

MANAGEMENT RESPONSIBILITY STATEMENT

The financial statements of Life & Banc Split Corp. (the “Fund”) have been prepared by Brompton Funds Limited (the “Manager” of the Fund) and approved by the Board of Directors of the Fund. 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 and include certain amounts that are based on estimates and judgements. The significant accounting policies applicable to the Fund are described in note 3 to the financial statements.

The Board of Directors of the Fund is responsible for ensuring that management fulfills its responsibilities for financial reporting and has reviewed and approved these financial statements. The Board carries out this responsibility through the Audit Committee, which is comprised of a majority of independent directors.

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

(Signed) “Mark A. Caranci”

Mark A. Caranci
Chief Executive Officer
Brompton Funds Limited
March 18, 2020

(Signed) “Craig T. Kikuchi”

Craig T. Kikuchi
Chief Financial Officer
Brompton Funds Limited

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Trustee of Life & Banc Split Corp. (the "Fund")

OUR OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019 and 2018 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

What we have audited

The Fund's financial statements comprise:

- the statements of financial position as at December 31, 2019 and 2018;
- the statements of comprehensive income for the years then ended;
- the statements of cash flows for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable class A shares for the years then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

OTHER INFORMATION

Management is responsible for the other information of the Fund. The other information comprises the Management Report of Fund Performance and the information, other than the financial statements and our auditor's report thereon, included in the annual report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

INDEPENDENT AUDITOR'S REPORT (cont'd)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Derek Hatoum.

(Signed) "PricewaterhouseCoopers LLP"

**Chartered Professional Accountants,
Licensed Public Accountants**

Toronto, Ontario

March 18, 2020

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STATEMENTS OF FINANCIAL POSITION

As at December 31	2019	2018
Assets		
Current assets		
Investments	\$ 493,727,826	\$ 414,340,458
Cash	1,969,992	2,215,040
Income receivable	1,153,606	1,563,272
Prepaid expenses	39,901	24,706
Total assets	496,891,325	418,143,476
Liabilities		
Current liabilities		
Option contracts written, at fair value (note 9)	68,458	19,730
Distributions payable to shareholders (note 6)	6,448,718	5,820,581
Accounts payable and accrued liabilities	377,673	351,114
Class J shares (note 4)	100	100
Preferred shares (note 4)	272,961,580	258,876,580
Total liabilities (excluding Net Assets attributable to holders of redeemable Class A shares)	279,856,529	265,068,105
Net Assets attributable to holders of redeemable Class A shares	\$ 217,034,796	\$ 153,075,371
Redeemable shares outstanding (note 4)		
Preferred shares	27,296,158	25,887,658
Class A shares	27,296,158	25,887,658
Class J shares	100	100
Net Assets attributable to holders of redeemable shares per share		
Preferred share (\$)	10.00	10.00
Class A share (\$)	7.95	5.91
Class J share (\$)	1.00	1.00

Approved by the Board of Directors of Life & Banc Split Corp.

(Signed) "Christopher S.L. Hoffmann"

(Signed) "Mark A. Caranci"

Christopher S.L. Hoffmann
Director

Mark A. Caranci
Director

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STATEMENTS OF COMPREHENSIVE INCOME

For the years ended December 31	2019	2018
Income		
Securities lending income (note 10)	\$ 19,068	\$ 11,853
Net gain (loss) on investments and derivatives:		
Interest income for distribution purposes	-	21,492
Dividend income	19,513,209	17,320,827
Net realized gain (loss) on sale of investments (note 8)	7,199,586	7,171,741
Net change in unrealized gain (loss) on investments	81,200,645	(81,938,268)
Net realized gain (loss) on options (note 8)	(2,888,530)	1,126,825
Net change in unrealized gain (loss) on options	(66,958)	104,126
Total net gain (loss) on investments and derivatives	104,957,952	(56,193,257)
Total income (loss), net	104,977,020	(56,181,404)
Expenses		
Management fees (note 7)	3,136,079	2,922,639
Service fees (Note 7)	812,665	755,072
Audit fees	44,267	43,020
Independent Review Committee fees (note 7)	18,283	22,566
Custodial fees	50,003	45,263
Legal fees	2,926	3,791
Shareholder reporting costs	50,246	36,853
Other administrative expenses	175,048	170,004
Interest and bank charges	624	42
Agents' fees and issuance costs of Preferred shares, amortized	513,740	2,467,698
Transaction costs	27,340	42,168
Total expenses	4,831,221	6,509,116
Net investment income (loss) before distributions on Preferred shares	100,145,799	(62,690,520)
Distributions on Preferred shares (note 6)	(14,684,525)	(11,728,317)
Preferred share premium amortization (note 4)	-	58,201
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares	\$ 85,461,274	\$ (74,360,636)
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares per share¹	\$ 3.17	\$ (3.16)

¹ Based on the weighted average number of Class A shares outstanding during the year (note 4).

