

**TSE: USA.un****February 3, 2000****Current Yield: 10.0%***Managed by Quadravest Capital Management Inc.*

# American Income

## MARKET COMMENTARY & OUTLOOK:

The S&P 500 Index was down 5.1% for the month of January, while experiencing extreme volatility. American Income's underlying Portfolio was down marginally (0.2%) due to our focus on stable solid investments as well as our systematic covered call writing strategy, which benefited by an increase in option premiums available in the market.

The U.S. equity markets during 1999 were primarily driven by "momentum" trading in the technology sector which, in our opinion, has resulted in excessive and unsustainable valuations of many of the stocks in this sector. Investors' predominant focus on this sector combined with three Fed Reserve rate increases during the second half of 1999, which were designed to slow down robust economic growth to more sustainable non-inflationary levels, has resulted in depressed prices in many of the non-technology sectors. It is our view that many of the non-technology sectors currently offer reasonable fundamental value and significant opportunity over the mid to long term. We believe that interest rates will peak during the first half of 2000, which should provide a foundation for a meaningful rally in the interest sensitive stocks held within the portfolio.



## INVESTMENT STRATEGY:

American Income invests in a diversified portfolio consisting principally of a selection of common shares issued by corporations whose shares are included in the S&P 500 Index. Current investments include industry leaders such as Proctor & Gamble, IBM, General Motors, Delta Airlines, Federal Express, AT&T and Pfizer. We believe that American Income's investment objectives of steady monthly income and capital preservation dictate a continuation of our diversified portfolio approach to security selection in conjunction with a systematic covered call writing program.



## DISTRIBUTIONS:

Distributions have amounted to approx. \$1.44 per unit for the first seven months of operation, which included a SPECIAL distribution of \$0.20 per unit paid at year-end. For the period ended December 31, 1999, the annualized yield totaled 10% (based on original issue price), ahead of the targeted yield of 8.5%.

## CURRENT EVENTS:

Recent erratic trading of American Income units appears to be a reflection of investor anxiety over interest rates and stock valuations, and not an indication of the underlying portfolio. American Income is an attractive product in times of market uncertainty based on its diversified blue chip portfolio enhanced by its covered call writing program. Increased volatility in the marketplace is positive for covered call writing, as call buyers will pay greater premiums for their options. This results in enhanced income for the Portfolio while providing additional downside protection.

### TOP HOLDINGS

Proctor & Gamble Co.  
Lucent Technologies  
General Motors Cp.  
Chase Manhattan Cp.  
Delta Air Lines Inc

### AMERICAN INCOME

Trading Symbol: USA.un  
Current Price: \$21.25  
Current Yield: 10.0% <sup>1</sup>  
Annualized Yield: 11.1% <sup>2</sup>

<sup>1</sup> Based on monthly distribution rate  
<sup>2</sup> Including Special Distributions

### FACTOID

In spite of volatility and some high valuation, the S&P 500 Index overall is up a marginal 1.5 % for the last 7 months

### Page 1 of 1

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