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**CANADIAN LIFE COMPANIES SPLIT CORP.**  
**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**MAY 31, 2023**

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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 Company. The semi-annual financial statements and accompanying notes are attached to this report.

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

These reports are available to view and download at [www.lifesplit.com](http://www.lifesplit.com) or [www.sedar.com](http://www.sedar.com).

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## **INVESTMENT OBJECTIVES AND STRATEGIES**

Canadian Life Companies Split Corp. invests primarily in a portfolio of commons shares which will include each of the Canadian life insurance companies listed below:

Great West Lifeco Inc.

iA Financial Corporation Inc.

Manulife Financial Corporation

Sun Life Financial Inc.

The Company may also invest up to 20% of its net asset value in equity securities of foreign life insurance companies or other Canadian or foreign financial services corporations other than the four Canadian life insurance companies listed above. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

### **Preferred shares**

The investment objectives with respect to the Preferred shares are as follows:

1. To provide holders with a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the greater of, (i) 6.5% based on the \$10 original issue price and (ii) the prevailing Canadian prime rate plus 2% annually based on the \$10 original issue price, to a maximum of 8%; and
2. On the termination date of December 1, 2024 (subject to further 6 year extensions thereafter), to pay holders the original issue price of \$10.

### **Class A shares**

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders with such dividends as the directors of the Company may from time to time determine; and
2. On or about the termination date, to pay holders such amounts as remain after paying the holders of the Preferred shares the amounts owing to them.

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## RISK

The risks of investing in the Company 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 Company.

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## 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 and the U.S. Federal Reserve’s aggressive tightening of monetary policies beginning in early 2022, which included rapid increases in interest rates and the reduction of their balance sheets in order to control inflation, has had an adverse impact on the North American economies, affecting many households and small businesses with higher loan payments. Both the Bank of Canada and the U.S. Federal Reserve remain committed to hawkish monetary policies, 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 in the United States and Canada 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, reflecting market expectations for a decline in longer-term interest rates as a result of deteriorating economic performance. Life insurance companies generally benefit from interest rate increases.

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

Against this backdrop, the Canadian Life insurance company securities held in the portfolio generally increased during the period while the other portfolio securities generally tracked the broader market, experiencing bouts of volatility during the period and ending the period lower.

The net assets per unit (consisting of one Preferred share and one Class A share) finished at \$13.83 as at May 31, 2023, after the payment of \$0.40 to Preferred shareholders. A combined total of \$18.47 has been paid in distributions to Class A shareholders and Preferred shareholders since inception.

The Company announced on May 25, 2023 that the TSX accepted its notice of intention to make a Normal Course Issuer Bid (the “NCIB”) to purchase its Preferred shares and Class A shares through the facilities of the TSX and/or alternative Canadian trading systems. The NCIB commenced on May 29, 2023 and will terminate on May 28, 2024. Pursuant to the NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to 1,156,200 Preferred shares and 1,085,432 Class A shares of the Company, representing 10% of the public float of 11,562,001 Preferred shares and 10,854,329 Class A shares. As of May 15, 2023, there were 11,644,001 Preferred shares and 11,525,201 Class A shares issued and outstanding. The Company will not purchase, in any given 30- day period, in the aggregate, more than 232,880 Preferred shares or more than 230,504 Class A shares, being 2% of the issued and outstanding Preferred shares and Class A shares as of May 15, 2023. The previous NCIB which commenced on May 27, 2022 terminated on May 26, 2023. During the period ended May 31, 2023, there were 13,500 Preferred shares and 132,300 Class A shares purchased for cancellation at an average price of \$10.36 per Preferred share and \$3.91 per Class A share, respectively.

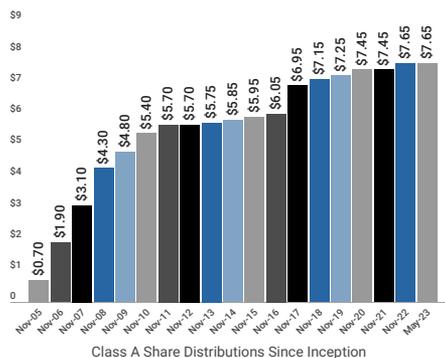
The Company continued to utilize its ability to invest up to 20% of its net assets in financial services companies other than the 4 core life insurance companies.

Net assets of the Company finished the period at \$160.6 million.

The covered call writing program continued to provide additional income and supplemented the dividend income earned in the portfolio.

### Class A shares – Distributions

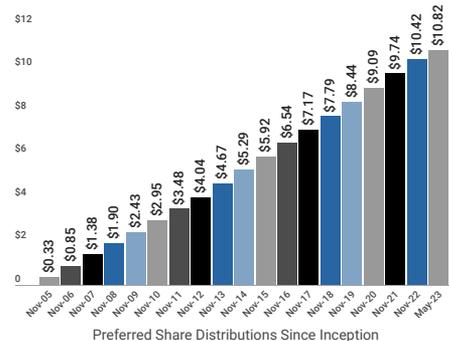
Class A shareholders will receive dividends as the directors of the Company may from time to time determine. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be paid. No distributions were paid during the period.



