

**2017** **US FINANCIAL 15 SPLIT CORP.**  
**ANNUAL REPORT**



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.

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**US FINANCIAL 15 SPLIT CORP.**  
**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**  
**NOVEMBER 30, 2017**

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This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2017. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

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

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

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**INVESTMENT OBJECTIVES AND STRATEGIES**

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

American Express Company	Morgan Stanley
Bank of America Corp.	PNC Financial Services Group Inc.
Bank of New York Mellon Corp.	Regions Financial Corp.
Citigroup Inc.	State Street Corp.
CME Group Inc.	SunTrust Banks Inc.
Fifth Third Bancorp	US Bancorp.
Goldman Sachs Group Inc.	Wells Fargo & Co.
J.P. Morgan Chase & Co.	

The Company may also invest up to 20% 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**

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

1. To provide holders with fixed cumulative preferential monthly cash dividends at an annualized rate of 5.25% of the previous month's net asset value (subject to a maximum monthly dividend of \$0.04375 per Preferred share); and
2. On or about the termination of December 1, 2018 (subject to further 6 year extensions thereafter) to pay holders the original issue price (\$10) of the Preferred shares.

## **Class A shares**

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

1. To provide holders with such dividends as the directors of the Company may from time to time determine; and
  2. On or about the termination date to pay holders such amounts as remain after paying the holders of the Preferred shares the amounts owing to them.
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## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 26, 2018. In addition, note 6 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.

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## **RESULTS OF OPERATIONS**

The U.S. financial companies held in the portfolio had a banner year driven by an overall environment of accelerating economic growth, low unemployment levels, an increasing interest rate environment and prospects for a significantly more favourable regulatory and tax environment.

The U.S. Federal Reserve increased interest rates three times during the year evidencing this improving environment. A gradual rising interest rate environment generally is expected to benefit banks in terms of realizing higher net interest income and wider net interest income margins. Most of the U.S. financial services companies rallied strongly towards the end of the year as prospects for the passing of a tax reform bill increased significantly. At the end of the year, most of the U.S. financial services companies held in the portfolio were at multi year highs.

Strong capital positions have allowed U.S. financial services companies to continue to increase dividends as well as institute large share buyback programs. U.S. financial service companies appear well positioned to benefit from further strengthening in the U.S. economy as well as the implementation of anticipated tax, trade and regulatory reform.

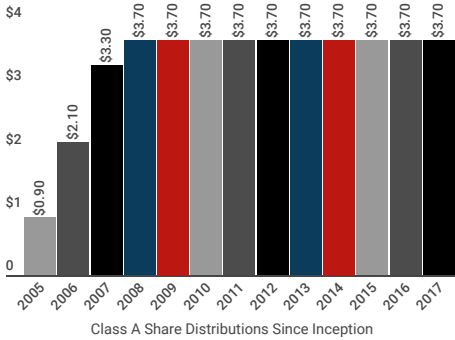
The net assets per unit (consisting of one Preferred share and one Class A share) finished at \$9.18 as at November 30, 2017, after the payment of \$0.45 to Preferred shares.

Net assets of the Company finished the year at \$25.8 million.

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

### Class A shares - Distributions

Class A shareholders will receive dividends as the directors of the Company may from time to time determine. No distributions were made during the year.

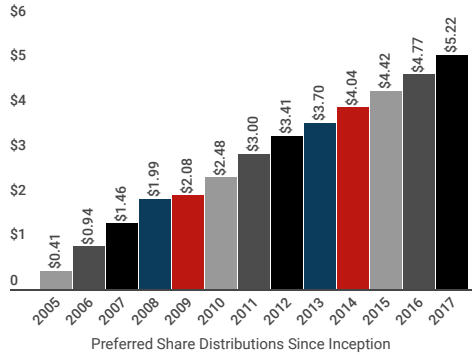


3.70

Cumulative total of distributions paid to Class A share since inception

### Preferred shares - Distributions

Preferred shareholders are entitled to fixed cumulative preferential monthly cash dividends at an annualized rate of 5.25% of the previous month's net asset value (subject to a maximum monthly dividend of \$0.04375 per Preferred share). Distributions during the year amounted to \$0.44701 per Preferred share.



