# Financial 15 Split Corp.

2018 Semi-Annual Report
(unaudited)

FINANCIAL 15

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

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

This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2018. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The semi-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. Monthly dividends for the fiscal period commencing December 1,

2017 have been 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; 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 26, 2018. In addition, note 5 of the semi-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 six month period ended May 31, 2018 was characterized by sluggish North American markets, significantly increased volatility levels and continued geopolitical uncertainty. Increases in interest rates by the Bank of Canada and the Federal Reserve in the U.S. during the period and expectations of further interest rate increases, after a prolonged period of low to stable rates, began to act as a headwind for equity markets. Simultaneously, the yield curve flattened during the period, putting pressure on net interest margins and investment income for banks and life insurance companies. Increased uncertainty around NAFTA negotiations, fears of trade tariffs from its most significant trading partner, the U.S. and concerns over competitiveness emanating from U.S. corporate tax cuts and regulatory reform, have dampened the Canadian economy during the period. Canada's economy grew at its slowest pace in nearly two years in the first quarter amid cooler exports and a weaker housing sector. Fiscal stimulus and corporate tax relief, on the other hand, have poised the U.S. economy for continued increased growth.

Against this backdrop, the financial services companies held in the portfolio were generally flat to slightly down during the period. The net assets per unit (consisting of one Preferred share and one Class A share) finished at $17.31 as at May 31, 2018, after the payment of $1.03 in combined distributions to both classes of shares at the targeted rates. A combined total of $25.67 has been paid in distributions since inception.

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 $37.2 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.

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).

Each issuance of shares was accretive to existing shareholders.

Net assets of the Company finished the period at $700.9 million.

The portfolio was weighted 56.7% in Canadian financial services stocks versus 43.3% in U.S. financial services stocks as at May 31, 2018.

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

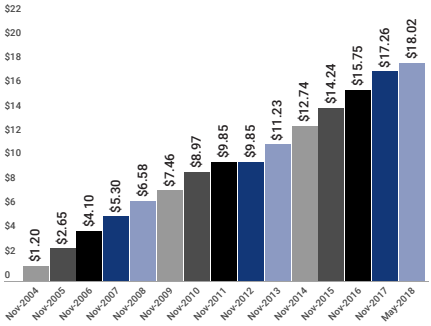
### Class A shares – Distributions

Class A shareholders are entitled to receive regular monthly cash dividends currently targeted to be $0.1257 per Class A Share. Total distributions per Class A share during the period amounted to $0.7542.

### 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 period were at the fixed rate of 5.50% for a total of $0.2750 per Preferred share.

### Cumulative Distributions since inception




Class A Share Distributions Since Inception

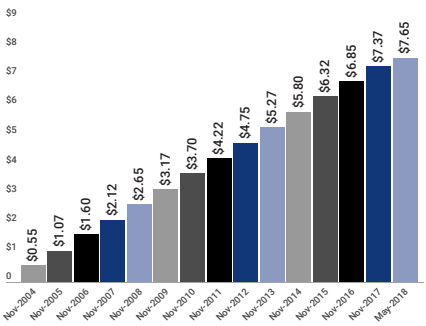
18.02

Cumulative total of distributions paid to Class A share since inception

0.50

Special distributions paid since inception

### Cumulative Distributions since inception




Preferred Share Distributions Since Inception

7.65

Cumulative total of distributions paid to Preferred share since inception

## Recent Developments

There were no developments during the period.

