

2018 | **FINANCIAL 15 SPLIT CORP.**
ANNUAL REPORT



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.
ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE
NOVEMBER 30, 2018

This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2018. 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 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 or 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	U.S. issuers
Bank of Montreal	Bank of America Corp.
The Bank of Nova Scotia	Citigroup Inc.
Canadian Imperial Bank of Commerce	Goldman Sachs Group Inc.
CI Financial Corp.	J.P. Morgan Chase & Co.
Great West Lifeco Inc.	Wells Fargo & Co.
Manulife Financial Corporation	
National Bank of Canada	
Royal Bank of Canada	
Sun Life Financial Inc.	
The Toronto-Dominion Bank	

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. 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 5.25% for the five year period commencing December 1, 2015. Dividends for the fiscal period commencing December 1, 2017 were set at \$0.04583 per Preferred share per month for an annual yield of 5.50% on the Preferred share repayment amount; and
2. On or about the termination date of December 1, 2020 (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. 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, 2020 (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 25, 2019. In addition, note 5 of the annual 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

The year ended November 30, 2018 was characterized by a myriad of factors which conspired to produce lower market prices for the Canadian and US financial services stocks held in the portfolio. Multiple rate increases by both the Bank of Canada and the Federal Reserve during the year, and expectations of further interest rate increases, after a prolonged period of low to stable rates, acted as a significant headwind for financial service companies. Simultaneously, the yield curve in both Canada and the U.S flattened during the year, putting pressure on net interest margins and investment income for banks and life insurance companies. A new Canada-United States-Mexico Agreement in October 2018 finally alleviated some of the trade-related market uncertainties experienced earlier in the year; however, ongoing trade tensions between the U.S. and China continued to dampen global economic growth expectations. Uncertainty surrounding trade negotiations was a key source of market volatility during the year. Notwithstanding these developments, the U.S. economy experienced strong economic growth due in part to the significant corporate tax cuts and ongoing regulatory relief. The Canadian economy posted reasonable economic growth with unemployment levels at a 40-year low.

Against this backdrop, the financial services companies held in the portfolio were generally flat to slightly down during the year. The financial companies held in the portfolio have built strong capital positions, and continue to implement strong stock buybacks and dividend increases.

The net assets per unit (consisting of one Preferred share and one Class A share) finished at \$15.90 as at November 30, 2018, after the payment of \$2.06 in combined distributions to both classes of shares at the targeted rates. A combined total of \$26.69 has been paid in distributions since inception.

On May 31, 2018 the Company completed a secondary offering of 5,159,000 Class A shares and 5,159,000 Preferred shares for net proceeds of \$99.9 million (gross proceeds of \$104.2 million).

The Company issued 2,035,942 Class A shares and 2,035,942 Preferred shares pursuant to an exchange offer and a Preferred share offering that were completed on April 24, 2018 and April 30, 2018, respectively. The total value of the offerings was \$38.7 million including gross cash proceeds of \$20.2 million received from the sale of Preferred shares. Agent's fees and filing fees were \$1.7 million in connection with the exchange offering and Preferred share offering.

Each issuance of shares was accretive to existing shareholders.

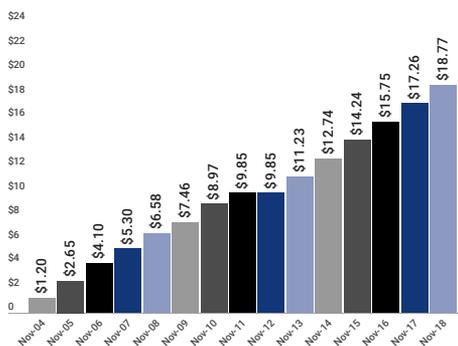
Net assets of the Company finished the year at \$643.9 million.

The portfolio was weighted 55.9% in Canadian financial services stocks versus 44.1% in U.S. financial services stocks as at November 30, 2018.

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 currently targeted to be \$0.1257 per Class A share. Total distributions per Class A share during the year amounted to \$1.5084. The net asset value per unit must remain above the required \$15 per unit threshold for monthly distributions to be declared.