5.22

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 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 <sup>(4)</sup>				
	2017	2016	2015	2014	2013
Net assets per unit, beginning of year <sup>(1)</sup>	8.46	7.64	6.71	6.24	5.01
Increase (decrease) from operations					
Total revenue	0.18	0.17	0.14	0.11	0.08
Total expenses	(0.15)	(0.13)	(0.13)	(0.22)	(0.24)
Realized gains (losses) for the year	0.47	0.23	0.72	0.30	(1.02)
Unrealized gains (losses) for the year	0.68	0.80	0.65	0.76	2.78
Total increase (decrease) from operations <sup>(2)</sup>	<u>1.18</u>	<u>1.07</u>	<u>1.38</u>	<u>0.95</u>	<u>1.60</u>
Distributions <sup>(3)</sup>					
Canadian dividends	(0.36)	(0.36)	(0.38)	(0.33)	(0.29)
Total annual distributions	<u>(0.36)</u>	<u>(0.36)</u>	<u>(0.38)</u>	<u>(0.33)</u>	<u>(0.29)</u>
Net assets per unit at end of year	9.18	8.46	7.64	6.71	6.24
Net assets per Preferred share	9.18	8.46	7.64	6.71	6.24
Net assets per Class A share	0.00	0.00	0.00	0.00	0.00
Net assets per unit at end of year	<u>9.18</u>	<u>8.46</u>	<u>7.64</u>	<u>6.71</u>	<u>6.24</u>

- (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, excludes any changes in the value of Preferred shares, 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.
- (4) Per unit figures presented for 2014 and onwards are derived from the Company's audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS"). Per unit figures presented for years prior to 2014 were derived from the Company's audited annual financial statements which were prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP") as defined in Part V of the CPA Handbook.

## RATIOS AND SUPPLEMENTAL DATA

	Years ended November 30				
	2017	2016	2015	2014	2013
Net asset value (millions) <sup>(1)</sup>	\$25.8	\$23.8	\$24.0	\$27.8	\$23.9
Number of units outstanding	2,808,191	2,808,191	3,136,691	4,139,324	3,575,325
Base Management expense ratio <sup>(2)</sup>	1.45%	1.55%	1.43%	3.14%	3.96%
Management expense ratio including one time offering expenses <sup>(3)</sup>	1.45%	1.55%	1.43%	3.24%	4.20%
Portfolio turnover rate <sup>(4)</sup>	13.4%	1.5%	0.3%	34.3%	30.2%
Trading expense ratio <sup>(5)</sup>	0.03%	0.02%	0.02%	0.04%	0.07%
Closing market price (TSX): Preferred shares	\$8.38	\$8.00	\$6.56	\$6.12	\$5.63
Closing market price (TSX): Class A shares	\$0.83	\$0.53	\$0.36	\$0.28	\$0.43

(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.

(4) 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.

(5) 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, Quadravest 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, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the management agreement, Quadravest 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.

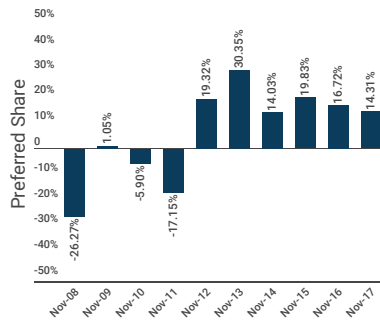
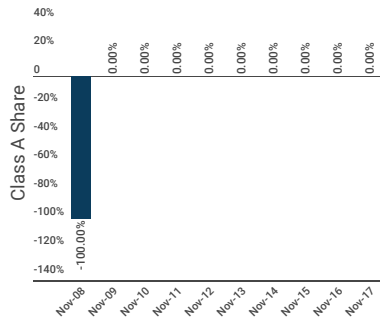
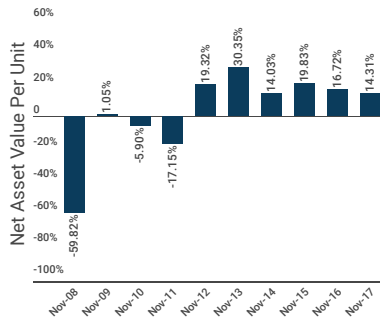
The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required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

## PAST PERFORMANCE

### Year-by-Year Returns

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

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



(1) The return per unit for the year ended November 30, 2013 was calculated using the diluted net asset value per unit.