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STATEMENTS OF CASH FLOWS

For the years ended December 31	2019	2018
Cash flows from operating activities:		
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares from operations	\$ 85,461,274	\$ (74,360,636)
Adjustments to reconcile net cash provided by (used in) operations:		
Net realized (gain) loss on sale of investments (note 8)	(7,199,586)	(7,171,741)
Net change in unrealized (gain) loss on investments	(81,200,645)	81,938,268
Net realized (gain) loss on options (note 8)	2,888,530	(1,126,825)
Net change in unrealized (gain) loss on options	66,958	(104,126)
Increase (decrease) in distributions payable to Preferred shareholders	487,287	596,281
Preferred shares premium amortization (note 4)	-	(58,201)
Decrease (increase) in income receivable	409,666	(259,876)
Decrease (increase) in prepaid expenses	(15,195)	25,124
Increase (decrease) in accounts payable and accrued liabilities	26,559	(80,509)
Purchase of investments and options (note 8)	(28,428,286)	(159,347,758)
Proceeds from sale of investments and options (note 8)	34,534,389	114,659,371
Cash provided by (used in) operating activities	7,030,951	(45,290,628)
Cash flows from financing activities:		
Proceeds from issuance of redeemable Class A shares (note 4)	11,409,660	34,221,952
Agents' fees and issue costs paid on issuance of redeemable Class A shares (note 4)	(577,747)	(1,659,989)
Proceeds from issuance of redeemable Preferred shares (note 4)	14,086,000	74,304,320
Amounts paid for retraction of redeemable Class A shares (note 4)	(852)	(20,429)
Amounts paid for retraction of redeemable Preferred shares (note 4)	(1,000)	(37,367,460)
Distributions paid to holders of redeemable Class A shares (note 6)	(32,192,060)	(27,898,495)
Cash provided by (used in) financing activities	(7,275,999)	41,579,899
Net increase (decrease) in cash	(245,048)	(3,710,729)
Cash, beginning of year	2,215,040	5,925,769
Cash, end of year	\$ 1,969,992	\$ 2,215,040
Distributions paid on redeemable Preferred shares (note 6) (\$)	14,197,238	11,132,036
Supplemental information:¹		
Dividends received (\$)	19,922,875	17,060,951
Interest received (\$)	-	21,492
Interest paid (\$)	624	42

¹ Included in cash flows from operating activities.

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STATEMENTS OF CHANGES IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE CLASS A SHARES

For the years ended December 31	2019		2018
Net Assets attributable to holders of redeemable Class A shares, beginning of year	\$	153,075,371	\$ 223,162,337
Operations:			
Increase (decrease) in Net Assets attributable to holders of redeemable Class A shares		85,461,274	(74,360,636)
Distributions to holders of redeemable Class A shares (note 6):			
Net investment income		(481,760)	(4,177,425)
Return of capital		(31,851,150)	(24,090,439)
Total		(32,332,910)	(28,267,864)
Redeemable Class A share transactions:			
Proceeds from issuance of redeemable Class A shares (note 4)		11,409,660	34,221,952
Agents' fees and issue costs paid on issuance of redeemable Class A shares (note 4)		(577,747)	(1,659,989)
Retraction of redeemable Class A shares (note 4)		(852)	(20,429)
Net increase (decrease) from redeemable Class A share transactions		10,831,061	32,541,534
Net increase (decrease) in Net Assets attributable to holders of redeemable Class A shares		63,959,425	(70,086,966)
Net Assets attributable to holders of redeemable Class A shares, end of year	\$	217,034,796	\$ 153,075,371

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SCHEDULE OF INVESTMENT PORTFOLIO

