

**2018**

**DIVIDEND SELECT 15 CORP.**  
**ANNUAL REPORT**

**Dividend Select**

**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.

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**DIVIDEND SELECT 15 CORP.**  
**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**  
**NOVEMBER 30, 2018**

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This is the annual Management Report of Fund Performance (MRFP) for the year ended November 30, 2018. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.dividendselect15.com](http://www.dividendselect15.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.dividendselect15.com](http://www.dividendselect15.com) or [www.sedar.com](http://www.sedar.com).

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**INVESTMENT OBJECTIVES AND STRATEGIES**

The Company invests in a portfolio of dividend yielding common shares which will include 15 of the 20 Canadian companies listed below:

Bank of Montreal	Power Corporation of Canada
BCE Inc.	Royal Bank of Canada
Canadian Imperial Bank of Commerce	Sun Life Financial Inc.
CI Financial Corp.	TELUS Corporation
Enbridge Inc.	The Bank of Nova Scotia
EnCana Corporation	The Toronto-Dominion Bank
Great-West Lifeco Inc.	Thomson Reuters Corporation
Husky Energy Inc.	TMX Group Inc.
Loblaw Companies Ltd.	TransAlta Corporation
National Bank of Canada	TransCanada Corporation

The selection of the 15 portfolio companies from among the portfolio universe listed above will be made by the Company's investment manager, Quadravest Capital Management Inc. ("Quadravest"), based on its assessment from time to time as to which companies in the portfolio universe have the most stable dividends and attractive growth potential. In order to supplement the dividends received on the portfolio and to reduce risk, the Company will employ an active covered call writing program.

## **Investment Objectives**

The Company's objectives are to provide Equity shareholders with:

- (i) monthly cash distributions, currently targeted to be at a rate of 10% annualized based on the volume weighted average market price of the Equity shares for the last three trading days of the preceding month; and
  - (ii) the opportunity for capital appreciation.
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## **RISK**

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 25, 2019. In addition, note 5 of the annual financial statements ("Management of Risk of Financial Instruments") contains disclosure on specific types of risks related to the financial investments held by the Company.

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## **RESULTS OF OPERATIONS**

The year ended November 30, 2018 was characterized by a myriad of factors which conspired to produce lower Canadian equity markets.

The Bank of Canada raised interest rates 3 times during the fiscal year, and signaled further interest rate increases, which created a significant headwind for equity markets. Simultaneously, the yield curve flattened during the year, putting increasing pressure on net interest margins and investment income for banks and life insurance companies. During the year, extremely low Western Canadian crude oil prices have had an adverse impact on the Canadian economy, resulting in lower exports and national income. A new Canada-United States-Mexico Agreement in October 2018 finally alleviated some of the trade-related market uncertainties experienced earlier in the year; however, ongoing trade tensions between the U.S. and China and growing concerns of a global economic slowdown contributed to a softening of Canadian markets towards the end of the year. Notwithstanding these developments, the Canadian economy posted reasonable economic growth with unemployment levels at a 40-year low.

Against this backdrop, most of the companies in the portfolio were generally flat to down during the year. The core portfolio companies continue to rank among the highest dividend yielding companies in the S&P TSX 60 and most of these companies have exhibited consistent dividend growth, which should continue to make them relatively attractive investments in the current market environment.

The net assets finished the year at \$7.36 per Equity share as at November 30, 2018, after the payment of \$0.83 in distributions. Total distributions of \$6.36 have been paid since inception.

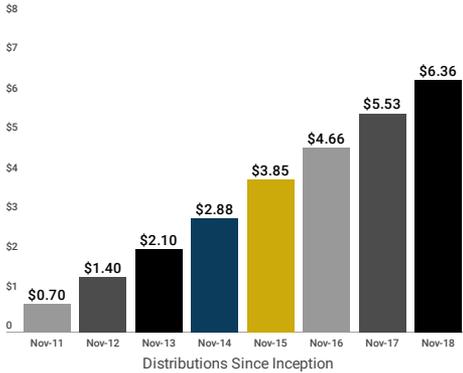
On March 21, 2018 the Company completed a secondary offering of 914,000 Equity shares for net proceeds of \$7.4 million (gross proceeds of \$7.8 million). The issuance of shares was accretive to existing shareholders.

