
NEW COMMERCE SPLIT FUND
SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

MAY 31, 2023

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2023. 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 utilizes a 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, 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 will be reinstated 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 23, 2023. In addition, note 5 of the 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

North America markets continued to experience macroeconomic headwinds and bouts of volatility during the period ended May 31, 2023. The Bank of Canada's aggressive tightening of monetary policy beginning in early 2022, which included rapid increases in interest rates and the reduction of its balance sheet in order to control inflation, has had an adverse impact on the Canadian economy, affecting many households and small businesses with higher loan payments. The Bank of Canada remains committed to a hawkish monetary policy, including increasing interest rates, until inflation returns to the 2% target.

In early March 2023, regulators abruptly closed certain U.S. regional banks due to liquidity and solvency concerns. Later in the month, Credit Suisse was taken over by UBS Group at the behest of regulators in Switzerland. These events led to widespread and significant declines in the market prices of financial services companies globally and highlighted the risks associated with the historical pace of increase in interest rates that had occurred over the last year.

Markets were also buffeted by the ongoing developments surrounding the U.S. debt ceiling discussions and the potential adverse consequences that could result if U.S. politicians were unable to reach an agreement to increase the debt ceiling limit before the projected early June deadline at which time the U.S. would run out of the ability to fully fund all of its obligations.

The yield curve continued to be inverted during the period, with shorter term maturities yielding more than longer term maturities, which generally adversely impacted the earnings potential of financial services companies and reflected market expectations for a decline in longer-term interest rates as a result of deteriorating economic performance.

The period ended with a decline in North American stocks as unexpectedly strong reports on the Canadian labour market caused some concern among market participants that further interest rate hikes may be required to slow potential wage pressures that could continue to sustain higher inflation rates.

The market price of CIBC declined by 13.6% during the period ended May 31, 2023.

The net assets per unit (consisting of one Class I Preferred share, one Class II Preferred share and one Capital share) finished at \$10.77 per unit as at May 31, 2023, after the payment of \$0.34 in combined distributions to both classes of Preferred shareholders. A combined total of \$7.98 has been paid in distributions to Capital shareholders and Preferred shareholders since inception.

Net assets of the Fund finished the period at \$9.7 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 were paid to Capital shareholders during the period.

Class I Preferred shares

Total distributions during the period amounted to \$0.15 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 \$10.00 per unit threshold for monthly distributions to be declared.

RECENT DEVELOPMENTS

Financial markets and equity markets have experienced volatility in response to significant macroeconomic factors, including central bank responses to inflation levels and geopolitical events and tensions, including military events in Ukraine and Russia.

In addition, the abrupt closures of certain U.S. regional banks due to liquidity and solvency concerns led to widespread and significant declines in the market prices of financial services companies in the United States and Canada.

The investment portfolio of the Fund has been subject to these market fluctuations and may continue to experience significant volatility as these situations evolve.

Effective December 5, 2022, Michael Sharp was appointed to the Independent Review Committee (the “IRC”) of the Fund following the death of William C. Thornhill, who had served as a dedicated member of the IRC since May 2007.

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

	Years ended November 30					
	May 31, 2023	2022	2021	2020 ⁽⁴⁾	Prior to Capital share consolidation ⁽⁴⁾ 2019	2018
Net assets per unit, beginning of period ⁽¹⁾	12.49	14.30	11.77	11.49 ⁽⁵⁾	11.41	12.45
Increase (decrease) from operations						
Total revenue	0.32	0.64	0.59	0.53	0.56	0.53
Total expenses	(0.15)	(0.28)	(0.27)	(0.27)	(0.17)	(0.17)
Realized gains for the period	(0.04)	0.32	0.01	(0.20)	1.61	(0.12)
Unrealized gains (losses) for the period	(1.52)	(1.67)	3.13	(0.27)	(1.25)	(0.60)
Total increase (decrease) from operations ⁽²⁾	<u>(1.39)</u>	<u>(0.99)</u>	<u>3.46</u>	<u>(0.21)</u>	<u>0.75</u>	<u>(0.36)</u>
Distributions ⁽³⁾						
Canadian dividends	<u>(0.34)</u>	<u>(0.83)</u>	<u>(0.93)</u>	<u>(0.58)</u>	<u>(0.68)</u>	<u>(0.68)</u>
Total distributions	<u>(0.34)</u>	<u>(0.83)</u>	<u>(0.93)</u>	<u>(0.58)</u>	<u>(0.68)</u>	<u>(0.68)</u>
Net assets per unit at end of period	10.77	12.49	14.30	11.77	11.49	11.41
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>0.77</u>	<u>2.49</u>	<u>4.30</u>	<u>1.77</u>	<u>1.49</u>	<u>1.41</u>
Net assets per unit at end of period	10.77	12.49	14.30	11.77	11.49	11.41

- (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 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 (decrease) from operations is before the payment of Preferred and Capital share distributions and is calculated based on the weighted average number of units outstanding during the period.
- (3) Distributions on the Preferred shares and Capital shares are based on the number of Preferred shares and Capital shares outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors (for semi-annual periods ended May 31, it is based on the actual characterization for the most recently completed annual period and will be updated at year end).
- (4) As a result of the consolidation of Capital shares on a 0.578956069 for 1 basis after the payment of special retractions and a pro-rata redemption on December 16, 2019 in connection with the extension of the termination date of the Fund, amounts for the period ended November 30, 2020 and subsequent periods are not comparable to prior periods.
- (5) The net assets per unit, beginning of the period is based on net assets per Capital share of \$1.49 prior to giving effect to the consolidation of the Capital shares on a 0.578956069 for 1 basis in December 2019. The net assets per Capital share at the beginning of the period, after giving effect to the subsequent consolidation, was \$2.57.