As at December 31, 2019

	Number of Shares	Cost \$	Carrying Value \$	% of Portfolio
Banks				
Bank of Montreal	454,773	35,001,674	45,763,807	
Bank of Nova Scotia	657,077	41,263,924	48,190,027	
Canadian Imperial Bank of Commerce	441,670	42,807,004	47,726,860	
National Bank of Canada	729,016	31,397,776	52,496,442	
Royal Bank of Canada	463,507	32,392,366	47,625,344	
Toronto-Dominion Bank	637,618	30,347,564	46,437,719	
		213,210,308	288,240,199	58.4
Insurance				
Great-West Lifeco Inc.	1,446,417	45,793,978	48,107,830	
iA Financial Corporation Inc.	768,078	32,796,700	54,756,281	
Manulife Financial Corp.	1,997,718	42,774,232	52,639,869	
Sun Life Financial Inc.	844,461	32,971,642	49,983,647	
		154,336,552	205,487,627	41.6
Embedded Broker Commission		(122,340)		
Total Investments		367,424,520	493,727,826	100.0

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NOTES TO THE FINANCIAL STATEMENTS

December 31, 2019 and 2018

1. GENERAL INFORMATION

Life & Banc Split Corp. (the “Fund”) is a mutual fund corporation established under the laws of the Province of Ontario on September 6, 2006. Brompton Funds Limited (the “Manager”) is responsible for managing the affairs of the Fund and manages the Fund’s portfolio and options program. The Fund is listed on the Toronto Stock Exchange and commenced operations on October 17, 2006. CIBC Mellon Trust Company is the custodian of the Fund’s assets and prepares the weekly valuations of the Fund. The address of the Fund’s registered office is Bay Wellington Tower, Brookfield Place, Suite 2930, 181 Bay Street, Toronto, Ontario, M5J 2T3.

The Fund invests in a portfolio comprised of common shares of six major Canadian banks and four major, publicly traded Canadian life insurance companies.

These financial statements were approved by the Board of Directors of Life & Banc Split Corp. on March 10, 2020.

2. BASIS OF PRESENTATION

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). The 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.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied.

a) Financial Instruments

The Fund’s portfolio of investments is managed, and performance is evaluated, on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Fund has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (“FVOCI”). The contractual cash flows of the Fund’s debt securities that are solely principal and interest are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, all investments are measured at fair value through profit or loss (“FVTPL”). Derivative assets and liabilities are also measured at FVTPL.

The Fund’s obligation for Net Assets attributable to holders of redeemable Class A shares is measured assuming the redemption of shares at Net Asset Value on the valuation date. All other financial assets and liabilities are initially recognized at fair value and subsequently measured at amortized cost. Under this method, financial assets and liabilities reflect the amounts required to be received or paid, discounted when appropriate, at the financial instrument’s effective interest rate. The Fund’s accounting policies for measuring the fair value of its investments and derivatives are the same as those used in measuring its published Net Asset Value. The carrying values of the Fund’s financial assets and liabilities that are not carried at FVTPL approximate their fair values due to their short-term nature.

b) Fair Value Measurement

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 marketable securities) is based on quoted market prices at the close of trading on the measurement date. The Fund uses the last bid price for financial assets and the last ask price for financial liabilities. The Fund’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, including over-the-counter derivatives, is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each measurement date. Valuation techniques include the use of comparable recent arm’s length transactions, reference to other instruments that are substantially the same, and others commonly used by market participants that make the maximum use of observable inputs. Refer to note 12 for further information about the Fund’s fair value measurements.

c) Cash

Cash is comprised of demand deposits with financial institutions.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

d) Investment Transactions and Income and Expense Recognition

Investment transactions are accounted for on the trade date. The interest for distribution purposes shown on the Statements of Comprehensive Income represents the coupon interest received by the Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds, which are amortized on a straight line basis.

Realized gain (loss) on sale of investments and change in unrealized gain (loss) on investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds. Dividend income and dividend expense on securities sold short are recognized on the ex-dividend date.

Option premiums paid or received by the Fund are, so long as the options are outstanding, reflected as an asset or liability, respectively, 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, repurchase or exercise of the options are included in net realized gains or losses on options.

e) Transaction Costs

Transaction costs directly attributable to the acquisition or disposal of an investment are expensed in the period incurred and disclosed as "Transaction costs" in the Statements of Comprehensive Income.

f) Income Taxes

The Fund is a mutual fund corporation as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to tax of 38 1/3% under Part IV of the Act on taxable dividends received from Canadian corporations in the year. This tax is fully refundable upon payment of sufficient dividends.