Net assets of the Company finished the year at \$72.7 million.

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

## Equity shares - Distributions

Total distributions during the year amounted to \$0.8306.



6.36

Cumulative total of distributions paid since inception

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## RECENT DEVELOPMENTS

There were no developments during the year.

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## RELATED PARTY TRANSACTIONS

Quadravest as investment manager and manager earns fees from the Company as described below in the Management Fees section.

## FINANCIAL HIGHLIGHTS

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

### The Company's net assets per Equity share

	Years ended November 30				
	2018	2017	2016	2015	2014
Net assets per Equity share, beginning of year <sup>(1)</sup>	8.50	8.69	8.49	9.97	9.74
Increase (decrease) from operations					
Total revenue	0.31	0.31	0.33	0.34	0.34
Total expenses	(0.12)	(0.15)	(0.14)	(0.15)	(0.16)
Realized gains for the year	0.11	0.21	0.05	0.25	0.44
Unrealized gains (losses) for the year	(0.60)	0.32	0.75	(0.98)	0.39
Total increase (decrease) from operations <sup>(2)</sup>	<u>(0.30)</u>	<u>0.69</u>	<u>0.99</u>	<u>(0.54)</u>	<u>1.01</u>
Distributions <sup>(3)</sup>					
Canadian dividends	(0.73)	(0.66)	(0.76)	(0.98)	(0.35)
Capital gains dividends	(0.10)	(0.21)	(0.05)	-	(0.43)
Total distributions	<u>(0.83)</u>	<u>(0.87)</u>	<u>(0.81)</u>	<u>(0.98)</u>	<u>(0.78)</u>
Net assets per Equity share, end of year	<u>7.36</u>	<u>8.50</u>	<u>8.69</u>	<u>8.49</u>	<u>9.97</u>

- (1) Net assets per Equity share is the difference between the aggregate amount of the assets of the Company and the aggregate amount of the liabilities of the Company on that date divided by the number of Equity shares then outstanding.
- (2) Total increase (decrease) from operations is calculated based on the weighted average number of Equity shares outstanding during the year.
- (3) Distributions on the Equity shares are based on the number of Equity shares outstanding on the record date for each distribution in the year and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

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## RATIOS AND SUPPLEMENTAL DATA (BASED ON NET ASSET VALUE)

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	┌ 2018	Years ended November 30			┐ 2014
	2018	2017	2016	2015	2014
Net asset value (millions) <sup>(1)</sup>	\$72.7	\$76.3	\$78.8	\$80.3	\$77.3
Number of Equity shares outstanding	9,883,588	8,969,588	9,071,688	9,455,088	7,755,088
Base Management expense ratio <sup>(2)</sup>	1.47%	1.71%	1.59%	1.63%	1.56%
Management expense ratio including one time offering expenses <sup>(3)</sup>	2.04%	1.71%	1.59%	2.72%	1.65%
Portfolio turnover rate <sup>(4)</sup>	7.84%	13.97%	2.44%	17.2%	36.80%
Trading expense ratio <sup>(5)</sup>	0.03%	0.04%	0.04%	0.03%	0.04%
Closing market price (TSX):	\$7.08	\$8.71	\$8.63	\$8.62	\$10.33

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

(2) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding any one time offering expenses. Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of average net asset value during the year.

(3) Share issue expenses, representing all Agents' fees and other offering expenses are one time initial expenses connected with the launch of the Company or any subsequent secondary offering. Any expenses incurred with secondary offerings were offset by the accretion to net assets per share of such offerings.

(4) The Company's portfolio turnover rate indicates how actively Quadravest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the Company.

