

Passive Foreign Investment Company (PFIC)

Annual information statements for the 2024 tax year

January 1, 2025

To help investors who file US tax returns, Renaissance Investments will provide PFIC Annual Information Statements (AIS) for most of our Renaissance Investments Family of Funds. For the full list of funds that will have a PFIC information statement, please see the table on the following page.

The PFIC Annual Information Statement allows investors to make the Qualified Electing Fund Election (QEF Election) on their US tax returns. The QEF Election allows for long-term capital gains to be taxed at more favourable rates and helps to avoid interest penalties.

The PFIC Annual Information Statement for Renaissance Investments Mutual Funds is available at the fund level rather than the individual account level. To file a QEF Election, investors need the PFIC Annual Information Statement for each fund they own, plus their account statements for the appropriate tax year.

US investors in Renaissance Investments should consult with a US tax advisor on their QEF Election option and for assistance in preparing the required reporting forms to include with their US tax returns.

Funds with 2024 PFIC reporting

Money Market Funds

Renaissance Canadian T-Bill Fund

Fixed Income Funds

Renaissance Canadian Bond Fund

Renaissance Global Bond Fund

Renaissance High-Yield Bond Fund

Renaissance Real Return Bond Fund

Renaissance US Dollar Corporate Bond Fund

Renaissance Corporate Bond Fund

Renaissance Floating Rate Income Fund

Renaissance Short-Term Income Fund

Balanced Funds

Renaissance Canadian Balanced Fund
Renaissance Optimal Income Portfolio
Renaissance Optimal Conservative Income Portfolio
Renaissance Optimal Growth & Income Portfolio
Renaissance US Dollar Diversified Income Fund

Equity Income Funds

Renaissance Canadian Dividend Fund
Renaissance Canadian Monthly Income Fund
Renaissance Diversified Income Fund
Renaissance High Income Fund

Canadian Equity Funds

Renaissance Canadian Core Value Fund
Renaissance Canadian Growth Fund
Renaissance Canadian All-Cap Equity Fund
Renaissance Canadian Small-Cap Fund

US Equity Funds

Renaissance US Equity Fund
Renaissance US Equity Growth Fund
Renaissance US Equity Growth Currency Neutral Fund
Renaissance US Equity Value Fund
Renaissance US Equity Income Fund

Global Equity Funds

Renaissance China Plus Fund
Renaissance Emerging Markets Fund
Renaissance Global Focus Fund
Renaissance Global Focus Currency Neutral Fund
Renaissance Global Growth Fund
Renaissance Global Growth Currency Neutral Fund
Renaissance Global Markets Fund
Renaissance Optimal Global Equity Portfolio
Renaissance Optimal Global Equity Currency Neutral Portfolio
Renaissance Global Small-Cap Fund
Renaissance Global Value Fund
Renaissance International Equity Fund

Specialty Funds

Renaissance Optimal Inflation Opportunities Portfolio
Renaissance Global Health Care Fund
Renaissance Global Infrastructure Fund
Renaissance Global Infrastructure Currency Neutral Fund
Renaissance Global Real Estate Fund
Renaissance Global Resource Fund
Renaissance Global Science & Technology Fund
CIBC Multi- Asset Absolute Return Strategy

Private Pools

CIBC Ultra Short-Term Income Private Pool
CIBC Canadian Fixed Income Private Pool
CIBC Canadian Equity Private Pool
CIBC Equity Income Private Pool
CIBC US Equity Private Pool
CIBC International Equity Private Pool
CIBC Emerging Markets Equity Private Pool
CIBC Global Bond Private Pool
CIBC Global Equity Private Pool
CIBC Multi-Sector Fixed Income Private Pool
CIBC Real Assets Private Pool
CIBC Multi-Asset Global Balanced Income Private Pool
CIBC Multi-Asset Global Balanced Private Pool

CIBC Fixed Income Pool

CIBC Conservative Fixed Income Pool
CIBC Core Fixed Income Pool
CIBC Core Plus Fixed Income Pool

* Not available for Renaissance Money Market Funds, Renaissance High Interest Savings Accounts and Axiom Portfolios.