The Fund is also a financial intermediary corporation as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid by the Fund on taxable preferred shares as defined in the Act.

Given the investment and dividend policy of the Fund and taking into account the deduction of expenses and taxable dividends on shares of taxable Canadian corporations, the Fund does not expect to be subject to any appreciable amount of non-refundable Canadian income tax. Accordingly, no income tax provision has been recorded.

g) Securities Lending

The Fund may enter into securities lending transactions. These transactions involve the temporary exchange of securities as collateral with a commitment to deliver the same securities on a future date. Income is earned from these transactions in the form of fees paid by the counterparty and, in certain circumstances, interest paid on securities held as collateral. Income earned from these transactions is recognized on an accrual basis and included in the Statements of Comprehensive Income.

h) Classification of Redeemable Shares by the Fund

As required under International Accounting Standard ("IAS") 32, Financial Instruments: Presentation, shares of an entity which include a contractual obligation for the issuer to repurchase or redeem them for cash or another financial asset must be classified as financial liabilities. Under IFRS, the Fund's Preferred shares remain as liabilities as they are not the most subordinate class of shares. The Fund's Class A shares do not meet the criteria in IAS 32 for classification as equity. The Class A shares contain multiple redemption features and, therefore, have been reclassified as financial liabilities. Class J shares are redeemable at \$1.00 per share.

4. REDEEMABLE SHARES

Units

A unit means a notional unit consisting of one Preferred share and one Class A share. Net Asset Value per unit is determined by (i) the aggregate value of the assets of the Fund, less (ii) the aggregate value of the liabilities of the Fund (the Preferred shares will not be treated as liabilities), including any distributions declared and not paid that are payable to shareholders, less (iii) the stated capital of Class J shares (\$100).

Class J Shares

The Fund is authorized to issue an unlimited number of Class J shares.

As of December 31, 2019, 100 (December 31, 2018 - 100) Class J shares were outstanding.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

Class J shares are not entitled to receive dividends but are entitled to one vote per share. The Class J shares are redeemable and retractable at a price of \$1.00 per share.

Redeemable Class A Shares

Authorized

The Fund is authorized to issue an unlimited number of Class A shares.

The Fund intends to pay monthly, non-cumulative distributions to the holders of Class A shares. No distributions will be paid on Class A shares if (i) distributions payable on the Preferred shares are in arrears or (ii) after the payment of the distributions by the Fund, the Net Asset Value per unit is less than \$15.00.

The Class A shares rank subsequent to the Preferred shares but in priority to the Class J shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation or winding-up of the Fund. Each Class A share is entitled to one vote on certain shareholder matters.

The maturity date of the Class A shares was extended from November 29, 2018 to October 30, 2023. The Class A shares are scheduled to be redeemed by the Fund on that date unless the term of the Fund is extended. The redemption price payable by the Fund for a Class A share on that date will be equal to the greater of (i) the Net Asset Value per unit on that date minus the sum of \$10.00, plus any accrued and unpaid distributions on the Preferred shares, and (ii) nil.

Class A shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Holders of Class A shares whose Class A shares are surrendered for retraction will be entitled to receive a price per Class A share equal to 96% of the difference between (i) the Net Asset Value per unit determined as of the relevant Retraction Date and (ii) the cost to the Fund of the purchase of a Preferred share for cancellation. The cost of the purchase of a Preferred share includes the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund's portfolio required to fund such purchase. If the Net Asset Value per unit is less than \$10.00, the retraction price of a Class A share will be nil.

A holder of Class A shares may concurrently retract an equal number of Class A and Preferred shares on the November Retraction Date of each year, at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Class A shares and the Preferred shares must both be surrendered for retraction at least 10 business days prior to the November Retraction Date.

As a result of the extension of the maturity date to October 30, 2023, holders of Class A shares could have retracted their Class A shares on November 29, 2018 by providing notice by the last business day of October 2018. This special retraction right did not require the surrender of both a Class A share and a Preferred share.

The Fund's Class A shares are classified as financial liabilities on the Statements of Financial Position.