## Related Party Transactions

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

## Financial Highlights

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

**The Company's net assets per unit**

| | | Years ended November 30[4] | | | | |
|---|---|---|---|---|---|---|
| | May 31, 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
| Net assets per unit, beginning of period[1] | 18.32 | 17.18 | 16.85 | 17.77 | 17.15 | 14.37 |
| Increase (decrease) from operations | | | | | | |
| Total revenue | 0.24 | 0.47 | 0.52 | 0.48 | 0.44 | 0.45 |
| Total expenses | (0.12) | (0.24) | (0.20) | (0.23) | (0.27) | (0.19) |
| Realized gains (losses) for the period | 0.18 | 0.62 | 0.32 | 0.45 | 0.60 | (0.31) |
| Unrealized gains (losses) for the period | (0.60) | 1.46 | 1.45 | 0.28 | 1.36 | 4.60 |
| Total increase (decrease) from operations[2] | (0.30) | 2.31 | 2.09 | 0.98 | 2.13 | 4.55 |
| Distributions[3] | | | | | | |
| Canadian dividends | (0.69) | (1.35) | (1.68) | (1.58) | (1.50) | (1.91) |
| Capital gains dividends | (0.34) | (0.68) | (0.35) | (0.45) | (0.53) | - |
| Total distributions | (1.03) | (2.03) | (2.03) | (2.03) | (2.03) | (1.91) |
| Net assets per unit at end of period | 17.31 | 18.32 | 17.18 | 16.85 | 17.77 | 17.14 |
| Net assets per Preferred share | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Net assets per Class A share | 7.31 | 8.32 | 7.18 | 6.85 | 7.77 | 7.14 |
| Net assets per unit at end of period | 17.31 | 18.32 | 17.18 | 16.85 | 17.77 | 17.14 |

(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 period.
(3) Distributions on the Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution in the period 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 semi-annual financial statements and audited annual financial statements which were prepared in accordance with International Financial Reporting Standards ("IFRS").
Per unit figures presented for periods prior to 2014 were derived from the Company's audited 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

| | May 31, 2018 | Years ended November 30 2017 | 2016 | 2015 | 2014 | 2013 |
|---|---|---|---|---|---|---|
| Net asset value (millions)[1] | $700.9 | $610.1 | $326.8 | $278.4 | $259.1 | $185.2 |
| Number of units outstanding | 40,494,374 | 33,299,432 | 19,021,432 | 16,518,732 | 14,579,732 | 10,798,984 |
| Base Management expense ratio[2] | 1.17% | 1.19% | 1.16% | 1.22% | 1.48% | 1.17% |
| Management expense ratio including one time offering expenses[3] | 2.14% | 3.98% | 1.97% | 1.82% | 2.71% | 2.07% |
| Management expense ratio per Class A share[4] | 11.97% | 16.41% | 15.05% | 11.79% | 13.78% | 14.68% |
| Portfolio turnover rate[5] | 9.57% | 22.6% | 12.2% | 10.0% | 23.1% | 53.1% |
| Trading expense ratio[6] | 0.02% | 0.06% | 0.03% | 0.02% | 0.03% | 0.06% |
| Closing market price (TSX): Preferred shares | $10.01 | $10.02 | $10.03 | $10.01 | $10.14 | $10.04 |
| Closing market price (TSX): Class A shares | $10.00 | $10.31 | $9.05 | $9.80 | $10.04 | $8.80 |

(1) This information is provided as at May 31 or 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 period and is expressed as an annualized percentage of average net asset value during the period.
(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 Fund, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in net asset value per unit.
(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 period. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a period, the greater the trading costs payable by the Company in the period and the greater chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of the Company.
(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 period.

## 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

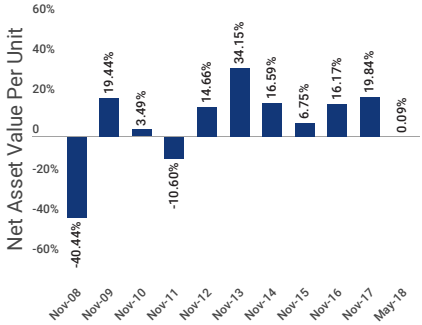
The past performance of 1) the net asset value per unit; 2) the Preferred share on a net asset value basis; and 3) the Class A share on a net asset value basis for each of the last 10 years are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, 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:

a) 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;

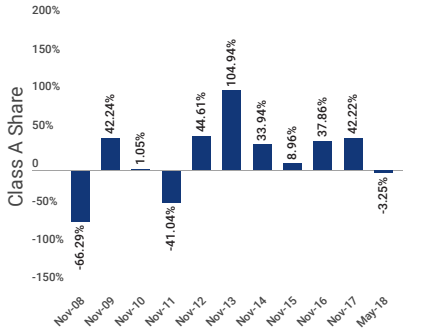
b) The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and

c) Past performance of the Company does not necessarily indicate how it will perform in the future.

