

2021

FINANCIAL 15 SPLIT CORP.

SEMI-ANNUAL REPORT  
(UNAUDITED)



FINANCIAL 15

This report may contain forward-looking statements about the Company. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Company action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company and economic factors. Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Company currently anticipates that subsequent events and developments may cause the Company’s views to change, the Company does not undertake to update any forward-looking statements.

---

**FINANCIAL 15 SPLIT CORP.**  
**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**  
**MAY 31, 2021**

---

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2021. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.financial15.com](http://www.financial15.com) or by writing to the Company at Investor Relations, 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

These reports are available to view and download at [www.financial15.com](http://www.financial15.com) or [www.sedar.com](http://www.sedar.com).

---

**INVESTMENT OBJECTIVES AND STRATEGIES**

Financial 15 Split Corp. invests primarily in a portfolio of commons shares which will include each of the 15 financial services companies listed below:

---

**Canadian issuers**

Bank of Montreal  
The Bank of Nova Scotia  
Canadian Imperial Bank of Commerce  
CI Financial Corp.  
Great West Lifeco Inc.  
Manulife Financial Corporation  
National Bank of Canada  
Royal Bank of Canada  
Sun Life Financial Inc.  
The Toronto-Dominion Bank

---

**U.S. issuers**

Bank of America Corp.  
Citigroup Inc.  
Goldman Sachs Group Inc.  
J.P. Morgan Chase & Co.  
Wells Fargo & Co.

The Company may also invest up to 15% of the net asset value in equity securities of issuers other than the 15 financial services companies listed above. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares in the portfolio.

The Company offers two types of shares:

### **Preferred shares (FTN.PR.A)**

The investment objectives with respect to the Preferred shares are as follows:

1. Effective December 1, 2020, to provide holders of Preferred shares with cumulative preferential monthly cash dividends, the amount of which will be fixed by the Board of Directors on an annual basis, subject to a prescribed minimum of 5.5% for the five year period commencing December 1, 2020 (previously, 5.25%). Effective December 1, 2020, dividends have been set at \$0.05625 per Preferred share per month for an annual yield of 6.75% on the Preferred share repayment amount (previously, \$0.04583 per Preferred share to yield 5.5%); and
2. On or about the termination date of December 1, 2025 (subject to further 5 year extensions thereafter), to pay the holders of the Preferred shares \$10 per Preferred share (Preferred share repayment amount).

### **Class A shares (FTN)**

The investment objectives with respect to the Class A shares are as follows:

1. To provide holders of Class A shares with regular monthly cash distributions in an amount to be determined by the Board of Directors. The current policy is to pay holders of Class A shares monthly non-cumulative dividends of \$0.1257 per share (previously, \$0.1257 for each pre-consolidation Class A share). The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared; and
2. To permit holders to participate in all growth in the net asset value of the Company above \$10 per unit, by paying holders on or about the termination date of December 1, 2025 (subject to further 5 year extensions thereafter) such amounts as remain in the Company after paying \$10 per Preferred share.

---

## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 23, 2021. In addition, note 5 of the financial statements (“Management of Risk of Financial Instruments”) contains disclosure on specific types of risks related to the financial investments held by the Company.

---

## **RESULTS OF OPERATIONS**

North American equity markets continued to advance during the period ended May 31, 2021, driven by multiple catalysts including the implementation of mass vaccination campaigns, record fiscal and monetary stimulus programs and progress in the opening of the economies, especially in the United States.

The acceleration of the mass vaccination programs during the period in the U.S. and followed by Canada resulted in lower COVID-19 infection rates, allowing market participants to anticipate a broader economic recovery and a return to a more normalized living and economic environment sooner than previously expected. Both the U.S. and Canadian governments continued to support this recovery through record actual and planned spending, including support payments to large parts of the population and businesses, particularly in the U.S. where a record \$1.9 trillion infrastructure program was proposed. The U.S. Federal Reserve and the Bank of Canada remained committed to a very accommodative monetary policy signaling that they were prepared to keep interest rates at or near historic low rates until at least well through 2022. The consumer price index in both the U.S. and Canada experienced a sharp year over year increase near the end of the period which the U.S. Federal Reserve and the Bank of Canada characterized as transitory. The increase in inflation triggered an increase in longer term interest rates and a steeper interest rate yield curve which improved the outlook for net interest margins for the U.S. and Canadian banks held in the portfolio. In addition, commodity price increases during the period, including a sharp rise in the price of oil, provided a very favourable backdrop for the Canadian equity markets.

As a result of these catalysts, the companies held in the portfolio appreciated significantly during the period.

The net assets per unit finished at \$21.61 as at May 31, 2021, after the payment of \$1.09 in combined distributions to both classes of shares. A combined total of \$30.52 has been paid in distributions since inception.

Pursuant to the special retraction right in connection with the extension of the termination date of the Company, the Company redeemed 25,096,213 Preferred shares and 33,280 Class A shares and made retraction payments of \$250,962,130 and \$107,494, respectively, to each class of shares in December 2020. As more Preferred shares were tendered for retraction than Class A shares, the Class A shares were consolidated on the basis of 0.4 of a post-consolidation Class A share for every one pre-consolidation Class A share outstanding.

In connection with the extension, the Company also amended the dividend entitlement of the Preferred shares, increasing the minimum annual distribution rate for the five year term commencing December 1, 2020 from 5.25% to 5.5%. The Preferred share annual distribution rate was set at 6.75% effective December 1, 2020, and the targeted monthly distribution rate for Class A shares was set at \$0.1257 (\$1.5084 annually) for each post-consolidation Class A share (previously, \$0.1257 for each pre-consolidation Class A share prior to December 1, 2020).

The termination date of the Company may be extended thereafter at the Company's discretion for additional terms of five years each. Shareholders will be provided with a special retraction right in connection with any such extension.

The Company announced on May 25, 2021 that the TSX accepted its notice of intention to make a Normal Course Issuer Bid (the "NCIB") to purchase its Preferred shares and Class A shares through the facilities of the TSX and/or alternative Canadian trading systems. The NCIB commenced on May 27, 2021 and will terminate on May 26, 2022. Pursuant to the NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to 2,219,955 Preferred shares and 2,237,503 Class A shares of the Company, representing 10% of the public float of 22,199,554 Preferred shares and 22,375,025 Class A shares. The Company will not purchase, in any given 30-day period, in the aggregate, more than 444,449 Preferred shares or more than 447,568 Class A shares, being 2% of the issued and outstanding Preferred shares and Class A shares as of May 14, 2021.

The previous NCIB which commenced on May 13, 2020 terminated on May 12, 2021. There were no Preferred shares nor Class A shares purchased for cancellation during the period ended May 31, 2021.

During the period ended May 31, 2021, 1,413,600 Preferred shares were sold through the at-the-market equity program ("ATM Program") which commenced in October 2019. Preferred shares were sold at an average selling price of \$10.41 per Preferred share. Gross proceeds, net proceeds and commissions on the Preferred share sales were \$14,708,878, \$14,355,478 and \$353,400, respectively.

