

# Annual Financial Statements

For the period ended December 31, 2024



QUADRAVEST  
**PREFERRED SPLIT SHARE**  
ETF



## Independent auditor's report

To the Unitholders and Trustee of Quadravest Preferred Split Share ETF (the Preferred ETF)

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### Our opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Preferred ETF as at December 31, 2024 and its financial performance and its cash flows for the period from June 24, 2024 (commencement of operations) to December 31, 2024 in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### What we have audited

The Preferred ETF's financial statements comprise:

- the statement of financial position as at December 31, 2024;
- the statement of comprehensive income for the period from June 24, 2024 (commencement of operations) to December 31, 2024;
- the statement of changes in net assets attributable to holders of redeemable units for the period from June 24, 2024 (commencement of operations) to December 31, 2024;
- the statement of cash flows for the period from June 24, 2024 (commencement of operations) to December 31, 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

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### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Preferred ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

PricewaterhouseCoopers LLP  
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"PwC" refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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## **Other information**

Management is responsible for the other information. The other information comprises the Annual Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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## **Responsibilities of management and those charged with governance for the financial statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Preferred ETF's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Preferred ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Preferred ETF's financial reporting process.

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## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Preferred ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Preferred ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Preferred ETF to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



The engagement partner on the audit resulting in this independent auditor's report is Christina Fox.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 20, 2025

# Quadravest Preferred Split Share ETF

## Financial Statements

### Statement of Financial Position

(In Canadian dollars, except per unit amounts)

	Note	As at December 31, 2024
		\$
<b>Assets</b>		
<b>Current assets</b>		
Investments	5	19,920,065
Cash		1,068,745
Dividends receivable		141,790
<b>Total assets</b>		<b>21,130,600</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Distributions payable		115,493
Accrued expenses		11,381
<b>Total liabilities (excluding net assets attributable to holders of redeemable units)</b>		<b>126,874</b>
<b>Net assets attributable to holders of redeemable units</b>	<b>2</b>	<b>21,003,726</b>
<b>Net assets attributable to holders of redeemable units per unit</b>	<b>2</b>	<b>10.61</b>

Approved on behalf of the board of directors of Quadravest Capital Management Inc.

**Wayne Finch**

Director

**Peter Cruickshank**

Director

### Statement of Comprehensive Income for the Period Ended December 31\*

(In Canadian dollars, except per unit amounts)

	Note	2024
		\$
<b>Income</b>	<b>2</b>	
Interest income for distribution purposes		3,597
Dividends income		449,039
Net realized gains (losses) on sale of investments		76,729
Change in net unrealized appreciation/depreciation on investments		593,198
<b>Total income</b>		<b>1,122,563</b>
<b>Expenses</b>	<b>7</b>	
Management fees		33,200
Independent review committee fees		1,133
Transaction costs on purchase and sale of investments	7	18,895
<b>Total expenses</b>		<b>53,228</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>2</b>	<b>1,069,335</b>
<b>Weighted average number of units</b>	<b>2</b>	<b>1,074,404</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>	<b>2</b>	<b>1.00</b>

\* Period from June 24, 2024 (commencement of operations) to December 31, 2024

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

**Statement of Changes in Net Assets Attributable to Holders of Redeemable Units for the Period Ended December 31\***  
(in Canadian dollars, except per unit amounts)

	Note	2024 \$
Increase (decrease) in net assets attributable to holders of redeemable units		1,069,335
<b>Redeemable units transactions</b>	6	
Proceeds from redeemable units issued		20,359,716
<b>Total redeemable units transactions</b>		20,359,716
<b>Distributions to investors</b>	2	
Net investment income		259,292
Net realized gain		51,430
Return of capital		114,603
<b>Total distributions to investors</b>		425,325
<b>Net increase (decrease) in net assets attributable to holders of redeemable units</b>		21,003,726
<b>Net assets attributable to holders of redeemable units, end of the period</b>		21,003,726
<b>Redeemable unit transactions</b>		
Redeemable units issued		1,980,000
<b>Redeemable units outstanding, end of the period</b>		1,980,000

