
INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dividend 15 Split Corp. II (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

DIVIDEND 15 SPLIT CORP. II
STATEMENTS OF FINANCIAL POSITION

AS AT NOVEMBER 30, 2017 AND NOVEMBER 30, 2016

	November 30, 2017 (\$)	November 30, 2016 (\$)
ASSETS		
Current Assets		
Investments	237,220,672	211,585,381
Cash	22,012,552	12,457,918
Interest, dividends and other receivables	605,234	562,312
Total Assets	<u>259,838,458</u>	<u>224,605,611</u>
LIABILITIES		
Current Liabilities		
Written options	408,943	753,323
Fees and other accounts payable	303,388	261,710
Distributions payable	2,362,418	2,033,231
Preferred shares (note 6)	164,342,140	141,442,140
Class B shares	1,000	1,000
	<u>167,417,889</u>	<u>144,491,404</u>
NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES	92,420,569	80,114,207
Number of units (1 Preferred share and 1 Class A share) outstanding (note 6)	16,434,214	14,144,214
Net assets per unit	\$15.62	\$15.66
Net assets per Preferred share	\$10.00	\$10.00
Net assets per Class A share	\$5.62	\$5.66

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.

DIVIDEND 15 SPLIT CORP. II
STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)

FOR THE YEARS ENDED NOVEMBER 30

	2017 (\$)	2016 (\$)
INCOME		
Net gain (loss) on investments and derivatives (note 5)		
Net realized gain (loss)	5,692,612	1,262,785
Net change in unrealized appreciation (depreciation)	13,320,532	20,921,309
Dividends	8,927,509	8,381,184
Net gain (loss) on investments and derivatives	27,940,653	30,565,278
Other gain (loss)		
Realized gain (loss) on currency	-	226
	27,940,653	30,565,504
EXPENSES (note 7)		
Management fees	1,947,693	1,600,172
Service fee	455,673	176,573
Audit fees	28,940	23,792
Director's fees	23,584	23,583
Independent Review Committee fees	4,268	4,268
Custodial fees	62,860	58,788
Legal fees	22,586	25,057
Shareholder reporting costs	25,210	29,991
Other operating expenses	101,455	92,645
Harmonized sales tax	301,214	209,047
Transaction costs	112,140	74,990
	3,085,623	2,318,906
Increase (decrease) in net assets attributable to holders of redeemable Class A shares before distributions on Preferred shares	24,855,030	28,246,598
Distributions on Preferred shares	(8,527,775)	(7,425,712)
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	16,327,255	20,820,886
Increase (decrease) in net assets attributable to holders per redeemable Class A share (note 8)*	0.99	1.47

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

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

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

	2017 (\$)	2016 (\$)
Net Assets attributable to holders of redeemable Class A shares - Beginning of year	80,114,207	72,023,114
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	16,327,255	20,820,886
Gross proceeds from issue of Class A shares	17,175,000	-
Agent fees and issue costs on secondary offering	(1,703,836)	-
Net proceeds from issue of Class A shares	<u>15,471,164</u>	<u>-</u>
Distributions on Class A shares		
Canadian dividends	(19,492,057)	(12,729,793)
Change in net assets attributable to holders of redeemable Class A shares	<u>12,306,362</u>	<u>8,091,093</u>
Net Assets attributable to holders of redeemable Class A shares - End of year	<u>92,420,569</u>	<u>80,114,207</u>

