



Dear Unitholder:

I am writing on behalf of the Independent Review Committee (the "IRC") of the funds (collectively, the "Funds" and individually, a "Fund") managed by Canadian Imperial Bank of Commerce ("CIBC") and CIBC Asset Management Inc. ("CAMI", collectively with CIBC, the "Manager"), which was established pursuant to *National Instrument 81-107—Independent Review Committee for Investment Funds* ("NI 81-107").

Securities regulators have given the IRC a mandate to review mutual fund conflict of interest matters identified and referred to the IRC by CIBC and CAMI and to give its approval or recommendation, depending on the conflict of interest matter. The IRC's focus is on the question of whether the Manager's proposed action in a conflict of interest matter achieves a fair and reasonable result for the mutual fund.

At least once a year, the IRC reviews and assesses the adequacy and effectiveness of the policies relating to conflict of interest matters in respect of the Funds (as listed in Schedule "A"), and conducts a self-assessment of its independence, compensation, and effectiveness. The IRC conducted its 12th annual assessment at its May 2019 meeting. After this review, the IRC confirmed that each of its members was still independent and that its compensation was reasonable. In addition, with expertise in a variety of fields, including financial institutions, investment funds, other investment businesses, and accounting, the IRC concluded that the IRC as a whole, and each of its members, were functioning in a positive and effective manner.

The report that follows, prepared as of December 31, 2019, is the annual report to unitholders of the Funds managed by CIBC, comprising the CIBC Mutual Funds, the CIBC Family of Portfolios, and the Imperial Pools and Income Generation Portfolios, and the CIBC Exchange Traded Funds managed by CIBC Asset Management, under the requirements of NI 81-107.

The IRC looks forward to continuing to serve in the best interests of the Funds, and to continuing the collaborative and mutually respectful relationship with the Manager of the Funds.

**Donald W. Hunter**

Chair of the Independent Review Committee

February 25, 2020



| <b>Member of the IRC</b>   | <b>Funds or Fund Families other than CIBC and CAMI on whose IRC Member Serves</b> | <b>IRC of CIBC and CAMI Funds</b> |                |
|--|---|-----------------------------------|----------------|
| Name   |   | Appointed or Reappointed in       | Expiry of Term |
| <b>Marcia Lewis Brown</b><br>Toronto, Ontario                              | None  | 2019                              | 2022           |
| <b>Bryan Houston</b><br>Toronto, Ontario                                   | None  | 2017                              | 2020           |
| <b>Donald W. Hunter, FCPA, FCA</b><br>Chair of the IRC<br>Toronto, Ontario | None  | 2019                              | 2020           |
| <b>Merle Kriss</b><br>Toronto, Ontario                                     | SEI Investments Canada Company  | 2019                              | 2020           |
| <b>Susan Silma</b><br>Toronto, Ontario                                     | None  | 2017                              | 2019           |
| <b>Barry Pollock</b><br>Toronto, Ontario                                   | None  | 2019                              | 2022           |

Donald Hunter and Merle Kriss were initially appointed to the IRC on April 27, 2007. Marcia Lewis Brown was appointed to the IRC on April 27, 2016, Susan Silma and Bryan Houston were appointed to the IRC on April 27, 2017, and Barry Pollock was appointed to the IRC on April 27, 2019. Susan Silma ceased to be a member of the IRC effective February 28, 2019.

**Marcia Lewis Brown** – Ms. Brown is a thirty-year veteran of the investment management industry, working with institutional and private investors, as well as mutual funds. She held managerial positions with TD Asset Management and Amundi Asset Management, before working as a private consultant and board director. She is a CFA charter holder and holds an MBA and the ICD.D designation. As well, she has an M.M. and M.A. in music performance and musicology, and had a ten-year professional music career before moving into finance. She has sat on several arts boards and is currently on the board of the Canadian Opera Company and Sistema Toronto.