\* Period from June 24, 2024 (commencement of operations) to December 31, 2024

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

**Statement of Cash Flows for the Period Ended December 31\***

(in Canadian dollars)

	Note	2024
		\$
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	2	1,069,335
Adjustments for:		
Net realized (gains) losses on sale of investments		(76,729)
Change in net unrealized appreciation/depreciation on investments		(593,198)
Purchases of investments		(4,573,893)
Proceeds from sale and maturity of investments†		3,725,910
Dividends receivable		(141,790)
Accrued expenses		11,381
<b>Net cash from (used in) operating activities</b>		<b>(578,984)</b>
<b>Cash flows from (used in) financing activities</b>	2	
Distributions paid to holders of redeemable units		(309,832)
Proceeds from issuances of redeemable units†		1,957,561
<b>Net cash from (used in) financing activities</b>		<b>1,647,729</b>
Net increase (decrease) for the period		1,068,745
Cash, beginning of the period		-
<b>Cash, end of the period</b>		<b>1,068,745</b>
<b>Included in cash flows from operating activities</b>		
Interest received		3,597
Dividends received		307,249

† Excludes in-kind transactions.

In-kind subscriptions of \$18,402,155  
In-kind redemptions of \$NIL

\* Period from June 24, 2024 (commencement of operations) to December 31, 2024

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



**Schedule of Investments as at December 31, 2024**

(In Canadian dollars)

	Number of shares	Average Cost \$	Fair Value \$
<b>Preferred Shares (94.8%)</b>			
<b>Financials (94.8%)</b>			
Brompton Split Banc Corp Preferred shares	127,575	1,326,921	1,367,604
Canadian Banc Corp Preferred shares*	180,224	1,852,668	1,894,154
Dividend 15 Split Corp II Preferred shares*	178,855	1,816,418	1,892,286
Dividend 15 Split Corp Preferred shares*	216,400	2,217,455	2,280,856
Dividend Growth Split Corp Preferred shares	199,447	2,038,286	2,114,138
E Split Corp Preferred shares	74,856	787,725	827,159
Financial 15 Split Corp Preferred shares*	217,360	2,268,205	2,323,578
Global Dividend Growth Split Corp Preferred shares	110,291	1,123,037	1,131,586
Life Banc & Split Corp Preferred shares	174,721	1,837,340	1,885,240
North American Financial 15 Split Corp Preferred shares*	197,649	2,044,599	2,118,797
Premium Income Corporation Preferred shares	133,890	<u>2,014,213</u>	<u>2,084,667</u>
		<u>19,326,867</u>	<u>19,920,065</u>
<b>Total Investments (94.8%)</b>		<u>19,326,867</u>	19,920,065
<b>Cash and Other Net Assets (5.2%)</b>			<u>1,083,661</u>
<b>Net Assets (100%)</b>			<u>21,003,726</u>

\*Split share corporation managed by the Manager

# Notes to Financial Statements

## NOTE 1: GENERAL INFORMATION

Quadinvest Preferred Split Share ETF (the "Preferred ETF") is an exchange traded mutual fund trust established under the laws of the province of Ontario on June 7, 2024. These financial statements are presented as at December 31, 2024 and for the period from June 24, 2024 (commencement of operations) to December 31, 2024 (hereafter referred to as "the period ended December 31, 2024"), and were approved and authorized for issue on March 20, 2025, by the Board of Directors of the Manager. The ticker symbol for the Preferred ETF is PREF. Quadinvest Capital Management Inc. (the "Manager") is the manager, trustee, portfolio manager and promoter of the Preferred ETF. 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 Preferred ETF's registered office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

## NOTE 2: BASIS OF PRESENTATION AND SUMMARY OF MATERIAL ACCOUNTING POLICY INFORMATION

### 2.1 Basis of presentation

The financial statements of the Preferred ETF were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (the "IFRS Accounting Standards"). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss ("FVTPL").