Class A Share Distributions Since Inception

 18.77

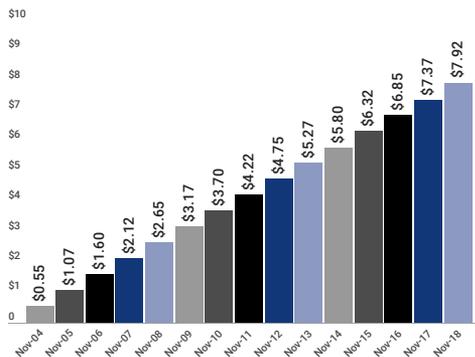
Cumulative total of distributions paid to Class A share since inception

 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 5.25% for the five period commencing December 1, 2015. Distributions during the year were at the fixed rate of 5.50% for a total of \$0.5500 per Preferred share.



Preferred Share Distributions Since Inception

 7.92

Cumulative total of distributions paid to Preferred share since inception

RECENT DEVELOPMENTS

There were no developments during the year.

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 audited 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

	Years ended November 30				
	2018	2017	2016	2015	2014
Net assets per unit, beginning of year ⁽¹⁾	18.32	17.18	16.85	17.77	17.15
Increase (decrease) from operations					
Total revenue	0.50	0.47	0.52	0.48	0.44
Total expenses	(0.22)	(0.24)	(0.20)	(0.23)	(0.27)
Realized gains (losses) for the year	0.22	0.62	0.32	0.45	0.60
Unrealized gains (losses) for the year	(1.18)	1.46	1.45	0.28	1.36
Total increase (decrease) from operations ⁽²⁾	<u>(0.68)</u>	<u>2.31</u>	<u>2.09</u>	<u>0.98</u>	<u>2.13</u>
Distributions ⁽³⁾					
Canadian dividends	(1.82)	(1.35)	(1.68)	(1.58)	(1.50)
Capital gains dividends	<u>(0.24)</u>	<u>(0.68)</u>	<u>(0.35)</u>	<u>(0.45)</u>	<u>(0.53)</u>
Total distributions	<u>(2.06)</u>	<u>(2.03)</u>	<u>(2.03)</u>	<u>(2.03)</u>	<u>(2.03)</u>
Net assets per unit at end of year	15.90	18.32	17.18	16.85	17.77
Net assets per Preferred share	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>5.90</u>	<u>8.32</u>	<u>7.18</u>	<u>6.85</u>	<u>7.77</u>
Net assets per unit at end of year	15.90	18.32	17.18	16.85	17.77

- (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 is calculated based on the weighted average number of units outstanding during the year.
- (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.

RATIOS AND SUPPLEMENTAL DATA

	┌ 2018	Years ended November 30			└ 2014
		2017	2016	2015	2014
Net asset value (millions) ⁽¹⁾	\$643.9	\$610.1	\$326.8	\$278.4	\$259.1
Number of units outstanding	40,494,374	33,299,432	19,021,432	16,518,732	14,579,732
Base Management expense ratio ⁽²⁾	1.14%	1.19%	1.16%	1.22%	1.48%
Management expense ratio including one time offering expenses ⁽³⁾	2.07%	3.98%	1.97%	1.82%	2.71%
Management expense ratio per Class A share ⁽⁴⁾	12.53%	16.41%	15.05%	11.79%	13.78%
Portfolio turnover rate ⁽⁵⁾	10.9%	22.6%	12.2%	10.0%	23.1%
Trading expense ratio ⁽⁶⁾	0.03%	0.06%	0.03%	0.02%	0.03%
Closing market price (TSX): Preferred shares	\$9.95	\$10.02	\$10.03	\$10.01	\$10.14
Closing market price (TSX): Class A shares	\$8.54	\$10.31	\$9.05	\$9.80	\$10.04

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

(2) 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 year and is expressed as an annualized percentage of average net asset value during the year.

(3) 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.

(4) 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 year. 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.

(5) 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 year. 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 year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company.

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

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 include 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.