Issued

	2019 Number of Shares	2018 Number of Shares
Redeemable Class A shares, outstanding at January 1	25,887,658	22,193,972
Issuance of redeemable Class A shares	1,408,600	3,696,400
Retraction of redeemable Class A shares	(100)	(2,714)
Redeemable Class A shares, outstanding at December 31	27,296,158	25,887,658
Weighted average number of redeemable Class A shares outstanding	26,944,098	23,549,280

On April 4, 2019, the Fund issued 1,408,600 shares at \$8.10 per share for gross proceeds of \$11,409,660. Agent's fees and issue costs amounted to \$587,274.

On July 4, 2018, the Fund completed an offering of 2,532,000 Class A shares at a price of \$9.80 per share for gross proceeds of \$24,813,600. Agents' fees and issue costs amounted to \$1,210,652.

On December 3, 2018, the Fund completed an offering of 1,164,400 Class A shares at a price of \$8.08 per share for gross proceeds of \$9,408,352. Agents' fees and issue costs accounted for \$450,767.

During the year ended December 31, 2018, pursuant to the annual retraction option, 100 Class A shares were retracted. During the year ended December 31, 2018, 2,714 Class A shares were retracted pursuant to the special retraction option.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

During the year ended December 31, 2019, pursuant to the monthly retraction option, no Class A shares were purchased for cancellation (year ended December 31, 2018 – nil).

On December 31, 2019, the Class A shares' closing market price was \$7.97 per share (December 31, 2018 – \$6.68).

Redeemable Preferred Shares

Authorized

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

Holders of Preferred shares were entitled to receive fixed, cumulative, preferential quarterly cash distributions of \$0.11875 per share up to November 29, 2018. Commencing November 30, 2018, the quarterly cash distributions were increased to \$0.13625 per share. The Preferred shares rank in priority to the Class A shares with respect to the payment of distributions and the repayment of capital on the dissolution, liquidation, or winding-up of the Fund. Each Preferred share is entitled to one vote on certain shareholder matters.

The maturity date of the Preferred shares was extended from November 29, 2018 to October 30, 2023. The Preferred shares are scheduled to be redeemed by the Fund on that date unless the term of the Fund is extended. The redemption price payable by the Fund for a Preferred share will be equal to the lesser of (i) \$10.00, plus any accrued and unpaid distributions thereon, and (ii) the Net Asset Value of the Fund on that date divided by the number of Preferred shares then outstanding.

Preferred shares may be surrendered for retraction by the Fund at least 10 business days prior to the second last business day of a month ("Retraction Date"). Shareholders whose Preferred shares are retracted will be entitled to receive a price per share equal to 96% of the lesser of (i) the Net Asset Value per unit determined as of the relevant Retraction Date, less the cost to the Fund of the purchase of a Class A share for cancellation, and (ii) \$10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and other costs, if any, related to the liquidation of any portion of the portfolio required to fund such purchase.

A holder of Preferred shares may also concurrently retract an equal number of Preferred shares and Class A shares on the second last business day of November of each year (except for a year in which there is a scheduled maturity date) at a price per unit equal to the Net Asset Value per unit on that date, less any costs associated with the retraction, including commissions and such other costs, if any, related to the liquidation of any portion of the portfolio required to fund such retraction. The Preferred shares and Class A shares must both be surrendered for retraction at least 10 business days prior to the November Retraction Date.

As a result of the extension of the maturity date to October 30, 2023, holders of Preferred shares could have retracted their Preferred shares on November 29, 2018 by providing notice by the last business day of October 2018. This special retraction did not require the surrender of both a Preferred share and a Class A share.

Issued

	2019 Number of Shares	2018 Number of Shares
Redeemable Preferred shares, outstanding at January 1	25,887,658	22,193,972
Issuance of redeemable Preferred shares	1,408,600	7,430,432
Retraction of redeemable Preferred shares	(100)	(3,736,746)
Redeemable Preferred shares, outstanding at December 31	27,296,158	25,887,658

On April 4, 2019, the Fund issued 1,408,600 Preferred shares at a price of \$10 per share for gross proceeds of \$14,086,000.

On July 4, 2018, the Fund completed an offering of 2,532,000 Preferred shares at a price of \$10 per share for gross proceeds of \$25,320,000.

On December 3, 2018, the Fund completed an offering of 4,898,432 Preferred shares at a price of \$10 per share for gross proceeds of \$48,984,320.

The difference between the issuance price of Preferred shares following an offering and the redemption value, plus accrued dividends, is treated as premium received. The cumulative premium received over the years is \$222,759, which is amortized over the life of the Preferred shares. As of December 31, 2018, the premium was completely amortized and carried a zero balance. Hence, no amortization was done during the year ended December 31, 2019 (year ended December 31, 2018 - \$58,201).

