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## **TDB SPLIT CORP.**

### **SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**MAY 31, 2020**

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This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended May 31, 2020. 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.tdbsplit.com](http://www.tdbsplit.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.tdbsplit.com](http://www.tdbsplit.com) or [www.sedar.com](http://www.sedar.com).

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## **INVESTMENT OBJECTIVES AND STRATEGIES**

TDb Split Corp. invests primarily in common shares of the Toronto-Dominion Bank.

The Company offers two types of shares:

### **Priority Equity shares (XTD.PR.A)**

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

1. to provide holders of Priority Equity shares with cumulative preferential monthly cash dividends in the amount of \$0.04375 per share to yield 5.25% annually; and
2. on or about the termination date of December 1, 2024 (subject to further 5 year extensions thereafter), to pay an amount of \$10.00 per Priority Equity share.

### **Class A shares (XTD)**

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 dividends in the amount of \$0.05 per Class A share if and when the net asset value per unit exceeds \$12.50; and
2. to permit such holders to participate in all growth in the net asset value of the Company above \$10.00 per unit.

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## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 25, 2020. 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. The Company is also exposed to the risk of volatile markets and market disruption risk resulting from a number of circumstances including a global pandemic, as experienced with COVID-19. These risks may affect the performance of the Company and could significantly reduce the value of an investment in shares.

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## RESULTS OF OPERATIONS

Financial markets experienced a tumultuous period as market participants responded to the unprecedented effects of a global pandemic. The worldwide economic disruptions caused by government mandated shelter in place orders and the shutdown of large parts of the global economy had a severe social and economic impact. Concerns about a global recession and a sudden sharp rise in unemployment put additional downward pressure on equity markets. In response, the Bank of Canada aggressively reduced interest rates to near zero, bringing rates back to levels last seen during the global financial crisis in 2008 and 2009. The Canadian government also announced significant individual consumer and business programs designed to provide necessary support to help individuals and businesses survive through the adverse financial consequences of the pandemic. After reaching an extreme low in late March, equity markets began to rebound thereafter as market participants began to factor in many of the potential promising treatment and vaccine development efforts and the eventual reopening of economies. Different sectors of the economy and the market responded at an uneven pace with the markets initially favouring those companies that were benefitting from the new “stay at home economy”.

The market price of TD Bank generally followed this pattern with its market price reaching extreme lows in late March and then recovering a meaningful portion of the declines by the end of May. Despite this improvement towards the end of the period, the market price of TD Bank remained lower than it was at the beginning of the six-month period, having decreased by 23%.

The significant decline in the share price of TD Bank during the period resulted in the need to implement the Company’s Priority Equity Portfolio Protection Plan. This plan is intended to ensure that the Priority Equity Share repayment amount (\$10 per share) will be paid in full to holders of the Priority Equity shares on the termination date of December 1, 2024 and requires that the Company liquidate a portion of the shares held of TD Bank to hold cash or acquire permitted debt securities. As a result of the implementation of the plan, the Fund’s exposure to TD Bank as at May 31, 2020 was 52.8% of its net asset value.

The portfolio is continually rebalanced and adjusted based on the market price of TD Bank shares. The Company may buy or sell additional shares of TD Bank, write covered call options, and/or increase or decrease permitted securities, as required, to meet the requirements of the plan.

The net assets per unit (consisting of one Priority Equity share and one Class A share) finished at \$11.35 as at May 31, 2020, after the payment of \$0.41 in combined distributions to Priority Equity shares and Class A shares.

Pursuant to the special retraction right in connection with the extension of the termination date of the Company, the Company redeemed 1,031,912 Priority Equity shares and made retraction payments of \$10,319,120 on December 16, 2019.

The termination date of the Company 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.

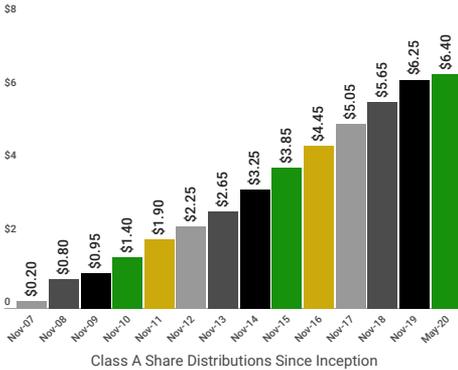
During the period, the Company issued 2,600,012 Priority Equity shares at \$10 per share and 1,568,100 Class A shares at \$6.15 per share pursuant to a secondary offering that was completed on December 23, 2019. Gross proceeds of \$35.6 million were received from the sale of Priority Equity and Class A shares (net proceeds of \$34.2 million).

Net assets of the Company finished the period at \$56.2 million.

The dividend income from the common shares of TD Bank is supplemented by income received from a selective covered call writing program.

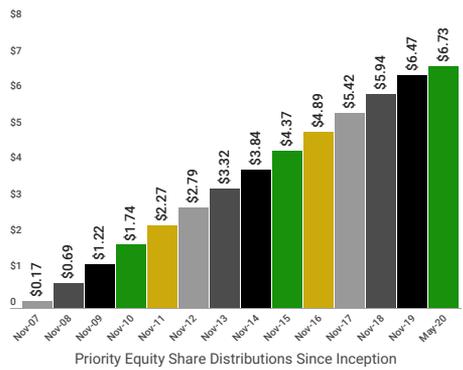
## Class A shares – Distributions

Class A shareholders are entitled to receive monthly cash dividends targeted to be \$0.05 per Class A Share to yield 6% per annum on the original issue price, if and when the net asset value per unit exceeds \$12.50. Total distributions during the period amounted to \$0.15 per Class A share.