### 2.2 Material Accounting Policy Information

#### 2.2.1 Financial Instruments

The Preferred ETF's portfolio of investments is managed and performance is evaluated on a fair value basis. The Preferred ETF primarily focuses on fair value information and uses that information to assess the performance of assets and make decisions. The Preferred ETF 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 FVTPL.

The Preferred ETF's obligation for net assets attributable to holders of redeemable units is measured assuming the redemption of units at the net asset value (the "NAV") on the valuation date. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value. The carrying values of the Preferred ETF's financial assets and liabilities that are not carried at FVTPL approximate their fair values due to their short-term nature.

#### 2.2.2 Fair Value Measurement

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 (including Split Corp. Preferred Shares) are based on the last traded prices at the close of trading on the reporting date. The Preferred ETF 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 Preferred ETF recognizes 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 Preferred ETF 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, and others commonly used by market participants and which make the maximum use of observable inputs.

#### 2.2.3 Investment Transactions

Investment transactions are accounted for on the trade date. Transaction costs, such as brokerage commissions, incurred at the time of purchase and sale of investments by the Preferred ETF are recognized as "Transaction costs on purchase and sale of investments" in the Statement of Comprehensive Income.

Realized gains and losses arising from investment transactions and unrealized appreciation or depreciation on investments are determined using the average cost basis.

A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Preferred ETF has transferred substantially all the risks and rewards of ownership of the asset.

#### 2.2.4 Income and expenses

Income and expenses are recorded using the accrual basis of accounting.

#### Interest income for distribution purposes

The interest income for distribution purposes presented in the Statement of Comprehensive Income is recognized as it is earned.

#### Dividend income

Dividend income received from investment trusts (including from underlying funds) is recognized on the ex-dividend date.

### 2.3 Cash

Cash includes cash deposits with financial institutions.

## 2.4 Redeemable units

### 2.4.1 Classification of units

The outstanding redeemable units of the Preferred ETF may be redeemed for cash less than the closing price of the units on the Toronto Stock Exchange (the "TSX"). This reduced redemption price results in cash flow from redemptions not being significantly based on NAV. Consequently, the Preferred ETF's outstanding redeemable units are classified as financial liabilities in accordance with the requirements of IAS 32, Financial Instruments: Presentation.

### 2.4.2 Valuation of units

The NAV of the Preferred ETF is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process unitholder transactions. For financial reporting purposes under IFRS Accounting Standards, net assets attributable redeemable units of the Preferred ETF is determined as the difference between the aggregate amount of the Preferred ETF's assets and the aggregate amount of its liabilities ("net assets attributable to holders of redeemable units").

### 2.4.3 Increase or decrease in net assets attributable to holders of redeemable units per unit

"Increase (decrease) in net assets attributable to holders of redeemable units per unit" presented in the Statement of Comprehensive Income represents the increase (decrease) in net assets attributable to holders of redeemable units for the period, divided by the weighted average number of units outstanding during the period.

### 2.4.4 Distributions to unitholders

The net income of the Preferred ETF is distributed to unitholders monthly.

To the extent that the Preferred ETF has not otherwise distributed a sufficient amount of its net income or net realized capital gains, a distribution will be paid to unitholders at the end of the year and that distribution will be automatically reinvested in additional units. Immediately following such reinvestment, the number of units outstanding will be consolidated so that the NAV per unit following the distribution and reinvestment is the same as it would have been if the distribution had not been paid.

Unrealized gains and losses are included in the net assets attributable to unitholders. However, they will only be distributed to the Preferred ETF unitholders once the gain or loss is realized. Capital losses are not distributed to the Preferred ETF unitholders but are retained by the Preferred ETF to be applied against future capital gains.