During the year ended December 31, 2018, pursuant to the annual retraction option, 100 Preferred shares were retracted. During the year ended December 31, 2018, 3,736,746 Preferred Shares were retracted pursuant to the special retraction option.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

During the year ended December 31, 2019, pursuant to the monthly retraction option, no Preferred shares were purchased for cancellation (year ended December 31, 2018 – nil).

On December 31, 2019, the Preferred shares' closing market price was \$10.31 per share (December 31, 2018 – \$9.84).

5. CAPITAL MANAGEMENT

The Fund's capital is comprised of its Net Assets attributable to holders of redeemable Class A shares. The Fund's objectives in managing its capital are:

i) to provide holders of Preferred shares with fixed, cumulative, preferential quarterly cash distributions and to return the original issue price to holders of the shares on the maturity date, the terms of which may be extended for a period of up to five years as determined by the Board of Directors or such other date if the term of the Fund is extended, and

ii) to provide holders of Class A shares with regular monthly cash distributions targeted to be \$0.10 per share and the opportunity for growth in Net Asset Value per share.

The Fund manages its capital taking into consideration the risk characteristics of its holdings. In order to manage its capital structure, the Fund may adjust the amount of distributions paid to shareholders or return capital to shareholders.

6. DISTRIBUTIONS TO SHAREHOLDERS

Distributions are made on a quarterly basis on the Preferred shares and on a monthly basis on the Class A shares. Distributions are payable no later than the tenth business day of the following month.

For the year ended December 31, 2019, the Fund declared distributions of \$1.20 (year ended December 31, 2018 - \$1.20) per Class A share and recorded distributions of \$0.545 (year ended December 31, 2018 - \$0.4811) per Preferred share, which amounted to \$32,332,910 (year ended December 31, 2018 - \$28,267,864) and \$14,684,525 (year ended December 31, 2018 - \$11,728,317), respectively.

On January 24, 2020, the Fund declared \$0.10 per Class A share in monthly distributions for record date January 31, 2020.

7. RELATED PARTY TRANSACTIONS

a) Management and Service Fees

Pursuant to a management agreement, the Manager provides management, administrative and advisory services, including key management personnel, to the Fund. In consideration for these services, the Fund pays a management fee equal to 0.60% per annum of the Net Asset Value of the Fund, plus applicable taxes. The Net Asset Value of the Fund is determined by taking the total assets of the Fund and deducting the Fund's liabilities. For these purposes, the Class A and Preferred shares are not considered liabilities of the Fund. These fees are calculated and payable monthly. The Fund also pays to the Manager a service fee equal to 0.40% per annum of the Net Asset Value of the Class A shares. The service fee is in turn paid by the Manager to the investment dealers in proportion to the number of shares held by clients of each dealer at the end of each calendar quarter. Beginning January 1, 2020, the Fund will discontinue the service fee.

For the year ended December 31, 2019, the management fee amounted to \$3,136,079 (year ended December 31, 2018 - \$2,922,639), of which \$48 was prepaid as of December 31, 2019 (December 31, 2018 - \$797 prepaid). The service fees for the year ended December 31, 2019 amounted to \$812,665 (year ended December 31, 2018 - \$755,072), with \$217,499 payable as of December 31, 2019 (December 31, 2018 - \$153,816). The Fund is responsible for the payment of all expenses relating to its operations and the carrying on of its business.

b) Independent Review Committee Fees

The total remuneration paid to members of the Independent Review Committee during the year ended December 31, 2019 was \$18,283 (year ended December 31, 2018 - \$22,566) and consisted only of fees. As at December 31, 2019, there was nil in Independent Review Committee fees payable (December 31, 2018 – nil).

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

8. INVESTMENT TRANSACTIONS

Investment transactions, excluding brokerage commissions, for the years ended December 31 were as follows:

	2019 \$	2018 \$
Proceeds from sale of investments and options	34,534,389	114,659,371
Less cost of investments and options sold:		
Investments and options at cost, beginning of year	369,142,607	320,321,011
Investments purchased and options written during the year	28,428,286	155,182,401
Investments and options at cost, end of year	(367,347,560)	(369,142,607)
Cost of investments sold and options written during the year	30,223,333	106,360,805
Net realized gain (loss) on sale of investments and options	4,311,056	8,298,566

There were no soft dollar commissions paid by the Fund for the years ended December 31, 2019 and 2018.

