

Quadravest Preferred Split Share ETF

Annual Management Report of Fund Performance

For the period ended December 31, 2024



QUADRAVEST
PREFERRED SPLIT SHARE
ETF

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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Notes on forward-looking statements

This report may contain forward-looking statements concerning the Preferred ETF, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Preferred ETF. You may obtain a copy of the annual financial statements of the Preferred ETF at your request, and at no cost, by calling 1-877-478-2372, by emailing us at info@quadravest.com, by visiting our website at www.quadravest.com, by visiting SEDAR's website at www.sedarplus.ca, or by contacting your advisor. You may also contact us using one of these methods to request a copy of the Preferred ETF's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Fund Performance

The Fund

Quadravest Preferred Split Share ETF (the "Preferred ETF") is a mutual fund trust managed by Quadravest Capital Management Inc. (the "Manager" or "Quadravest"). The Preferred ETF is an exchange-traded ("ETF") alternative mutual fund, and the units of the Preferred ETF are traded on the Toronto Stock Exchange ("TSX") under the symbol PREF.

Investment Objective and Strategies

The investment objectives of the Preferred ETF are to provide unitholders of the Preferred ETF with: (a) monthly distributions and (b) the opportunity for capital preservation primarily through investment in a portfolio of preferred shares of split share corporations ("Split Corp. Preferred Shares").

The investment strategy of the Preferred ETF is to primarily invest in an actively managed portfolio of Split Corp. Preferred Shares offered by Canadian split share corporations listed on a Canadian exchange. The Preferred ETF may also invest in preferred shares of other issuers, exchange-traded funds, other investment funds, equities or income-generating securities, and securities that are convertible into any of the above noted securities provided such investments are consistent with the Preferred ETF's investment objectives.

The Preferred ETF is considered an "alternative mutual fund" within the meaning of National Instrument 81-102 Investment Funds ("NI 81-102") and is permitted to invest in asset classes or use investment strategies that are not permitted for other types of mutual funds. As an alternative mutual fund, under NI 81-102, the Preferred ETF is permitted to use strategies generally prohibited by conventional mutual funds, including the ability to invest more than 10% of its net asset value ("NAV") in the securities of a single issuer.

Risks

Risks associated with an investment in the units of the Preferred ETF are discussed in the Preferred ETF's prospectus, which is available on the Preferred ETF's website at www.quadravest.com or on SEDAR at www.sedarplus.ca. There were no changes to the risks during the period ended December 31, 2024 that could materially affect an investment in the units of the Preferred ETF as they were discussed in the Preferred ETF's prospectus.

Results of Operations

The Preferred ETF was launched on June 24, 2024 and its net asset value was \$21,003,726 as at December 31, 2024. Investment performance is not provided for a Fund that has been available for less than one year.

North American equity markets experienced robust gains over the year ended December 31, 2024, driven by a confluence of factors including moderating inflation, a shift in monetary policy by central banks, and a significant post-U.S. election rally. In Canada, initial gains were supported in part by higher commodity prices and easing inflation. This decline in inflation fostered expectations of imminent interest rate cuts, initially boosting market sentiment. However, the Bank of Canada maintained its policy rate unchanged through the first half of 2024, awaiting further confirmation of sustained lower inflation. During this time, the Canadian economy showed signs of moderation, with rising unemployment and slowing wage growth.

Starting in June 2024, the Bank of Canada began cutting its policy interest rate, reducing it five times from 5.00% to 3.25% by December 2024. This shift in monetary policy aimed to support economic activity and mitigate the risk of a more pronounced economic slowdown as inflation eased. These rate cuts generally provided support to equity markets by lowering borrowing costs for businesses and consumers, and also improved market sentiment, signaling the central bank's responsiveness to moderating economic conditions. Despite these rate cuts, key economic indicators continued to point towards a moderating economy.

