QUADRAVEST CAPITAL MANAGEMENT
SPLIT SHARE FUNDS

june 2020

One Portfolio, Two Classes of Shares

Preferred Shares
Fixed, cumulative monthly payments, with repayment taking priority at windup.

Class A Shares
Targeted monthly payments with potential for special payments, plus benefits from any upside in the portfolio.

TSX Ticker	Fund	Sector
FTN.PR.A, FTN	Financial 15	North American financials
FFN.PR.A, FFN	North American Financial 15	North American financials
FTU.PR.B, FTU	US Financial 15	US financials
DFN.PR.A., DFN	Dividend 15	Canadian dividend yielding
DF.PR.A, DF	Dividend 15 II	Canadian dividend yielding
LFE.PR.B, LFE	Canadian Life Companies	Canadian life companies
BK.PR.A, BK	Canadian Banc	Canadian banks
PDV.PR.A, PDV	Prime Dividend	Canadian banks, utilities, life companies

What is a split share fund?

A Split Share Fund is a unique investment vehicle that generally has two classes of shares – a Preferred share and a Class A (or capital) share. Investors may hold both shares or may choose the one that best suits their investment objectives. The underlying fund typically holds a basket of high quality dividend paying companies in the portfolio.

A Preferred share investor would typically receive dividends that are generated from the fund's investment holdings. Like other fixed income instruments, Preferred shareholders do not generally expect to have gains or losses but expect to receive their initial investment back upon termination.

The Class A share investor would typically participate in any capital appreciation (depreciation) in the portfolio and any additional dividends or income generated on the underlying portfolio. The Class A shareholder receives all of the gains (losses) on the entire portfolio including assets attributable to the Preferred shareholders, meaning that a Class A shareholder would see a more magnified return from the structure rather than just holding the same basket of stocks directly. Like equity or mutual fund investors, Class A shareholders participate in gains and losses and their return upon termination is dependent upon the performance of the underlying portfolio.

Which share is for me?

The Preferred Shares are more conservative and have a steady income stream due to their fixed, cumulative monthly payments. Payments usually consists of eligible Canadian dividends which are taxed at a lower rate than other types of income.

All Quadravest splits have a termination date with the potential for further 5 year extensions. Preferred shares have a priority claim ahead of the Class A shares on the fund's assets at windup. Preferred shares however do not benefit from any growth in the underlying stocks.

The market price of a Preferred share tends to be fairly steady and investors have a monthly and annual redemption option. All Quadravest Preferred shares are non-callable so you will never be forced to give up shares for less than their par value.

A knowledgeable investor wishing to participate in any capital appreciation in the underlying portfolio may be more suited to buying Class A shares. Buying a Class A share of a Split rather than buying the underlying stocks yourself can result in magnified gains (losses) due to the structure.

The monthly payments to Class A shares are a target (not fixed). They can be missed if the portfolio declines but on the other hand, if the portfolio has realized gains, the Class A shares may be entitled to special distributions on top of the monthly payments.

At windup the Class A shares receive the balance of the portfolio (net asset value) after the Preferred shares receive their original issue price. So if the stocks held in the fund have increased in value, the Class A shares would receive all of that growth at termination.

How are distributions funded?

The dividends received on the stocks held in a Split Share Fund's portfolio are used to fund the fixed, cumulative monthly payments made to the Preferred shares. Any excess dividend income plus option premium received from covered call writing is used to fund the targeted monthly payments to the Class A shares.

The objective is to pay mostly Canadian eligible dividend income to the Preferred share and a combination of dividends and capital gains to the Class A share. In either case, the monthly payments are very tax efficient compared to other income oriented investments. In other words, you get to keep more of your money.

Considerations before buying?

Before purchasing a Class A or Preferred share of a Quadravest Split you should consider which sector you are interested in. Underlying portfolios invest in solid blue chip companies but the holdings vary from Fund to Fund. Quadravest has Split Share Funds that focus on sectors such as Canadian dividend yielding Companies, Canadian Banks, Canadian Life Insurance Companies, and US Financials.

Buying a Class A or Preferred share of a Quadravest Split is an efficient way to invest in a sector or group of stocks you like. All shares trade on the TSX and can be purchased in the same manner as any other stock trading on the stock exchange.

You may also want to consider the issue size, the redemption date, whether the shares are trading at a premium or discount to the net asset value before deciding which Split is for you.

FINANCIAL 15 | NORTH AMERICAN FINANCIAL 15 | US FINANCIAL 15 SPLIT | Dividend 15 | Dividend 15 II | CANADIAN LIFE SPLIT COMPANIES | CANADIAN BANC | PRIME DIVIDEND CORP

Commissions, trailing commissions, management fees and expenses all may be associated with owning shares in an investment fund. Please read the continuous disclosure records available at www.sedar.com, before investing. An investment in the shares is not guaranteed, share values change frequently, and past performance may not be repeated.