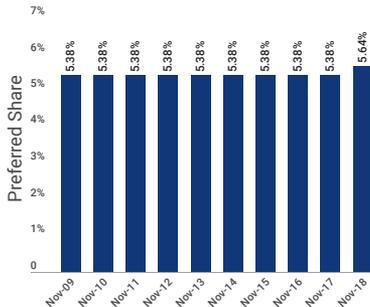
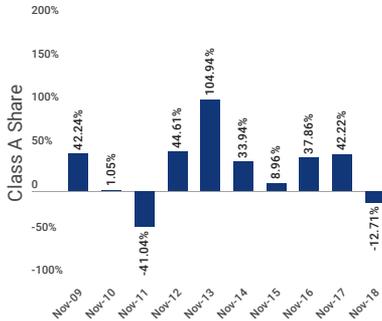
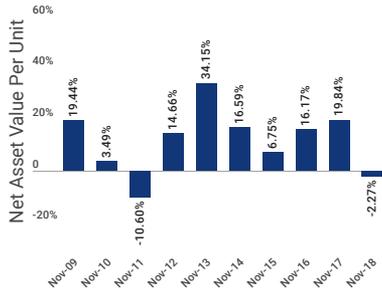
The base management fee was used by Quadrainvest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services 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.



ANNUAL COMPOUND PERFORMANCE

The following table shows the Company's annual compound return for the one, three, five and ten years ended November 30, 2018 and since inception:

	One year	Three years	Five years	Ten years	Since inception
Financial 15 Split Corp - Unit	-2.27%	10.81%	11.11%	11.15%	6.15%
Financial 15 Split Corp - Preferred share	5.64%	5.47%	5.43%	5.40%	5.39%
Financial 15 Split Corp - Class A share	-12.71%	19.61%	20.09%	20.16%	8.32%

MARKET INDICES⁽¹⁾

S&P TSX Financial Index	-1.71%	9.96%	9.22%	12.24%	9.60%
S&P 500 Financial Index	3.15%	12.82%	16.43%	13.04%	3.77%

(1) As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

SUMMARY OF INVESTMENT PORTFOLIO

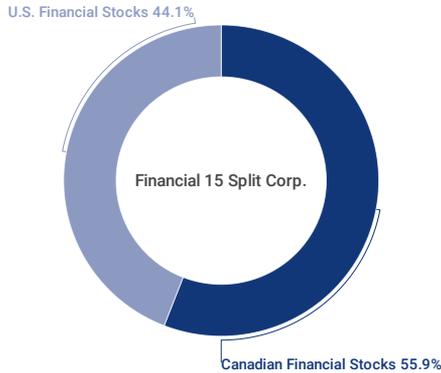
All holdings as at November 30, 2018

Name	Weighting (%)
J.P. Morgan Chase & Co.	10.0
Bank of America Corp.	9.7
Citigroup Inc.	7.4
Canadian Imperial Bank of Commerce	7.2
Royal Bank of Canada	7.0
Toronto-Dominion Bank	7.0
Sun Life Financial Inc.	6.5
Manulife Financial Corporation	6.1
Wells Fargo & Co.	6.1
Goldman Sachs Group Inc.	5.9
Bank of Nova Scotia	5.2
Bank of Montreal	5.0
National Bank of Canada	4.3
Great-West Lifeco Inc.	2.8
Fifth Third Bancorp.	2.7
CI Financial Corp.	1.2
AGF Management Ltd.	0.6
Total long positions as a percentage of net assets	94.7
Cash	6.3
Other net assets (liabilities)	-1.0
	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 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 financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards. 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 financial statements.

The Manager with the approval of the Board of the Company has appointed PricewaterhouseCoopers LLP as the external auditor of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

WAYNE FINCH

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

SILVIA GOMES

Chief Financial Officer
Quadravest Capital Management Inc.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Financial 15 Split Corp. (the "Company")

We have audited the accompanying financial statements of the Company, which comprise the statements of financial position as at November 30, 2018 and November 30, 2017 and the statements of comprehensive income/(loss), changes in net assets attributable to holders of redeemable Class A shares and cash flow for the years ended November 30, 2018 and November 30, 2017 and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2018 and November 30, 2017 and its financial performance and its cash flow for the years ended November 30, 2018 and November 30, 2017 in accordance with International Financial Reporting Standards.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 21, 2019

FINANCIAL 15 SPLIT CORP.
STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2018 AND NOVEMBER 30, 2017