## 2.5 Functional currency and foreign currency translation

The Preferred ETF's purchases and redemptions are denominated in Canadian dollars. The Canadian dollar is considered the functional and presentation currency of the Preferred ETF.

The fair value of investments, other assets and liabilities denominated in foreign currencies is translated into the functional currency at the exchange rate in effect as at the date of the Statement of Financial Position.

Foreign currency transactions are converted into the functional currency of the Preferred ETF using the exchange rates prevailing at the dates of the transactions (closing rate).

## 2.6 Taxes

The Preferred ETF qualifies as a mutual fund trust under the Income Tax Act (Canada) (the "Tax Act"). The Preferred ETF distributes to its unitholders its net income for tax purposes and a sufficient portion of the net capital gains realized in any taxation year such that no income tax is payable by the Preferred ETF. Therefore, the Preferred ETF does not recognize any income tax and the tax benefits of capital and non-capital losses have not been recorded as a deferred income tax asset in the Statement of Financial Position.

## 2.7 Interest in structured entities

A structured entity is designed in such a way that voting rights or similar rights are not the determining factor in who controls the entity; this is particularly the case when the voting rights concern only administrative tasks and the relevant activities are directed by a contractual agreement.

The Preferred ETF invests in underlying funds through its investment in Split Corp. Preferred Shares. The Preferred ETF considers its investment in underlying funds as investments in unconsolidated structured entities. The Preferred ETF does not provide and has not committed to providing any other support to these unconsolidated structured entities. The objectives of the underlying funds enable the Preferred ETF to achieve its main objectives. The underlying funds finance their operations by issuing securities that are redeemable at the option of the holder, entitling the holder to receive a proportionate share in the net assets of the underlying funds. The Preferred ETF holds redeemable securities of the underlying funds.

Therefore, the Preferred ETF, as an investment entity, accounts for its investments in unconsolidated structured entities at fair value. The change in fair value of these investments is presented in the Statement of Comprehensive Income under "Change in net unrealized appreciation/depreciation on investments."

## 2.8 Offsetting financial assets and financial liabilities

Financial instruments are recognized on a net or gross basis in the Statement of Financial Position based on the intention or legal obligation to offset opposite positions on instruments held with the same counterparties. Amounts offset in the Statement of Financial Position arise from transactions where the Preferred ETF has a legally enforceable right to offset and intend to settle the positions on a net basis. Amounts not offset in the Statement of Financial Position arise from transactions where a master netting arrangement is in place with a right to offset only in the event of default, insolvency or bankruptcy, or where the Preferred ETF has no intention of settling on a net basis.

As at December 31, 2024, no financial instruments are offset in the Statement of Financial Position.

## NOTE 3: CRITICAL JUDGMENTS AND ACCOUNTING ESTIMATES

When preparing the financial statements, the Manager of the Preferred ETF applies judgement in the application of the accounting policies of the Preferred ETF and

makes estimates and assumptions. The Preferred ETF's most significant estimates involve the measurement of investments at fair value in circumstances where the last traded price is not within the bid-ask spread.

#### NOTE 4: CHANGES IN ACCOUNTING STANDARDS THAT ARE NOT YET IN EFFECT

In April 2024, the International Accounting Standards Board issued IFRS 18, Presentation and Disclosure in the Financial Statements which aims to improve the quality of financial reporting by introducing new requirements which include new required categories and subtotals in the Statement of comprehensive income and enhanced guidance on grouping of information. IFRS 18 replaces IAS 1, Presentation of Financial Statements. This standard is effective for annual periods beginning on or after January 1, 2027, with early adoption permitted. The Manager is currently assessing the impact of these new requirements.

#### NOTE 5: FINANCIAL INSTRUMENT DISCLOSURES

##### 5.1 Financial risks

The Preferred ETF is exposed to financial risk through its investment activities. The main types of risk to which the Preferred ETF is exposed are credit risk, liquidity risk, market risk (which includes currency risk, interest rate risk and other price risk) and concentration risk. The Manager seeks to maximize returns for any given level of risk while minimizing these risks by employing a professional, experienced portfolio manager; by regularly monitoring of the Preferred ETF's positions and market events; and by diversifying the investment portfolio within the constraints of the investment objectives of the Preferred ETF.