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

DIVIDEND 15 SPLIT CORP. II

STATEMENTS OF CASH FLOW

FOR THE YEARS ENDED NOVEMBER 30

	2017	2016
	(\$)	(\$)
Cash flows from (used in) operating activities		
Increase (decrease) in net assets attributable to holders of redeemable Class A shares	16,327,255	20,820,886
Adjustment for:		
Distributions on Preferred shares	8,527,775	7,425,712
Net realized (gain) loss on investments and derivatives	(5,692,612)	(1,262,785)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(13,320,532)	(20,921,309)
Purchase of investments	(59,127,061)	(7,361,568)
Proceeds from sale of investments	52,160,534	20,786,550
(Increase) decrease in interest, dividends and other receivables	(42,922)	102,499
Increase (decrease) in fees and other accounts payable	41,678	5,968
Net cash flows from (used in) operating activities	<u>(1,125,885)</u>	<u>19,595,953</u>
Cash flows from (used in) financing activities		
Gross proceeds from issuance of Class A and Preferred shares	40,075,000	-
Agent's fees and issue costs in connection with secondary offering	(1,703,836)	(69,061)
Distributions on Class A shares	(19,263,057)	(12,729,793)
Distributions on Preferred shares	(8,427,588)	(7,425,712)
Net cash flows from (used in) financing activities	<u>10,680,519</u>	<u>(20,224,566)</u>
Net increase (decrease) in cash	9,554,634	(628,613)
Cash at beginning of the year	<u>12,457,918</u>	<u>13,086,531</u>
Cash at end of the year	<u>22,012,552</u>	<u>12,457,918</u>
Dividends received*, net of withholding taxes	8,884,587	8,483,683

* Included as part of Cash Flows from Operating Activities.

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

DIVIDEND 15 SPLIT CORP. II
SCHEDULE OF PORTFOLIO INVESTMENTS

AS AT NOVEMBER 30, 2017

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	Canadian Common Equities		
	15 Core Holdings		
85,333	Bank of Montreal	6,901,870	8,471,007
210,950	Bank of Nova Scotia	14,562,914	17,194,535
283,058	BCE Inc.	14,014,411	17,476,001
155,000	Canadian Imperial Bank of Commerce	15,154,827	18,311,700
297,356	CI Financial Corp.	9,193,172	8,667,927
228,700	Enbridge Inc.	10,973,754	11,126,255
598,300	Manulife Financial Corporation	13,471,131	16,219,913
262,200	National Bank of Canada	11,767,058	16,668,054
209,371	Royal Bank of Canada	16,549,591	21,115,065
248,200	Sun Life Financial Inc.	9,675,832	12,653,236
225,034	Telus Corporation	8,347,321	10,729,621
220,286	Thomson Reuters Corp.	10,750,634	12,516,651
273,000	Toronto-Dominion Bank	14,216,481	19,994,520
545,500	TransAlta Corporation	7,198,739	4,238,535
287,450	TransCanada Corporation	16,020,756	17,787,406
	Total Core Portfolio Equities (90.0%)	<u>178,798,491</u>	<u>213,170,426</u>
	Other Canadian Common Equities		
486,700	AGF Management Ltd.	6,257,335	4,000,674
47,900	Emera Inc.	2,199,183	2,326,024
120,000	Loblaw Companies Ltd.	7,424,195	8,151,600
169,600	Suncor Energy Inc.	7,029,411	7,589,600
28,523	TMX Group Inc.	1,806,673	1,982,348
	Total Other Canadian Common Equities (10.2%)	<u>24,716,797</u>	<u>24,050,246</u>
	Total Canadian Common Equities (100.2%)	<u>203,515,288</u>	<u>237,220,672</u>