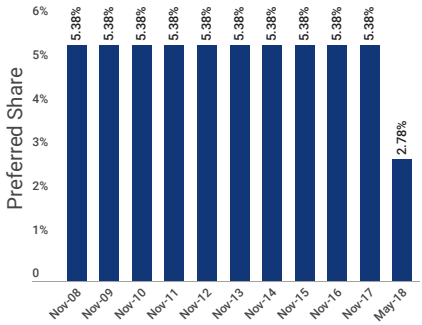
**NET ASSET VALUE PER UNIT**




**CLASS A SHARE**




**PREFERRED SHARE**




(1) The return per Class A share for the year ended November 30, 2008 reflects the consolidation of Class A shares on September 12, 2008.

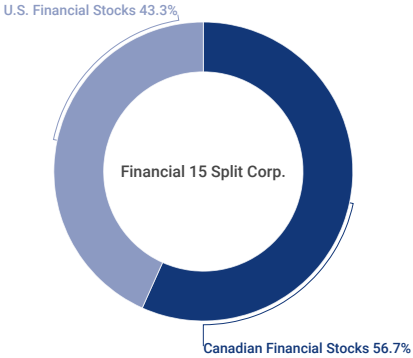
## Summary of Investment Portfolio
**All holdings as at May 31, 2018**

| Name | Weighting (%) |
|---|---|
| Bank of America Corp. | 8.1 |
| J.P. Morgan Chase & Co. | 7.5 |
| Royal Bank of Canada | 6.3 |
| Toronto-Dominion Bank | 6.1 |
| Citigroup Inc. | 6.1 |
| Canadian Imperial Bank of Commerce | 6.0 |
| Manulife Financial Corporation | 6.0 |
| Goldman Sachs Group Inc. | 6.0 |
| Sun Life Financial Inc. | 5.7 |
| Wells Fargo & Co. | 5.3 |
| Bank of Nova Scotia | 4.6 |
| Bank of Montreal | 4.0 |
| National Bank of Canada | 3.5 |
| Great-West Lifeco Inc. | 2.6 |
| Fifth Third Bancorp. | 2.6 |
| CI Financial Corp. | 1.4 |
| AGF Management Ltd. | 0.7 |
| **Total long positions as a percentage of net assets** | **82.5** |
| Cash | 22.1 |
| Other net assets (liabilities) | -4.6 |
| | 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") and all the information in this semi-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, as applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in note 3 to the financial statements.

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

## Financial 15 Split Corp.
### Statements of Financial Position
**As at May 31, 2018 (unaudited) and November 30, 2017**

| | May 31, 2018 ($) | November 30, 2017 ($) |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Investments | 577,504,546 | 553,570,782 |
| Cash | 154,738,889 | 78,469,780 |
| Interest, dividends and other receivables | 1,531,573 | 1,369,835 |
| | **733,775,008** | **633,410,397** |
| **LIABILITIES** | | |
| Current Liabilities | | |
| Written options | 88,532 | 1,282,639 |
| Fees and other accounts payable | 1,067,453 | 873,876 |
| Payable in respect of investments purchased | 24,781,437 | 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 |
| | **437,828,162** | **356,348,526** |
| **NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES** | **295,946,846** | **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 | $17.31 | $18.32 |
| Net assets per Preferred share | $10.00 | $10.00 |
| Net assets per Class A share | $7.31 | $8.32 |

