
NEW COMMERCE SPLIT FUND
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
NOVEMBER 30, 2023

This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2023. This MRFP contains financial highlights but does not contain the complete financial statements of the Fund. The 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, 2024. 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 American markets continued to experience macroeconomic headwinds and bouts of volatility during the year ended November 30, 2023. After aggressive tightening of monetary policies beginning in early 2022, central banks moderated their pace of interest rate increases during the early months of 2023 as record high inflationary pressures began to abate. As a result, market expectations that the monetary tightening cycle would soon end helped improve market sentiment in the early months of the year. The global economy continued to slow during the year and inflation eased further as the year progressed. In Canada, economic growth stalled through the middle quarters of 2023, with higher interest rates restraining spending, and the labour market eased, despite growth.

In March 2023, regulators abruptly closed certain U.S. regional banks due to liquidity and solvency concerns. Later that 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 and the potential adverse consequences that could result if the U.S. defaulted on its obligations. In

early June 2023, U.S. lawmakers passed legislation to suspend the nation's debt ceiling through January 1, 2025, averting a U.S. default just days ahead of the deadline.

Though the spread between the 10-year and 2-year treasury yield narrowed near the end of the year, the yield curve continued to be inverted during the year, 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 a deteriorating economic performance.

As the year ended, market participants continued to closely monitor economic data and remarks from monetary policymakers to determine the possibility and timing of interest rate cuts in the new year and whether the economy would experience a soft landing or a recession, as the Bank of Canada remained committed to restoring price stability.

The market price of CIBC declined by 13.4% during the year ended November 30, 2023.

The net assets per unit (consisting of one Class I Preferred share, one Class II Preferred share and one Capital share) finished at \$10.70 per unit as at November 30, 2023, after the payment of \$0.64 in combined distributions to both classes of Preferred shareholders. A combined total of \$8.29 has been paid in distributions to Capital shareholders and Preferred shareholders since inception.

Net assets of the Fund finished the year at \$9.6 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

Capital shareholders are entitled to receive monthly cash dividends targeted to be \$0.05 per Capital share to yield 6% per annum on the original issue price. The net asset value per unit must be greater than \$12.50 in order to declare monthly dividends. There were no distributions to Capital A shares during the year.

Class I Preferred shares

Total distributions during the year amounted to \$0.30 per Class I Preferred share, consisting of 12 regular monthly distributions at the monthly rate of \$0.025.

Class II Preferred shares

Total distributions during the year amounted to \$0.3438 per Class II Preferred share, consisting of 11 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. The investment portfolio of the Fund has been subject to these market fluctuations and may continue to experience significant volatility as these situations evolve.

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 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				
	2023	2022	2021	2020 ⁽⁴⁾	Prior to Capital share consolidation ⁽⁴⁾ 2019
Net assets per unit, beginning of year ⁽¹⁾	12.49	14.30	11.77	11.49 ⁽⁵⁾	11.41
Increase (decrease) from operations					
Total revenue	0.65	0.64	0.59	0.53	0.56
Total expenses	(0.24)	(0.28)	(0.27)	(0.27)	(0.17)
Realized gains for the year	0.05	0.32	0.01	(0.20)	1.61
Unrealized gains (losses) for the year	(1.60)	(1.67)	3.13	(0.27)	(1.25)
Total increase (decrease) from operations ⁽²⁾	<u>(1.14)</u>	<u>(0.99)</u>	<u>3.46</u>	<u>(0.21)</u>	<u>0.75</u>
Distributions ⁽³⁾					
Canadian dividends	<u>(0.64)</u>	<u>(0.83)</u>	<u>(0.93)</u>	<u>(0.58)</u>	<u>(0.68)</u>
Total distributions	<u>(0.64)</u>	<u>(0.83)</u>	<u>(0.93)</u>	<u>(0.58)</u>	<u>(0.68)</u>
Net assets per unit at end of year	10.70	12.49	14.30	11.77	11.49
Net assets per Class I Preferred share	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
Net assets per Capital share	<u>0.70</u>	<u>2.49</u>	<u>4.30</u>	<u>1.77</u>	<u>1.49</u>
Net assets per unit at end of year	<u>10.70</u>	<u>12.49</u>	<u>14.30</u>	<u>11.77</u>	<u>11.49</u>

- (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 year.
- (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.
- (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 year ended November 30, 2020 and subsequent years are not comparable to prior years.
- (5) The net assets per unit, beginning of the year 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 year, after giving effect to the subsequent consolidation, was \$2.57.