During the period ended May 31, 2021, 2,043,900 Class A shares were sold through the ATM Program at an average selling price of \$9.17 per Class A share. Gross proceeds, net proceeds and commissions on the Class A share sales were, \$18,734,360, \$18,572,761 and \$161,599, respectively.

The Company issued 2,642,000 Preferred shares at \$10.15 per share and 2,642,000 Class A shares at \$9.80 per share for gross proceeds of \$52,707,900 pursuant to a secondary offering that was completed on January 14, 2021. Agents' fees and issuance costs were \$2,197,021 in connection with this offering.

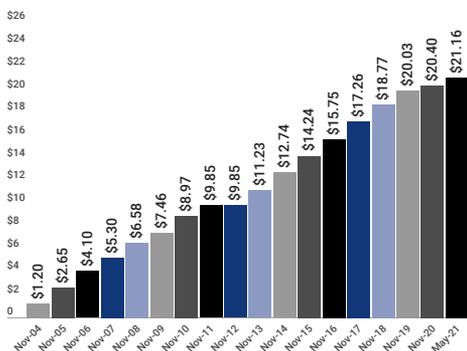
The Company issued 520,500 Preferred shares at \$10.35 per share and 376,700 Class A shares at \$11.10 per share for gross proceeds of \$9,568,545 pursuant to a secondary offering that was completed on May 6, 2021. Agents' fees and issuance costs were \$328,842 in connection with this offering.

Net assets of the Company finished the period at \$484.8 million.

The covered call writing program continued to provide additional income and supplemented the dividend income earned in the portfolio.

## Class A shares - Distributions

Class A shareholders are entitled to receive monthly cash dividends targeted to be \$0.1257 per Class A share (previously, \$0.1257 for each pre-consolidation Class A share). The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared. Total distributions per Class A share during the period amounted to \$0.7542.



Class A Share Distributions Since Inception



21.16

Cumulative total of distributions paid to Class A share since inception

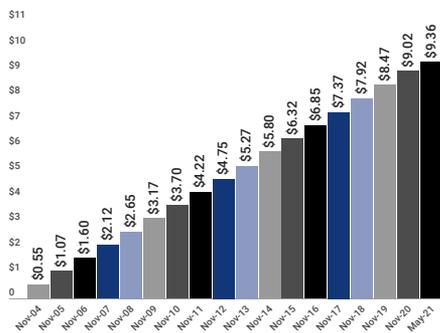


0.50

Special distributions paid since inception

## Preferred shares - Distributions

Preferred shareholders are entitled to cumulative preferential monthly cash dividends, the amount of which will be fixed by the Board of Directors on an annual basis, subject to a prescribed minimum of 5.5% for the five year commencing December 1, 2020 (previously, 5.25%). Distributions during the period were at the fixed rate of 6.75% (previously, 5.25%) for a total of \$0.3375 per Preferred share.



Preferred Share Distributions Since Inception



9.36

Cumulative total of distributions paid to Preferred share since inception

## RECENT DEVELOPMENTS

Financial markets and equity markets in particular have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Company has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

Pursuant to the special retraction right in connection with the extension of the termination date of the Company, the Company redeemed 25,096,213 Preferred shares and 33,280 Class A shares and made retraction payments of \$250,962,130 and \$107,494, respectively, to each class of shares in December 2020. As more Preferred shares were tendered for retraction than Class A shares, the Class A shares were consolidated on the basis of 0.4 of a post-consolidation Class A share for every one pre-consolidation Class A share outstanding. In connection with the extension, the Company also amended the dividend entitlement of the Preferred shares, increasing the minimum annual distribution rate for the five year term commencing December 1, 2020 from 5.25% to 5.5%. The Preferred share annual distribution rate was set at 6.75% effective December 1, 2020, and the targeted monthly distribution rate for Class A shares was set at \$0.1257 (\$1.5084 annually) for each post-consolidation Class A share (previously, \$0.1257 for each pre-consolidation Class A share prior to December 1, 2020).

On June 29, 2021, the Company completed a secondary offering of 384,600 Preferred shares and 10,000 Class A shares for net proceeds of \$3,990,267 (gross proceeds of \$4,114,840).

## RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. (“Quadravest”) as investment manager and manager earns fees from the Company as described below in the Management Fees section.

## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Company and are intended to help you understand the Company’s financial performance for the past five years. This information is derived from the Company’s semi-annual financial statements and previous audited annual financial statements. The information in the following table is presented in accordance with National Instrument (“NI”) 81-106 and, as a result, does not act as a continuity of opening and closing net assets per unit.

### The Company’s net assets per unit

	May 31, 2021	Years ended November 30 <sup>(4)</sup>				
		2020	2019	2018	2017	2016
Net assets per unit, beginning of period <sup>(1)</sup>	13.23	16.13	15.90	18.32	17.18	16.85
Increase (decrease) from operations						
Total revenue	0.29	0.48	0.53	0.50	0.47	0.52
Total expenses	(0.13)	(0.16)	(0.19)	(0.22)	(0.24)	(0.20)
Realized gains (losses) for the period	0.14	0.10	0.14	0.22	0.62	0.32
Unrealized gains (losses) for the period	<u>4.00</u>	<u>(2.43)</u>	<u>1.48</u>	<u>(1.18)</u>	<u>1.46</u>	<u>1.45</u>
Total increase (decrease) from operations <sup>(2)</sup>	<u>4.30</u>	<u>(2.01)</u>	<u>1.96</u>	<u>(0.68)</u>	<u>2.31</u>	<u>2.09</u>
Distributions <sup>(3)</sup>						
Canadian dividends	(1.09)	(0.93)	(1.67)	(1.82)	(1.35)	(1.68)
Capital gains dividends	<u>-</u>	<u>-</u>	<u>(0.14)</u>	<u>(0.24)</u>	<u>(0.68)</u>	<u>(0.35)</u>
Total distributions	<u>(1.09)</u>	<u>(0.93)</u>	<u>(1.81)</u>	<u>(2.06)</u>	<u>(2.03)</u>	<u>(2.03)</u>
Net assets per unit at end of period	21.61	13.23	16.13	15.90	18.32	17.18
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>11.61</u>	<u>3.23</u>	<u>6.13</u>	<u>5.90</u>	<u>8.32</u>	<u>7.18</u>
Net assets per unit at end of period	21.61	13.23	16.13	15.90	18.32	17.18

(1) Net assets per unit is the difference between the aggregate amount of the Company’s assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A shares, at the valuation date, divided by the number of units then outstanding.

(2) Total increase (decrease) from operations is before the payment of Preferred and Class A share distributions and other income (charges) related to Preferred shares and is calculated based on the weighted average number of units outstanding during the period.

(3) Distributions on the Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution in the year and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

(4) As a result of the consolidation of Class A shares on a 0.4 for 1 basis after the payment of special retractions on December 17, 2020 in connection with the extension of the termination date of the Company, results in the previous years are not comparable to the May 31, 2021 results.