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

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## MANAGEMENT FEES

Pursuant to the management and investment management agreement, Quadravest is entitled to a management fee at an annual rate equal to 1.10% of the Company's net asset value calculated as at the month-end valuation date, out of which a service fee of 0.40% will be paid by Quadravest to dealers.

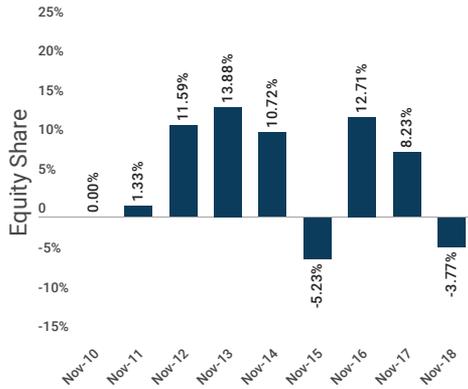
The management fee was used by Quadravest to provide investment analysis, make investment decisions, make brokerage arrangements for the purchase and sale of securities including the covered call writing program and to provide or arrange administrative services required by the Company which includes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

## PAST PERFORMANCE

### Year-by-Year Returns

The past performance of an Equity share since inception is presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how an Equity share would have increased or decreased during the applicable year. In respect to the charts displayed below, please note the following:

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



(1) The return for the year ended November 30, 2010 is for the initial period from November 18, 2010 to November 30, 2010.

## ANNUAL COMPOUND PERFORMANCE

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

	One year	Three years	Five years	Since inception
Equity shares	-3.77%	5.49%	4.26%	5.98%

## MARKET INDICES

S&P TSX 60 <sup>(1)</sup>	-1.05%	8.10%	6.57%	5.73%
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- (1) As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

## SUMMARY OF INVESTMENT PORTFOLIO

All holdings as at November 30, 2018

Name	Weighting (%)
Toronto-Dominion Bank	8.9
Canadian Imperial Bank of Commerce	8.9
Royal Bank of Canada	8.6
Sun Life Financial Inc.	7.8
Bank of Nova Scotia	7.7
BCE Inc.	7.2
Enbridge Inc.	7.1
TransCanada Corporation	6.6
National Bank of Canada	6.3
Thomson Reuters Corporation	6.3
TELUS Corporation	5.2
Power Corporation of Canada	5.1
Husky Energy Inc.	3.7
CI Financial Corp.	3.7
TransAlta Corporation	1.8
<b>Total long positions as a percentage of net assets</b>	<b>94.9</b>
Cash	5.9
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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**DIVIDEND SELECT 15 CORP.**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The financial statements of Dividend Select 15 Corp. (the "Company") have been prepared by Quadravest Capital Management Inc. (the "Manager" of the Company) and approved by the Board of Directors of the Company. The Manager is responsible for the information and representations contained in these financial statements and the other sections of the annual report.

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with International Financial Reporting Standards. The significant accounting policies applicable to the Company are described in note 3 to the financial statements.

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

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



**WAYNE FINCH**

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



**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.

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## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Dividend Select 15 Corp. (the "Company")

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

### Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### Opinion

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
February 21, 2019

**DIVIDEND SELECT 15 CORP.**  
**STATEMENTS OF FINANCIAL POSITION**

AS AT NOVEMBER 30, 2018 AND NOVEMBER 30, 2017

	November 30, 2018 (\$)	November 30, 2017 (\$)
<b>ASSETS</b>		
Current Assets		
Investments	68,984,436	72,237,635
Cash	4,275,175	7,152,049
Interest, dividends and other receivables	379,271	153,028
	<u>73,638,882</u>	<u>79,542,712</u>
<b>LIABILITIES</b>		
Current Liabilities		
Written options	193,194	130,293
Fees and other accounts payable	110,186	200,977
Payable in respect of investments purchased	43,539	1,415,356
Distributions payable	581,451	650,894
Redemptions payable	-	868,253
Class B shares	20	20
	<u>928,390</u>	<u>3,265,793</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE EQUITY SHARES</b>		
	<b>72,710,492</b>	<b>76,276,919</b>
Number of Equity shares	9,883,588	8,969,588
Net assets per Equity share	\$7.36	\$8.50