9. OPTION CONTRACTS

The Fund may write covered call or cash covered put options to generate additional income. The Fund had the following call option contracts outstanding:

As at December 31, 2019:

Underlying Interest	No. of Contracts ¹	Expiration Date	Option Strike Price	Premium Received \$	Fair Value \$
Bank of Montreal	708	21-Feb-20	104.00	46,020	(18,408)
iA Financial Corporation Inc.	910	17-Jan-20	72.00	30,940	(50,050)
				76,960	(68,458)

¹ Each contract was written for 100 shares of the underlying security.

As at December 31, 2018:

Underlying Interest	No. of Contracts ¹	Expiration Date	Option Strike Price	Premium Received \$	Fair Value \$
Bank of Nova Scotia (The)	630	18-Jan-19	74.00	33,390	(6,930)
Canadian Imperial Bank of Commerce	400	18-Jan-19	115.00	30,000	(6,800)
Toronto-Dominion Bank (The)	600	18-Jan-19	76.00	31,800	(6,000)
				95,190	(19,730)

¹ Each contract was written for 100 shares of the underlying security.

10. SECURITIES LENDING

The Fund has entered into a securities lending program with its custodian, CIBC Mellon Trust Company (and certain of its affiliates). The aggregate market value of all securities loaned by the Fund cannot exceed 50% of the assets of the Fund. The Fund will receive collateral of at least 102% of the value of the securities on loan. Collateral will generally be comprised of cash and obligations of, or guaranteed by, the Government of Canada or a province thereof, or the United States Government or its agencies, or a permitted supranational agency as defined in National Instrument 81-102. The market values of the securities on loan and the related collateral at December 31, 2019 were \$34.6 million (December 31, 2018 – \$14.2 million) and \$36.3 million (December 31, 2018 – \$14.9 million), respectively.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

Securities lending income reported in the Statements of Comprehensive Income is net of a securities lending charge which the Fund's custodian, CIBC Mellon Trust Company (and certain of its affiliates), is entitled to receive.

For the years ended December 31, securities lending income was as follows:

	2019	2018
	\$	\$
Gross securities lending income	27,239	16,932
Securities lending charges	(8,171)	(5,079)
Net securities lending income received by the Fund	19,068	11,853

During the year ended December 31, 2019, securities lending charges represented 30.0% (year ended December 31, 2018 – 30.0%) of the gross securities lending income.

11. FINANCIAL RISK MANAGEMENT

The Fund's investment activities expose it to a variety of financial risks. The Schedule of Investment Portfolio presents the securities held by the Fund as at December 31, 2019, and groups the securities by market segment. The following comparative summary represents the investment sectors held by the Fund as at December 31, 2018. Significant risks that are relevant to the Fund are discussed below.

As at	December 31, 2018
Investment Sector	% of Portfolio
Banks	60.5
Insurance	39.5
Total	100.0

The Manager attempts to minimize the potential adverse effects of these risks on the Fund's performance by employing regular rebalancing of the investment portfolio within the constraints of the investment objectives. To assist in managing these risks, the Manager also maintains a governance structure that oversees the Fund's investment activities and monitors compliance with the Fund's stated investment strategy and restrictions, internal guidelines, and securities regulations.

The investment portfolio is comprised of Canadian-dollar-denominated, exchange-listed equity securities.

a) Other 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), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. All securities present a risk of loss of capital. The Manager attempts to moderate this risk through the careful management of derivatives within the parameters of the investment strategy. Except for options written, the maximum risk of loss resulting from financial instruments is equivalent to their fair value. No additional risk is introduced by covered call options written.

The Fund is exposed to other price risk from its investment in equity securities and option contracts. As at December 31, 2019, had the prices on the respective stock exchanges for these securities increased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have increased by approximately \$48.3 million or 22.3% (December 31, 2018 – approximately \$41.2 million or 26.9%). Similarly, had the prices on the respective stock exchanges for these securities decreased by 10%, with all other variables held constant, Net Assets attributable to holders of redeemable Class A shares would have decreased by approximately \$49.3 million or 22.7% (December 31, 2018 – approximately \$41.4 million or 27.1%). In practice, the actual trading results may differ, and the difference could be material.

b) Credit Risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund. The Fund did not have significant credit risk exposure as at December 31, 2019 and 2018. The carrying amount of securities on loan, cash and income receivable represents the maximum credit risk exposure as they will be settled in the short term.

