

# SPLIT SHARE FUNDS

## ONE PORTFOLIO TWO CLASSES OF SHARES

### WHAT IS A SPLIT SHARE FUND?

A Split Share Fund is a unique investment vehicle that generally has two classes of shares – a Preferred share and a Class A (or capital) share. Investors may hold both shares or may choose the one that best suits their investment objectives. The Split Share Fund typically holds a basket of high quality dividend paying companies in the portfolio.

A Preferred share investor would typically receive dividends that are generated from the fund's investment holdings. Like other fixed income instruments, Preferred shareholders do not generally expect to have gains or losses but expect to receive their initial investment back upon termination.

The Class A share investor would typically participate in any capital appreciation (depreciation) in the portfolio and any additional dividends or income generated on the underlying portfolio. The Class A shareholder receives all of the gains (losses) on the entire portfolio including assets attributable to the Preferred shareholders, meaning that a Class A shareholder would see a more magnified return from the structure rather than just holding the same basket of stocks directly. Like equity or mutual fund investors, Class A shareholders participate in gains and losses and their return upon termination is dependent upon the performance of the underlying portfolio.

### PREFERRED SHARES

Fixed, cumulative monthly payments, with repayment taking priority at windup.

### CLASS A SHARES

Targeted monthly payments with potential for special payments, plus benefits from any upside in the portfolio.



## WHICH SHARE IS FOR ME?

The Preferred Shares are more conservative and have a steady income stream due to their fixed, cumulative monthly payments. Payments usually consists of eligible Canadian dividends which are taxed at a lower rate than other types of income.

All Quadravest Split Share Funds have a termination date with the potential for further 5 (or 6) year extensions. Preferred shares have a priority claim ahead of the Class A shares on the fund's assets at windup. Preferred shares however do not benefit from any growth in the underlying stocks.

The market price of a Preferred share tends to be fairly steady and investors have a monthly and annual redemption option. All Quadravest Preferred shares are non-callable so you will never be forced to give up shares for less than their par value.

A knowledgeable investor wishing to participate in any capital appreciation in the underlying portfolio may be more suited to buying Class A shares. Buying a Class A share of a Split Share Fund rather than buying the underlying stocks yourself can result in magnified gains (losses) due to the structure.

The monthly payments to Class A shares are a target (not fixed). They can be missed if the portfolio declines but on the other hand, if the portfolio has realized gains, the Class A shares may be entitled to special distributions on top of the monthly payments.

At windup, the Class A shares receive the balance of the portfolio (net asset value) after the Preferred shares receive their original issue price. So if the stocks held in the fund have increased in value, the Class A shares would receive all of that growth at termination.

## HOW ARE DISTRIBUTIONS FUNDED?

The dividends received on the stocks held in a Split Share Fund's portfolio are used to fund the fixed, cumulative monthly payments made to the Preferred shares. Any excess dividend income plus option premium received from covered call writing is used to fund the targeted monthly payments to the Class A shares.

The objective is to pay mostly Canadian eligible dividend income to the Preferred share and a combination of dividends and capital gains to the Class A share. In either case, the monthly payments are very tax efficient compared to other income oriented investments. In other words, you get to keep more of your money.

Due to the option premium from the covered call writing and because both sides of the Split Share Fund are working to generate income, monthly payments received are higher than if you bought the underlying common stocks held in the portfolio on your own. Also, payments made to Quadravest Split Share Funds are monthly versus most common stocks which are quarterly.

## CONSIDERATIONS BEFORE BUYING

Before purchasing a Class A or Preferred share of a Quadravest Split Share Fund you should consider which sector you are interested in. Underlying portfolios invest in solid blue chip companies but the holdings vary from Fund to Fund. Quadravest has Split Share Funds that focus on sectors such as Canadian dividend yielding Companies, Canadian Banks, Canadian Life Insurance Companies, and US Financials.

Buying a Class A or Preferred share of a Quadravest Split Share Fund is an efficient way to invest in a sector or group of stocks you like. All shares trade on the TSX and can be purchased in the same manner as any other stock trading on the stock exchange.

You may also want to consider the issue size, the redemption date, whether the shares are trading at a premium or discount to the net asset value before deciding which Split Share Fund is for you.

TSX TICKERS	FUND	SECTOR
BK.PR.A, BK	CANADIAN BANC CORP	CANADIAN BANKS
DFN.PR.A, DFN	DIVIDEND 15 SPLIT CORP.	CANADIAN DIVIDEND YIELDING
DF.PR.A, DF	DIVIDEND 15 SPLIT CORP. II	CANADIAN DIVIDEND YIELDING
FTN.PR.A, FTN	FINANCIAL 15 SPLIT CORP.	NORTH AMERICAN FINANCIALS
FFN.PR.A, FFN	NORTH AMERICAN FINANCIAL 15	NORTH AMERICAN FINANCIALS
FTU.PR.B, FTU	US FINANCIAL 15 SPLIT CORP.	US FINANCIALS
LFE.PR.B, LFE	CANADIAN LIFE COMPANIES SPLIT	CANADIAN LIFE COMPANIES
PDV.PR.A, PDV	PRIME DIVIDEND CORP	CANADIAN BANKS, UTILITIES, LIFE COS

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Commissions, trailing commissions, management fees and expenses all may be associated with an investment in Split Share Funds. You will usually pay brokerage fees to your dealer if you purchase or sell shares of a Split Share Fund on recognized Canadian exchanges. If the shares are purchased or sold on these Canadian exchanges, investors may pay more than the current net asset value when buying shares of a Split Share Fund and may receive less than the current net asset value when selling them. Please read the continuous disclosure documents available at [www.sedar.com](http://www.sedar.com) before investing in a Split Share Fund. Important information about the Split Share Fund is contained in these documents. An investment in the shares of a Split Share Fund is not guaranteed; share values change frequently and past performance may not be repeated.

## INVESTOR RELATIONS

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