##### 5.2 Credit risk

Credit risk is the risk that a commitment with the Preferred ETF will not be upheld by the counterparty to a financial instrument.

The Preferred ETF is exposed to credit risk directly through its investments in Split Corp. Preferred Shares. The carrying amount of investments, as presented on the Schedule of Investment Portfolio, represents the maximum credit risk exposure as at December 31, 2024. The portfolio manager evaluates the credit quality of the securities prior to purchasing and regularly monitors their credit quality. In accordance with the Preferred ETF's investment restrictions, investments in any individual Split Corp. Preferred Share at the time of purchase will be restricted to a maximum of 20% of its NAV. The table below provides a breakdown of the Preferred ETF's portfolio based on the DBRS Morningstar preferred share credit rating.

##### Credit Quality Risk (Note 5)

Split Corp. Preferred Shares by Rating Category As at	% of Net Asset December 31, 2024
Pdf-2	9.9
Pfd-3 (high)	9.3
Pfd-3	37.4
Pfd-3 (low)	28.1
Pfd-4 (high)	-
Pfd-4	10.1
<b>Total</b>	<b>94.8</b>

Quality Ratings: 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

##### 5.3 Liquidity risk

Liquidity risk is the risk that the Preferred ETF may not be able to settle or meet its obligations on time or at a reasonable price. The Preferred ETF is exposed to daily redemptions of units. In most cases, redemptions will primarily be in-kind, allowing the delivery of securities to fulfill the redemption obligations. For cash redemptions, the Preferred ETF invests in securities traded on active markets and anticipates that these securities can be readily disposed to raise liquidity. However, there may not be sufficient time to dispose of the securities at a reasonable price. As at December 31, 2024, the Preferred ETF did not have financial liabilities with maturities greater than three months.

##### 5.4 Market risk

The Preferred ETF's investments are subject to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The market risk can be broken down into the following three risk components: currency risk, interest rate risk and price risk.

##### 5.4.1 Currency risk

Currency risk is the risk that the value of financial instruments denominated in a currency other than the Canadian dollar, which is the Preferred ETF's functional and reporting currency, will fluctuate due to changes in foreign exchange rates. All financial instruments of the Preferred ETF are denominated in Canadian dollars and therefore there is no currency risk as at December 31, 2024.

##### 5.4.2 Interest rate risk

Interest rate risk is the risk that the fair value of the Preferred ETF's interest-bearing investments will fluctuate due to changes in market interest rates. In general, the value of interest-bearing financial instruments with fixed interest rates will rise as interest rates fall, and conversely, will generally fall if interest rates rise. The Preferred ETF is exposed to interest rate risk directly through its investments in Split Corp. Preferred Shares. The table below summarizes the Preferred ETF's exposure to interest rate risk by remaining term to maturity.

##### Interest Rate Risk (Note 5)

Split Corp. Preferred Shares by Maturity Date	December 31, 2024 \$
Under one year	2,323,578
From 1 year to 3 years	2,499,190
From 3 years to 5 years	13,012,630
Greater than 5 years	2,084,667
	<b>19,920,065</b>

As at December 31, 2024, had the prevailing interest rates increased/decreased by 1%, with all other variables held constant, the net assets attributable to holders of redeemable units would have increased/decreased by \$ 579,686.

The Preferred ETF's sensitivity to interest rate changes is estimated assuming a parallel shift in the yield curve and using the weighted average duration of the Split Corp. Preferred Shares portfolio.

##### 5.4.3 Other price risk

Price risk is the risk that the fair value of financial instruments will fluctuate as a

result of changes in market prices caused by factors specific to a security, its issuer or any other factor affecting a market or a segment of the market (other than those arising from currency risk and interest rate risk).