	November 30, 2018 (\$)	November 30, 2017 (\$)
ASSETS		
Current Assets		
Investments	610,239,183	553,570,782
Cash	40,515,641	78,469,780
Interest, dividends and other receivables	1,560,156	1,369,835
	<u>652,314,980</u>	<u>633,410,397</u>
LIABILITIES		
Current Liabilities		
Written options	781,953	1,282,639
Fees and other accounts payable	731,222	873,876
Payable in respect of investments purchased	-	15,554,102
Distributions payable	6,946,000	5,642,589
Preferred shares (note 6)	404,943,740	332,994,320
Class B shares	1,000	1,000
	<u>413,403,915</u>	<u>356,348,526</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES		
	238,911,065	277,061,871
Number of units (1 Preferred share and 1 Class A share) outstanding		
	40,494,374	33,299,432
Net assets per unit	\$15.90	\$18.32
Net assets per Preferred share	\$10.00	\$10.00
Net assets per Class A share	\$5.90	\$8.32

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 YEARS ENDED NOVEMBER 30

	2018 (\$)	2017 (\$)
INCOME		
Net gain (loss) on investments and derivatives (note 5)		
Net realized gain (loss)	8,482,884	15,679,113
Net change in unrealized appreciation (depreciation)	(44,514,556)	36,546,748
Dividends	18,408,988	11,719,113
Interest	352,634	20,260
Net gain (loss) on investments and derivatives	(17,270,050)	63,965,234
Other gain (loss)		
Realized gain (loss) on currency	(157,670)	(324,374)
Change in unrealized gain (loss) in the value of currency	183,668	21,994
	(17,244,052)	63,662,854
EXPENSES (note 7)		
Management fees	4,927,275	3,282,006
Service fee	1,320,589	980,846
Audit fees	26,360	28,940
Director's fees	23,583	23,583
Independent Review Committee fees	4,268	4,268
Custodial fees	111,168	88,507
Shareholder reporting costs	41,631	33,324
Legal fees	23,537	20,552
Other operating expenses	178,365	134,799
Harmonized sales tax	765,337	546,837
Transaction costs	163,943	239,027
Withholding taxes	776,502	485,381
	8,362,558	5,868,070
Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions on Preferred shares	(25,606,610)	57,794,784
Distributions on Preferred shares	(20,714,872)	(12,976,652)
Discount on issuance of Preferred shares	(719,494)	(925,800)
Increase (decrease) in net assets attributable to holders of redeemable Class A share	(47,040,976)	43,892,332
Increase (decrease) in net assets attributable to holders per redeemable Class A share (note 8)	(1.25)	1.76

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 YEARS ENDED NOVEMBER 30

	2018 (\$)	2017 (\$)
Net Assets attributable to holders of redeemable Class A shares - Beginning of year	277,061,871	136,614,454
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(47,040,976)	43,892,332
Gross proceeds from issue of Class A shares	71,719,408	145,959,300
Agent's fee and issue costs on secondary offering	(6,013,627)	(12,120,441)
Net proceeds from issue of Class A shares	<u>65,705,781</u>	<u>133,838,859</u>
Distributions		
Canadian dividends	(47,898,510)	(20,368,177)
Capital gains dividends	(8,917,101)	(16,915,597)
	<u>(56,815,611)</u>	<u>(37,283,774)</u>
Change in net assets attributable to holders of redeemable Class A shares	<u>(38,150,806)</u>	<u>140,447,417</u>
Net Assets attributable to holders of redeemable Class A shares - End of year	<u>238,911,065</u>	<u>277,061,871</u>

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

FINANCIAL 15 SPLIT CORP.
STATEMENTS OF CASH FLOW
FOR THE YEARS ENDED NOVEMBER 30

	2018 (\$)	2017 (\$)
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(47,040,976)	43,892,332
Adjustment for:		
Distributions on Preferred shares	20,714,872	12,976,652
Unrealized (gain) loss on currency	(183,668)	(21,994)
Net realized (gain) loss on investments and derivatives	(8,482,884)	(15,679,113)
Discount on issuance of Preferred shares	719,494	925,800
Net change in unrealized appreciation (depreciation) of investments and derivatives	44,514,556	(36,546,748)
Purchase of investments, net of option premiums (note 6)	(154,983,377)	(260,949,873)
Proceeds from sale of investments	64,810,224	89,070,666
(Increase) decrease in interest, dividends and other receivables	(190,321)	(461,993)
Increase (decrease) in fees and other accounts payable	8,996	320,727
Net cash flows from (used in) operating activities	<u>(80,113,084)</u>	<u>(166,473,544)</u>
Cash flows from (used in) financing activities		
Gross proceeds from issuance of Class A and Preferred shares (note 6)	124,367,626	287,813,500
Agent's fees and issue costs in connection with secondary offering	(6,165,277)	(11,968,791)
Distributions paid on Class A shares	(55,911,207)	(35,489,029)
Distributions paid on Preferred shares	<u>(20,315,865)</u>	<u>(12,351,990)</u>
Cash flows from (used in) financing activities	<u>41,975,277</u>	<u>228,003,690</u>
Unrealized gain (loss) on currency	183,668	21,994
Net increase (decrease) in cash	<u>(37,954,139)</u>	<u>61,552,140</u>
Cash at beginning of the year	<u>78,469,780</u>	<u>16,917,640</u>
Cash at end of the year	<u>40,515,641</u>	<u>78,469,780</u>
Dividends received, net of withholding taxes*	17,442,165	10,771,739
Interest received*	352,634	20,260

