lower future capital gains if required and which do not expire.

#### **4. Critical Accounting Estimates and Judgments**

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. The Fund's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5.

#### **5. Management of Risk of Financial Instruments**

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs that are unobservable for the asset or liability.

**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

The following table illustrates the classification of the Fund's financial instruments within the fair value hierarchy as at November 30, 2021 and November 30, 2020:

Financial assets and liabilities at fair value as at November 30, 2021

	Level 1	Level 2	Level 3	Total
Equities	\$12,767,224	-	-	\$12,767,224
Options	<u>(\$8,775)</u>	<u>-</u>	<u>-</u>	<u>(\$8,775)</u>
	<b>\$12,758,449</b>	<b>-</b>	<b>-</b>	<b>\$12,758,449</b>

Financial assets and liabilities at fair value as at November 30, 2020

	Level 1	Level 2	Level 3	Total
Equities	\$10,250,174	-	-	\$10,250,174
Options	<u>(\$39,563)</u>	<u>-</u>	<u>-</u>	<u>(\$39,563)</u>
	<b>\$10,210,611</b>	<b>-</b>	<b>-</b>	<b>\$10,210,611</b>

All fair value measurements above are recurring and fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. There were no transfers or reclassifications between levels for the years ended November 30, 2021 and 2020. The Fund's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

**Market Price Risk**

All securities investments present a risk of loss of capital.

The market price risk is affected by three main components: price risk, interest rate risk and foreign currency movements.

**Price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Financial markets and equity markets in particular have experienced significant volatility in response to the Covid-19 pandemic. The investment portfolio of the Fund has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

The Fund is exposed to other price risk from its investment in equity securities and written options. As at November 30, 2021, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, Net Assets of the Fund would have increased by approximately \$1,185,000 (November 30, 2020-\$857,000). Similarly, had the prices on the respective stock exchanges for these equity securities decreased by 10%, with all other variables held constant, Net Assets of the Fund would have decreased by approximately \$1,272,000 (November 30, 2020-\$986,000). As at November 30, 2021, the Fund's exposure to CIBC common shares was 99.6% (November 30, 2020-97.2%) of the Net Assets of the Fund.

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

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**Interest rate risk**

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. The majority of the Fund's financial assets and liabilities are non interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant (consistent with previous year).

**Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. The portfolio holding and other net assets of the Fund are denominated in Canadian dollars and therefore there is no currency risk.

**Other risks**

**Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. All of the Fund's transactions are in listed securities and options and are settled and paid for 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 purchase once the securities have been received by the broker. Credit risk of cash is considered low as it is held at a AA-rated Canadian bank (consistent with prior year).

**Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk primarily through its monthly and annual retractions of Capital shares, Class I Preferred shares and Class II Preferred shares. The Fund receives adequate notice for all retraction requests. The Fund's portfolio is invested in CIBC common shares which is a highly liquid large capitalization stock that trades on the TSX. All Capital shares, Class I Preferred shares and Class II Preferred shares outstanding are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Fund. All other financial liabilities are payable within three months the end of the year.

**Concentration risk**

The Fund's only equity holding is concentrated in the common shares of CIBC common shares and as such will be exposed to the specific factors that affect this stock.

**The Fund's investment portfolio is concentrated in the following segments as at:**

	November 30, 2021	November 30, 2020
CIBC common shares	99.6%	97.2%
Call options written	-0.1%	-0.4%
Other assets less liabilities (excluding Class I and Class II Preferred shares)	0.5%	3.2%
	<u>100%</u>	<u>100%</u>

**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

**6. Redeemable Units**

**Preferred shares**

The Fund is authorized to issue an unlimited number of Class I Preferred shares and an unlimited number of Class II Preferred shares

**Class I Preferred shares**

<u>Class I Preferred share transactions</u>	November 30, 2021	November 30, 2020
Beginning of year	896,532	1,622,069
Called pro-rata redemption	-	(719,390)
Redeemed during the year	-	(6,147)
End of year	<u>896,532</u>	<u>896,532</u>

<u>Class II Preferred share transactions</u>	November 30, 2021	November 30, 2020
Beginning of year	896,532	1,622,069
Redeemed during the year	-	(725,537)
End of year	<u>896,532</u>	<u>896,532</u>

Class I Preferred shares are entitled to fixed cumulative monthly dividends of \$0.025 per share. Class II Preferred shares are entitled to monthly dividends of \$0.03125 per share when the net asset value per unit exceeds \$10.00. All Preferred shares outstanding on the termination date will be redeemed by the Fund on that date. Class I Preferred shares have a repayment objective of \$5.00 and rank in priority to the Class II Preferred shares and Capital shares upon the winding up of the Fund. Class II Preferred shares have a repayment objective of \$5.00 and rank behind the Class I Preferred shares but ahead of the Capital shares. Class I and Class II Preferred shares trade under the symbols "YCM.PR.A" and "YCM.PR.B" respectively on the TSX. The trading price as at November 30, 2021 of Class I Preferred shares and Class II Preferred share was \$5.19 and \$5.49 respectively (November 30, 2020-\$5.10 and \$4.97 respectively). The Preferred shares of both classes have been presented as liabilities in the financial statements.