The Preferred ETF is exposed to price risk directly through its investments in Split Corp. Preferred Shares. The maximum risk resulting from financial instruments is equivalent to their fair value. The Preferred ETF's policy is to manage price risk through diversification and selection of investments within specified limits established by the investment guidelines set out in the Preferred ETF prospectus.

As at December 31, 2024, had the quoted prices of the Split Corp. Preferred Shares increase/decreased by 10%, with all other variables held constant, net assets attributable to holders of redeemable units would have increased/decreased by \$ 1,992,007.

### 5.5 Concentration risk

Concentration risk arises from the net exposure of financial instruments to the same investment category, notably based on a region, a type of asset, industry or market segment. Financial instruments of the same category have similar characteristics and are affected similarly by changes in economic or other conditions. The Preferred ETF is exposed to concentration risk directly through its investments in Split Corp. Preferred Shares which comprise 94.8% of the Preferred ETF's net assets as at December 31, 2024.

### 5.6 Fair value measurement

The Preferred ETF 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 Preferred ETF can access on the valuation date.

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

Level 3: Unobservable inputs relating to the asset or liability.

The fair value hierarchy requires the use of observable market inputs whenever such inputs exist. A financial instrument is ranked at the lowest level of the hierarchy for which a significant input has been considered in measuring fair value. When, at the financial position date, the observable inputs used for a financial instrument are different from those used at the opening date, it is the policy of the Preferred ETF to establish that on the date of the event or change in circumstances, a transfer between levels of the fair value hierarchy is deemed to have occurred.

A table showing the breakdown of securities according to their level at the end of the period is shown below.

#### Fair Value of Financial Instruments Table (Note 5)

December 31, 2024	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Preferred shares	19,920,065	-	-	19,920,065

During the period ended December 31, 2024, there were no significant transfers of investments between Level 1, Level 2 and Level 3.

### NOTE 6: REDEEMABLE UNITS

The capital of the Preferred ETF is represented by the net assets attributable to holders of redeemable units. The Preferred ETF is authorized to issue an unlimited number of redeemable and transferable units, each of which represents an equal, undivided interest in the NAV of the Preferred ETF. Each unit entitles the holder to one vote and equal participation with respect to all distributions made by the Preferred ETF. The Preferred ETF's units are listed on the TSX, and unitholders can buy or sell such units on the TSX through registered brokers and dealers.

On any trading day, a dealer (who may also be the designated broker) may place an order for a prescribed number of units ("PNU") of the Preferred ETF or any additional multiple thereof. If the subscription is accepted, the Preferred ETF will issue units to the dealer based on the NAV per unit on the applicable trading day.

For each PNU issued, a dealer must deliver payment consisting of:

- (i) cash in an amount equal to the aggregate NAV per unit of the PNU;
- (ii) a basket of securities and cash in an amount sufficient so that the value of the securities and the cash is equal to the aggregate NAV per unit of the PNU; or
- (iii) a combination of securities and cash in an amount sufficient so that the value of the securities and the cash is equal to the aggregate NAV per unit of the PNU.

Unitholders may exchange units of the Preferred ETF on any trading day for a basket of securities and cash, subject to the requirement that a minimum of one PNU be exchanged. On any trading day, unitholders may redeem:

- (i) units of the Preferred ETF for cash at a redemption price per unit equal to 95% of the closing price of the units on the TSX on the effective day of the redemption subject to a maximum redemption price per unit equal to the NAV per unit on the effective day of redemption, less any applicable redemption fee determined by the Manager; or
- (ii) a PNU or a multiple PNU for cash equal to the NAV of that number of units less any applicable redemption fee determined by the Manager.

In accordance with IAS 7, the Preferred ETF excludes non-cash transactions from their operating and financing activities within the Statement of Cash Flows. The primary differences between the amounts issued and redeemed, as presented in the Statements of Changes in Net Assets Attributable to Holders of Redeemable Units, and the Statements of Cash Flows relates to in-kind transactions.

