



# Capital Gains Income STREAMS

## Capital Yield Share

July 26, 2002

### CGQ

The investment focus of Capital Gains Income STREAMS is to provide a high level of steady, tax efficient monthly income while preserving capital.

#### Key Features of CGQ:

- A Forward Agreement is in place to **return the original \$25 per share** issue price upon termination in November 2013. Therefore, purchasing CGQ at \$18.00 today would provide a gain of \$7.00 at termination (not including distributions or capital appreciation).
- **Monthly distributions** (see table below).
- If the managed portfolio of \$18.47 (July 15/02) is preserved at termination (*the managed portfolio is the portion of the net assets used to generate the distributions*), an **additional payment of \$3.47** would be made to CGQ after the preferred share obligation has been met, resulting in a windup value of \$28.47 (\$25 repayment plus the \$3.47).
- CGQ also benefits from any **capital appreciation** in the managed portfolio over the next 10 years.

Quadravest, the investment manager, uses a sophisticated screening process to select high quality blue chip companies from the S&P 500 and the TSE/S&P 60 and combines this with a covered call writing strategy. This strategy not only provides tax efficient income, but also reduces the already conservative risk profile of the fund.

### Facts

Trading Symbol	CGQ
Trading Price	\$17.00
Termination Price	\$25.00
Current Yield	14.2%
Mthly Distribution Target	\$0.2083 per share
Last 12 Mos Distribution	\$2.42 per share
Distribution Frequency	Monthly
Universe	S&P 500 and TSE/S&P 60
RRSP Eligibility	<b>100% Canadian</b>
Liquidity	Listed on TSE
Inception Date	March 2001
Termination Date	November 2013
Fiscal Year End	November 30
Gross Proceeds	\$145.2 Million

### Highlights

- Monthly variable Distribution Program put in place due to recent market weakness. Program is based on the size of the managed portfolio (\$18.47 on July 15/02):

Managed Portfolio	Payment Per Share	Yield
Over \$20	\$0.2083	10%
\$19 to \$20	\$0.1667	8%
\$18 to \$19	\$0.1250	6%
Under \$18	nil	nil

- A total of 17 tax efficient monthly distributions to date totaling \$3.41 per share to July 31/02
- 100% principal repayment by way of a forward agreement with TD Bank and Merrill Lynch remains in place
- Actively managed blue chip portfolio
- Yield enhancement and risk reduction through covered call writing
- Potential for additional returns from dividend growth and capital gains
- Benefits from increased market volatility through covered call writing

### Sample Holdings

Procter & Gamble, Citigroup, Bank of America, Johnson & Johnson, IBM, Lehman Brothers, Air Canada, Pharmacia, Merrill Lynch, Intel



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