1. Who are US persons?

The definition of a US person for US income tax purposes is broad and generally includes:

- US residents
- US citizens
- US green card holders
- Other persons with a substantial connection to the US
- Certain entities organized in the US (such as US domestic corporations)

Please also note that US citizens and green card holders are considered US persons regardless of their country of residence. Some Canadian residents are unaware that they have US tax filing requirements, including Canadian citizens who are also US citizens through birth or ancestry.

2. What is a PFIC?

A PFIC (Passive Foreign Investment Company) is a non-US corporation that has:

- 75% or more of its gross income consisting of passive income, or
- 50% or more of the average fair market value of its assets producing passive income or that produces no income (such as cash)

Passive income includes—among other things—dividends, interest, capital gains from the disposition of securities and certain types of rents and royalties.

Special US tax rules apply to US persons who own PFICs. These rules have existed since 1986.

In 2010, the Internal Revenue Service (IRS) issued a clarification that Canadian mutual funds are classified as corporations for US tax purposes. As such, units of most Canadian mutual funds are considered PFIC shares and are subject to the PFIC rules.

3. How do PFIC rules work?

US persons who own PFIC shares must report each PFIC investment annually on a separate IRS form ([Form 8621](#), Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund).

[Form 8621](#) must be completed for each Canadian mutual fund owned. The annual reporting requirement also applies to indirect holdings of PFIC shares. For example, if a US person owns shares of a Canadian mutual fund using a fund-of-fund(s) structure, they also own units of any funds in the fund-of-funds. The US person must file [Form 8621](#) to report holdings of each fund held in the Canadian fund-of-funds.

There are three taxation methods available to US persons with holdings of PFIC shares: the Excess Distribution Method, the Mark-to-Market Election, and the Qualified Electing Fund (QEF) Election.

1. Excess Distribution Method (default)

Under the Excess Distribution Method, tax on PFIC income and gains in excess of 125% of the average distributions from the PFIC over the previous three years is payable at the highest ordinary income rate. This applies for income attributed to years prior to the year of disposition or income receipt with no long-term capital gains treatment. Payment of tax is deferred to disposition. Gains are assumed to be earned consistently over the time the PFIC shares are held, and deferred tax is subject to compound interest charges. This is the default method applied for PFIC shares unless the taxpayer makes either the Mark-to-Market Election or Qualified Electing Fund Election.

2. Mark-to-Market Election

Under the Mark-to-Market Election, tax is paid as if the gain or loss in fair market value of PFIC shares is determined as ordinary income with the shares being sold at the end of the period. This inclusion of income to the US person correspondingly affects their US tax basis in the PFIC shares.

3. QEF Election

Under the QEF Election, investors must, on an annual basis, include their pro-rata share of the mutual fund's earned income and capital gains for US tax purposes. A PFIC Annual Information Statement is required to make a QEF Election.

Please note that T3 and T5 slips issued by Canadian mutual funds report income earned for Canadian tax purposes and not income earned for US tax purposes. As such, a QEF Election made using T3 or T5 slips is not valid, and the "Excess Distribution Method" may consequently continue to apply to holdings of such funds.

4. Which of the three options is better for the investor? Excess Distribution Method, Mark-to-Market Election, or QEF Election?

Investors should consult with their financial advisor or a US tax specialist to make this decision, as the preferred method will vary in each investor's particular case (and possibly for each PFIC or Canadian mutual fund they hold). Investors must also take into account factors, such as the amount of distributions, the length of the investor's holding period, and the appreciation or depreciation in the fund's value over the investor's holding period. However, generally speaking:

- The Excess Distribution Method (the default method) is the least favourable
- Mark-to Market Election is straightforward, but not otherwise advantageous
- The QEF Election is generally the preferred method because it most closely aligns with the tax treatment of mutual fund investments by both the US and Canadian tax systems

5. How do these rules affect different types of accounts, such as non-registered accounts, TFSAs and RRSPs?

These rules affect investments in non-registered accounts, TFSAs and RESPs. CIBC won't provide Annual Information Statements for PFICs held in retirement savings accounts such as RRSPs and RRIFs, as we believe that the PFIC rules aren't applicable. However, CIBC recommends that investors speak with a US tax specialist.