**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.

## Financial 15 Split Corp.
### Statements of Comprehensive Income / (Loss)
For the periods ended May 31 (unaudited)

| | 2018 ($) | 2017 ($) |
|---|---|---|
| **INCOME** | | |
| **Net gain (loss) on investments and derivatives (note 5)** | | |
| Net realized gain (loss) | 6,486,459 | 8,690,435 |
| Net change in unrealized appreciation (depreciation) | (20,936,873) | (11,783,289) |
| Dividends | 8,188,797 | 5,399,931 |
| Interest | 115,208 | 2,485 |
| **Net gain (loss) on investments and derivatives** | **(6,146,409)** | **2,309,562** |
| **Other gain (loss)** | | |
| Realized gain (loss) on currency | (234,820) | (87,533) |
| Change in unrealized gain (loss) in the value of currency | 169,587 | (14,205) |
| | **(6,211,642)** | **2,207,824** |
| **EXPENSES (note 7)** | | |
| Management fees | 2,320,932 | 1,522,139 |
| Service fee | 683,618 | 448,688 |
| Audit fees | 11,633 | 11,740 |
| Directors' fees | 11,792 | 11,792 |
| Independent Review Committee fees | 1,154 | 1,154 |
| Custodial fees | 51,600 | 42,282 |
| Shareholder reporting costs | 35,835 | 28,395 |
| Legal fees | 21,053 | 16,613 |
| Other operating expenses | 102,108 | 75,528 |
| Harmonized sales tax | 374,909 | 268,520 |
| Transaction costs | 71,358 | 103,255 |
| Witholding taxes | 338,165 | 203,246 |
| | **4,024,157** | **2,733,352** |
| **Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions on Preferred shares** | **(10,235,799)** | **(525,528)** |
| Distributions on Preferred shares | (9,579,729) | (5,919,751) |
| Discount on issuance of Preferred shares | (719,494) | - |
| **Increase (decrease) in net assets attributable to holders of redeemable Class A share** | **(20,535,022)** | **(6,445,279)** |
| **Increase (decrease) in net assets attributable to holders per redeemable Class A share (note 8)*** | **(0.59)** | **(0.28)** |

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

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 periods ended May 31 (unaudited)

| | 2018 ($) | 2017 ($) |
|---|---|---|
| **Net Assets attributable to holders of redeemable Class A shares - Beginning of period** | **277,061,871** | **136,614,454** |
| Increase (decrease) in net assets attributable to holders of redeemable Class A shares | (20,535,022) | (6,445,279) |
| Gross proceeds from issue of Class A shares | 71,719,408 | 49,140,000 |
| Agent's fee and issue costs on secondary offering | (6,024,657) | (4,263,000) |
| Net proceeds from issue of Class A shares | 65,694,751 | 44,877,000 |
| **Distributions** | | |
| Canadian dividends | (14,353,934) | (12,978,507) |
| Capital gains dividends | (11,920,820) | (4,029,783) |
| | (26,274,754) | (17,008,290) |
| **Change in net assets attributable to holders of redeemable Class A shares** | **18,884,975** | **21,423,431** |
| **Net Assets attributable to holders of redeemable Class A shares - End of period** | **295,946,846** | **158,037,885** |