Approved on behalf of the Board of Directors



**WAYNE FINCH**

Director



**PETER CRUICKSHANK**

Director

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

**DIVIDEND SELECT 15 CORP.**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR YEARS ENDED NOVEMBER 30

	2018 (\$)	2017 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives (note 5)</b>		
Net realized gain (loss)	1,016,137	1,884,127
Net change in unrealized appreciation (depreciation)	(5,863,391)	2,920,374
Dividends	3,020,774	2,783,623
Interest	14,772	121
<b>Net gain (loss) on investments and derivatives</b>	<u>(1,811,708)</u>	<u>7,588,245</u>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	600	849
	<u>(1,811,108)</u>	<u>7,589,094</u>
<b>EXPENSES (note 7)</b>		
Management fees	850,510	581,610
Service fee	-	308,802
Audit fees	25,899	19,388
Director's fees	23,583	23,583
Independent Review Committee fees	4,268	4,268
Custodial fees	54,777	63,713
Legal fees	32,035	53,344
Shareholder reporting costs	16,112	30,187
Other operating expenses	(17,575)	123,343
Harmonized sales tax	119,347	120,914
Transaction costs	21,379	32,235
	<u>1,130,335</u>	<u>1,361,387</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable Equity shares</b>	<u>(2,941,443)</u>	<u>6,227,707</u>
<b>Increase (decrease) in net assets attributable to holders per redeemable Equity share (note 8)</b>	(0.30)	0.69

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

**DIVIDEND SELECT 15 CORP.**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE EQUITY SHARES**  
**FOR THE YEARS ENDED NOVEMBER 30**

	2018 (\$)	2017 (\$)
<b>Net Assets attributable to holders of redeemable Equity shares - Beginning of year</b>	76,276,919	78,792,416
Increase (decrease) in net assets attributable to holders of redeemable Equity shares	(2,941,443)	6,227,707
Gross proceeds from issue of Equity shares	7,814,700	-
Agent fees in connection with issuance of Equity shares	(429,809)	-
Net proceeds from issue of Equity shares	<u>7,384,891</u>	<u>-</u>
Equity share redemptions	-	(868,253)
<b>Distributions on Equity shares</b>		
Canadian dividends	(7,039,545)	(5,941,813)
Capital gains dividends	(970,330)	(1,933,138)
	<u>(8,009,875)</u>	<u>(7,874,951)</u>
<b>Change in net assets attributable to holders of redeemable Equity shares</b>	<u>(3,566,427)</u>	<u>(2,515,497)</u>
<b>Net Assets attributable to holders of redeemable Equity shares - End of year</b>	<u>72,710,492</u>	<u>76,276,919</u>

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

**DIVIDEND SELECT 15 CORP.****STATEMENTS OF CASH FLOW**

FOR THE YEARS ENDED NOVEMBER 30

	2018	2017
	(\$)	(\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in Net Assets Attributable to holders of Redeemable Equity shares	(2,941,443)	6,227,707
Adjustment for:		
Net realized (gain) loss on investments and derivatives	(1,016,137)	(1,884,127)
Net change in unrealized (appreciation) depreciation of investments and derivatives	5,863,391	(2,920,374)
Purchase of investments, net of option premiums	(8,522,577)	(9,543,042)
Proceeds from sale of investments	5,619,606	17,477,837
(Increase) decrease in interest, dividends and other receivables	(226,243)	34,304
Increase (decrease) in fees and other accounts payable	(90,791)	55,390
Cash flows from (used in) operating activities	<u>(1,314,194)</u>	<u>9,447,695</u>
<b>Cash flows from (used in) financing activities</b>		
Proceeds from issuance of Equity shares	7,814,700	-
Agent fees and issue costs in connection with Equity shares offering	(429,809)	-
Amounts paid on redemption of Equity shares	(868,253)	-
Distributions paid on Equity shares	(8,079,318)	(7,839,390)
Cash flows from (used in) financing activities	<u>(1,562,680)</u>	<u>(7,839,390)</u>
Net increase (decrease) in cash for the year	(2,876,874)	1,608,305
Cash at beginning of the year	7,152,049	5,543,744
<b>Cash at end of the year</b>	<u><b>4,275,175</b></u>	<u><b>7,152,049</b></u>
Dividends received*, net of withholding taxes	2,794,531	2,817,927
Interest received*	14,772	121