## RATIOS AND SUPPLEMENTAL DATA

	May 31, 2021	2020	Years ended November 30			2016
			2019	2018	2017	
Net asset value (millions) <sup>(1)</sup>	\$484.8	\$571.6	\$696.8	\$643.9	\$610.1	\$326.8
Number of units outstanding <sup>(2)</sup>	22,429,474	43,211,804	43,199,674	40,494,374	33,299,432	19,021,432
Base management expense ratio <sup>(3)</sup>	1.17%	0.95%	1.01%	1.14%	1.19%	1.16%
Management expense ratio including one time offering expenses <sup>(4)</sup>	1.88%	1.03%	1.32%	2.07%	3.98%	1.97%
Management expense ratio per Class A share <sup>(5)</sup>	10.54%	23.43%	13.92%	12.53%	16.41%	15.05%
Portfolio turnover rate <sup>(6)</sup>	13.12%	8.7%	3.2%	10.9%	22.6%	12.2%
Trading expense ratio <sup>(7)</sup>	0.06%	0.07%	0.03%	0.03%	0.06%	0.03%
Closing market price (TSX): Preferred shares	\$10.40	\$10.23	\$10.04	\$9.95	\$10.02	\$10.03
Closing market price (TSX): Class A shares	\$11.55	\$3.55	\$6.98	\$8.54	\$10.31	\$9.05

(1) This information is provided as at May 31 or November 30.

(2) At times when there is an unequal number of Class A and Preferred shares outstanding, a notional unit amount will be determined based on the weighted average assets attributable to each of the Class A shares and Preferred shares.

(3) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding any one time offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net asset value during the period.

(4) Share issue expenses, representing all agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company or any subsequent secondary offering. Any expenses incurred with secondary offerings were offset by the accretion to net asset value per unit of such offerings.

(5) Management expense ratio for Class A shares is based on the requirements of NI 81-106. This instrument requires that all split share companies produce an expense ratio which allocates all operating expenses of the Company, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in net asset value per unit.

(6) The Company's portfolio turnover rate indicates how actively QuadraVest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the period. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a period, the greater the trading costs payable by the Company in the period and the greater chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Company.

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

---

## MANAGEMENT FEES

Pursuant to the terms of the investment management agreement, Quadrainvest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadrainvest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the management agreement, Quadrainvest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

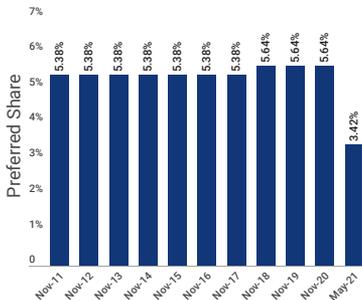
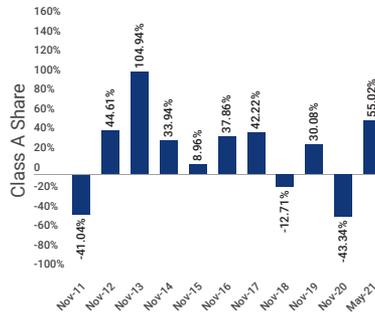
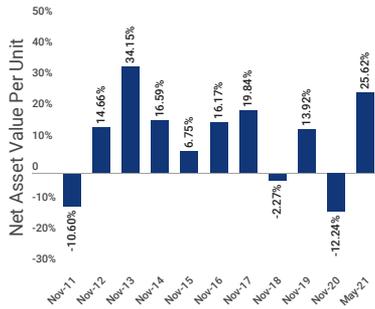
The base management fee was used by Quadrainvest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required by the Company which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

## PAST PERFORMANCE

### Year-by-Year Returns

The past performance of 1) the net asset value per unit; 2) the Preferred share on a net asset value basis; and 3) the Class A share on a net asset value basis for each of the last 10 years are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, a Preferred share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

- The performance information shown assumes that all cash distributions made by the Company during the years shown were reinvested in the applicable additional securities of the Company;
- The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and
- Past performance of the Company does not necessarily indicate how it will perform in the future.



- (1) The returns per unit and per Class A share for the period ended May 31, 2021 reflect the consolidation of Class A shares in December 2020.

**SUMMARY OF INVESTMENT PORTFOLIO**  
**All holdings as at May 31, 2021**

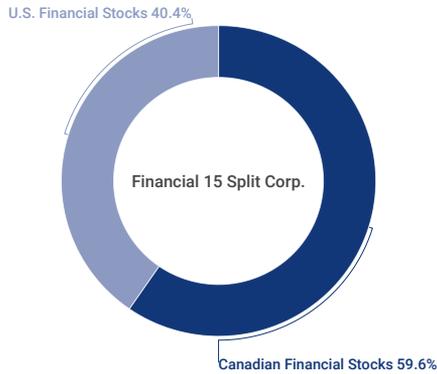
Name	Weighting (%)
Bank of America Corp.	8.7
J.P. Morgan Chase & Co.	8.1
Toronto-Dominion Bank	7.6
Royal Bank of Canada	7.6
Goldman Sachs Group Inc.	7.3
National Bank of Canada	7.2
Canadian Imperial Bank of Commerce	6.8
Wells Fargo & Co.	6.7
Bank of Nova Scotia	6.1
Citigroup Inc.	6.1
Sun Life Financial Inc.	6.0
Manulife Financial Corporation	4.6
Bank of Montreal	4.6
Great-West Lifeco Inc.	2.7
CI Financial Corp.	1.2
AGF Management Ltd.	1.1
Fifth Third Bancorp.	0.8
<b>Total long positions as a percentage of net assets</b>	<b>93.2</b>
Cash	6.8
Other net assets (liabilities)	0.0
	100.0

The summary of investment portfolio may change due to ongoing portfolio transactions of the Company. Updates are available quarterly.

---

## PORTFOLIO BREAKDOWN

The following pie chart shows the division of the Company's holdings between Canadian and U.S. investments.



---

## FINANCIAL 15 SPLIT CORP. MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The interim financial statements of Financial 15 Split Corp. (the "Company") have been prepared by Quadravest Capital Management Inc. (the "Manager" of the Company) and approved by the Board of Directors of the Company. The Manager is responsible for the information and representations contained in these interim financial statements and the other sections of the semi-annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The interim financial statements have been prepared in accordance with International Financial Reporting Standards, as applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in note 3 to the financial statements.

The Board of Directors of the Company is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these interim financial statements.

**WAYNE FINCH**

Chief Executive Officer, President and Director  
Quadravest Capital Management Inc.