In November 2024, U.S. equity markets rallied to record highs following the U.S. election results which had a positive spillover effect on Canadian equities. This surge was attributed to both the swift confirmation of the election outcome and the market's positive reaction to the incoming administration's proposed economic agenda, which emphasized pro-growth measures, tax cuts, a more market-driven economy, and reduced federal government spending.

Against this backdrop, the Preferred ETF delivered strong performance during the period ended December 31, 2024, driven by capital appreciation within its portfolio and increased revenues from holdings due to the resetting of certain Split Corp. Preferred Share rates. Monthly distributions, totaling \$0.3375 per unit for the period, were increased by 7.7% in October 2024 (from \$0.05417 to \$0.05833 per unit) as a result of this capital appreciation and higher resetting rates.

Recent Developments

The Preferred ETF commenced operations on June 24, 2024, and commenced trading on the Toronto Stock Exchange on June 27, 2024. The initial issue price of the Preferred ETF was \$10.00 per unit. Monthly distributions, totaling \$0.3375 per unit for the period, were increased by 7.7% in October 2024 (from \$0.05417 to \$0.05833 per unit) as a result of capital appreciation and higher resetting rates of certain Split Corp. Preferred Shares.

Beginning in February 2025, the U.S. announced trade tariffs on Canadian exports, citing trade imbalances and border security concerns, prompting retaliatory tariffs from Canada on U.S. goods. The resulting trade dispute has introduced ongoing economic uncertainty for both countries. Consequently, the Preferred ETF's investment portfolio may experience significant volatility as trade negotiations progress.

Related Party Transactions

Quadravest is the manager, promoter, trustee, and portfolio manager of the Preferred ETF.

The Preferred ETF pays a management fee to the Manager pursuant to a management agreement (see the "Management Fees" section below).

Operating Expenses

In addition to the payment of the management fee, the Preferred ETF is responsible for the costs and expenses incurred in complying with National Instrument 81-107 (including any expenses related to the implementation and on-going operation of the independent review committee), brokerage expenses and commissions, income and withholding taxes as well as all other applicable taxes, including HST, the costs of complying with any new governmental or regulatory requirement introduced after the Preferred ETF is established and extraordinary expenses. The Manager is responsible for all other costs and expenses of the Preferred ETF, including the fees payable to the custodian, registrar and transfer agent, fund administrator and fees payable to other service providers.

Related Party Holdings

The Preferred ETF may invest in other underlying funds managed by the Manager, in accordance with its investment objectives and strategies. As at December 31, 2024, 278,500 units of the Preferred ETF were held by a related party of the Manager.

Management Fees

Pursuant to a management agreement, the Preferred ETF pays an annual management fee to the Manager equal to 0.5% of the NAV of the Preferred ETF, calculated and payable monthly in arrears, plus applicable taxes. The management fee is payable to the Manager in consideration of the services that the Manager provides to the Preferred ETF in its capacity as the manager such as, managing the day-to-day business and affairs of the Preferred ETF.

The Preferred ETF invests in underlying funds through its investment in Split Corp. Preferred Shares. There will be no duplication of fees payable by the Preferred ETF and underlying funds for the same service. Split Corp. Preferred Shares generally do not bear any management fees or operating expenses when the NAV of the split share corporation is in excess of the redemption value.

Past Performance

The Preferred ETF has not presented its historical performance as it commenced operations on June 24, 2024 and therefore has been in existence for less than one year.

Financial Highlights

The following tables show selected key financial information about the Preferred ETF and are intended to help you understand the Preferred ETF's financial performance for the accounting periods shown.