**Bryan Houston** - Mr. Houston is a Managing Director at Coleford Investment Management, a boutique wealth management firm. For the majority of his over 35-year career, he has been an advisor to the Financial Services Industry in North America with a focus on Wealth Management – mutual funds, private client funds and offshore funds. He was a Partner at PricewaterhouseCoopers (audit and consulting) and IBM (consulting) where he held various leadership roles. Mr. Houston is a CPA and has a Bachelor of Commerce from Queen’s University.

**Donald W. Hunter** – Mr. Hunter is a professional director, holding the ICD.D designation. From 1982 to June 2005, he was a partner in PricewaterhouseCoopers LLP. He was the audit engagement partner on a number of Canada's largest financial services companies in the banking, investment, and asset management sectors. Mr. Hunter has been on the Accounting and Auditing Advisory panel of the Financial Services Commission of Ontario, has lectured at the University of Toronto and CPA Ontario, and has participated on numerous community boards. Mr. Hunter has an MBA from York University and a B.E.Sc. (Engineering) from Western University.

**Merle Kriss** – Mrs. Kriss is a seasoned financial services executive with more than twenty years’ experience in domestic and international banking with a major Canadian bank. After a career that was principally focused on corporate and investment banking, she moved into personal finance, where she



initiated a comprehensive Private Client Services offering. She subsequently formed Kriss & Associates Limited, a consulting practice in finance and wealth management. Mrs. Kriss earned a B.A. and an

MBA from the University of Toronto and holds the ICD.D designation. She is an experienced director and currently serves on a number of boards and foundations.

**Susan Silma** – Ms. Silma is an advisor to the wealth management industry. She provides advice on regulatory, communication and governance issues, with a focus on achieving meaningful transparency and operational efficiency. She is a lawyer and former regulator, and has an MBA. She has held executive roles at the Ontario Securities Commission and at a publicly offered venture capital fund, and had a successful corporate law practice at a major Canadian law firm. Currently she is the Practice Leader, Client and Industry Strategy at PureFacts Financial Solutions. She is also a member of the Board of Directors of Community Living Toronto, a not-for-profit organization that is a leader in providing supports and services to people with an intellectual disability and their families.

**Barry Pollock** - Mr. Pollock is a highly accomplished banking professional. He recently retired as Managing Director and Global Head of Corporate Banking for one of the major Canadian banks. Through his 32 year banking career, he gained extensive experience in governance, conflict analysis, risk assessment, decision making and policy development. He has been a member of various risk committees setting policy and identifying and evaluating exposures. Mr. Pollock also leads a non-profit board. He is a CPA, CA and has an MBA from York University.

### **Holdings of Securities:**

#### **(a) Funds**

As at December 31, 2019, the percentage of units of each class of the Funds covered by this report beneficially owned, directly or indirectly, in aggregate, by all members of the IRC totaled less than 1 per cent of each Fund.

#### **(b) Manager**

As at December 31, 2019, the percentage of each class or series of voting or equity securities of CIBC beneficially owned, directly or indirectly, in aggregate, by all members of the IRC did not exceed 0.1 per cent of all of the issued and outstanding classes or series of voting or equity securities of CIBC. As at the same date, no member of the IRC beneficially owned, directly or indirectly, any issued and outstanding classes or series of voting or equity securities of CAMI.

#### **(c) Service providers**

As at December 31, 2019, no member of the IRC beneficially owned, directly or indirectly, more than a negligible amount of any class or series of voting or equity securities of a person or company that provides services to the Funds or the Manager of the Funds with respect to its fund business.

### **IRC Compensation and Indemnities**

The aggregate compensation paid to the IRC for the twelve-month period from January 1, 2019 to December 31, 2019 was \$326,000, including applicable taxes. The Manager reported to the IRC that this amount was allocated among the Funds and other investment funds managed by CIBC and/or its affiliates in a manner that is considered by CIBC to be fair and reasonable to the Funds and the other investment funds.

