



UPDATE

August 7, 2002

QUADRAVEST INVESTMENTS

INCOME FINANCIAL PLUS

TSX: INZ.UN

Trading Price \$19.25
Current Yield 12.9%

Current Positioning

Cash 35%
Financials 40%
Non-Financials 25%

Top Holdings

US Bancorp
General Electric
Procter & Gamble
Citigroup
Bank of Montreal

Market Commentary

The operating environment for INZ.UN during its first five months has been difficult. The market has been plagued by a myriad of issues. The underlying indices have declined dramatically since inception of the fund especially during the last few months. For example, since inception of INZ.UN to July 31st, the S&P 500 Financial Services Index has declined 6.0%, while the broader S&P 500 Index has declined 16.0%.

During the month of July the S&P 500 Financial Services Index declined 8.1%, while the S&P 500 Index declined by 8.0%. Income Financial PLUS' investment portfolio has outperformed the blended indices by 7.1% for the month of July 2002 with a modest decline of 0.9% (inclusive of distributions).

Positioning

Quadravest has maintained a cautious stance since the inception of INZ.UN in February 2002. The fund has had an average cash weighting of approximately 40% (currently 35%). The fund holds approximately 50 investments diversified across the financial services sectors and the broader S&P 500. A focus over the past few months has been on U.S. regional banks whose traditional residential mortgage lending business has been relatively unaffected by recent market events. Quadravest will actively manage portfolio holdings based on market conditions.

Option Premiums

Premiums available in the marketplace from covered call writing have increased significantly over the past couple of months. This increase will benefit holders of Income Financial PLUS (see example). **Premiums available are well in excess of what is required by the fund to pay distributions.**

Example:

Buy BAC Stock \$60.72
Sell Sept \$60 BAC Call Option \$ 4.20 (option premium)
Net Cost \$56.52
Return If No Change in Stock \$ 3.48
(\$60.00 - \$56.52 = \$3.48)

This translates into a 5.7% return for 56 days, or 37.4% annually.



www.quadravest.com

Royal Trust Tower 77 King Street West PO Box 341 Toronto, Ontario M5K 1K7
Tel: (416) 304-4443 Toll: (877) 478-2372 Toll: (877) 4QUADRA Fax: (416) 304-4441

info@quadravest.com