**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.

**FINANCIAL 15 SPLIT CORP.**  
**STATEMENTS OF FINANCIAL POSITION**

AS AT MAY 31, 2021 AND NOVEMBER 30, 2020 (UNAUDITED)

	May 31, 2021 (\$)	November 30, 2020 (\$)
<b>ASSETS</b>		
Current Assets		
Investments	451,483,542	336,677,369
Cash	32,926,866	238,581,117
Interest, dividends and other receivables	664,369	480,528
Receivable in respect of investments sold	5,910,968	-
	<u>490,985,745</u>	<u>575,739,014</u>
<b>LIABILITIES</b>		
Current Liabilities		
Written options	1,319,932	1,737,223
Fees and other accounts payable	779,004	440,133
Distributions payable	4,084,790	1,965,189
Preferred shares (notes 1 and 6) <sup>(1)</sup>	223,567,810	428,799,650
Class B shares	1,000	1,000
	<u>229,752,536</u>	<u>432,943,195</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES (note 1)<sup>(1)</sup></b>		
	<b>261,233,209</b>	<b>142,795,819</b>
Number of Preferred shares outstanding (note 6)	22,356,781	42,879,965
Number of Class A shares outstanding (note 6)	22,491,817	44,284,474
Number of Class A shares outstanding, after giving effect to subsequent consolidation (note 1) <sup>(2)</sup>	N/A	17,713,790
Net assets per Preferred share	\$10.00	\$10.00
Net assets per Class A share	\$11.61	\$3.23
Net assets per unit	\$21.61	\$13.23
Net assets per Class A share, after giving effect to the subsequent consolidation (note 1) <sup>(2)</sup>	N/A	\$8.07

(1) Preferred shares and net assets attributable to holders of redeemable Class A shares amounts for the year ended November 30, 2020 include retraction payment amounts of \$250,962,130 and \$107,494, respectively, made in December 2020 pursuant to the special retraction right offered to shareholders in connection with the extension of the termination date of the Company. Shares were tendered for retraction prior to November 30, 2020. See note 1 for further details.

(2) November 30, 2020 amounts reflect the impact of the consolidation of Class A shares on a 0.4 for 1 basis on December 17, 2020 after the payment of special retractions in connection with the extension of the termination date of the Company. See note 1 for further details.

Approved on behalf of the Board of Directors



**WAYNE FINCH**

Director



**PETER CRUICKSHANK**

Director

The accompanying notes are an integral part of these financial statements.

**FINANCIAL 15 SPLIT CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR THE SIX MONTH PERIODS ENDED MAY 31 (UNAUDITED)

	2021 (\$)	2020 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives (note 5)</b>		
Net realized gain (loss)	7,514,290	6,219,118
Net change in unrealized appreciation/ depreciation	85,763,819	(170,496,086)
Dividends	6,489,192	11,357,114
Interest for distribution purposes	-	166,115
<b>Net gain (loss) on investments and derivatives</b>	<u>99,767,301</u>	<u>(152,753,739)</u>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	(4,428,356)	23,296
Change in unrealized gain (loss) in the value of currency	2,237,116	2,004,921
	<u>97,576,061</u>	<u>(150,725,522)</u>
<b>EXPENSES (note 7)</b>		
Management fees	1,595,053	2,233,452
Service fee	500,090	91,605
Audit fees	14,298	14,494
Director's fees	11,792	11,792
Independent Review Committee fees	1,154	1,154
Custodial fees	48,028	53,799
Legal fees	32,030	66,439
Shareholder reporting costs	36,141	20,372
Other operating expenses	82,155	128,796
Harmonized sales tax	270,067	284,050
Transaction costs	123,575	144,477
Withholding taxes	257,961	606,494
	<u>2,972,344</u>	<u>3,656,924</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions and other income (charges) related to Preferred shares</b>	<u>94,603,717</u>	<u>(154,382,446)</u>
Distributions on Preferred shares	(7,056,972)	(12,003,667)
Issuance costs on Preferred shares	(1,403,192)	(157,700)
Premium (discount) on issuance of Preferred shares	1,151,353	43,059
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares</b>	<u>87,294,906</u>	<u>(166,500,754)</u>
<b>Increase (decrease) in net assets attributable to holders per redeemable Class A share (notes 1 and 8)<sup>(1)</sup></b>	<b>4.18</b>	<b>(9.50)</b>

(1) Increase (decrease) in net assets attributable to holders of redeemable Class A shares for the period ended May 31, 2020 has been restated to reflect the impact of the consolidation of Class A shares on a 0.4 for 1 basis after the payment of special retractions on December 17, 2020 in connection with the extension of the termination date of the Company. See note 1 for further details. Previously this amount was reported as (\$3.80).

The accompanying notes are an integral part of these financial statements.

**FINANCIAL 15 SPLIT CORP.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES**  
**FOR THE SIX MONTH PERIODS ENDED MAY 31 (UNAUDITED)**

	2021 (\$)	2020 (\$)
<b>Net Assets attributable to holders of redeemable Class A shares - Beginning of period</b>	<b>142,795,819</b>	<b>264,792,837</b>
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	87,294,906	(166,500,754)
Gross proceeds on issuance of Class A shares	48,807,330	6,230,778
Agents' fees and issue costs on issuance of Class A shares	<u>(1,725,210)</u>	<u>(192,331)</u>
Net proceeds on issuance of Class A shares	<u>47,082,120</u>	<u>6,038,447</u>
Class A share redemptions	(107,494)	-
<b>Distributions</b>		
Canadian dividends	(15,832,142)	(14,575,644)
Capital gains dividends	-	(1,849,578)
	<u>(15,832,142)</u>	<u>(16,425,222)</u>
<b>Change in net assets attributable to holders of redeemable Class A shares</b>	<b><u>118,437,390</u></b>	<b><u>(176,887,529)</u></b>
<b>Net Assets attributable to holders of redeemable Class A shares - End of period</b>	<b><u>261,233,209</u></b>	<b><u>87,905,308</u></b>

The accompanying notes are an integral part of these financial statements.

**FINANCIAL 15 SPLIT CORP.**  
**STATEMENTS OF CASH FLOW**

FOR THE SIX MONTH PERIODS ENDED **MAY 31** (UNAUDITED)

	2021 (\$)	2020 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	87,294,906	(166,500,754)
Adjustment for:		
Distributions on Preferred shares	7,056,972	12,003,667
Unrealized (gain) loss in the value of currency	(2,237,116)	(2,004,921)
Net realized (gain) loss on investments and derivatives	(7,514,290)	(6,219,118)
Net change in unrealized appreciation/depreciation of investments and derivatives	(85,763,819)	170,496,086
Issuance costs on Preferred shares	1,403,192	157,700
(Premium) discount on issuance of Preferred shares	(1,151,353)	(43,059)
Purchase of investments, net of option premiums	(65,784,624)	(1,200,226)
Proceeds from sale of investments	37,928,301	14,478,653
(Increase) decrease in interest, dividends and other receivables	(183,841)	(65,617)
Increase (decrease) in fees and other accounts payable	195,371	(430,345)
Net cash flows from (used in) operating activities	<u>(28,756,301)</u>	<u>20,672,066</u>
<b>Cash flows from (used in) financing activities</b>		
Gross proceeds from issue of Class A and Preferred shares (note 6)	95,719,683	12,581,837
Agents' fees and costs on issuance of Class A and Preferred shares	(2,984,902)	(350,031)
Redemptions of Class A and Preferred shares	(251,100,334)	-
Distributions paid on Class A shares	(13,004,921)	(21,855,421)
Distributions paid on Preferred shares	(7,764,592)	(11,974,757)
Cash flows from (used in) financing activities	<u>(179,135,066)</u>	<u>(21,598,372)</u>
Unrealized gain (loss) in the value of currency	2,237,116	2,004,921
Net increase (decrease) in cash	(205,654,251)	1,078,615
Cash at beginning of the period	238,581,117	66,106,963
<b>Cash at end of the period</b>	<b><u>32,926,866</u></b>	<b><u>67,185,578</u></b>
Dividends received, net of withholding taxes*	6,047,390	10,685,003
Interest received*	-	166,115

\* Included as part of Cash Flows from Operating Activities.