* 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 NOVEMBER 30, 2018

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
Canadian Core Common Equities			
328,000	Bank of Montreal	31,880,913	32,514,640
460,300	Bank of Nova Scotia	34,001,201	33,279,690
414,800	Canadian Imperial Bank of Commerce	43,436,406	46,250,200
382,300	CI Financial Corp.	11,602,378	7,691,876
600,400	Great-West Lifeco Inc.	19,270,133	18,294,188
1,784,350	Manulife Financial Corporation	41,179,579	39,202,170
453,300	National Bank of Canada	22,981,534	27,469,980
463,700	Royal Bank of Canada	40,372,113	45,173,654
857,469	Sun Life Financial Inc.	40,468,457	42,015,981
613,700	Toronto-Dominion Bank	39,238,214	45,143,772
	Total Canadian Common Equities in Core Holdings (55.3%)	<u>324,430,928</u>	<u>337,036,151</u>
U.S. Core Common Equities			
1,654,841	Bank of America Corp.	45,025,373	62,464,260
553,361	Citigroup Inc.	42,700,869	47,651,164
149,590	Goldman Sachs Group Inc.	39,283,347	37,912,940
437,600	J.P. Morgan Chase & Co.	43,779,354	64,669,578
544,900	Wells Fargo & Co.	34,532,568	39,310,958
	Total U.S. Common Equities in Core Holdings (41.3%)	<u>205,321,511</u>	<u>252,008,900</u>
	Total Core Portfolio Equities (96.6%)	<u>529,752,439</u>	<u>589,045,051</u>
Other Canadian Common Equities			
745,800	AGF Management Ltd.	12,047,626	3,729,000
	Total Other Canadian Common Equities (0.6%)	<u>12,047,626</u>	<u>3,729,000</u>
Other U.S. Common Equities			
470,483	Fifth Third Bancorp.	14,810,751	17,465,132
	Total Other U.S. Common Equities (2.9%)	<u>14,810,751</u>	<u>17,465,132</u>
	Total Common Equities (100.1%)	<u>556,610,816</u>	<u>610,239,183</u>