RATIOS AND SUPPLEMENTAL DATA

	Years ended November 30				
	2023	2022	2021	2020	2019
Net asset value (millions) ⁽¹⁾	\$9.6	\$11.2	\$12.8	\$10.5	\$18.6
Number of units outstanding	896,532	896,532	896,532	896,532	1,622,069
Base Management expense ratio ⁽²⁾	2.15%	1.99%	1.92%	2.48%	1.52%
Management expense ratio per Capital share ⁽³⁾	95.12%	25.91%	24.61%	93.46%	90.92%
Portfolio turnover rate ⁽⁴⁾	5.12%	3.28%	7.89%	33.2%	0.0%
Trading expense ratio ⁽⁵⁾	0.09%	0.07%	0.04%	0.06%	0.03%
Closing market price (TSX): Class I Preferred share	\$4.95	\$4.99	\$5.19	\$5.10	\$5.09
Closing market price (TSX): Class II Preferred share	\$4.99	\$4.96	\$5.49	\$4.97	\$4.97
Closing market price (TSX): Capital share	\$0.89	\$2.20	\$5.20	\$1.80	\$1.25

(1) This information is provided as at 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 year, 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 year.

(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 year. 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 year. 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 year, the greater the trading costs payable by the Fund in the year and the greater chance of an investor receiving taxable capital gains in the year. 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 year.

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.

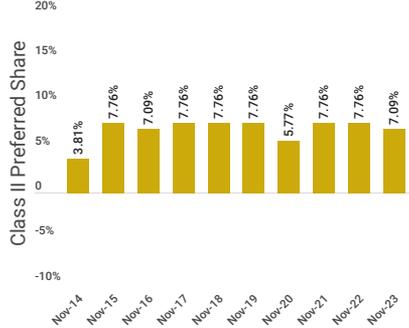
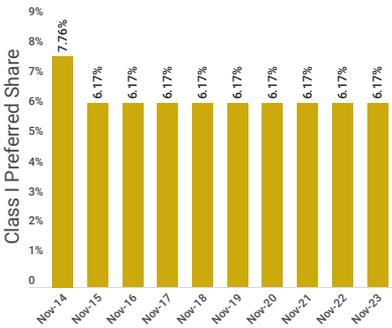
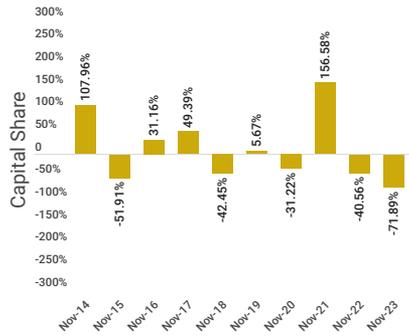
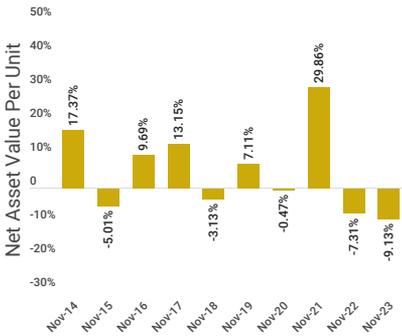
The base management fee was used by Quadrainvest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services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

ANNUAL COMPOUND PERFORMANCE

The following table shows the Fund's annual compound return for the one, three, five and ten years ended November 30, 2023 and since the reorganization date:

	One year	Three years	Five years	Ten years	Since reorganization (March 26, 2010)
New Commerce Split Fund - Unit	-9.13%	3.03%	3.12%	4.57%	5.33%
New Commerce Split Fund - Class I Preferred Share	6.17%	6.17%	6.17%	6.33%	6.74%
New Commerce Split Fund - Class II Preferred Share	7.09%	7.54%	7.23%	7.03%	5.17%
New Commerce Split Fund - Capital Share	-71.89%	-24.60%	-20.80%	-9.93%	N/A ⁽¹⁾

MARKET INDICES⁽²⁾

S&P TSX Financial Index	-0.28%	10.01%	8.40%	8.81%	9.13%
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- (1) The annual compound return since the reorganization date of March 26, 2010 cannot be calculated as the net asset value per Capital share was nil on March 26, 2010.
- (2) As a result of the Fund being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Fund is quite unique and any comparisons with any other external may not be appropriate.

SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at November 30, 2023

Name	Weighting (%)
Canadian Imperial Bank of Commerce	93.7
Cash	7.8
Other net assets (liabilities)	-1.5
	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 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 financial statements and the other sections of the annual report. The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"). The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

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

The Manager with the approval of the Board of Directors has appointed PricewaterhouseCoopers LLP as the external auditor of the Fund. They have audited the financial statements of the Fund in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.



WAYNE FINCH

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



SILVIA GOMES

Chief Financial Officer
Quadravest Capital Management Inc.