The accompanying notes are an integral part of these financial statements.

**FINANCIAL 15 SPLIT CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT MAY 31, 2021 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
<b>Canadian Core Common Equities</b>			
178,000	Bank of Montreal	18,204,041	22,461,820
362,200	Bank of Nova Scotia	26,108,595	29,414,262
235,600	Canadian Imperial Bank of Commerce	24,575,731	33,151,276
267,300	CI Financial Corp.	8,112,256	5,992,866
344,000	Great-West Lifeco Inc.	11,057,889	12,869,040
890,600	Manulife Financial Corporation	21,662,153	22,505,462
366,700	National Bank of Canada	18,591,062	34,840,167
298,100	Royal Bank of Canada	29,975,454	37,027,001
446,569	Sun Life Financial Inc.	22,071,836	28,884,083
421,900	Toronto-Dominion Bank	28,840,980	36,663,110
	<b>Total Canadian Common Equities in Core Holdings (58.6%)</b>	<b><u>209,199,997</u></b>	<b><u>263,809,087</u></b>
<b>U.S. Core Common Equities</b>			
825,785	Bank of America Corp.	23,572,410	42,289,370
308,961	Citigroup Inc.	24,626,820	29,378,822
78,290	Goldman Sachs Group Inc.	20,806,400	35,186,283
197,400	J.P. Morgan Chase & Co.	25,660,502	39,167,594
576,400	Wells Fargo & Co.	35,337,191	32,533,262
	<b>Total U.S. Common Equities in Core Holdings (39.7%)</b>	<b><u>130,003,323</u></b>	<b><u>178,555,331</u></b>
	<b>Total Core Portfolio Equities (98.3%)</b>	<b><u>339,203,320</u></b>	<b><u>442,364,418</u></b>
<b>Other Canadian Common Equities</b>			
709,400	AGF Management Ltd.	11,459,622	5,398,534
	<b>Total Other Canadian Common Equities (1.2%)</b>	<b><u>11,459,622</u></b>	<b><u>5,398,534</u></b>
<b>Other U.S. Common Equities</b>			
73,083	Fifth Third Bancorp.	2,300,645	3,720,590
	<b>Total Other U.S. Common Equities (0.8%)</b>	<b><u>2,300,645</u></b>	<b><u>3,720,590</u></b>
	<b>Total Common Equities (100.3%)</b>	<b><u>352,963,587</u></b>	<b><u>451,483,542</u></b>

The accompanying notes are an integral part of these financial statements.

**FINANCIAL 15 SPLIT CORP.**
**SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED...)**

AS AT MAY 31, 2021 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
<b>Call Options written (100 shares per contract)</b>			
<b>Canadian call options written</b>			
(1,045)	Bank of Nova Scotia @ \$80 June 2021	(94,425)	(176,083)
(50)	Bank of Nova Scotia @ \$82 July 2021	(2,650)	(4,525)
(195)	Canadian Imperial Bank of Commerce @ \$140 July 2021	(20,343)	(55,088)
(34)	Great-West Lifeco Inc. @ \$35.50 June 2021	(1,564)	(6,545)
(2,000)	Manulife Financial Corporation @ \$27 June 2021	(38,000)	(10,000)
(500)	National Bank of Canada @ \$98 July 2021	(21,100)	(28,500)
(150)	National Bank of Canada @ \$98 June 2021	(3,622)	(3,750)
(725)	Royal Bank of Canada @ \$120 June 2021	(76,850)	(342,563)
(225)	Royal Bank of Canada @ \$128 July 2021	(22,651)	(20,700)
(550)	Sun Life Financial Inc. @ \$66 July 2021	(47,850)	(40,150)
(350)	Toronto-Dominion Bank @ \$86 June 2021	(22,050)	(52,850)
(305)	Toronto-Dominion Bank @ \$90 June 2021	(23,672)	(4,118)
	<b>Total Canadian call options written (-0.2%)</b>	<u>(374,777)</u>	<u>(744,872)</u>
<b>U.S. call options written</b>			
(1,000)	Bank of America Corp. @ \$44 July 2021	(99,064)	(100,876)
(315)	Citigroup Inc. @ \$82.50 July 2021	(58,254)	(61,649)
(155)	Goldman Sachs Group Inc. @ \$380 July 2021	(165,144)	(186,319)
(500)	J.P. Morgan Chase & Co. @ \$170 July 2021	(154,818)	(173,362)
(500)	Wells Fargo & Co. @ \$50 July 2021	(50,522)	(52,854)
	<b>Total U.S. call options written (-0.1%)</b>	<u>(527,802)</u>	<u>(575,060)</u>
		<b>352,061,008</b>	<b>450,163,610</b>
	Less adjustments for transaction costs	(172,196)	
	<b>Total Investments (100%)</b>	<u><b>351,888,812</b></u>	<u><b>450,163,610</b></u>

The accompanying notes are an integral part of these financial statements.

---

# FINANCIAL 15 SPLIT CORP.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)

---

### 1. Incorporation

Financial 15 Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on September 26, 2003 that began investment operations on November 14, 2003. The manager and the investment manager of the Company is Quadravest Capital Management Inc. (“Quadravest” or “Manager”). The Company’s principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2. The Company invests in an actively managed portfolio of common shares comprised primarily of 15 core large capitalization Canadian and U.S. financial services companies. The Company employs an active covered call writing program to enhance the income earned from the portfolio.

On March 2, 2020, the Company announced the extension of the termination date of the Company for a further five year period from December 1, 2020 to December 1, 2025. In connection with the extension of the termination date of the Company, a special retraction right was offered allowing existing shareholders to tender one or both classes of shares and receive a retraction price based on the November 30, 2020 net asset value of \$13.23 per unit (\$10.00 per Preferred share and \$3.23 per Class A share). As more Preferred shares were tendered for retraction than Class A shares, the Company announced on November 19, 2020 that Class A shares were to be consolidated on December 17, 2020 on the basis of 0.4 of a post-consolidation Class A share for every one pre-consolidation Class A share outstanding. A total of \$251,069,624 was paid subsequent to the year-end in connection with the special retraction.

As at November 30, 2020 Preferred shares and net assets attributable to holders of redeemable Class A shares amounts include subsequent retraction payment amounts of \$250,962,130 and \$107,494, respectively.

In connection with the extension, the Company also amended the dividend entitlement of the Preferred shares, increasing the minimum annual distribution rate for the five year term commencing December 1, 2020 from 5.25% to 5.5%. The Preferred share annual distribution rate was set at 6.75% effective December 1, 2020, and the targeted monthly distribution rate for Class A shares was set at \$0.1257 (\$1.5084 annually) for each post-consolidation Class A share (previously, \$0.1257 for each pre-consolidation share).

The termination date of the Company may be extended thereafter at the Company’s discretion for additional terms of five years each. Shareholders will be provided with a special retraction right in connection with any such extension.

### 2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2020, which were prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors of the Company on July 15, 2021.