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

DIVIDEND 15 SPLIT CORP. II
SCHEDULE OF PORTFOLIO INVESTMENTS

AS AT NOVEMBER 30, 2017

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	Call Options written (100 shares per contract)		
	Canadian call options written		
(130)	Bank of Montreal @ \$101 December 15, 2017	(5,590)	(5,590)
(200)	Bank of Nova Scotia @ \$87 January 19, 2018	(9,000)	(800)
(300)	BCE Inc. @ \$62 January 19, 2018	(13,200)	(9,750)
(550)	CI Financial Corp. @ \$29 January 19, 2018	(12,100)	(22,000)
(300)	Canadian Imperial Bank of Commerce @ \$115 December 15, 2017	(43,200)	(107,250)
(300)	Enbridge Inc. @ \$45 December 15, 2017	(17,100)	(112,500)
(900)	Manulife Financial Corporation @ \$26.50 January 19, 2018	(40,500)	(87,300)
(300)	Royal Bank of Canada @ \$104 December 15, 2017	(15,000)	(2,700)
(125)	Royal Bank of Canada @ \$104 January 19, 2018	(4,875)	(6,625)
(235)	Sun Life Financial Inc. @ \$52 December 15, 2017	(4,466)	(3,878)
(250)	Suncor Energy Inc. @ \$46 December 15, 2017	(12,250)	(4,000)
(400)	Telus Corporation @ \$49 January 19, 2018	(10,804)	(4,000)
(400)	Thomson Reuters Corp. @ \$58 January 19, 2018	(26,800)	(27,000)
(300)	Toronto-Dominion Bank @ \$76 January 19, 2018	(11,400)	(7,050)
(950)	TransAlta Corporation @ \$8 December 15, 2017	(9,500)	(4,275)
(325)	TransCanada Corporation @ \$64 December 15, 2017	(15,600)	(4,225)
	Total Canadian call options written (-0.2%)	(251,385)	(408,943)
		<u>203,263,903</u>	<u>236,811,729</u>
	Less adjustments for transaction costs	(143,866)	
	Total Investments (100.0%)	<u>203,120,037</u>	<u>236,811,729</u>

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

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

1. Incorporation

Dividend 15 Split Corp. II (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on September 28, 2006 that began investment operations on November 16, 2006. 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, 2019 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 dividend yielding Canadian companies. The Company employs an active covered call writing program to enhance the income earned from the portfolio.

2. Basis of presentation

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

These financial statements were authorized for issue by Quadravest on February 26, 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

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

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.

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

Translation of foreign currencies

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

Management fees, administration fees and performance fees

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

Increase (decrease) in Net Assets Attributable to Holders per Redeemable Class A share

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

Taxation

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

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

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

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

DIVIDEND 15 SPLIT CORP. II
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 \$23,148,007 (November 30, 2016-\$19,302,530) 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 also has estimated accumulated capital losses for tax purposes of \$5,596,897 (November 30, 2016-\$3,833,569) which may be used to lower future capital gains if required.

4. Critical Accounting Estimates and Judgments

The preparation of these financial statements include estimates and assumptions by management based on past experiences, present conditions and expectations of future events. Where estimates were made, the reported amounts for assets, liabilities, income and expenses may differ from the amounts that would otherwise be reflected if the ultimate outcome of all uncertainties and future events were known at the time these financial statements were prepared. The Company's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5. The following discusses the most significant accounting judgments that the Company has made in preparing the financial statements:

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

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

5. Management of Risk of Financial Instruments

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 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	\$237,220,672	-	-	\$237,220,672
Options	(\$408,943)	-	-	(\$408,943)
	<u>\$236,811,729</u>	<u>-</u>	<u>-</u>	<u>\$236,811,729</u>

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

Financial assets and liabilities at fair value as at November 30, 2016

	Level 1	Level 2	Level 3	Total
Equities	\$211,585,381	-	-	\$211,585,381
Options	(\$753,323)	-	-	(\$753,323)
	<u>\$210,832,058</u>	<u>-</u>	<u>-</u>	<u>\$210,832,058</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	\$798,582	\$588,623
Realized gain (loss) on investments designated at FVTPL	\$4,894,030	\$674,162
Net change in unrealized appreciation (depreciation) on investments	\$12,955,902	\$21,541,598
Net change in unrealized appreciation (depreciation) on derivatives	\$364,630	\$(620,289)
Dividends	\$8,927,509	\$8,381,184
Interest	-	-
	<u>\$27,940,653</u>	<u>\$30,565,278</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 in the portfolio were selected because of their long term history of above average market price appreciation and dividend growth. These portfolio companies were selected from the S&P/TSX 60 index and are among the largest companies in Canada.

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).

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

The Manager manages market price risk by limiting investment in any one portfolio company to no more than 10% of the net asset value of the Company at the time of purchase.