## Priority Equity shares – Distributions

Priority Equity shareholders are entitled to receive monthly cash dividends in the amount of \$0.04375 per Priority Equity Share to yield 5.25% per annum on the \$10 repayment amount. Distributions during the period were at the fixed rate for a total of \$0.2625 per Priority Equity share.



6.40

Cumulative total of distributions paid to Class A share since inception



6.73

Cumulative total of distributions paid to Priority Equity share since inception

## RECENT DEVELOPMENTS

Financial markets have experienced significant volatility in response to the COVID-19 pandemic and equity markets in particular have experienced significant declines. The investment portfolio of the Company has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

## 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					
	May 31, 2020	2019	2018	2017	2016	2015
Net assets per unit, beginning of the period <sup>(1)</sup>	15.84	15.93	16.55	15.27	13.88	15.42
Increase (decrease) from operations						
Total revenue	0.17	0.59	0.56	0.51	0.53	0.52
Total expenses	(0.09)	(0.20)	(0.21)	(0.20)	(0.17)	(0.17)
Realized gains (losses) for the period	(0.40)	0.49	0.37	0.64	0.33	0.08
Unrealized gains (losses) for the period	<u>(3.57)</u>	<u>0.15</u>	<u>(0.21)</u>	<u>1.45</u>	<u>1.82</u>	<u>(0.86)</u>
Total increase (decrease) from operations <sup>(2)</sup>	<u>(3.89)</u>	<u>1.03</u>	<u>0.51</u>	<u>2.40</u>	<u>2.51</u>	<u>(0.43)</u>
Distributions <sup>(3)</sup>						
Canadian dividends	<u>(0.41)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>
Total distributions	<u>(0.41)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>	<u>(1.13)</u>
Net assets per unit at end of period	11.35	15.84	15.93	16.55	15.27	13.88
Net assets per Priority Equity share	10.00	10.00	10.00	10.00	10.00	10.00
Net assets per Class A share	<u>1.35</u>	<u>5.84</u>	<u>5.93</u>	<u>6.55</u>	<u>5.27</u>	<u>3.88</u>
Net assets per unit at end of period	11.35	15.84	15.93	16.55	15.27	13.88

(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 Priority Equity 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 from operations is calculated based on the weighted average number of units outstanding during the period.

(3) Distributions on the Priority Equity shares and Class A shares are based on the number of Priority Equity 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.

## RATIOS AND SUPPLEMENTAL DATA

	May 31, 2020	┌ 2019	Years ended November 30			┐ 2015
			2018	2017	2016	
Net asset value (millions) <sup>(1)</sup>	\$56.2	\$53.6	\$54.0	\$56.1	\$51.8	\$47.1
Number of units outstanding	4,954,760	3,386,660	3,386,660	3,392,260	3,392,260	3,392,260
Base Management expense ratio <sup>(2)</sup>	1.21%	1.25%	1.27%	1.24%	1.18%	1.20%
Management expense ratio including secondary offering issue costs <sup>(3)</sup>	1.21%	1.25%	1.27%	1.24%	1.18%	1.20%
Management expense ratio per Class A share <sup>(4)</sup>	22.29%	12.49%	11.22%	12.62%	17.03%	16.95%
Portfolio turnover rate <sup>(5)</sup>	90.81%	0.0%	0.0%	9.8%	3.9%	0.1%
Trading expense ratio <sup>(6)</sup>	0.12%	0.02%	0.01%	0.02%	0.02%	0.00%
Closing market price (TSX): Priority Equity shares	\$9.42	\$10.18	\$10.00	\$10.30	\$10.20	\$10.05
Closing market price (TSX): Class A shares	\$2.27	\$6.29	\$6.18	\$6.45	\$5.50	\$5.05

(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 Company, all distributions on Priority Equity 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 daily 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 0.55% of the net asset value of the Company, which includes the outstanding Priority Equity shares, calculated as at each month-end valuation date.

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 Priority Equity 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.

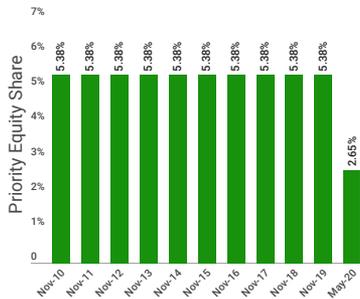
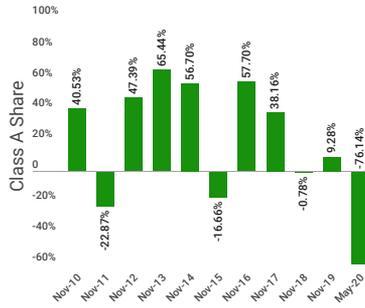
The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required 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 Priority Equity share on a net asset value basis; and 3) the Class A share on a net asset value basis for each year since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, a Priority Equity share or a Class A share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

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



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**SUMMARY OF INVESTMENT PORTFOLIO**  
All holdings as at May 31, 2020

Name	Weighting (%)
Toronto-Dominion Bank	52.8
Cash	48.0
Other net assets (liabilities)	-0.8
	100.0

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

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**TDb SPLIT CORP.****MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The interim financial statements of TDb Split Corp. (the "Company") have been prepared by Quadravest Capital Management Inc. (the "Manager" of the Company) and approved by the Board of Directors of the Company. The Manager is responsible for the information and representations contained in these interim financial statements and the other sections of the semi-annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The interim financial 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 interim financial statements.

The Company's independent auditor has not performed a review of these interim financial statements in accordance with standards established by the Chartered Professional Accountants.

**WAYNE FINCH**

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

**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.