(2) The return per Class A share for the year ended November 30, 2012 reflects the consolidation of Class A shares on June 25, 2012.



## ANNUAL COMPOUND PERFORMANCE

The following table shows the Company's annual compound return for the one, three, five and ten years ended November 30, 2017 and since inception:

	One years	Three years	Five years	Ten years	Since inception
US Financial 15 Split Corp. - Unit	14.31%	16.93%	18.90%	-1.07%	-1.09%
US Financial 15 Split Corp. - Preferred share	14.31%	16.93%	18.90%	5.12%	5.17%
US Financial 15 Split Corp. - Class A share	0.00%	0.00%	0.00%	-100.00%	-100.00%

## MARKET INDICES<sup>(1)</sup>

S&P 500 Financial Index <sup>(1)</sup>	19.52%	18.50%	25.21%	5.64%	3.62%
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- (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, 2017

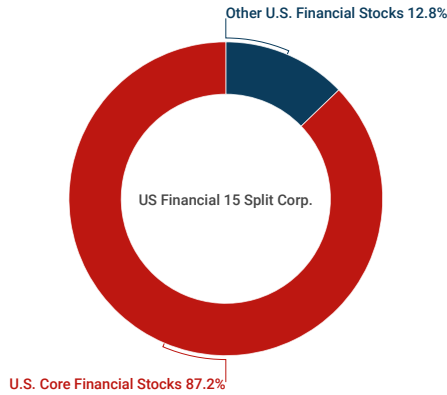
Name	Weighting (%)
Citigroup Inc.	8.5
CME Group Inc.	7.6
Goldman Sachs Group Inc.	6.6
Fifth Third Bancorp.	6.5
Regions Financial Corp.	5.9
State Street Corp.	5.8
Bank of America Corp.	5.6
Bank of New York Mellon Corp.	5.5
SunTrust Banks, Inc.	5.5
Morgan Stanley	5.2
US Bancorp	5.0
J.P. Morgan Chase & Co.	4.9
BB & T Corporation	4.8
Wells Fargo & Co.	4.5
American Express Company	4.4
PNC Financial Services Group Inc.	4.2
TCF Financial Corp.	4.2
Metlife Inc.	3.6
<b>Total long positions as a percentage of net assets</b>	<b>98.3</b>
Cash	5.2
Other net assets (liabilities)	-3.5
	100.0

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

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## PORTFOLIO BREAKDOWN

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



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## US FINANCIAL 15 SPLIT CORP.

### MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of US Financial 15 Split Corp. (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company 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 4 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 Company with the approval of its Board of Directors has appointed the external firm PricewaterhouseCoopers LLP as the 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.

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of U.S. 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, 2017 and November 30, 2016 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, 2017 and November 30, 2016 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, 2017 and November 30, 2016 and its financial performance and its cash flow for the years ended November 30, 2017 and November 30, 2016 in accordance with International Financial Reporting Standards.

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 23, 2018

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

AS AT NOVEMBER 30, 2017 AND NOVEMBER 30, 2016

	November 30, 2017 (\$)	November 30, 2016 (\$)
<b>ASSETS</b>		
Current Assets		
Investments-at market value	25,295,612	23,253,886
Cash	1,352,905	646,946
Interest, dividends and other receivables	41,171	40,580
Receivable in respect of investments sold	495,423	-
	<u>27,185,111</u>	<u>23,941,412</u>
<b>LIABILITIES</b>		
Current Liabilities		
Written Options	77,710	42,462
Fees and other accounts payable	42,022	58,115
Payable in respect of investments purchased	1,173,597	-
Distributions payable	109,351	89,188
Preferred shares (note 7)	25,781,431	23,750,647
Class B shares	1,000	1,000
	<u>27,185,111</u>	<u>23,941,412</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES</b>		
	-	-
Number of units (1 Preferred share and 1 Class A share) outstanding		
	2,808,191	2,808,191
Net assets per unit	\$9.18	\$8.46
Net assets per Preferred share	\$9.18	\$8.46
Net assets per Class A share	-	-

