

# UPDATE

Managed by *Quadravest Capital Management Inc.*  
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# Preferred Shares

## ENHANCED AFTER-TAX YIELD ADVANTAGE FOR STREAMS EQUITY DIVIDEND SHARES (STR.E) AND SPLIT YIELD CLASS II PREFERRED SHARES (YLD.PR.B)

**Superior "Tax Advantaged" Yield:** The pre-tax interest equivalent yields of **STREAMS Equity Dividend shares (STR.E)** and **Split Yield Class II Preferred shares (YLD.PR.B)** are superior to most similarly rated preferred shares as can be seen by the comparison below. The key reason is that the dividends paid on these preferred shares are predominately in the form of capital gains dividend income. The combined effects of the two Federal Budgets this year has had the net impact of dramatically lowering the effective tax rate on capital gains dividends making them much more superior for taxable private investors than similar rated preferred shares that pay ordinary dividends.

Product	Symbol	Oct 31/00 Price	Current Yield	Redemption Price	Yield to Redemption	Approx. Pre-tax Interest Equivalent Yld to Redemption	DBRS / CBRS
<b>STREAMS Eq Div</b>	<b>STR.E</b>	<b>\$24.50</b>	<b>7.14%</b>	<b>\$25.00</b>	<b>7.28%</b>	<b>10.41%*</b>	<b>P2 / NA</b>
TD Split	TDS.PR.A	\$15.20	5.80%	\$14.70	5.51%	7.16%	P2 / NA
LIFECO Split	LSC.PR.A	\$25.20	5.95%	\$25.00	5.80%	7.54%	NA / P2
TELCO Split	TSC.PR.A	\$26.05	7.49%	\$25.00	5.38%	6.99%	P2N / P2L
Diversified	DCF.PR.A	\$26.00	6.73%	\$25.00	6.37%	8.28%	NA / P2
<i>*Based on estimated 80% capital gains, 20% ordinary dividend split over life of shares. Actual split may vary year-to-year. Top Ontario/federal rate used.</i>							
<b>Split Yield Class II Pfd</b>	<b>YLD.PR.B</b>	<b>\$12.85</b>	<b>8.17%</b>	<b>\$15.00</b>	<b>10.59%</b>	<b>15.56%**</b>	<b>P3L / NA</b>
35 Split Corp	TFS.PR.A	\$23.65	5.39%	\$25.00	6.08%	7.90%	P3 / P2
PIPE NT	PIP.PR.A	\$24.70	5.22%	\$25.00	6.05%	7.86%	NA / P4
<i>**Based on estimated 100% capital gains dividend. All distributions since inception have been classified as 100% capital gains dividend. Top Ontario/federal rate used.</i>							

**In Addition** these two preferred share issues have the following advantages over most other similarly rated preferred shares:

**Enhanced Dividend coverage:** Unlike traditional synthetic preferred shares (or split shares) whose dividend coverage comes only from dividends received (and is therefore 1:1), **STREAMS and Split Yield** generate substantial income through their covered call writing programs. This provides enhanced dividend coverage for preferred shareholders.

**Additional Downside protection:** The investment portfolios of both **STREAMS and Split Yield** are actively managed unlike most split shares whose portfolios are static. This allows these two companies to, for example, raise cash in a market downturn. This along with the covered call writing programs provides for enhanced downside protection. In addition, these companies may hold put options that further protect preferred shareholders capital.

**Diversified underlying portfolio:** Unlike most traditional synthetic preferred shares (or split shares) in which the underlying market exposure is to a single issuer, **STREAMS and Split Yield's** investment portfolios consists of approximately 40 or more underlying securities which are actively managed from a blue chip universe. (**STREAMS** universe is from the TSE Financial Services Index, the S&P Financials Index and the S&P MidCap Financial Index; **Split Yield** universe is from the TSE 100 and S&P 100). Dividend cuts by companies in the portfolios will not have any impact on the ability of **STREAMS and Split Yield** to pay distributions to preferred share investors.

**Investor controls the sell decision until the maturity of the Preferreds (No Issuer early redemption features):** Unlike many preferred shares which can be redeemed early by the Issuer, the investor retains control over the timing of the sell decision of these preferreds until the maturity date. Investors in **STREAMS and Split Yield** will **not** be redeemed early at a discount.



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