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

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

**DIVIDEND SELECT 15 CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT NOVEMBER 30, 2018

No. of shares (contracts)	Description	Average Cost (Premiums received) (\$)	Fair Value (\$)
<b>Core Holdings</b>			
<b>Canadian Common Equities</b>			
77,100	Bank of Nova Scotia	5,568,360	5,574,330
91,800	BCE Inc.	4,433,407	5,228,010
57,900	Canadian Imperial Bank of Commerce	5,586,444	6,455,850
132,700	CI Financial Corp.	3,187,230	2,669,924
118,700	Enbridge Inc.	5,367,713	5,182,442
164,661	Husky Energy Inc.	3,816,058	2,716,907
76,100	National Bank of Canada	3,557,194	4,611,660
140,900	Power Corporation of Canada	3,947,413	3,733,850
64,100	Royal Bank of Canada	5,013,118	6,244,622
115,400	Sun Life Financial Inc.	4,870,276	5,654,600
79,050	TELUS Corporation	3,052,005	3,769,895
68,274	Thomson Reuters Corporation	3,488,124	4,583,239
88,400	Toronto-Dominion Bank	3,890,463	6,502,704
180,700	TransAlta Corporation	2,554,910	1,286,584
87,600	TransCanada Corporation	4,536,186	4,769,819
	<b>Total Core Portfolio Equities (100.3%)</b>	<b>62,868,901</b>	<b>68,984,436</b>

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

**DIVIDEND SELECT 15 CORP.**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT NOVEMBER 30, 2018

No. of shares (contracts)	Description	Average Cost (\$) (Premiums received)	Fair Value (\$)
	<b>Call options written (100 shares per contract)</b>		
	<b>Canadian call options written</b>		
(50)	Bank of Nova Scotia @ \$73 December 2018	(2,050)	(3,000)
(50)	Bank of Nova Scotia @ \$74 December 2018	(2,050)	(1,500)
(100)	BCE Inc. @ \$56 January 2019	(4,500)	(12,950)
(150)	CI Financial Corp. @ \$21 December 2018	(2,250)	(2,625)
(125)	Canadian Imperial Bank of Commerce @ \$120 December 2018	(13,826)	(688)
(250)	Enbridge Inc. @ \$46 January 2019	(14,500)	(10,000)
(100)	National Bank of Canada @ \$62 January 2019	(7,000)	(7,000)
(100)	Royal Bank of Canada @ \$98 January 2019	(15,700)	(18,900)
(50)	Royal Bank of Canada @ \$99.50 December 2018	(3,325)	(2,350)
(75)	Sun Life Financial Inc. @ \$53 December 2018	(3,901)	(188)
(200)	Telus Corporation @ \$48 January 2019	(6,600)	(11,600)
(150)	Thomson Reuters Corp. @ \$64 December 2018	(13,350)	(47,250)
(100)	Toronto-Dominion Bank @ \$74 December 2018	(10,800)	(8,250)
(50)	Toronto-Dominion Bank @ \$75 January 2019	(3,750)	(4,325)
(350)	TransAlta Corporation @ \$8 December 2018	(5,950)	(269)
(150)	TransCanada Corporation @ \$52 December 2018	(21,466)	(39,900)
(200)	TransCanada Corporation @ \$54 December 2018	(11,000)	(22,399)
	<b>Total Canadian call options written (-0.3%)</b>	<b>(142,018)</b>	<b>(193,194)</b>
		<u>62,726,883</u>	<u>68,791,242</u>
	Less adjustments for transaction costs	(41,802)	
	<b>Total Investments (100.0%)</b>	<u>62,685,081</u>	<u>68,791,242</u>