 **7.65**  
Cumulative total of distributions paid to Class A share since inception

### Preferred shares – Distributions

Preferred shareholders are entitled to receive a cumulative preferential floating rate monthly dividend at an annual rate equivalent to the greater of, (i) 6.5% based on the \$10 original issue price and (ii) the prevailing Canadian prime rate plus 2% annually based on the \$10 original issue price, to a maximum of 8%. Distributions during the period amounted to \$0.40 per Preferred share.



 **10.82**  
Cumulative total of distributions paid to Preferred share since inception

## 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 Company 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 Company 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 Company as described below in the Management Fees section.

## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance for the past five years. This information is derived from the Company'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 Company's net assets per unit

	Years ended November 30					
	May 31, 2023	2022	2021	2020	2019 <sup>(4)</sup>	Prior to Class A share subdivision <sup>(4)</sup> 2018
Net assets per unit, beginning of period <sup>(1)</sup>	13.37	13.99	12.61	14.97	13.42 <sup>(5)</sup>	15.51
Increase (decrease) from operations						
Total revenue	0.35	0.59	0.54	0.55	0.50	0.49
Total expenses	(0.08)	(0.15)	(0.15)	(0.14)	(0.15)	(0.15)
Realized gains for the period	(0.14)	0.21	0.11	(0.27)	0.34	0.44
Unrealized gains for the period	0.71	(0.38)	1.62	(1.76)	1.76	(2.04)
Total increase (decrease) from operations <sup>(2)</sup>	<u>0.84</u>	<u>0.27</u>	<u>2.12</u>	<u>(1.62)</u>	<u>2.45</u>	<u>(1.26)</u>
Distributions <sup>(3)</sup>						
Canadian dividends	<u>(0.40)</u>	<u>(0.88)</u>	<u>(0.65)</u>	<u>(0.85)</u>	<u>(0.75)</u>	<u>(0.82)</u>
Total distributions	<u>(0.40)</u>	<u>(0.88)</u>	<u>(0.65)</u>	<u>(0.85)</u>	<u>(0.75)</u>	<u>(0.82)</u>
Net assets per unit at end of period	13.83	13.37	13.99	12.61	14.97	13.42
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	3.83	3.37	3.99	2.61	4.97	3.42
Net assets per unit at end of period	<u>13.83</u>	<u>13.37</u>	<u>13.99</u>	<u>12.61</u>	<u>14.97</u>	<u>13.42</u>

- (1) Net assets per unit is the difference between the aggregate amount of the Company's assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A 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 Class A share distributions and other income (charges) related to Preferred shares and is calculated based on the weighted average number of units outstanding during the period.
- (3) Distributions on the Preferred shares and Class A shares are based on the number of Preferred shares and Class A 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 subdivision of Class A shares after the payment of special retractions on December 17, 2018 in connection with the extension of the termination date of the Company, amounts reported for the period ended November 30, 2019 and subsequent periods are not comparable to prior periods. Class A shareholders on record on December 21, 2018 received 0.0497724607 of an additional Class A share for each Class A share held.
- (5) The net assets per unit, beginning of the period is based on net assets per Class A share of \$3.42 prior to giving effect to the subdivision of the Class A shares in December 2018. Class A shareholders received 0.0497724607 of an additional Class A share for each Class A share held. The net assets per Class A share at the beginning of the period, after giving effect to the subsequent subdivision, was \$3.25.

## RATIOS AND SUPPLEMENTAL DATA

	May 31, 2023	▮ 2022	Years ended November 30			
			2021	2020	2019	▮ 2018
Net asset value (millions) <sup>(1)</sup>	\$160.6	\$166.8	\$174.0	\$168.3	\$208.7	\$199.0
Number of units outstanding <sup>(2)</sup>	11,609,004	12,472,701	12,434,901	13,352,194	13,940,394	14,830,286
Base management expense ratio <sup>(3)</sup>	1.05%	0.98%	0.97%	1.01%	0.99%	0.97%
Management expense ratio including one time offering expenses <sup>(4)</sup>	1.05%	1.08%	0.97%	1.01%	0.99%	0.97%
Management expense ratio per Class A share <sup>(5)</sup>	25.03%	23.05%	19.57%	39.4%	21.2%	18.0%
Portfolio turnover rate <sup>(6)</sup>	0.65%	5.23%	5.31%	8.60%	9.14%	14.25%
Trading expense ratio <sup>(7)</sup>	0.09%	0.07%	0.12%	0.17%	0.08%	0.05%
Closing market price (TSX): Preferred shares	\$10.10	\$10.00	\$10.18	\$9.94	\$10.30	\$10.04
Closing market price (TSX): Class A shares	\$3.21	\$2.96	\$3.85	\$2.41	\$4.23	\$3.07

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

(2) At times when there is an unequal number of Class A and Preferred shares outstanding, a notional unit amount will be determined based on the net assets attributable to each of the Class A and Preferred shares as a proportion of the net asset value of the Company.