Approved on behalf of the Board of Directors



**WAYNE FINCH**

Chief Executive Officer,  
President and Director



**PETER CRUICKSHANK**

Chief Financial Officer  
and Director

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

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

FOR THE YEARS ENDED NOVEMBER 30

	2017 (\$)	2016 (\$)
<b>INCOME</b>		
Net gain (loss) on investments and derivatives (note 6)		
Net realized gain (loss)	1,375,900	660,338
Net change in unrealized appreciation (depreciation)	1,896,961	2,356,880
Dividends	500,591	507,085
Interest	5,325	-
<b>Net gain (loss) on investments and derivatives</b>	<b>3,778,777</b>	<b>3,524,303</b>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	(69,895)	20,512
Change in unrealized gain (loss) in the value of currency	7,623	1,953
	<u><b>3,716,505</b></u>	<u><b>3,546,768</b></u>
<b>EXPENSES (note 9)</b>		
Management fees	181,050	152,019
Audit fees	19,425	20,889
Director's fees	23,583	23,583
Independent Review Committee fees	4,268	4,268
Custodial fees	20,319	21,653
Legal fees	19,825	23,620
Shareholder reporting costs	12,390	8,615
Other operating expenses	35,925	29,474
Harmonized sales tax	31,793	27,804
Transaction costs	6,765	3,433
Withholding taxes	75,089	76,056
	<u><b>430,432</b></u>	<u><b>391,414</b></u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions and remeasurement on Preferred shares</b>	<b>3,286,073</b>	<b>3,155,354</b>
Distributions on Preferred shares	(1,255,289)	(1,045,950)
<b>Gain (loss) on remeasurement of Preferred shares (note 2)</b>	<b>(2,030,784)</b>	<b>(2,109,404)</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable Class A shares</b>	<u><b>-</b></u>	<u><b>-</b></u>
<b>Increase (decrease) in net assets attributable to holders per redeemable Class A share (note 10)*</b>	<b>-</b>	<b>-</b>

\* Based on weighted average number of Class A shares outstanding during the year.

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

**US FINANCIAL 15 SPLIT CORP.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES**  
**FOR THE YEARS ENDED NOVEMBER 30**

	2017 (\$)	2016 (\$)
<b>Net assets attributable to holders of redeemable Class A shares - Beginning of year</b>	-	-
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	-	-
<b>Change in net assets attributable to holders of redeemable Class A shares</b>	<u>-</u>	<u>-</u>
<b>Net Assets attributable to holders of redeemable Class A shares - end of year</b>	<u>-</u>	<u>-</u>

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

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

FOR THE YEARS ENDED NOVEMBER 30

	2017	2016
	(\$)	(\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (Decrease) in net assets attributable to holders of redeemable Class A shares	-	-
Adjustment for:		
Distributions on Preferred shares	1,255,289	1,045,950
Unrealized (gain) loss on currency	(7,623)	(1,953)
Net realized (gain) loss on investments and derivatives	(1,375,900)	(660,338)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(1,896,961)	(2,356,880)
(Gain) loss on remeasurement of Preferred shares	2,030,784	2,109,404
Purchase of investments	(1,862,880)	(326,183)
Proceeds from sale of investments	3,807,437	2,816,894
Increase (decrease) in interest, dividends and other receivables	(591)	(6,188)
Increase (decrease) in fees and other accounts payable	(16,093)	17,821
Cash flows from (used in) operating activities	<u>1,933,462</u>	<u>2,638,527</u>
<b>Cash flows from (used in) financing activities</b>		
Amounts paid on redemption of redeemable units	-	(2,309,279)
Distributions paid on Preferred shares	(1,235,126)	(1,056,666)
Cash flows from (used in) financing activities	<u>(1,235,126)</u>	<u>(3,365,945)</u>
Unrealized gain (loss) on currency	7,623	1,953
Net increase (decrease) in Cash	705,959	(725,465)
Cash at beginning of the year	646,946	1,372,411
<b>Cash at end of the year</b>	<u><b>1,352,905</b></u>	<u><b>646,946</b></u>
Dividends received*, net of withholding taxes	424,911	424,841