RATIOS AND SUPPLEMENTAL DATA

	May 31, 2023	Years ended November 30				
		2022	2021	2020	2019	2018
Net asset value (millions) ⁽¹⁾	\$9.7	\$11.2	\$12.8	\$10.5	\$18.6	\$18.5
Number of units outstanding	896,532	896,532	896,532	896,532	1,622,069	1,622,069
Base Management expense ratio ⁽²⁾	2.50%	1.99%	1.92%	2.48%	1.52%	1.40%
Management expense ratio per Capital share ⁽³⁾	75.37%	25.91%	24.61%	93.46%	90.92%	39.13%
Portfolio turnover rate ⁽⁴⁾	1.26%	3.28%	7.89%	33.2%	0.0%	0.0%
Trading expense ratio ⁽⁵⁾	0.09%	0.07%	0.04%	0.06%	0.03%	0.03%
Closing market price (TSX): Class I Preferred share	\$4.75	\$4.99	\$5.19	\$5.10	\$5.09	\$5.05
Closing market price (TSX): Class II Preferred share	\$5.20	\$4.96	\$5.49	\$4.97	\$4.97	\$5.02
Closing market price (TSX): Capital share	\$1.80	\$2.20	\$5.20	\$1.80	\$1.25	\$1.50

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

(2) A separate base management expense ratio per unit has been presented to reflect the ongoing operating expenses of the Fund. The base management expense ratio per unit is based on total expenses for the stated period, excluding commissions and other portfolio transaction costs, distributions on Preferred shares and any one time offering expenses and is expressed as an annualized percentage of the average net asset value of the Fund during the period.

(3) 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 ongoing operating expenses of the Fund (excluding commissions and other portfolio transaction costs), all distributions on Preferred shares and all issuance costs to the Capital shares and expresses this as an annualized percentage of the average net asset value attributable 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.

(4) 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.

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

MANAGEMENT FEES

Pursuant to the terms of the investment management agreement, Quadrainvest 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.

Pursuant to the management agreement, Quadrainvest 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. Effective June 1, 2022, the Fund discontinued the payment of the service fee.

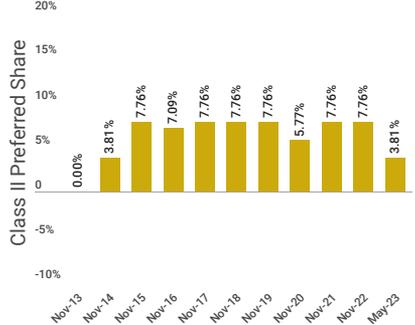
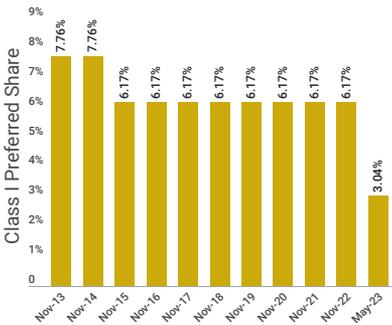
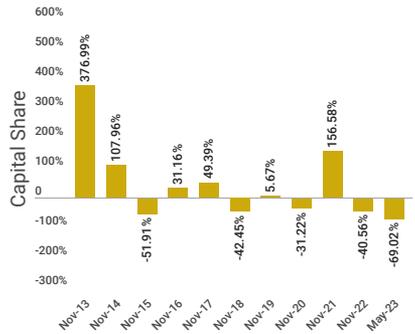
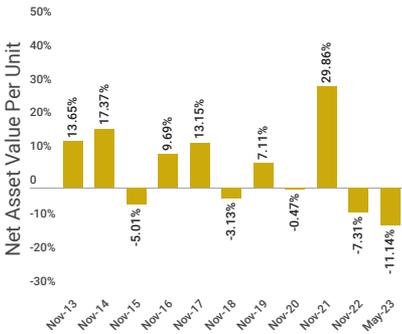
The base management fee was used by Quadrainvest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services 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 each of the last 10 years 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.



- The returns per unit and per Capital share for the year ended November 30, 2020 reflect the consolidation of Capital shares in December 2019.

SUMMARY OF INVESTMENT PORTFOLIO
All holdings as at May 31, 2023

Name	Weighting (%)
Canadian Imperial Bank of Commerce	95.3
Cash	5.5
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.

**NEW COMMERCE SPLIT FUND
MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The interim financial statements of New Commerce Split Fund (the "Fund") have been prepared by Quadravest Capital Management Inc. (the "Manager" of Commerce Split Corp.) and approved by the Board of Directors of Commerce Split Corp. The Manager is responsible for the information and representations contained in these interim financial statements and the other sections of the semi-annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The interim financial statements have been prepared in accordance with International Financial Reporting Standards, as applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Fund are described in note 4 to the financial statements.

The Board of Directors of the Commerce Split Corp. is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these interim financial statements.

The Fund's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants.



WAYNE FINCH

Chief Executive Officer, President and Director
Quadravest Capital Management Inc.



SILVIA GOMES

Chief Financial Officer
Quadravest Capital Management Inc.