(3) A separate base management expense ratio per unit has been presented to reflect the ongoing operating expenses of the Company. The base management expense ratio per unit is based on total expenses for the stated period, excluding commissions and other portfolio transaction costs, withholding tax, 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 Company during the period.

(4) Share issue expenses including all agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company 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.

(5) Management expense ratio per Class A 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 Company (excluding commissions and other portfolio transaction costs and withholding tax), all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of the average net asset value attributable to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company 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 Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in net asset value per unit.

(6) The Company's portfolio turnover rate indicates how actively Quadravest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the period. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a period, the greater the trading costs payable by the Company 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 Company.

(7) 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 Company during the period.

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## MANAGEMENT FEES

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 0.65% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the management agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.10% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A 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 Class A shares in respect of each month in such calendar quarter. Effective June 1, 2022, the Company discontinued the payment of the service fee.

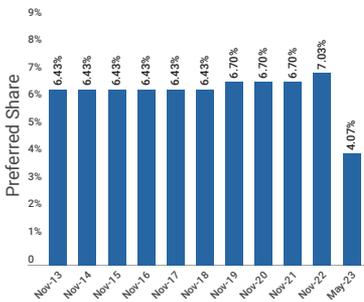
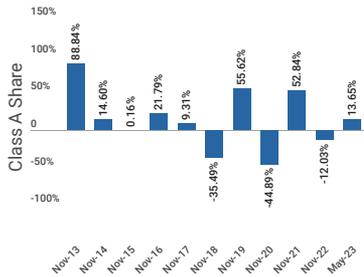
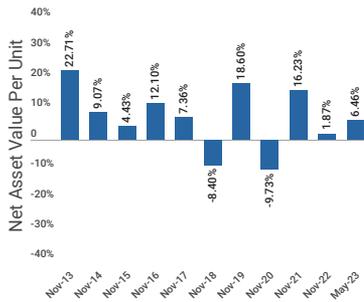
The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company 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 Preferred share on a net asset value basis; and 3) the Class A 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 Preferred share or a Class A 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 Company during the years shown were reinvested in the applicable additional securities of the Company;
- 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 Company does not necessarily indicate how it will perform in the future.



(1) The returns per unit and per Class A share for the year ended November 30, 2013 were calculated using the diluted net asset value per unit and diluted net asset value per Class A share, respectively.

(2) The returns per unit and per Class A share for the year ended November 30, 2019 reflect the subdivision of Class A shares on December 21, 2018.

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

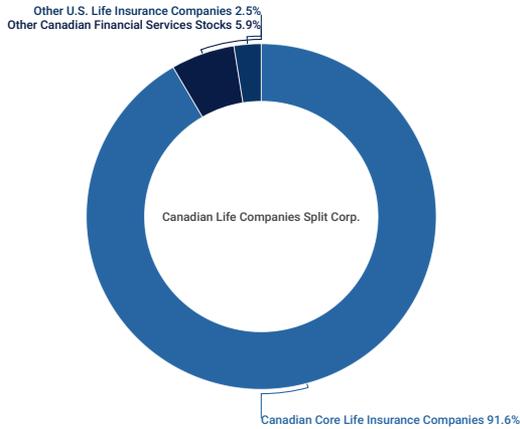
<b>Name</b>	<b>Weighting (%)</b>
Manulife Financial Corporation	29.5
Sun Life Financial Inc.	25.9
iA Financial Corporation Inc.	21.8
Great-West Lifeco Inc.	12.6
Bank of Nova Scotia	4.2
Prudential Financial Inc.	1.0
Canadian Imperial Bank of Commerce	0.8
Toronto-Dominion Bank	0.7
Aflac Inc.	0.7
Metlife Inc.	0.4
Lincoln National Corp.	0.4
<b>Total long positions as a percentage of net assets</b>	<b>98.0</b>
Cash	1.6
Other net assets (liabilities)	0.4
	100.0

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

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## PORTFOLIO BREAKDOWN

The following pie chart shows the composition of the Company's holdings between Canadian core insurance, Canadian financial services and U.S. financial services investments.



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## CANADIAN LIFE COMPANIES SPLIT CORP. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim financial statements of Canadian Life Companies Split Corp. (the "Company") have been prepared by Quadravest Capital Management Inc. (the "Manager" of the Company) and approved by the Board of Directors of the Company. 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 Company are described in note 3 to the financial statements.

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

**WAYNE FINCH**

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

**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.