In addition, the supplemental covered call writing program generates an additional stream of income to the portfolio which may also help mitigate against market price declines during years in which a particular portfolio company has a covered call option written against that position.

The Company is exposed to other price risk from its investment in equity securities and written options. As at November 30, 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 \$21,472,000 (November 30, 2016-\$21,083,206). 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 \$23,331,000 (November 30, 2016-\$21,083,206).

Interest rate risk

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

All portfolio holdings and other Net Assets of the Company are denominated in Canadian dollars and therefore there is no currency risk (consistent with previous year).

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).

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") (consistent with previous year). All Class A shares and Preferred shares outstanding are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Company. All other financial liabilities are payable within three months from the end of the year.

Concentration risk

The Company's 15 core holdings are concentrated in the S&P/TSX 60 index and as such will be exposed to some of the specific factors that affect this index (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.

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

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

	November 30, 2017	November 30, 2016
Canadian Core Common Equities	83.0%	90.1%
Other Canadian Equities	9.4%	5.4%
Call Options written	-0.2%	-0.3%
Other Assets less Liabilities (excluding Preferred shares)	7.8%	4.8%
	<u>100%</u>	<u>100%</u>

6. 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	14,144,214	14,144,214
Issued during the year	2,290,000	-
End of year	<u>16,434,214</u>	<u>14,144,214</u>

Preferred shares are entitled to cumulative monthly cash dividends of \$0.04375 per Preferred share. 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 "DF.PR.A" on the TSX. Preferred shares trading price on the TSX was \$10.08 as at November 30, 2017 (November 30, 2016-\$10.10). 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 August in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of August. 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. 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. Preferred shares rank in priority to the Class A shares upon termination of the Company.

The Company issued 2,290,000 Preferred shares on January 4, 2017 at \$10 per Preferred share pursuant to a secondary offering. Gross proceeds of \$22,900,000 were received from the sale of Preferred shares.

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	14,144,214	14,144,214
Issued during the year	2,290,000	-
End of year	<u>16,434,214</u>	<u>14,144,214</u>

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Class A shares were originally issued at \$15 per share. Class A share distributions are targeted at \$0.10 per month 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 "DF" on the TSX. Class A shares trading price on the TSX was \$8.47 as at November 30, 2017 (November 30, 2016-\$7.32). 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 August in each year will be entitled to receive an amount equal to the net asset value per unit calculated on the last day of August. 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 2,290,000 Class A shares at \$7.50 per share for gross proceeds of \$17,175,000 in connection with a secondary offering completed on January 4, 2017. Net proceeds were \$15,471,164 after deducting agent's fees and filing fees of \$1,703,836.

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 November 16, 2007, the Company issued 1,000 Class B shares to Dividend 15 Split Corp. II Holding Trust 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 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.

Total management fees of \$1,947,693 (November 30, 2016-\$1,600,172) incurred during the year include the administration fee and base management fee. As at November 30, 2017, \$158,495 (November 30, 2016-\$134,813) was payable to the Manager with respect to management and administrative fees. No performance fees were paid in 2017 or 2016.

The brokerage commissions paid during the year by the Company for its portfolio transactions were \$112,140 (November 30, 2016-\$74,990).

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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 unit 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	\$16,327,255	\$20,820,886
Weighted average Class A shares outstanding	16,434,214	14,144,214
Increase (decrease) in net assets attributable to holders per redeemable Class A share	\$0.99	\$1.47

9. Distributions

Distributions per share were as follows:

	November 30, 2017	November 30, 2016
Preferred shares	\$0.5250	\$0.5250
Class A shares	\$1.20	\$0.90

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 fixed cumulative preferential monthly cash dividends in an amount of \$0.04375 per Preferred share to yield 5.25% per annum on the original issue price and to return the original issue price to their holders on the termination date; and
- ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be \$0.10 per Class A share to yield 8.0% on the original issue price and return the original issue price to their holders on the termination date. The net asset value per unit must be above the required \$15 per unit in order for monthly dividends to be declared.

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

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

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

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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.

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

As at November 30, 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.