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)

---

**3. Summary of significant accounting policies**

The following is a summary of the significant accounting policies followed by the Company.

**Investments and financial instruments**

The Company classifies its investments, including derivatives, based on both the Company's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Company is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The Company has not taken the option to irrevocably designate any equity securities as fair value in other comprehensive income ("FVOCI"). Consequently, all investments, including derivatives are measured at fair value through profit or loss.

The Company's obligations for net assets attributable to holders of redeemable Class A shares are presented at the annual redemption amount, which approximates their fair value. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value.

The Company recognizes regular purchases and sales of financial instruments on the trade date, which is the date on which it commits to purchase or sell the instrument. Transaction costs, such as brokerage commissions, related to financial assets and financial liabilities at FVTPL are expensed as incurred and transaction costs related to financial instruments not at FVTPL are included in the carrying amounts thereof. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially all the risks and rewards of ownership of the asset. Dividends are recognized as income on the ex-dividend date. Realized gains and losses and unrealized appreciation and depreciation are determined on an average cost basis. The cost of investments is determined using the average cost method.

Written option premiums received by the Company are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Preferred shares rank prior to the Class A and Class B shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Preferred shares is included in the Statements of Comprehensive Income/(Loss).

The Class B shares are subordinate to the Preferred shares but rank prior to the Class A shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost.

The Class A shares may be retracted monthly, annually, or on the termination date of the Company. As a result, the shares contain multiple contractual obligations, and therefore, have been presented as financial liabilities.

The net asset value of the Company is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process shareholder transactions. For financial reporting purposes, net assets of the Company is determined as the difference between the aggregate amount of the Company's

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

assets and the aggregate amount of its liabilities, excluding Preferred shares and net assets attributable to holders of redeemable Class A shares (“Net Assets of the Company”). Preferred Shares and Class A Shares are issued on the basis that an equal number of Preferred shares and Class A shares (together, a “unit”) will be issued and outstanding at all material times. At times when there is an unequal number of Class A and Preferred shares outstanding, a notional unit amount will be determined based on the weighted average assets attributable to each of the Class A shares and Preferred shares.

**Valuation of investments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded shares and options) are based on the last traded prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day’s bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Company’s policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer. The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs. Refer to note 5 for further information about the Company’s fair value measurements.

**Cash**

Cash is comprised of demand deposits with a financial institution.

**Translation of foreign currencies**

The Company’s functional and presentation currency is Canadian dollars. The fair value of investments and other assets and liabilities in foreign currencies are translated into the Company’s functional currency at the rates of exchange prevailing at each measurement date. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

**Management fees, administration fees and performance fees**

Management fees and administration fees are accrued by the Company over time, as services are rendered by Quadravest. At each measurement date, the Company recognizes an expense and financial liability based on the amount, if any, of performance fees expected to be paid based on the net asset value of the Company. Refer to note 7 for further information about the calculation of management, administration fees and performance fees, if any, of the Company.

---

## FINANCIAL 15 SPLIT CORP.

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)

---

#### **Increase (decrease) in net assets attributable to holders per redeemable Class A share**

Increase (decrease) in net assets attributable to holders per redeemable Class A share is based on the increase or decrease in net assets attributable to holders of redeemable Class A shares divided by the weighted average number of such shares outstanding during the period. Refer to note 8 for the calculation.

#### **Taxation**

The Company qualifies as a mutual fund corporation under the Income Tax Act (Canada) (the "Tax Act") and it is subject to income tax in each taxation year on the amount of its net income for the taxation year, including net realized taxable capital gains, if any, at the rate applicable to mutual fund corporations. The general income tax rules associated with a public corporation also apply to a mutual fund corporation with the exception that taxes payable on net realized capital gains are refundable on a formula basis when its shares are redeemed or when it pays capital gains dividends out of its capital gains dividend account to its shareholders.

Interest and foreign income are taxed at normal corporate rates applicable to mutual fund corporations and can be reduced by permitted deductions for tax purposes.

All of the Company's expenses including management fees, administration fees and operating expenses will be taken into account in determining its overall tax liability.

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1.15 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Company qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Company recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. As a result, the Company has determined that it is in substance not taxable. Consequently, the tax benefit of capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

The Company has estimated accumulated non capital losses for tax purposes as at May 31, 2021 of \$12,901,398 (November 30, 2020-\$12,901,398) that are available to lower taxable income in future periods if required and expire after the scheduled termination date of the Company on December 1, 2025.

The Company currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income/(Loss).

#### **4. Critical Accounting Estimates and Judgments**

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

future events were known at the time these financial statements were prepared. The Company's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5.

**5. Management of Risk of Financial Instruments**

The Company classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and lowest priority to unobservable inputs. The three levels of the fair value hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can assess at the measurement date;

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3 - Inputs that are unobservable for the asset or liability.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at May 31, 2021 and November 30, 2020:

## Financial assets and liabilities at fair value as at May 31, 2021

	Level 1	Level 2	Level 3	Total
Equities	\$451,483,542	-	-	\$451,483,542
Options	(\$1,319,932)	-	-	(\$1,319,932)
	<b>\$450,163,610</b>	<b>-</b>	<b>-</b>	<b>\$450,163,610</b>

## Financial assets and liabilities at fair value as at November 30, 2020

	Level 1	Level 2	Level 3	Total
Equities	\$336,677,369	-	-	\$336,677,369
Options	(\$1,737,223)	-	-	(\$1,737,223)
	<b>\$334,940,146</b>	<b>-</b>	<b>-</b>	<b>\$334,940,146</b>

All fair value measurements above are recurring and fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. There were no transfers or reclassifications between levels for the period ended May 31, 2021 or the year ended November 30, 2020.

The Company's investment activities expose it to a variety of financial risks: market risk (including price risk, interest rate risk and currency risk), credit risk and liquidity risk.

Any sensitivity analysis presented below may differ from actual results and the difference could be material.

**Market Price Risk**

All securities investments present a risk of loss of capital. The 15 core holdings were selected because of their long term history of above average market price appreciation and dividend growth. The portfolio companies were selected from the financial services indices of the S&P/TSX 60 index and S&P 100 index and are among the largest financial services companies in North America.

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

The market price risk is affected by three main components: price risk, interest rate risk and foreign currency movements.

**Price risk**

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk).

Financial markets and equity markets in particular have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Company has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

The Manager manages market price risk by limiting investment in any one portfolio company to no more than 10% of the net asset value of the Company at the time of purchase. In addition, the supplemental covered call writing program generates an additional stream of income to the portfolio which may also help mitigate against market price declines during periods in which a particular portfolio company has a covered call option written against that position.

The Company is exposed to other price risk from its investment in equity securities and written options. As at May 31, 2021, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, Net Assets of the Company would have increased by \$39,738,354 (November 30, 2020-\$30,647,737). Similarly, had the prices on the respective stock exchanges for these equity securities decreased by 10%, with all other variables held constant, Net Assets of the Company would have decreased by \$43,868,354 (November 30, 2020-\$32,157,737).