As at the date of this report, each member of the IRC receives an annual retainer of \$60,000 (\$85,000 for the Chair) and \$1,500 for each meeting of the IRC that the member attends in excess of six meetings per year, plus expenses for each meeting. During the twelve-month period from January 1, 2019 to December 31, 2019 the IRC met seven times.



The IRC reviews its compensation on an annual basis, giving consideration to the following:

1. Industry practice, including industry averages and surveys on IRC compensation provided by the Manager;
2. The number, nature, and complexity of the Funds for which the IRC acts;
3. The nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected from each member; and
4. The Manager's recommendation regarding the IRC's compensation.

### **IRC Charter**

On May 18, 2019, the IRC reviewed and approved the IRC Charter.

### **Conflict of Interest Matters**

The Manager identifies and refers conflict of interest matters, along with its proposed actions, to the IRC for its review and decision. Depending on the nature of the matter, the decision of the IRC must either be (a) an approval or rejection or (b) a positive or negative recommendation. In reviewing a conflict of interest matter, the IRC undertakes the same level of review irrespective of the type of decision it is being asked by the Manager to provide and the IRC imposes the same conditions as part of any approval or positive recommendation.

For each ongoing conflict matter referred by the Manager to the IRC during the twelve-month period from January 1, 2019 to December 31, 2019, the IRC granted an approval or made a positive recommendation. These approvals and recommendations are described below, and were accompanied by standing instructions permitting the Manager to engage in the activity on an ongoing basis, subject to compliance with the Manager's policies and procedures as reported to and reviewed by the IRC. The Manager must report to the IRC on these matters and request the IRC to renew the standing instructions at least annually.

### Approvals

Listed below are the conflict of interest matters for which the Manager is required by NI 81-107 or by exemptive relief orders obtained from the Canadian Securities Administrators, to obtain the approval of the IRC before engaging in these transactions. Before making a determination to provide its approval, the IRC is required to consider several factors, including whether the action:

- (a) is proposed by the Manager free from any influence by an entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager; and
- (b) represents the business judgement of the Manager uninfluenced by considerations other than the best interests of the fund.

Implicit in any conflict of interest is an acknowledgement that both the Manager and the relevant Funds have an interest in the matter being brought forward for approval to the IRC. The IRC believes its role in applying the factors noted above is to recognize that the Manager has an interest in the matter and to provide approval only if it determines that the Manager's interests are not leading it to act in a manner that is not in the best interests of the Funds. For each of these matters the IRC has given approval in the form of standing instructions.



1. *Transactions in, and Holdings of, Securities of Related Issuers:* The Funds may invest in or hold equity securities of CIBC or of issuers related to CIBC or a sub-advisor acquired in the secondary market and purchase debt securities of CIBC or issuers related to CIBC in the primary or secondary market. These transactions create a potential conflict of interest, as the Funds could invest in these securities solely to assist CIBC or the sub-advisor.
2. *Offerings Underwritten by Related Dealers:* The Funds may invest in the securities of an issuer where CIBC World Markets Inc. or any other affiliate of CIBC (the "Related Dealers") acts as an underwriter during the offering of the securities or at any time during the 60-day period following the completion of the offering. These transactions create a potential conflict of interest, as CIBC could use its influence to induce the Funds to invest in the securities in order to generate revenue for the Related Dealers or to ensure the sale of securities that otherwise would be difficult to sell.
3. *Inter-Fund Trading:* The Funds may purchase securities from or sell securities to another Fund or pooled fund or segregated account managed by the Manager or an affiliate of the Manager (referred to as inter-fund trades or cross trades). These transactions create a potential conflict of interest, as the trades could be beneficial to one of the parties to the inter-fund trade but not the other party.
4. *Trading with Related Dealers Acting as Principal:* The purchase or sale of assets from or to a Related Dealer, where it is acting as principal, creates a potential conflict of interest since the Manager or sub-advisor could exercise its discretion to carry out the transaction upon terms that favour the interests of the Related Dealer as opposed to those of the Funds.

