

# Portfolio Protection Plan

*Quadravest Capital Management*

## Which Quadravest Split Share Funds have a Portfolio Protection Plan (PPP)?

Quadravest Split share Funds that have a Capital share and a Preferred share that were **both** issued at \$10 each have a Portfolio Protection Plan (PPP). Currently there are three funds:

1. Commerce Split Corp. (invests in common shares of CIBC)
2. M Split Corp. (invests in common shares of Manulife)
3. TDb Split Corp. (invests in common share of TD Bank)

## What is the purpose of a PPP?

The Plan is intended to ensure full principal repayment of the original Preferred Share par value (\$10) is returned at windup of the fund.

## When would the PPP apply?

If the Fund's net asset value per unit (based on one Capital and one Preferred) declines below \$12.50, excluding the effects of cash balances, the Plan would apply.

## How does it work?

If coverage falls below 125%, management would sell **a limited portion** of the underlying common shares and put the proceeds aside into cash / cash equivalents or a forward agreement. The entire portfolio would **not** be liquidated. The number of shares sold would be limited to the portion required to maintain the asset coverage ratio at 125% (excluding amounts already set aside).

Should the underlying common shares of the portfolio continue to decline, management would sell more common stock and add to the forward accordingly, keeping asset coverage at 125% for the Preferred.

On the other hand, if the underlying common stock appreciates, the asset coverage would grow therefore management would unwind the forward as appropriate and invest the proceeds back into common shares.

### **One portfolio, two classes of shares:**

- **Preferred Shares** (Priority Equity) - *fixed, cumulative monthly payments, with repayment of issue price ensured by the Portfolio Protection Plan.*
- **Capital Shares** (Class A) - *targeted monthly payments with potential for special payments plus benefits from any upside in the portfolio.*

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*For more information on Quadravest Split Share Funds please visit:*

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