**Interest rate risk**

Interest rate risk is the risk that the fair value of interest bearing financial instruments will fluctuate due to changes in market interest rates. The majority of the Company's financial assets and liabilities are non interest bearing. As a result, the Company is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant (consistent with previous period).

**Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. Five of the 15 core financial services and one additional portfolio company are U.S. financial services companies that are listed on the New York Stock Exchange and trade in U.S. dollars. As at May 31, 2021, 37.9% (November 30, 2020-48.9%) of the Net Assets of the Company are invested in U.S. dollar denominated assets which includes U.S. dollar cash. As a result, the Net Assets of the Company will be affected by changes in the U.S. dollar relative to the Canadian dollar. The Company has not entered into currency hedging contracts. If the Canadian dollar appreciated/depreciated by 5% against the U.S. dollar, the Net Assets of the Company would decrease/increase by approximately \$9,185,100 (November 30, 2020-\$13,975,300).

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

**Other risks****Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. All of the Company's transactions are in listed securities and options and are settled and paid for using approved brokers. The risk of default is considered minimal as delivery of securities sold is only made once the broker has received payment (consistent with previous period). Payment is made on purchase once the securities have been received by the broker. Credit risk of cash is considered low as it is held at a AA-rated Canadian bank (consistent with prior period).

**Liquidity risk**

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company is exposed to liquidity risk primarily through its monthly and annual retractions of Class A shares and Preferred shares. The Company receives adequate notice for all retraction requests. The Company's Portfolio is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange ("TSX") and New York Stock Exchange (consistent with previous period). All Class A shares and Preferred shares outstanding are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Company. All other financial liabilities are payable within three months from the end of the period.

**Concentration risk**

The Company's portfolio is concentrated in the financial services sector and as such will be exposed to the specific factors that affect this sector (consistent with previous period). An individual portfolio holding may represent no more than 10% of the net asset value of the Company at the time of purchase.

**The Company's investment portfolio is concentrated in the following segments as at:**

	May 31, 2021	November 30, 2020
Canadian Core Common Equities	54.5%	33.1%
Other Canadian Common Equities	1.1%	0.7%
U.S. Core Common Equities	36.8%	24.7%
Other U.S. Common Equities	0.8%	0.4%
Canadian Call Options written	-0.2%	-0.2%
U.S. Call Options written	-0.1%	-0.1%
Other Assets less Liabilities (excluding Preferred shares)	7.1%	41.4%
	<u>100.0%</u>	<u>100.0%</u>

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

**6. Redeemable Units****Preferred shares**

The Company is authorized to issue an unlimited number of Preferred shares.

<u>Preferred share transactions</u>	May 31, 2021	May 31, 2020
Beginning of period	42,879,965	43,199,674
Issued during the period	4,576,100	630,800
Redeemed during the period	<u>(25,099,284)</u>	<u>-</u>
End of period	22,356,781	43,830,474

Preferred shares were originally issued at \$10 per share.

Preferred shareholders are entitled to cumulative preferential monthly cash dividends, the amount of which will be fixed by the Board of Directors on an annual basis, subject to a prescribed minimum of 5.5% for the five year period commencing December 1, 2020 (previously, 5.25%). Dividends since the fiscal year commencing December 1, 2020 have been set at \$0.05625 per Preferred share per month for an annual yield of 6.75% on the Preferred share repayment amount (previously, \$0.04583 per Preferred share to yield 5.5%). All Preferred shares outstanding on the termination date will be redeemed by the Company on that date. The Preferred shares have been presented as liabilities in the financial statements.

Preferred shares trade under the symbol "FTN.PR.A" on the TSX. The trading price of Preferred shares on the TSX was \$10.40 as at May 31, 2021 (November 30, 2020-\$10.23). Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of October. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares and Class B shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

The Company announced on May 25, 2021 that the TSX accepted its notice of intention to make a Normal Course Issuer Bid (the "NCIB") to purchase its Preferred shares and Class A shares through the facilities of the TSX and/or alternative Canadian trading systems. The NCIB commenced on May 27, 2021 and will terminate on May 26, 2022. Pursuant to the NCIB, the Company proposes to purchase, from time to time, if it is considered advisable, up to 2,219,955 Preferred shares and 2,237,503 Class A shares of the Company, representing 10% of the public float of 22,199,554 Preferred shares and 22,375,025 Class A shares. The Company will not purchase, in any given 30-day period, in the aggregate, more than 444,449 Preferred shares or more than 447,568 Class A shares, being 2% of the issued and outstanding Preferred shares and Class A shares as of May 14, 2021.

The previous NCIB which commenced on May 13, 2020 terminated on May 12, 2021.

There were no Preferred shares nor Class A shares purchased for cancellation during the period ended May 31, 2021.

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

During the year ended November 30, 2020, there were 1,214,909 Preferred shares purchased for cancellation at an average price of \$9.90 per share. There were no Class A shares purchased for cancellation during the year ended November 30, 2020.

On October 30, 2019, the Company announced the commencement of an at-the-market equity program (the "ATM Program") which allows the Company to issue shares to the public from time to time, at the Company's discretion. Any Class A shares or Preferred shares sold in the ATM Program will be sold through the TSX or any other marketplace in Canada on which the Class A Shares and Preferred shares are listed, quoted or otherwise traded at the prevailing market price at the time of sale.

During the period ended May 31, 2021, 1,413,600 Preferred shares were sold through the ATM Program at an average selling price of \$10.41 per Preferred share. Gross proceeds, net proceeds and commissions on the Preferred share sales were \$14,708,878, \$14,355,478 and \$353,400, respectively.

During the year ended November 30, 2020, 895,200 Preferred shares were sold through the ATM Program at an average selling price of \$9.96 per Preferred share. Gross proceeds, net proceeds and commissions on the Preferred share sales were \$8,913,619, \$8,689,819 and \$223,800, respectively.

The Company issued 520,500 Preferred shares at \$10.35 per share for gross proceeds of \$5,387,175 pursuant to a secondary offering that was completed on May 6, 2021. Agents' fees and issuance costs on the Preferred shares were \$152,558 in connection with this offering.

The Company issued 2,642,000 Preferred shares at \$10.15 per share for gross proceeds of \$26,816,300 pursuant to a secondary offering that was completed on January 14, 2021. Agents' fees and issuance costs on the Preferred shares were \$853,465 in connection with this offering.

**Class A shares and Class B shares**Authorized

An unlimited number of Class A shares

1,000 Class B shares

<u>Class A share transactions</u>	May 31, 2021	May 31, 2020
Beginning of period	44,284,474	43,199,674
Issued during the period	5,062,600	895,200
Redeemed during the period	(33,280)	-
Consolidated in connection with special retraction (note 1)	<u>(26,821,977)</u>	<u>-</u>
End of period	22,491,817	44,094,874

Class A shares were originally issued at \$15 per share. Class A share distributions are targeted at \$0.1257 per month (previously, \$0.1257 for each pre-consolidation Class A share). The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared. All Class A shares outstanding on the termination date will be redeemed by the Company on that date.