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

## Financial 15 Split Corp.
### Statements of Cash Flow
For the periods ended May 31 (unaudited)

| | 2018 ($) | 2017 ($) |
|---|---|---|
| **Cash flows from (used in) operating activities** | | |
| Increase (decrease) in net assets attributable to holders of redeemable Class A shares | (20,535,022) | (6,445,279) |
| Adjustment for: | | |
| Distributions on Preferred shares | 9,579,729 | 5,919,751 |
| Unrealized (gain) loss on currency | (169,587) | 14,205 |
| Net realized (gain) loss on investments and derivatives | (6,486,459) | (8,690,435) |
| Net change in unrealized appreciation (depreciation) of investments and derivatives | 20,936,873 | 11,783,289 |
| Discount on issuance of Preferred shares | 719,494 | - |
| Purchase of investments | (64,528,240) | (107,004,153) |
| Proceeds from sale of investments | 52,758,998 | 39,385,427 |
| (Increase) decrease in interest, dividends and other receivables | (161,738) | (178,069) |
| Increase (decrease) in fees and other accounts payable | 97,124 | 88,418 |
| Net cash flows from (used in) operating activities | (7,788,828) | (65,126,846) |
| **Cash flows from (used in) financing activities** | | |
| Gross proceeds from issuance of Class A and Preferred shares | 124,367,626 | 99,340,000 |
| Agent's fees and issue costs in connection with secondary offering | (5,928,204) | (4,243,651) |
| Distributions paid on Class A shares | (25,370,350) | (16,377,276) |
| Distributions paid on Preferred shares | (9,180,722) | (5,700,126) |
| Cash flows from (used in) financing activities | 83,888,350 | 73,018,947 |
| Unrealized gain (loss) on currency | 169,587 | (14,205) |
| Net increase (decrease) in cash | 76,269,109 | 7,877,896 |
| Cash at beginning of the period | 78,469,780 | 16,917,640 |
| **Cash at end of the period** | **154,738,889** | **24,795,536** |
| Interest received* | 115,208 | 2,485 |
| Dividends received*, net of witholding taxes | 7,688,894 | 5,018,616 |

* Included as part of Cash Flows from Operating Activities.

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

## Financial 15 Split Corp.
### Schedule of Portfolio Investments
As at May 31, 2018 (unaudited)

| No. of shares (contracts) | Description | Average Cost ($) (Premiums received) | Fair Value ($) |
|---|---|---|---|
| | **Canadian Core Common Equities** | | |
| 275,800 | Bank of Montreal | 26,580,681 | 27,701,352 |
| 410,500 | Bank of Nova Scotia | 30,210,423 | 32,117,520 |
| 369,300 | Canadian Imperial Bank of Commerce | 38,212,153 | 41,804,760 |
| 382,300 | CI Financial Corp. | 11,602,378 | 9,611,022 |
| 550,900 | Great-West Lifeco Inc. | 17,614,469 | 18,130,119 |
| 1,710,050 | Manulife Financial Corporation | 39,185,481 | 41,827,823 |
| 396,900 | National Bank of Canada | 19,418,663 | 24,615,738 |
| 452,800 | Royal Bank of Canada | 38,596,666 | 44,374,400 |
| 740,669 | Sun Life Financial Inc. | 34,131,154 | 39,692,452 |
| 563,200 | Toronto-Dominion Bank | 34,572,250 | 42,634,240 |
| | **Total Canadian Common Equities in Core Holdings (55.8%)** | **290,124,318** | **322,509,426** |
| | **U.S. Core Common Equities** | | |
| 1,502,341 | Bank of America Corp. | 39,121,519 | 56,594,304 |
| 496,961 | Citigroup Inc. | 37,747,153 | 42,992,293 |
| 143,790 | Goldman Sachs Group Inc. | 37,551,220 | 42,132,192 |
| 380,400 | J.P. Morgan Chase & Co. | 35,694,470 | 52,804,685 |
| 531,100 | Wells Fargo & Co. | 33,541,682 | 37,196,084 |
| | **Total U.S. Common Equities in Core Holdings (40.1%)** | **183,656,044** | **231,719,558** |
| | **Total Core Portfolio Equities (96.0%)** | **473,780,362** | **554,228,984** |
| | **Other Canadian Common Equities** | | |
| 745,800 | AGF Management Ltd. | 12,047,626 | 5,056,524 |
| | **Total Other Canadian Common Equities (0.9%)** | **12,047,626** | **5,056,524** |
| | **Other U.S. Common Equities** | | |
| 459,283 | Fifth Third Bancorp. | 14,371,412 | 18,219,038 |
| | **Total Other U.S. Common Equities (3.2%)** | **14,371,412** | **18,219,038** |
| | **Total Common Equities (100.0%)** | **500,199,400** | **577,504,546** |