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

FINANCIAL 15 SPLIT CORP.
SCHEDULE OF PORTFOLIO INVESTMENTS

AS AT NOVEMBER 30, 2018

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
Call Options written (100 shares per contract)			
Canadian call options written			
(350)	Bank of Montreal @105 December 2018	(14,000)	(2,800)
(200)	Bank of Nova Scotia @ \$73 December 2018	(8,200)	(12,000)
(425)	Bank of Nova Scotia @ \$74 December 2018	(17,425)	(12,750)
(400)	CI Financial Corp. @ \$21 December 2018	(6,000)	(7,000)
(950)	Canadian Imperial Bank of Commerce @ \$120 December 2018	(98,950)	(5,225)
(1,200)	Great-West Lifeco Inc. @ \$32 December 2018	(33,600)	(6,600)
(1,000)	Manulife Financial Corporation @ \$23 January 2019	(30,000)	(28,000)
(900)	Manulife Financial Corporation @ \$23 December 2018	(30,600)	(8,100)
(1,400)	Manulife Financial Corporation @ \$24 December 2018	(37,800)	(3,500)
(550)	National Bank of Canada @ \$62 January 2019	(38,500)	(38,500)
(550)	Royal Bank of Canada @ \$98 January 2019	(86,350)	(103,950)
(250)	Royal Bank of Canada @ \$99.50 December 2018	(16,625)	(11,750)
(930)	Sun Life Financial Inc. @ \$53 December 2018	(48,360)	(2,325)
(350)	Toronto-Dominion Bank @ \$74 December 2018	(37,800)	(28,875)
(250)	Toronto-Dominion Bank @ \$75 January 2019	(18,750)	(21,625)
	Total Canadian call options written (0.0%)	(522,960)	(293,000)
U.S. call options written			
(1,050)	Bank of America Corp. @ \$29 January 2019	(72,224)	(106,062)
(1,000)	Bank of America Corp. @ \$30 January 2019	(44,579)	(54,493)
(315)	Citigroup Inc. @ \$67.50 December 2018	(23,864)	(26,795)
(700)	Fifth Third Bancorp. @ \$29 January 2019	(32,563)	(42,332)
(225)	Goldman Sachs Group Inc. @ \$200 January 2019	(170,238)	(121,114)
(205)	J.P. Morgan Chase & Co. @ \$115 January 2019	(33,241)	(46,183)
(320)	J.P. Morgan Chase & Co. @ \$120 January 2019	(21,691)	(23,392)
(800)	Wells Fargo & Co. @ \$57.50 January 2019	(68,541)	(68,582)
	Total U.S. call options written (-0.1%)	(466,941)	(488,953)
		555,620,915	609,457,230
	less adjustments for transaction costs	(297,619)	
	Total Investments (100%)	555,323,296	609,457,230

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

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

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 termination date of the Company is December 1, 2020 and may be extended thereafter at the Company’s discretion for additional terms of five years each. Shareholders would be provided with a special retraction right in connection with any such extension. 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.

2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board (“IASB”). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”).

These financial statements were approved by the Board of Directors of the Company on February 13, 2019.

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 recognizes financial instruments at fair value upon initial recognition.

The Company’s investments are designated at fair value through profit and loss (“FVTPL”) and derivatives (including options) are held for trading and also carried at FVTPL.

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 classified or designated as 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).

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

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 gain (loss) on remeasurement of Preferred shares 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 at the annual redemption amount.

Financial assets and liabilities other than investments, derivatives, and Class A shares are recognized initially at the amount expected to be received or paid less, when material, a discount to reduce them to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method less a provision for impairment, if any. Due to their short-term nature, the fair values of these financial assets and liabilities approximate their carrying amounts.

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 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").

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 consists of cash on hand.

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.

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 year. 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.

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

The Company has estimated accumulated non capital losses for tax purposes of \$10,875,670 (November 30, 2017-\$14,444,495) that are available to lower taxable income in future years if required and expire after the scheduled termination date of the Company on December 1, 2020.

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 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. The following discusses the most significant accounting judgments that the Company has made in preparing the financial statements:

Classification and measurement of investments and application of the fair value option

In classifying and measuring financial instruments held by the Company, the Manager is required to make significant judgments about whether or not the business of the Company is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments – Recognition and Measurement (IAS 39). The most significant judgments made include the determination that certain financial instruments are held-for-trading, and that the fair value option can be applied to investments in financial assets which are not.

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 November 30, 2018 and November 30, 2017:

Financial assets and liabilities at fair value as at November 30, 2018

	Level 1	Level 2	Level 3	Total
Equities	\$610,239,183	-	-	\$610,239,183
Options	(\$781,953)	-	-	(\$781,953)
	<u>\$609,457,230</u>	<u>-</u>	<u>-</u>	<u>\$609,457,230</u>

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

Financial assets and liabilities at fair value as at November 30, 2017				
	Level 1	Level 2	Level 3	Total
Equities	\$553,570,782	-	-	\$553,570,782
Options	(\$1,282,639)	-	-	(\$1,282,639)
	<u>\$552,288,143</u>	<u>-</u>	<u>-</u>	<u>\$552,288,143</u>

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 years ended November 30, 2018 and 2017. The Company's net gain (loss) on financial instruments that are held for trading and those designated at FVTPL are as follows:*

	2018	2017
Realized gain (loss) on derivatives held for trading	\$982,331	\$1,563,428
Realized gain (loss) on investments designated at FVTPL	\$7,500,553	\$14,115,685
Net change in unrealized appreciation (depreciation) on investments	(\$45,520,707)	\$36,512,350
Net change in unrealized appreciation (depreciation) on derivatives	\$1,006,151	\$34,398
Dividends	\$18,408,988	\$11,719,113
Interest on Cash	\$352,634	\$20,260
	<u>(\$17,270,050)</u>	<u>\$63,965,234</u>