Class A shares trade under the symbol "FTN" on the TSX. The trading price of Class A shares on the TSX was \$11.55 as at May 31, 2021 (November 30, 2020-\$3.55). Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and a Preferred share in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of October. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under

---

## FINANCIAL 15 SPLIT CORP.

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)

---

the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction. Gains or losses from the redemption of shares, if any, are recorded in gain (loss) on redemptions on the Statements of Comprehensive Income/(Loss).

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

During the period ended May 31, 2021, 2,043,900 Class A shares were sold through the ATM Program at an average selling price of \$9.17 per Class A share. Gross proceeds, net proceeds and commissions on the Class A share sales were, \$18,734,360, \$18,572,761 and \$161,599, respectively.

During the year ended November 30, 2020, 1,084,800 Class A shares were sold through the ATM Program at an average selling price of \$6.39 per Class A share. Gross proceeds, net proceeds and commissions on the Class A share sales were, \$6,928,990, \$6,755,779 and \$173,211, respectively.

The Company issued 376,700 Class A shares at \$11.10 per shares for gross proceeds of \$4,181,370 pursuant to a secondary offering that was completed on May 6, 2021. Agents' fees and issuance costs on the Class A shares were \$176,284 in connection with this offering.

The Company issued 2,642,000 Class A shares at \$9.80 per shares for gross proceeds of \$25,891,600 pursuant to a secondary offering that was completed on January 14, 2021. Agents' fees and issuance costs on the Class A shares were \$1,343,556 in connection with this offering.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On September 26, 2003, the Company issued 1,000 Class B shares to Quadrainvest, the Company's investment manager, for cash consideration of \$1,000.

#### 7. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the management agreement, Quadrainvest is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date and an amount equal to the service fee payable to dealers on the Class A shares at a rate of 0.50% of the net asset value attributable to Class A shares per annum. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

Pursuant to the terms of the investment management agreement, Quadrainvest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadrainvest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

The monthly discount to net asset value of 2% applicable to the redemption of Preferred shares and Class A shares is payable to Quadrainvest. Redemption fees paid for the period ended May 31, 2021 were \$NIL (May 31, 2020-\$NIL).

Total management fees of \$1,595,053 (May 31, 2020-\$2,233,452), incurred during the period, include the administration fee and investment management fee. As at May 31, 2021, \$309,355 (November 30, 2020-\$350,453) was payable to the Manager with respect to the management and administrative fees. No performance fees were paid in 2021 or 2020.

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS**FOR THE SIX MONTH PERIODS ENDED **MAY 31, 2021** AND **2020** (UNAUDITED)

---

Total brokerage commissions paid during the period by the Company for its portfolio transactions was \$123,575 (May 31, 2020-\$144,477).

**8. Increase (decrease) in net assets attributable to holders per redeemable Class A share**

The increase (decrease) in net assets attributable to holders per redeemable Class A share for the periods ended May 31, 2021 and 2020 is calculated as follows:

	2021	2020
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	\$87,294,906	(\$166,500,754)
Weighted average Class A shares outstanding	20,899,804	17,513,250 <sup>(1)</sup>
Increase (decrease) in net assets attributable to holders per redeemable Class A share	4.18	(\$9.50) <sup>(1)</sup>

(1) Increase (decrease) in net assets attributable to holders of redeemable Class A shares and weighted average Class A shares outstanding for the period ended May 31, 2020 have been restated to reflect the impact of the consolidation of Class A shares on a 0.4 for 1 basis after the payment of special retractions on December 17, 2020 in connection with the extension of the termination date of the Company. See note 1 for further details. Previously these amounts were reported as (\$3.80) and \$43,783,125, respectively.

**9. Distributions**

Distributions per share were as follows:

	May 31, 2021	May 31, 2020
Preferred shares	\$0.3375	\$0.2750
Class A shares <sup>(1)</sup>	\$0.7542	\$0.3771

(1) As a result of the consolidation of Class A shares on a 0.4 for 1 basis after the payment of special retractions on December 17, 2020 in connection with the extension of the termination date of the Company, distributions on a per Class A share basis are not comparable to the prior period.

**10. Capital Management**

The Company considers its capital to consist of Class A, Class B and Preferred shares.

The Company's objectives in managing its capital are:

- i) to provide holders of Preferred shares with cumulative preferential monthly cash dividends, the amount of which will be fixed by the Board of Directors on an annual basis, subject to a prescribed minimum of 5.5% for the five year period commencing December 1, 2020 (previously, 5.25%; currently set to \$0.05625 to yield 6.75% and previously set to \$0.04583 to yield 5.5%) and to pay holders of Preferred shares \$10 per Preferred share on or about the termination date; and
- ii) to provide holders of Class A shares with regular monthly cash distributions in an amount to be determined by the Board of Directors and to permit holders to participate in all growth in the net asset value of the Company above \$10 per unit, by paying holders such amounts as remain in the Company after paying \$10 per Preferred share on or about the termination date. The net asset value per unit must remain above the required \$15 per unit threshold for distributions to be declared.

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

---

**FINANCIAL 15 SPLIT CORP.****NOTES TO THE FINANCIAL STATEMENTS****FOR THE SIX MONTH PERIODS ENDED MAY 31, 2021 AND 2020 (UNAUDITED)**

---

**11. Reconciliation of net asset value per Class A share to net assets attributable to holders per redeemable Class A share**

As at May 31, 2021 and November 30, 2020, there were no differences between net asset value per Class A share used for transactional purposes and net assets attributable to holders per redeemable Class A share for financial reporting purposes.

**12. Subsequent event**

On June 29, 2021, the Company completed a secondary offering of 384,600 Preferred shares and 10,000 Class A shares for net proceeds of \$3,990,267 (gross proceeds of \$4,114,840).

---

## **QUADRAVEST CAPITAL MANAGEMENT INC.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

---

## **BOARD OF DIRECTORS**

Wayne Finch,  
Director, President, Chief Executive  
and Chief Investment Officer,  
Quadravest Capital Management Inc.

Peter Cruickshank,  
Managing Director,  
Quadravest Capital Management Inc.

Laura Johnson,  
Managing Director  
and Portfolio Manager,  
Quadravest Capital Management Inc.

William Thornhill,  
President,  
William C. Thornhill Consulting Inc.

Michael W. Sharp,  
Retired Partner, Blake, Cassels & Graydon LLP

John Steep,  
President, S. Factor Consulting Inc.

---

## **CORPORATE DETAILS**

### **Auditor**

PricewaterhouseCoopers LLP  
18 York Street, Suite 2600  
Toronto, Ontario M5J 0B2

### **Transfer Agent**

Computershare Investor Service Inc.  
100 University Avenue  
Toronto, Ontario M5J 2Y1

### **Legal Counsel**

Blake, Cassels & Graydon LLP  
Commerce Court West, Suite 4000  
Toronto, Ontario M5L 1A9

### **Custodian**

RBC Investor Services Trust  
155 Wellington St. West  
Toronto, Ontario M5V 3L3



# FINANCIAL 15

200 Front Street West  
Suite 2510, Toronto, ON  
M5V 3K2

Tel: 416.304.4443

Toll: 877.4QUADRA  
*or* 877.478.2372

Fax: 416.304.4441

[info@quadravest.com](mailto:info@quadravest.com)  
[www.quadravest.com](http://www.quadravest.com)