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

## Financial 15 Split Corp.
### Schedule of Portfolio Investments
As at May 31, 2018 (unaudited)

| 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 July 20, 2018 | (19,250) | (7,875) |
| (200) | Bank of Nova Scotia @ $82 June 15, 2018 | (7,600) | (277) |
| (500) | CI Financial Corp. @ $26 July 20, 2018 | (12,500) | (16,250) |
| (450) | Canadian Imperial Bank of Commerce @ $119 July 20, 2018 | (13,500) | (6,525) |
| (600) | Great-West Lifeco Inc. @ $34 July 20, 2018 | (36,000) | (12,300) |
| (600) | Manulife Financial Corporation @ $25 June 15, 2018 | (17,400) | (5,400) |
| (900) | Manulife Financial Corporation @ $25.50 July 20, 2018 | (28,800) | (13,050) |
| (630) | Sun Life Financial Inc. @ $55 June 15, 2018 | (15,750) | (9,135) |
| (530) | Sun Life Financial Inc. @ $55.50 June 15, 2018 | (16,960) | (4,770) |
| (630) | Sun Life Financial Inc. @ $56 June 15, 2018 | (34,644) | (3,150) |
| (350) | Toronto-Dominion Bank @ $78 July 20, 2018 | (16,800) | (9,800) |
| | **Total Canadian call options written (0.0%)** | **(219,204)** | **(88,532)** |
| | | **499,980,196** | **577,416,014** |
| | Less adjustments for transaction costs | (275,604) | |
| | **Total Investments (100%)** | **499,704,592** | **577,416,014** |

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

**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 applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting. These financial statements should be read in conjunction with the annual financial statements for the year ended November 30, 2017, which were prepared in accordance with IFRS.

These financial statements were approved by the Board of Directors of the Company on July 18, 2018.

**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).

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 period. Refer to note 8 for the calculation.

**Taxation**

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

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

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

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3% (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.

The Company has estimated accumulated non capital losses for tax purposes of $6,750,427 (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 May 31, 2018 and November 30, 2017:

Financial assets and liabilities at fair value as at May 31, 2018

| | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Equities | $577,504,546 | - | - | $577,504,546 |
| Options | ($88,532) | - | - | ($88,532) |
| | **$577,416,014** | **-** | **-** | **$577,416,014** |

| | 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) |
| | **$552,288,143** | **-** | **-** | **$552,288,143** |

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 periods ended May 31, 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:*

| | **May 31, 2018** | **May 31, 2017** |
|---|---|---|
| Realized gain (loss) on derivatives held for trading | $452,563 | $560,014 |
| Realized gain (loss) on investments designated at FVTPL | $6,033,896 | $8,130,421 |
| Net change in unrealized appreciation (depreciation) on investments | ($21,865,943) | ($12,982,384) |
| Net change in unrealized appreciation (depreciation) on derivatives | $929,070 | $1,199,095 |
| Dividends | $8,188,797 | $5,399,931 |
| Interest | $115,208 | $2,485 |
| | ($6,146,409) | $2,309,562 |

* 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.

**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 May 31, 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 $55,990,455 (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 $57,662,515 (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 period).

**Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. Five of the 15 core financial services and one additional portfolio company are U.S. financial services companies that are listed on the New York Stock Exchange and trade in U.S. dollars. As at May 31, 2018, 37.4% (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 $13,105,200 (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 period). Payment is made on purchase once the securities have been received by the broker. Credit risk of cash is considered low as it is held at a AA-rated Canadian bank (consistent with previous period).