All transactions in securities are settled/paid for upon delivery. The risk of default is considered minimal as delivery of securities sold is only made once the Fund has received payment. The trade will fail if either party fails to meet its obligation.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

The Fund has entered into a securities lending program with its custodian; see note 10. Credit risk associated with these transactions is considered minimal as all counterparties have a sufficient, approved credit rating and the value of cash or securities held as collateral must be at least 102% of the fair value of the securities loaned.

e) Liquidity Risk

Liquidity risk is the risk that the Fund may not be able to settle or meet its obligations on time or at a reasonable price. The Fund is exposed to liquidity risk through its monthly and annual retractions of Class A shares and Preferred shares. For the monthly and annual retractions of Class A shares and Preferred shares, the Fund receives notice at least 10 business days prior to the retraction dates, which gives the Manager time to sell securities, although there may not be sufficient time to sell the securities at a reasonable price. As a result of the extension of the maturity date of the Fund to October 30, 2023, holders of Class A shares and Preferred shares could retract their shares on November 29, 2018 by providing notice by the last business day of October 2018.

The tables below list the Fund's financial liabilities into relevant maturity groupings based on the remaining period between the financial statement date and the contractual maturity date.

As at December 31, 2019	Less Than 3 Months \$	3 Months to 1 Year \$	Greater Than 1 Year \$	Total \$
Option contracts written, at fair value	68,458	-	-	68,458
Accounts payable and accrued liabilities	377,673	-	-	377,673
Distributions payable to shareholders	6,448,718	-	-	6,448,718
Total	6,894,849	-	-	6,894,849

As at December 31, 2018	Less Than 3 Months \$	3 Months to 1 Year \$	Greater Than 1 Year \$	Total \$
Option contracts written, at fair value	19,730	-	-	19,730
Accounts payable and accrued liabilities	351,114	-	-	351,114
Distributions payable to shareholders	5,820,581	-	-	5,820,581
Total	6,191,425	-	-	6,191,425

d) Currency Risk

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Fund's reporting currency, will fluctuate due to changes in exchange rates. As at December 31, 2019 and 2018, the Fund had no exposure to currency risk.

12. FAIR VALUE MEASUREMENT

The Fund's assets and liabilities recorded at fair value have been categorized within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The Fund classifies its investments and derivative assets/liabilities into three categories based on the nature of the inputs used to determine their fair value. The categories and the nature of the inputs used in each category are as follows:

Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3: Inputs that are unobservable. There is little if any market activity. Inputs into the determination of fair value require significant management judgement or estimation.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

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NOTES TO THE FINANCIAL STATEMENTS (cont'd)

December 31, 2019 and 2018

Assets and liabilities at fair value as at December 31, 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities	493,727,826	-	-	493,727,826
Option contracts written	(68,458)	-	-	(68,458)
Total	493,659,368	-	-	493,659,368

Assets and liabilities at fair value as at December 31, 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Equities	414,340,458	-	-	414,340,458
Option contracts written	(19,730)	-	-	(19,730)
Total	414,320,728	-	-	414,320,728

The Preferred shares issued and outstanding as at December 31, 2019 had a retraction price per share of \$10.00 (December 31, 2018 – \$10.00) and a traded price per share of \$10.31 (December 31, 2018 – \$9.84).

There were no transfers of financial assets and liabilities between the levels during the years ended December 31, 2019 and 2018.

All fair value measurements above are recurring. The carrying values of cash, income receivable, prepaid expenses, distributions payable and accounts payable and accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as level 1 subsequently ceases to be actively traded, it is transferred out of level 1. In such cases, the instrument is reclassified into level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as level 3.

a) Equities

The Fund's equity positions are classified as level 1 as the securities are actively traded and a reliable price is observable. The net realized and net change in unrealized gain from equity securities during the year ended December 31, 2019 was \$88,400,231 (year ended December 31, 2018 - loss of \$74,766,527).

b) Option Contracts

The Fund's option contracts written are classified as level 1 as the options are based on unadjusted quoted prices in active markets. The net realized and net change in unrealized loss from option contracts during the year ended December 31, 2019 was \$2,955,488 (year ended December 31, 2018 – gain of \$1,230,951).