* The Company employs an active and integrated strategy of writing call options on the underlying equity holdings in the portfolio. The requirement to measure and attribute gains separately to either derivatives or the underlying equities may not reflect the relative contributions and benefits from implementing this strategy. As an example, written call options that are subsequently repurchased and/or rolled as part of the active covered call writing program would have had the effect of lowering reported gains from derivatives (which would have otherwise occurred had the written call option been exercised or expired), while achieving other gains to the portfolio that would have been measured and attributed to the underlying equity holdings.

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.

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

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

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).

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 years 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 November 30, 2018, 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 \$56,663,918 (November 30, 2017- \$50,817,078). 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 \$60,287,458 (November 30, 2017-\$54,167,078).

Interest rate risk

Interest rate risk is the risk that the fair value of interest bearing investments 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 year).

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 November 30, 2018, 46.0% (November 30, 2017-41.5%) 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 which is the functional currency of the Company. The Company has not entered into currency hedging contracts. As a result, if the Canadian dollar appreciated/depreciated by 5% against the U.S. dollar, the Net Assets of the Company would currently decrease/increase by approximately \$14,794,100 (November 30, 2017-\$12,645,100).

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 year). 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 year).

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

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 year). 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 year.

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 year). 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:

	November 30, 2018	November 30, 2017
Canadian Core Common Equities	52.3%	48.5%
Other Canadian Common Equities	0.6%	1.0%
U.S. Core Common Equities	39.1%	38.4%
Other U.S. Common Equities	2.7%	2.9%
Canadian Call Options written	0.0%	-0.1%
U.S. Call Options written	-0.1%	-0.1%
Other Assets less Liabilities (excluding Preferred shares)	5.4%	9.4%
	<u>100.0%</u>	<u>100.0%</u>

6. Redeemable Units

Preferred shares

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

	November 30, 2018	November 30, 2017
Preferred share transactions		
Beginning of year	33,299,432	19,021,432
Issued during the year	<u>7,194,942</u>	<u>14,278,000</u>
End of year	40,494,374	33,299,432

Preferred shares were 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 5.25% for the five year period commencing December 1, 2015. Dividends for the fiscal period commencing December 1, 2017 were set at \$0.04583 per Preferred share per month for an annual yield of 5.50% on the Preferred share repayment amount (previously \$0.04375 per

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

month for an annual yield of 5.25%). 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. Preferred shares trading price on the TSX was \$9.95 as at November 30, 2018 (November 30, 2017-\$10.02). 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 Company issued 5,159,000 Preferred shares at \$9.90 per Preferred share pursuant to a secondary offering that was completed on May 31, 2018. Gross proceeds of \$51,074,100 were received from the sale of Preferred shares.

On April 30, 2018, the Company issued 2,035,942 Preferred shares at \$9.90 per share in connection with an exchange offering on Class A shares that was completed on April 24, 2018. Gross proceeds of \$20,155,826 were received from the sale of Preferred shares.

The Company issued 5,361,000 Preferred shares at \$9.90 per share pursuant to a secondary offering that was completed on November 15, 2017. Gross proceeds of \$53,073,900 were received from the sale of Preferred shares.

The Company issued 3,897,000 Preferred shares at \$9.90 per Preferred share pursuant to a secondary offering that was completed on September 28, 2017. Gross proceeds of \$38,580,300 were received from the sale of Preferred shares.

The Company issued 2,980,000 Preferred shares at \$10.00 per Preferred share pursuant to a secondary offering that was completed on March 2, 2017. Gross proceeds of \$29,800,000 were received from the sale of Preferred shares.

The Company issued 2,040,000 Preferred shares at \$10.00 per share pursuant to a secondary offering that was completed on December 2, 2016. Gross proceeds of \$20,400,000 were received from the sale of Preferred shares.

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.