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

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

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**1. Incorporation**

Dividend Select 15 Corp. (the “Company”) is a mutual fund corporation established under the laws of the Province of Ontario on August 26, 2010 that began investment operations on November 19, 2010. The manager and the investment manager of the Company is Quadravest Capital Management Inc. (“Quadravest” or “Manager”). A special meeting of the holders of the Equity shares of the Company was held on October 25, 2017 at which a proposal was passed that eliminated the termination date of the Company originally scheduled for December 1, 2017. The Company’s principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2. The Company invests primarily in an actively managed portfolio of common shares of 15 core large capitalization Canadian companies selected from a portfolio universe of 20 companies. The Company employs an active covered call writing program to enhance the income earned from the portfolio.

**2. Basis of presentation**

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

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

**3. Summary of significant accounting policies**

The following is a summary of the significant accounting policies followed by the Company.

**Investments and financial instruments**

The Company recognizes financial instruments at fair value upon initial recognition.

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

The Company recognizes regular purchases and sales of financial instruments on the trade date, which is the date on which it commits to purchase or sell the instrument. Transaction costs, such as brokerage commissions, related to financial assets classified or designated as at FVTPL are expensed as incurred and transaction costs related to financial instruments not at FVTPL are included in the carrying amounts thereof. A financial asset is derecognized when the rights to receive cash flows from the investment have expired or have been transferred and when the Company has transferred substantially all the risks and rewards of ownership of the asset. Dividends are recognized as income on the ex-dividend date. Realized gains and losses and unrealized appreciation and depreciation are determined on an average cost basis. The cost of investments is determined using the average cost method.

Written option premiums received by the Company are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

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The Class B shares rank prior to the Equity 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 Equity shares may be retracted monthly or annually. 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 Equity shares are recognized initially at the amount expected to be received or paid less, when material, a discount to reduce them to fair value. Subsequently, they are measured at amortized cost using the effective interest rate method less a provision for impairment, if any. Due to their short-term nature, the fair values of these financial assets and liabilities approximate their carrying amounts.

The net asset value of the Company is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process shareholder transactions. For financial reporting purposes, net assets of the Company is determined as the difference between the aggregate amount of the Company's assets and the aggregate amount of its liabilities ("Net Assets of the Company").

### **Valuation of investments**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (such as publicly traded shares and options) are based on the last traded prices at the close of trading on the reporting date. The Company uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, QuadraVest 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

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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 and administration fees**

Management fees and administration are accrued by the Company over time, as services are rendered by Quadinvest. Refer to note 7 for further information about the calculation of management and administration fees of the Company.

**Increase (decrease) in Net Assets Attributable to Holders per Redeemable Equity share**

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

**Taxation**

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

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

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

As a mutual fund corporation, taxable dividends received from taxable Canadian corporations are subject to a Part IV tax of 38 1/3%. Such taxes are fully refundable upon payment of taxable dividends to its shareholders on a basis of \$1.15 for every \$3 of dividends paid. Any such tax paid is reported as an amount receivable until recovered through the payment to shareholders of dividends out of net investment income. All tax on net taxable realized capital gains is refundable when the gains are distributed to shareholders as capital gains dividends or through redemption of shares at the request of shareholders, while the Company qualifies as a mutual fund corporation. As a result of the capital gains refund mechanism and Part IV tax refunds, the Company recovers any Canadian income taxes paid in respect of its capital gains and taxable Canadian dividends. As a result, the Company has determined that it is in substance not taxable. Consequently, the tax benefit of capital and non-capital losses and other temporary differences have not been reflected in the Statements of Financial Position as deferred income tax assets or liabilities.