#### Recommendations

Listed below are the other conflict of interest matters that have been identified by the Manager for the IRC to consider in this period. For each of the following matters, the IRC has provided the Manager a positive recommendation, in the form of standing instructions, to act in accordance with the Manager's policies and procedures so that the resolution of these potential conflicts achieves a fair and reasonable result for the Funds.

1. *Trading with a Related Broker-Dealer:* A sub-advisor or the Manager may place trades on behalf of Funds through their related broker-dealers in their capacity as brokers, dealers, or counterparties. This creates a potential conflict of interest, as the Funds absorb the commission costs, while the related broker-dealer receives the income from the commissions paid.
2. *Trading Allocation:* Trade allocation creates a potential conflict of interest because a sub-advisor could allocate trades in a manner that favours itself instead of its clients or in a manner that favours one particular client to the detriment of others.
3. *Use of Client Brokerage Commissions as Payment for Order Execution Services or Research Services ("soft dollar" arrangements):* These arrangements are a means for the Manager or a sub-advisor, on behalf of its clients, to obtain products or services (most notably, research) from a broker-dealer in exchange for the direction of client brokerage transactions to that same broker-dealer. The use of soft dollars creates a potential conflict of interest since the Manager or a sub-advisor could use soft dollars to acquire goods or services that benefit them instead of the Funds they manage.
4. *Voting Securities of CIBC:* In voting securities of CIBC held by the Funds, a conflict of interest may exist in that the Manager or sub-advisors related to CIBC may have to choose between supporting the management decisions of CIBC and voting in the best interests of the Funds.
5. *Valuing Assets of a Fund and Correcting Net Asset Value Errors:* The Manager of the Funds has a duty to use fair pricing procedures and to identify and fix incorrect calculations of the Funds' net asset values. In valuing assets of a Fund and correcting net asset value errors, there is a potential conflict of interest because the Manager may have an incentive to overvalue assets of a Fund.
6. *Allocating Fund Expenses:* The Manager of the Funds recovers from the Funds operating expenses that it pays on behalf of the Funds. There is a potential conflict of interest in allocating Fund



expenses because the Manager may be motivated to favour one Fund over another or to allocate expenses to Funds that the Manager should be bearing itself.

7. *Employee Conflicts of Interest*: Employees of the Manager who have access to non-public information regarding the Funds and who accept gifts and entertainment from clients and suppliers of the Funds are in a conflict of interest position.
8. *Large Unitholders*: Allowing a large unitholder to invest in a Fund may constitute a conflict of interest because the Manager will earn revenues, or gain other benefits, from the assets invested by the large unitholder, while there is the possibility that the trading activities of the unitholder could adversely affect the remaining unitholders of the Fund. As a result, a reasonable person could consider that the Manager has an interest that conflicts with its ability to act in good faith and in the best interests of the Fund as a whole.
9. *Investments in Private Public Partnerships*: Investments in private debt issued by public private partnerships ("P3") create a potential conflict of interest since the Manager could use its influence to decide whether or not to bid on P3 investments to benefit a dealer affiliate or make investments in P3s in order to mitigate the credit risk of CIBC, which may act as a lender in P3 projects.

In each case, a positive recommendation was provided on the basis that the Manager undertook that these actions would:

- be proposed by it free from any influence by any entity related to the Manager and without taking into account any consideration relevant to an entity related to the Manager;
- represent the business judgement of the Manager uninfluenced by considerations other than the best interests of the Funds;
- be implemented in compliance with the Manager's applicable policies and procedures; and
- be undertaken to achieve a fair and reasonable result for the Funds.

There were no instances in which the Manager acted in a conflict of interest matter but did not meet a condition imposed by the IRC in its approval or recommendation.

The IRC is also required to advise the Canadian securities regulatory authorities if it determines that an investment decision was not made in accordance with conditions imposed by securities legislation or the IRC in its approval.