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

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

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

AS AT NOVEMBER 30, 2017

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
<b>15 Core Holdings</b>			
<b>U.S. Common Equities</b>			
9,000	American Express Company	587,262	1,132,913
39,881	Bank of America Corp.	1,061,724	1,447,332
20,000	Bank of New York Mellon Corp.	658,181	1,410,425
22,500	Citigroup Inc.	1,794,718	2,188,490
10,200	CME Group Inc.	682,708	1,965,046
42,500	Fifth Third Bancorp.	896,414	1,670,499
5,300	Goldman Sachs Group Inc.	1,018,192	1,690,876
9,300	J.P. Morgan Chase & Co.	767,632	1,252,269
20,300	Morgan Stanley	815,188	1,349,724
6,000	PNC Financial Services Group Inc.	579,218	1,086,496
71,000	Regions Financial Corp.	789,278	1,517,469
12,100	State Street Corp.	706,049	1,486,351
18,000	SunTrust Banks, Inc.	1,149,098	1,429,157
18,100	US Bancorp	827,714	1,285,995
15,823	Wells Fargo & Co.	809,389	1,151,123
	<b>Total Foreign Common Equities in Core Holdings (87.5%)</b>	<b>13,142,765</b>	<b>22,064,165</b>
<b>Other U.S. Common Equity Holdings</b>			
19,500	BB & T Corporation	702,855	1,241,517
13,300	Metlife Inc.	653,852	919,770
40,900	TCF Financial Corp.	612,869	1,070,160
	<b>Total Other U.S. Common Equities (12.8%)</b>	<b>1,969,576</b>	<b>3,231,447</b>
	<b>Total Foreign Common Equities (100.3%)</b>	<b>15,112,341</b>	<b>25,295,612</b>

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



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

AS AT NOVEMBER 30, 2017

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	<b>Call Options written (100 shares per contract)</b>		
<b>No. of contracts</b>	<b>U.S. call options written</b>		
(70)	Bank of America Corp. @ \$28 January 19, 2018	(4,329)	(10,957)
(50)	BB&T Corporation @ \$50 January 19, 2018	(6,821)	(7,633)
(30)	Citigroup Inc. @ \$74.50 December 15, 2017	(1,160)	(7,440)
(10)	Goldman Sachs Group Inc. @ \$240 January 19, 2018	(5,926)	(16,490)
(15)	J.P. Morgan Chase & Co. @ \$102 December 15, 2017	(1,121)	(6,522)
(40)	Metlife Inc. @ \$55 January 19, 2018	(2,525)	(5,540)
(250)	Regions Financial Corp. @ \$17 January 19, 2018	(13,205)	(14,010)
(20)	US Bancorp @ \$55 January 19, 2018	(773)	(3,788)
(25)	Wells Fargo & Co. @ \$55.50 December 15, 2017	(1,030)	(5,330)
	<b>Total U.S. call options written (-0.3%)</b>	<u>(36,890)</u>	<u>(77,710)</u>
		<b>15,075,451</b>	<b>25,217,902</b>
	Less adjustments for transaction costs	<u>(14,408)</u>	
	<b>Total Investments (100.0%)</b>	<u><b>15,061,043</b></u>	<u><b>25,217,902</b></u>

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

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**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

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**1. Incorporation**

US Financial 15 Split Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on December 17, 2004 that began investment operations on February 15, 2005. 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, 2018 and may be extended thereafter at the Company’s discretion for additional terms of six 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 U.S. financial services companies. The Company employs an active covered call writing program to enhance the income earned from the portfolio.

**2. Sufficiency of Assets**

The Company has 2,808,191 Preferred shares outstanding as at November 30, 2017 with a principal repayment target of \$10 per Preferred share for a total of \$28,081,910 due on the termination date, December 1, 2018. As at November 30, 2017 the Company has net assets equivalent to \$9.18 per Preferred share for a total of \$25,781,431. This represents a deficiency as at November 30, 2017 of \$0.82 per Preferred share for a total deficiency of \$2,300,479, as compared to the principal repayment amount.

**3. 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 authorized for issue by Quadravest on February 26, 2018.

**4. 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

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**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Preferred shares rank prior to the Class A and Class B shares and are thus not subordinate to all other classes of puttable instruments and therefore, the shares have been classified as financial liabilities. These shares are carried at amortized cost. Amortization of premiums or discounts on the issuance of Preferred shares is included in 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 ("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 6 for further information about the Company's fair value measurements.

### **Cash**

Cash consists of cash on hand.