The number of outstanding units and the number of units issued, reinvested and redeemed for the period ended are presented after the Statement of Changes in Net Assets Attributable to Holders of Redeemable Units of the Preferred ETF. The closing price of the units on the TSX as at December 31, 2024 was \$ 10.64.

### NOTE 7: TRANSACTIONS WITH RELATED PARTIES

#### 7.1 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.

### 7.2 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.

### 7.3 Related Party Holdings

The Preferred ETF may invest in other underlying funds managed by the Manager, in accordance with its investment objectives and strategies. Disclosures of such investments held are disclosed in the Schedule of Investment Portfolio.

As at December 31, 2024, 278,500 units of the Preferred ETF were held by a related party of the Manager.

#### NOTE 8: INCOME TAXES

Capital losses for income tax purposes can be carried forward indefinitely to be applied against capital gains realized in future years. Non-capital losses can be carried forward for up to 20 years to be applied against future taxable income in those years. As of December 31, 2024, the Preferred ETF had no capital and non-capital loss carryforwards.

#### NOTE 9: SOFT DOLLAR COMMISSIONS

Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of security transactions, also provide for the cost of investment research services provided to the portfolio manager. The value of such research services included in commissions paid to brokers for the period ended December 31, 2024 amounted to \$NIL.

#### NOTE 10: STRUCTURED ENTITIES

The Preferred ETF's maximum exposure to loss from its interest in unconsolidated structured entities is equal to the carrying value of its investments. The table below summarizes the Preferred ETF's investment in unconsolidated entities.

	Country of Establishment and Principal Place of Business	% of Net Assets	% of Ownership Interest <sup>(1)</sup>
		December 31, 2024	December 31, 2024
Canadian Banc Corp	Canada	9.0	0.24
Dividend 15 Split Corp II	Canada	9.0	0.50
Dividend 15 Split Corp	Canada	10.9	0.11
E Split Corp	Canada	3.9	0.12
North American Financial 15 Split Corp	Canada	10.1	0.20
Financial 15 Split Corp	Canada	11.1	0.18
Global Dividend Growth Split Corp	Canada	5.4	0.33
Life & Banc Split Corp	Canada	9.0	0.19
Premium Income Corp	Canada	9.9	0.42
Brompton Split Corp	Canada	6.5	0.28
Dividend Growth Split Corp	Canada	10.1	0.27

(1) Ownership is calculated as the net asset value of the Split Corp. Preferred Share held as a percentage of the total net asset value of the underlying fund.

#### NOTE 11: FEES PAID TO THE AUDITOR

For the period ended December 31, 2024, fees paid or payable by the Manager to PricewaterhouseCoopers LLP and other PwC Network firms for audit services and other services pertaining to the Preferred ETF were \$18,800 and \$31,800, respectively.

## QUADRAVEST CAPITAL MANAGEMENT INC.

Founded in 1997, Quadravest Capital Management Inc. ("Quadravest") has established itself as a leading investment firm specializing in creating and managing enhanced yield products. Guided by its core principles of innovation, discipline, strong results, and exceptional client service, Quadravest boasts a seasoned management team led by its founding partners. Today, the firm manages over \$5.5 billion in assets and a diverse portfolio of 14 publicly traded investment products, including split share corporations, an investment trust and an exchange traded fund.

### Independent Review Committee

#### **Gordon Currie,**

Former Executive Vice President  
And Chief Legal Officer,  
George Weston Limited

#### **John Steep,**

President, S Factor Consulting Inc.

#### **Michael W. Sharp,**

Retired Partner,  
Blake, Cassels & Graydon LLP

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Inc.

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Chief Investment Strategist,  
Director and Portfolio Manager,  
Quadravest Capital Management  
Inc.

#### **Peter Cruickshank,**

Director,  
Quadravest Capital Management  
Inc.

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## CORPORATE DETAILS

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