Net Assets per Unit⁽¹⁾

Commencement of operations: June 24, 2024

Accounting Period Ended	2024 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	10.00
Increase (Decrease) from Operations (\$)	
Total revenue	0.42
Total expenses	(0.05)
Realized gains (losses)	0.07
Unrealized gains (losses)	0.56
Total Increase (Decrease) from Operations ⁽³⁾	1.00
Distributions (\$)	
From net investment income (excluding dividends)	—
From dividends	0.21
From capital gains	0.04
Return of capital	0.09
Total Annual Distributions ⁽⁴⁾	0.34
Net Assets, End of Accounting Period Shown ⁽²⁾	10.61

Ratios and Supplemental Data

Accounting Period Ended	2024 December 31
Total net asset value (000's of \$) ⁽⁵⁾	21,003,726
Number of units outstanding ⁽⁵⁾	1,980,000
Management expense ratio (%) ⁽⁶⁾	0.59
Management expense ratio before waivers or absorptions (%)	0.59
Trading expense ratio (%) ⁽⁷⁾	0.32
Portfolio turnover rate (%) ⁽⁸⁾	34.76
Net asset value per unit (\$)	10.61
Closing market price ⁽⁹⁾	10.64

⁽¹⁾ This information is derived from the Preferred ETF's Annual Audited Financial Statements.

⁽²⁾ The net assets are calculated in accordance with IFRS.

⁽³⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the weighted average number of units outstanding over the accounting period.

⁽⁴⁾ Distributions were paid in cash or reinvested in additional units of the Preferred ETF, or both.

⁽⁵⁾ This information is provided as at the last day of the accounting period shown.

⁽⁶⁾ Management expense ratio is based on total expenses including sales taxes for the accounting period indicated (excluding commission, other portfolio transaction costs and withholding taxes) and is expressed as an annualized percentage of daily average net value during the accounting period.

⁽⁷⁾ The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the accounting period.

⁽⁸⁾ The Preferred ETF's portfolio turnover rate indicates how actively the Preferred ETF portfolio's manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Preferred ETF buying and selling all of the securities in its portfolio once in the course of the accounting period. The higher the Preferred ETF's portfolio turnover rate in an accounting period, the greater the trading costs payable by the Preferred ETF in the accounting period, and the greater the chance of an investor receiving taxable capital gains in the accounting period. There is not necessarily a relationship between a high turnover rate and the performance of the Preferred ETF.

⁽⁹⁾ Closing market price on the last trading day of the accounting period as reported on the TSX.

Summary of Investment Portfolio

As of December 31, 2024

Portfolio Top Holdings

	% of Net Asset Value
Financial 15 Split Corp. Preferred shares	11.0
Dividend 15 Split Corp. Preferred shares	10.9
Dividend Growth Split Corp. Preferred shares	10.1
North American Financial 15 Split Corp. Preferred shares	10.1
Premium Income Corporation. Preferred shares	9.9
Canadian Banc Corp. Preferred shares	9.0
Dividend 15 Split Corp. II Preferred shares	9.0
Life Banc & Split Corp. Preferred shares	9.0
Brompton Split Banc Corp. Preferred shares	6.5
Global Dividend Growth Split Corp. Preferred shares	5.4
Cash, Money Market and Other Net Assets	5.2
E Split Corp. Preferred shares	3.9
	100.0

Net asset value \$21,003,726

Term Allocation

	% of Net Asset Value
Less than 1 year	11.7
From 1 year to 3 years	12.5
From 3 years to 5 years	65.3
Greater than 5 years	10.5

Credit Quality*

	% of Net Asset Value
Pfd-2	9.9
Pfd-3 (High)	9.3
Pfd-3	37.4
Pfd-3 (Low)	28.1
Pfd-4 (High)	—
Pfd-4	10.1

*The DBRS Morningstar preferred share rating scale reflects an opinion on the risk that an issuer will not fulfil its obligations with respect to both dividend and principal commitments in respect of preferred shares issued in the Canadian securities market in accordance with the terms under which the relevant preferred shares have been issued. Each rating category may be denoted by the subcategories “high” and “low”. The absence of either a “high” or “low” designation indicates the rating is in the middle of the category. The DBRS Morningstar rating scale ranges from Pfd-1: the highest, to D: the lowest.

The above table shows the top 25 positions held by the Preferred ETF. In the case of an ETF with fewer than 25 positions, all positions are indicated. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Preferred ETF. A quarterly update is available. Please consult our website at www.quadravest.com.



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