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**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016**

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**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 net asset value of the Company. Refer to note 9 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 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 10 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% (33 1/3% for dividends received on or before December 31, 2015). 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 (\$1 for every \$3 of dividends paid on or before December 31, 2015). 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.

**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEARS ENDED NOVEMBER 30, 2017 AND 2016

The Company has estimated accumulated non capital losses for tax purposes of \$2,650,082 (November 30, 2016-\$2,641,929 ) 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, 2018. The Company also has estimated accumulated capital losses for tax purposes of \$57,370,158 (November 30, 2016-\$57,327,696 ) which may be used to lower future capital gains if required.

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).

**5. 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 6. 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.

**6. 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, 2017 and November 30, 2016:

Financial assets and liabilities at fair value as at November 30, 2017

	Level 1	Level 2	Level 3	Total
Equities	\$25,295,612	-	-	\$25,295,612
Options	(\$77,710)	-	-	(\$77,710)
	<u>\$25,217,902</u>	<u>-</u>	<u>-</u>	<u>\$25,217,902</u>

**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Financial assets and liabilities at fair value as at November 30, 2016

	Level 1	Level 2	Level 3	Total
Equities	\$23,253,886	-	-	\$23,253,886
Options	(\$42,462)	-	-	(\$42,462)
	<u>\$23,211,424</u>	<u>-</u>	<u>-</u>	<u>\$23,211,424</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, 2017 and 2016. The Company's net gain (loss) on financial instruments that are held for trading and those designated at FVTPL are as follows:\*

	2017	2016
Realized gain (loss) on derivatives held for trading	\$99,492	\$119,616
Realized gain (loss) on investments designated at FVTPL	\$1,276,408	\$540,722
Net change in unrealized appreciation (depreciation) on investments	\$1,919,405	\$2,375,064
Net change in unrealized appreciation (depreciation) on derivatives	(\$22,444)	(\$18,184)
Dividends	\$500,591	\$507,085
Interest	\$5,325	-
	<u>\$3,778,777</u>	<u>\$3,524,303</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. These Portfolio companies were selected from the financial services index of the S&P 500 index and are among the largest financial services companies in United States.

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

**Price risk**

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

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.

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**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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.

Since the 15 core holdings are significant components of their corresponding financial services index, it would be reasonable to expect that the Company's portfolio will exhibit market price movements that are reflective and generally highly correlated with those particular securities and to a lesser extent with the price movements of the S&P U.S. financial services index based on the underlying composition of the portfolio.

The Company is exposed to other price risk from its investment in equity securities and written options. As at November 30, 2017, 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 \$2,340,000 (November 30, 2016-\$2,321,142). 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 \$2,460,000 (November 30, 2016-\$2,321,142).

#### **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.

#### **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. All portfolio holdings are listed on the New York stock exchange and trade in U.S. dollars. As at November 30, 2017, 100.1% (November 30, 2016-100.4%) of the Net Assets of the Company are invested in U.S. dollar denominated assets which includes U.S. dollar cash held. As a result, the Company's Net Assets will be affected by changes in the U.S. dollar relative to the Canadian dollar which is the functional currency of the Company. 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 \$1,291,000 (November 30, 2016-\$1,191,900).

#### **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).

**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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 New York Stock Exchange ("NYSE") (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, except warrants, within three months from the end of the year.

**Concentration risk**

The Company's holdings are 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, 2017	November 30, 2016
U.S. Core Common Equities	85.6%	84.8%
Other U.S. Common Equities	12.5%	13.2%
Call Options written	-0.3%	-0.2%
Other Assets less Liabilities (excluding Preferred shares and warrants)	2.2%	2.2%
	<u>100.0%</u>	<u>100.0%</u>

**7. Redeemable Units**

**Preferred shares**

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

<u>Preferred share transactions</u>	November 30, 2017	November 30, 2016
Beginning of year	2,808,191	3,136,691
Issued during the year	-	-
Redemptions during the year	-	(328,500)
End of year	<u>2,808,191</u>	<u>2,808,191</u>

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

Preferred shareholders receive dividends at an annual rate of 5.25% of the previous month end net asset value (subject to a maximum monthly dividend of \$0.04375). 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 "FTU.PR.B" on the TSX. Preferred shares trading price on the TSX was \$8.38 as at November 30, 2017 (November 30, 2016-\$8.00). 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



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**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Class A share (together, a “unit”) in the month of February in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of February. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. Under the terms of a recirculation agreement, the Company may, but is not obligated to, require the recirculation agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company. Upon termination of the Company, Preferred shareholders will receive the lower of the net asset value or \$10 per Preferred share.