The Company has estimated accumulated non capital losses for tax purposes of \$3,399,791 (November 30, 2017-\$6,478,464) that are available to lower taxable income in future years if required.

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**4. Critical Accounting Estimates and Judgments**

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

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

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

**5. Management of Risk of Financial Instruments**

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

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

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

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

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 2018 and November 30, 2017:

	Financial assets and liabilities at fair value as at November 30, 2018			
	Level 1	Level 2	Level 3	Total
Equities	\$68,984,436	-	-	\$68,984,436
Options	(\$193,194)	-	-	(\$193,194)
	<u>\$68,791,242</u>	<u>-</u>	<u>-</u>	<u>\$68,791,242</u>

	Financial assets and liabilities at fair value as at November 30, 2017			
	Level 1	Level 2	Level 3	Total
Equities	\$72,237,635	-	-	\$72,237,635
Options	(\$130,293)	-	-	(\$130,293)
	<u>\$72,107,342</u>	<u>-</u>	<u>-</u>	<u>\$72,107,342</u>

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All fair value measurements above are recurring and fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. There were no transfers or reclassifications between levels for the years ended November 30, 2018 and 2017. The Company's net gain (loss) on financial instruments that are held for trading and those designated at FVTPL are as follows:\*

	2018	2017
Realized gain (loss) on derivatives held for trading	\$61,853	\$348,509
Realized gain (loss) on investments designated at FVTPL	\$954,284	\$1,535,618
Net change in unrealized appreciation (depreciation) on investments	(\$5,869,994)	\$2,835,335
Net change in unrealized appreciation (depreciation) on derivatives	\$6,603	\$85,039
Dividends	\$3,020,774	\$2,783,623
Interest	\$14,772	\$121
	<u>(\$1,811,708)</u>	<u>\$7,588,245</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 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 November 30, 2018, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, Net Assets of the Company would have increased by \$6,065,000 (November 30, 2017-\$6,226,000). Similarly,

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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 \$6,713,000 (November 30, 2017-\$7,089,000).

**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 are invested in financial assets and liabilities that 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 insignificant.

**Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Company's reporting currency, will fluctuate due to changes in exchange rates. All portfolio holding and other Net Assets of the Company are denominated in Canadian dollars and therefore there is no currency risk.

**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. 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 Equity shares. The Company receives adequate notice for all redemption requests. The Company's portfolio is invested in highly liquid large capitalization stocks that trade on the TSX. All Equity shares outstanding are redeemable on a monthly and annual basis. All other financial liabilities are payable within three months the end of the year.

**Concentration risk**

An individual portfolio holding may represent no more than 10% of the net asset value of the Company at the time of purchase.

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

	November 30, 2018	November 30, 2017
Canadian Common Equities	94.9%	94.7%
Call Options written	-0.3%	-0.2%
Other Assets less Liabilities	5.4%	5.5%
	<u>100%</u>	<u>100%</u>

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## 6. Redeemable Equity Shares

### Equity and Class B shares

The Company is authorized to issue an unlimited number of Equity shares and 1,000 Class B shares

<u>Equity share transactions</u>	November 30, 2018	November 30, 2017
Beginning of year	8,969,588	9,071,688
Issued during the year	914,000	-
Redeemed during the year	-	<u>(102,100)</u>
End of year	<u>9,883,588</u>	<u>8,969,588</u>

Equity shares were originally issued at \$10 per share. Equity shares currently have a distribution policy in which the monthly dividend payable on the Equity shares is determined by applying a 10% annualized rate on the volume weighted average market price (VWAP) of the Equity shares over the last 3 trading days of the preceding month. A special meeting of the holders of the Equity shares of the Company was held on October 25, 2017 at which a proposal was passed that eliminated the termination date of the Company originally scheduled for December 1, 2017. Holders of Equity shares were provided with a special retraction right (the 2017 Special Retraction Right) which provided the right to retract Equity shares at retraction price of the net asset value per Equity share on November 30, 2017. 102,100 shares were retracted pursuant to the 2017 Special Retraction Right. Equity shares trade under the symbol "DS" on the TSX. Equity shares trading price on the TSX was \$7.08 as at November 30, 2018 (November 30, 2017-\$8.71).