6. Will the PFIC Annual Information Statements be provided for the 2024 tax year?

Renaissance Investments elected a tax year for US tax purposes to start on July 1, 2023, and end on June 30, 2024. US persons with US tax years ending on December 31, 2024, may make a QEF Election with respect to such funds for the funds' year that ended on June 30, 2024. This period is deemed acceptable by the IRS. Investors should consult with their US tax specialist to understand how this impacts their tax reporting.

7. Why is PFIC reporting provided at the fund level, rather than the individual account level?

Renaissance Investments decided to offer PFIC reporting at the fund level so that investors have all of the information they need to file more tax efficient QEF Elections for the 2024 tax year.

8. How can I get my PFIC Annual Information Statement?

You can visit the Renaissance Investments website or contact Renaissance Client Services at [1 888 888-3863](tel:18888883863).

9. When will PFIC Annual Information Statements be available?

PFIC Annual Information Statements will be available online by January 1, 2025.

10. For which products will the PFIC Annual Information Statements be available?

PFIC Annual Information Statements will be available for Renaissance Mutual Funds (other than Renaissance Money Market Funds), CIBC Private Pools, Axiom Portfolios, Renaissance HISA and Renaissance Money Market Funds will not receive PFIC Annual Information Statements.

The following funds will not receive a PFIC Annual Information Statement for the 2024 reporting period:

- CIBC Emerging Markets Equity Private Pool
- CIBC Global Bond Private Pool
- CIBC Multi Asset Absolute Return Fund
- Renaissance Canadian Bond Fund
- Renaissance China Plus Fund
- Renaissance Global Bond Fund
- Renaissance Global Infrastructure Currency Neutral Fund
- Renaissance Global Real Estate Fund
- Renaissance Global Small-Cap Fund
- Renaissance High-Yield Bond Fund
- Renaissance Optimal Conservative Income Portfolio
- Renaissance Optimal Global Equity Portfolio
- Renaissance Optimal Growth & Income Portfolio
- Renaissance Optimal Income Portfolio
- Renaissance Real Return Bond Fund
- Renaissance Short-Term Income Fund
- Renaissance US Dollar Corporate Bond Fund
- Renaissance U.S. Dollar Diversified Income Fund
- Renaissance U.S. Equity Growth Currency Neutral Fund

11. How do I calculate my account level PFIC factors for the QEF Election?

For each PFIC, your US tax preparer requires the following:

- The PFIC Annual Information Statement for the fund provided by Renaissance Investments
- Your account statements for the tax year provided by your investment dealer

The PFIC Annual Information Statement will provide the pro-rata share of the fund's ordinary earnings and net capital gain per unit per day.

To calculate your individual amounts for a QEF Election, multiply the number of unit days you held the fund by the pro-rata amounts on the Annual Information Statement.

To calculate the number of unit days, multiply the number of units held by the number of days the units were held for the tax year. For example, an account that held 1,000 units of a fund for the full year (July 1, 2018 to June 30, 2019, 365 days), the number of unit days would be $1,000 \times 365 = 365,000$. If those units were held for 181 days (July 1, 2018 to December 29, 2018), the number of unit days would be $1,000 \times 181 = 181,000$. This value would then be multiplied by the pro-rata values on the Annual Information Statement and reported on IRS Form 8621.

If the number of units changes over the course of the year, the unit days calculation should be adjusted accordingly.

For example, consider an account that starts the year with 1,000 units then, 65 days into the year, another 1,000 units are purchased (increasing the total number of units to 2,000). If no other changes are made for the remaining 300 days of the year, the unit days calculation would be: $(1,000 \text{ units} \times 65 \text{ days}) + (2,000 \text{ units} \times 300 \text{ days}) = 665,000\text{-unit days}$.

For any help with these calculations, Renaissance Investments suggests that investors consult with a qualified US tax professional.

12. Can clients still request a previous year's PFIC Annual Information Statement?

Yes, clients can request a PFIC Annual Information Statement for the previous reporting year by visiting the [Renaissance Investments website](#) or by contacting Renaissance Client Services at [1 888 888-3863](tel:18888883863).

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