**Class A shares and Class B shares**

Authorized

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

<u>Class A share transactions</u>	November 30, 2017	November 30, 2016
Beginning of year	2,808,191	3,136,691
Issued during the year	-	-
Redeemed during the year	-	(328,500)
End of year	<u>2,808,191</u>	<u>2,808,191</u>

Class A shares were originally issued at \$15 per share. 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 “FTU” on the TSX. Class A shares trading price on the TSX was \$0.83 as at November 30, 2017 (November 30, 2016-\$0.53). 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 February in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of February. 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 any excess of net asset value per unit less \$10 (the redemption value of the Preferred shares).

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On February 15, 2005, the Company issued 1,000 Class B shares to Quadravest, the Company’s investment manager, for cash consideration of \$1,000.

**US FINANCIAL 15 SPLIT CORP.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**8. Distributions**

	November 30, 2017	November 30, 2016
Preferred shares	\$0.4470	\$0.3563
Class A shares	-	-

**9. 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 administration agreement, Quadravest 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, Quadravest is entitled to a base management fee payable in arrears at an annual rate equal to 0.65% of the net asset value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadravest 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 Quadravest. Redemption fees paid for the year ending November 30, 2017 were \$NIL (November 30, 2016-\$46,124).

Total management fees of \$181,050 (November 30, 2016-\$152,019), incurred during the year, include the administration fee and base management fee. As at November 30, 2017, \$15,497 (November 30, 2016-\$31,286) was payable to the Manager with respect to management and administrative fees and redemption fees. No performance fees were paid in 2017 or 2016.

Total brokerage commissions paid during the year by the Company for its portfolio transactions was \$6,765 (November 30, 2016-\$3,433).

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

The increase (decrease) in net assets attributable to holders per redeemable Class A shares for the years ended November 30, 2017 and 2016 is calculated as follows:

	2017	2016
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	-	-
Weighted average Class A shares outstanding	2,808,191	2,934,233
Increase (decrease) in net assets attributable to holders per redeemable Class A share	-	-

### **11. 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 in an amount of an annual rate of 5.25% of the previous month end net asset value (subject to a maximum monthly dividend of \$0.04375 per Preferred share) and return the notional issue price of \$10.00, at the time of the redemption of such shares on the termination date; and
- ii) to provide holders of Class A shares with such dividends as the directors of the Company may from time to time determine and to pay on the termination date such amounts as remain after paying the holders of Preferred shares the amounts owing to them.

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

### **12. Accounting Standards, Interpretations and Amendments to Existing Standards Not Yet Effective**

The final version of IFRS 9, Financial instruments, was issued by the IASB in July 2014 and will replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 introduces a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. The new single, principle based approach for determining the classification of financial assets is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments, which will require more timely recognition of expected credit losses. It also includes changes in respect of credit risk in measuring liabilities elected to be measured at fair value, so that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. IFRS 9 is effective for annual years beginning on or after January 1, 2018, however it is available for early adoption. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of IFRS 9.

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

As at November 30, 2017 and November 30, 2016, 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.







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## **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.

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## **BOARD OF DIRECTORS**

Wayne Finch,  
Chairman and  
Chief Investment Officer,  
Quadravest Capital Management Inc.

Peter Cruickshank,  
Managing Director and  
Chief Financial Officer,  
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, Partner  
Blake, Cassels & Graydon LLP

John Steep,  
President, S. Factor Consulting Inc.

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## **CORPORATE DETAILS**

### **Auditor**

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

### **Transfer Agent**

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

### **Legal Counsel**

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

### **Custodian**

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

*US FINANCIAL*  *15 SPLIT*

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

Tel: 416.304.4443

Toll: 877.4QUADRA

or 877.478.2372

Fax: 416.304.4441

[info@quadrainvest.com](mailto:info@quadrainvest.com)

[www.quadrainvest.com](http://www.quadrainvest.com)