Class A shares and Class B shares

Authorized

An unlimited number of Class A shares
 1,000 Class B shares

Class A share transactions

	November 30, 2018	November 30, 2017
Beginning of year	33,299,432	19,021,432
Issued during the year	7,194,942	14,278,000
End of year	40,494,374	33,299,432

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

Class A shares were originally issued at \$15 per share. Class A share distributions are currently targeted at \$0.1257 per month. 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. Class A shares trading price on the TSX was \$8.54 as at November 30, 2018 (November 30, 2017-\$10.31). 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 (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. Class A 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. 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).

The Company issued 5,159,000 Class A shares at \$10.30 per share pursuant to a secondary offering that was completed on May 31, 2018. Gross proceeds of \$53,137,700 were received from the sale of Class A shares. Agent's fees and filing fees were \$4,313,811 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were \$48,823,889.

The Company issued 2,035,942 Class A shares pursuant to a non-cash exchange offer that was completed on April 24, 2018. The exchange was offered to holders of SCITI Trust units, whereby one Class A share of the Company was issued in exchange for 1.17614 freely-tradable listed units of SCITI Trust. The investment fund manager of SCITI Trust confirmed on March 21, 2018 that SCITI Trust would be terminating on its scheduled termination date of April 30, 2018. The fair value of the SCITI Trust units received based on the closing price on April 24, 2018 was \$18,581,708. Agent's fees and filing fees were \$1,681,567 in connection with the exchange offering and Preferred share offering.

The Company issued 5,361,000 Class A shares at \$10.50 per share pursuant to a secondary offering that was completed on November 15, 2017. Gross proceeds of \$56,290,500 were received from the sale of Class A shares. Agent's fees and filing fees were \$4,574,991 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were \$51,715,509.

The Company issued 3,897,000 Class A shares at \$10.40 per share pursuant to a secondary offering that was completed on September 28, 2017. Gross proceeds of \$40,528,800 were received from the sale of Class A shares. Agent's fees and filing fees were \$3,319,310 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were \$37,209,490.

The Company issued 2,980,000 Class A shares at \$10.50 per share pursuant to a secondary offering that was completed on March 2, 2017. Gross proceeds of \$31,290,000 were received from the sale of Class A shares. Agent's fees and filing fees were \$2,594,149 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were \$28,695,851.

The Company issued 2,040,000 Class A shares at \$8.75 per share pursuant to a secondary offering that was completed on December 2, 2016. Gross proceeds of \$17,850,000 were received from the sale of Class A shares. Agent's fees and filing fees were \$1,650,240 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were \$16,199,760.

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.

FINANCIAL 15 SPLIT CORP.
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED NOVEMBER 30, 2018 AND 2017

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 include 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 year ended November 30, 2018 were \$NIL (November 30, 2017-\$NIL).

Total management fees of \$4,927,275 (November 30, 2017-\$3,282,006), incurred during the year, include the administration fee and investment management fee. As at November 30, 2018, \$400,504 (November 30, 2017-\$374,278) was payable to the Manager with respect to the management and administrative fees. No performance fees were paid in 2018 or 2017.

Total brokerage commissions paid during the year by the Company for its portfolio transactions was \$163,943 (November 30, 2017-\$239,027).

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 years ended November 30, 2018 and 2017 is calculated as follows:

	2018	2017
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	(\$47,040,976)	\$43,892,332
Weighted average Class A shares outstanding	37,666,143	24,965,765
Increase (decrease) in net assets attributable to holders per redeemable Class A share	(\$1.25)	\$1.76

9. Distributions

Distributions per share were as follows:

	November 30, 2018	November 30, 2017
Preferred shares	\$0.5500	\$0.5250
Class A shares	\$1.5084	\$1.5084

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 5.25% for the five year period commencing December 1, 2015 (set to \$0.04583 per month for the fiscal year commencing December 1, 2017) 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.

11. Accounting Standards, Interpretations and Amendments to Existing Standards Not Yet Effective

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for the Company on December 1, 2018. On adoption of IFRS 9 the Company's investment portfolio will continue to be classified as fair value through profit or loss since the Company manages its portfolio on a fair value basis and fair value is used to assess its performance and to make investment decisions. Other financial assets and liabilities will continue to be measured at amortized cost. As a result, the adoption of IFRS 9 is not expected to have a material impact on the Company's financial statements.

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

As at November 30, 2018 and November 30, 2017, there were no differences between net asset value per Class A share used for transactional purposes and assets attributable to holders per redeemable Class A share for financial reporting purposes.

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

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