Class I and Class II Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class I Preferred share, a Class II Preferred share and a Capital share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of October. Class I and Class II Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Fund may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Class I and Class II Preferred shares or Capital shares tendered for retraction. Gains or losses from the redemption of shares, if any, are recorded in gain (loss) on redemptions on the Statements of Comprehensive Income/(Loss).

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020

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**Capital shares**

The Fund is authorized to issue an unlimited number of Capital shares. The Fund issued 3,824,000 Capital shares on March 26, 2010 for no consideration as a result of the reorganization.

<u>Capital share transactions</u>	November 30, 2021	November 30, 2020
Beginning of year	896,532	1,622,069
Consolidated in connection with special retraction	-	(652,000)
Redeemed during the year	-	(73,537)
End of year	<u>896,532</u>	<u>896,532</u>

Capital shares will participate in any net asset value growth over \$10.00 per unit. The dividend on the Capital shares will be paid when the net asset value per unit exceeds \$15. The dividend rate on the Capital shares at such time 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. All Capital shares outstanding on the termination date will be redeemed by the Fund on that date.

Capital shares trade under the symbol "YCM" on the TSX. The trading price of Capital shares on the TSX was \$5.20 as at November 30, 2021 (November 30, 2020-\$1.80). Capital shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Capital share and a Class I and Class II Preferred share in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of October. Capital shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Fund may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Class I and Class II Preferred shares or Capital shares tendered for retraction. Gains or losses from the redemption of shares, if any, are recorded in gain (loss) on redemptions on the Statements of Comprehensive Income/(Loss).

The Class I and Class II Preferred shares rank in priority to the Capital shares with respect to the payment of dividends and upon the winding down of the Fund. Upon the termination of the Fund, Capital shareholders will receive an amount equal to the net asset value per unit less \$10.00 (the redemption value of the Class I and Class II Preferred shares).

**7. Expenses**

The Fund is responsible for all expenses incurred in connection with the operation and administration of the Fund, including, but not limited to, accounting and administration fees, custodian fees, transfer agent fees, legal and audit expenses, fees payable to the independent directors of the Fund and the Funds' independent review committee, regulatory filing and stock exchange fees, costs of reporting to shareholders and costs and expenses arising as a result of complying with all applicable laws, regulations and policies.

Pursuant to the management agreement, QuadraVest is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% 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% of the net asset value attributable to Capital shares 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.

**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020**

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base 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.

In addition, the monthly discount to net asset value of 3% applicable to redemptions of Preferred shares and Capital shares is paid to Quadravest. Redemption fees paid for the year ending November 30, 2021 were \$NIL (November 30, 2020-\$NIL).

Total management fees of \$68,470 (November 30, 2020-\$53,584) incurred during the year include the administration fee and base management fee. As at November 30, 2021, \$5,982 (November 30, 2020-\$4,748) was payable to the Manager with respect to management and administrative fees. The brokerage commissions paid during the year by the Fund for its portfolio transactions were \$4,713 (November 30, 2020-\$5,892).

**8. Increase (decrease) in net assets attributable to holders per redeemable Capital share**

The increase (decrease) in net assets attributable to holders per redeemable Capital share for the years ended November 30, 2021 and 2020 is calculated as follows:

	2021	2020
Increase (decrease) in net assets attributable to holders of redeemable Capital shares	\$2,498,732	(\$717,447)
Weighted average Capital shares outstanding	896,532	896,532
Increase (decrease) in net assets attributable to holders per redeemable Capital share	\$2.79	(\$0.80)

**9. Distributions**

Distributions per share were as follows:

	November 30, 2021	November 30, 2020
Class I Preferred shares	\$0.30	\$0.30
Class II Preferred shares	\$0.375	\$0.2813
Capital shares	\$0.25	-

**10. Capital Management**

The Fund considers its capital to consist of Capital, Class I Preferred and Class II Preferred shares.

The Fund's objectives in managing its capital are:

- i) to provide holders of Class I Preferred shares with fixed cumulative preferential monthly cash dividends in an amount of \$0.025 per Class I Preferred share to yield 6.00% per annum on the \$5.00 Class I Preferred share repayment amount and to return \$5.00 per share to their holders on the termination date; and
- ii) to provide holders of Class II Preferred shares with monthly cash dividends of \$0.03125 per Class II Preferred share to yield 7.50% on the \$5.00 Class II Preferred share repayment amount when the net asset value per unit exceed \$10.00 and having a repayment objective on the termination date of \$5.00; and

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**NEW COMMERCE SPLIT FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2021 AND 2020**

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- iii) to provide holders of Capital shares with growth above the value of the Preferred shares and to provide holders of Capital shares with dividends in an amount to be set by the Board of Directors at its discretion, based on market conditions, when the net asset value per unit exceeds \$15.00.

In order to manage its capital structure, the Fund may adjust the amount of dividends paid to shareholders or return capital to shareholders.

**11. Reconciliation of net asset value per Capital share to net assets attributable to holders per redeemable Capital share**

As at November 30, 2021 and November 30, 2020, there were no differences between net asset value per Capital share used for transactional purposes and net assets attributable to holders per redeemable Capital share for financial reporting purposes.