**Liquidity risk**

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

**Concentration risk**

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

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

| | May 31, 2018 | November 30, 2017 |
|---|---|---|
| Canadian Core Common Equities | 46.0% | 48.5% |
| Other Canadian Common Equities | 0.7% | 1.0% |
| U.S. Core Common Equities | 33.1% | 38.4% |
| Other U.S. Common Equities | 2.6% | 2.9% |
| Canadian Call Options written | 0.0% | -0.1% |
| U.S. Call Options written | 0.0% | -0.1% |
| Other Assets less Liabilities (excluding Preferred shares) | 17.6% | 9.4% |
| | 100.0% | 100.0% |

**6. Redeemable Units**

**Preferred shares**

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

| Preferred share transactions | May 31, 2018 | May 31, 2017 |
|---|---|---|
| Beginning of period | 33,299,432 | 19,021,432 |
| Issued during the period | 7,194,942 | 5,020,000 |
| End of period | 40,494,374 | 24,041,432 |

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. Monthly dividends for the fiscal period commencing December 1, 2017 have been set at $0.04583 per Preferred share per month for an annual yield of 5.50% on the Preferred share repayment amount (previously $0.4375

per 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 $10.01 as at May 31, 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 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 | May 31, 2018 | May 31, 2017 |
|---|---|---|
| Beginning of period | 33,299,432 | 19,021,432 |
| Issued during the period | 7,194,942 | 5,020,000 |
| End of period | 40,494,374 | 24,041,432 |

Class A shares were originally issued at $15 per share. Class A share distributions are currently targeted at $0.1257 per month. 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 $10.00 as at May 31, 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 $4,339,108 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were $48,798,592.

The Company issued 2,035,942 Class A shares pursuant to an 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 $1,670,849 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 $4,571,442 in connection with this offering. Net proceeds from the issue of Class A shares from this offering were $51,719,058.

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.

On September 26, 2003, the Company issued 1,000 Class B shares to Quadravest, 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, 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 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.

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 period ended May 31, 2018 were $NIL (May 31, 2017-$NIL).

Total management fees of $2,320,932 (May 31, 2017-$1,522,139), incurred during the period, include the administration fee and investment management fee. As at May 31, 2018, $426,244 (November 30, 2017-$374,278) was payable to the Manager with respect to the management and administrative fees. No performance fees were paid in May 31, 2018 and 2017.

Total brokerage commissions paid during the period by the Company for its portfolio transactions was $71,358 (May 31, 2017-$103,255).

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

The increase (decrease) in net assets attributable to holders per redeemable Class A share for the periods ended May 31, 2018 and 2017 is calculated as follows:

| | 2018 | 2017 |
|---|---|---|
| Increase (decrease) in net assets attributable to holders of redeemable Class A shares | ($20,535,022) | ($6,445,279) |
| Weighted average Class A shares outstanding | 34,837,913 | 23,048,099 |
| Increase (decrease) in net assets attributable to holders per redeemable Class A share | ($0.59) | ($0.28) |

**9. Distributions**

Distributions per share were as follows:

| | May 31, 2018 | May 31, 2017 |
|---|---|---|
| Preferred shares | $0.2750 | $0.2625 |
| Class A shares | $0.7542 | $0.7542 |

**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.

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 derecognition of financial assets and liabilities. It replaces the multiple classification and measurement models in IAS 39 and is effective for reporting periods beginning on or after January 1, 2018.

Classification and measurement of debt assets will be driven by the entity's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. Derivative and equity instruments are measured at fair value through profit or loss, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. A debt instrument is measured at amortized cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under instrument solely represent payments of principal and interest (SPPI). A debt instrument is measure at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows SPPI and to sell. All other debt instruments must be recognized at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency. IFRS 9 also introduces a new expected credit loss (ECL) impairment model.

On adoption of IFRS 9 the Company's investment portfolio will continue to be classified as fair value through profit or loss. Other financial assets which are held for collection will continue to be measured at amortized cost with no material impact expected from application of the new impairment model. 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 May 31, 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,
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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