This report is available on the Funds' website at [www.cibc.com/mutualfunds](http://www.cibc.com/mutualfunds) or you may request a copy, at no cost to you, by contacting CIBC toll-free at 1-800-465-3863 or by writing to CIBC, 18 York Street, Suite 1300, Toronto, Ontario, M5J 2T8. This document and other information about the Funds are available at [www.sedar.com](http://www.sedar.com).



## **Schedule A**

Funds covered by this report:

### ***CIBC Mutual Funds***

CIBC Asia Pacific Fund  
CIBC Asia Pacific Index Fund  
CIBC Balanced Fund  
CIBC Balanced Index Fund  
CIBC Canadian Bond Fund  
CIBC Canadian Bond Index Fund  
CIBC Canadian Equity Fund  
CIBC Canadian Equity Value Fund  
CIBC Canadian Index Fund  
CIBC Canadian Real Estate Fund  
CIBC Canadian Resources Fund  
CIBC Canadian Short-Term Bond Index Fund  
CIBC Canadian Small-Cap Fund  
CIBC Canadian T-Bill Fund  
CIBC International Equity Fund  
CIBC U.S. Equity Fund  
CIBC Dividend Growth Fund  
CIBC Dividend Income Fund  
CIBC Emerging Markets Fund  
CIBC Emerging Markets Index Fund  
CIBC Energy Fund  
CIBC European Equity Fund  
CIBC European Index Fund  
CIBC Financial Companies Fund  
CIBC Global Bond Fund  
CIBC Global Bond Index Fund  
CIBC Global Equity Fund  
CIBC Global Monthly Income Fund  
CIBC Global Technology Fund  
CIBC International Index Fund  
CIBC International Small Companies Fund  
CIBC Latin American Fund  
CIBC Money Market Fund  
CIBC Monthly Income Fund  
CIBC Nasdaq Index Fund  
CIBC Precious Metals Fund  
CIBC Short-Term Income Fund  
CIBC U.S. Broad Market Index Fund  
CIBC U.S. Dollar Money Market Fund  
CIBC U.S. Index Fund  
CIBC U.S. Small Companies Fund

### ***CIBC Family of Portfolios***

*CIBC Managed Portfolios*  
CIBC Managed Aggressive Growth Portfolio  
CIBC Managed Balanced Growth Portfolio  
CIBC Managed Balanced Portfolio  
CIBC Managed Growth Portfolio  
CIBC Managed Income Plus Portfolio  
CIBC Managed Income Portfolio  
CIBC Managed Monthly Income Balanced Portfolio

CIBC U.S. Dollar Managed Balanced Portfolio  
CIBC U.S. Dollar Managed Growth Portfolio  
CIBC U.S. Dollar Managed Income Portfolio

### ***CIBC Passive Portfolios***

CIBC Conservative Passive Portfolio  
CIBC Balanced Passive Portfolio  
CIBC Balanced Growth Passive Portfolio

### ***CIBC Smart Investment Solutions***

CIBC Smart Income Solution  
CIBC Smart Balanced Income Solution  
CIBC Smart Balanced Solution  
CIBC Smart Balanced Growth Solution  
CIBC Smart Growth Solution

### ***Imperial Pools***

Imperial Canadian Bond Pool  
Imperial Canadian Diversified Income Pool  
Imperial Canadian Dividend Income Pool  
Imperial Canadian Equity Pool  
Imperial Emerging Economies Pool  
Imperial Equity High Income Pool  
Imperial Global Equity Income Pool  
Imperial International Bond Pool  
Imperial International Equity Pool  
Imperial Money Market Pool  
Imperial Overseas Equity Pool  
Imperial Short-Term Bond Pool  
Imperial U.S. Equity Pool

### ***Income Generation Portfolios***

Conservative Income Portfolio  
Balanced Income Portfolio  
Enhanced Income Portfolio

### ***CIBC Exchange Traded Funds***

CIBC Active Investment Grade Floating Rate Bond ETF  
CIBC Active Investment Grade Corporate Bond ETF  
CIBC Multifactor Canadian Equity ETF  
CIBC Multifactor U.S. Equity ETF