Equity 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 retract an Equity share in the month of March in each year will be entitled to receive an amount equal to the net asset value per Equity share calculated on the last day of March. Equity 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 Equity 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 Company issued 914,000 Equity shares at \$8.55 per share pursuant to a secondary offering that was completed on March 21, 2018. Gross proceeds of \$7,814,700 were received from the sale of Equity shares. Agent's fees and filing fees were \$429,809 in connection with this offering. Net proceeds from the issue of Equity shares from this offering were \$7,384,891.

On September 17, 2010, the Company issued 1,000 Class B shares for \$20 to Dividend Select 15 Holding Trust.

## 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.

Effective December 1, 2017 and pursuant to a proposal that was passed at the special meeting of holders of Equity shares on October 25, 2017, the management and investment management agreement was amended to lower the annual management fee payable to Quadravest from 0.75% to 0.70% of the net asset value of the Company, calculated as at each month-end valuation date, and to change the fee structure of the Company to pay a single management fee to Quadravest out of which any service fees payable to dealers will be paid. This lowered the aggregate annual fees paid from 1.15% to 1.10% of the net asset value of the Company.

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Total management fees of \$850,510 were incurred during the year (November 30, 2017-\$581,610). As at November 30, 2018, \$70,951 (November 30, 2017-\$41,069) was payable to Quadravest with respect to management and administrative fees.

The brokerage commissions paid during the year by the Company for its portfolio transactions were \$21,379 (November 30, 2017-\$32,235).

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

The increase in net assets attributable to holders per redeemable Equity share for the years ended November 30, 2018 and 2017 is calculated as follows:

	2018	2017
Increase (decrease) in net assets attributable to holders of Equity shares	(\$2,941,443)	\$6,227,707
Weighted average shares outstanding	9,655,088	9,071,688
Increase (decrease) in net assets attributable to holders per redeemable Equity share	(\$0.30)	\$0.69

**9. Distributions**

	November 30, 2018	November 30, 2017
Equity shares	\$0.8306	\$0.8681

**10. Capital Management**

The Company considers its capital to consist of its Equity shares and Class B shares. The Company's current objectives in managing its capital are to provide a steady stream of monthly dividends and the opportunity for capital appreciation.

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

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

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

**12. Reconciliation of net asset value per Equity share to net assets attributable to holders per redeemable Equity share**

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



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## **QUADRAVEST CAPITAL MANAGEMENT INC.**

Quadravest Capital Management Inc. was formed in 1997 and is focused on the creation and management of enhanced yield products for retail investors. The investment strategy combines fundamental based equity investing with covered call writing. Guided by four key principles, Quadravest sets attainable investment objectives that allow the team to stay focused on a long-term investment strategy.

The four principles – innovation in financial products, discipline in investment management, solid results for investors, and excellence in client service – form the foundation of Quadravest. Each member of the firm’s tight-knit team is committed to upholding these principles, ensuring a coherence and dedication that is unique to the Company.

Quadravest has raised over \$2.5 billion in initial public offerings.

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## **BOARD OF DIRECTORS**

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

Peter Cruickshank,  
Managing Director,  
Quadravest Capital Management Inc.

Laura Johnson,  
Managing Director  
and Portfolio Manager,  
Quadravest Capital Management Inc.

William Thornhill,  
President,  
William C. Thornhill Consulting Inc.

Michael W. Sharp,  
Retired Partner, Blake, Cassels & Graydon LLP

John Steep,  
President, S. Factor Consulting Inc.

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## **CORPORATE DETAILS**

### **Auditor**

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

### **Transfer Agent**

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

### **Legal Counsel**

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

### **Custodian**

RBC Investor Services Trust  
155 Wellington St. West  
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# Dividend Select

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