

**JUNE 30** | **INCOME FINANCIAL TRUST**  
**2024** | **SEMI-ANNUAL REPORT**  
**(UNAUDITED)**



This report may contain forward-looking statements about the Trust. 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 Trust 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 Trust 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 Trust. 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 Trust currently anticipates that subsequent events and developments may cause the Trust’s views to change, the Trust does not undertake to update any forward-looking statements.

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**INCOME FINANCIAL TRUST**  
**SEMI-ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**

**JUNE 30, 2024**

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This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended June 30, 2024. This MRFP contains financial highlights but does not contain the complete financial statements of Income Financial Trust (“the Trust”). The semi-annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Trust’s proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at [www.quadravest.com](http://www.quadravest.com) or by writing to the Trust at Investor Relations, 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2.

These reports are available to view and download at [www.quadravest.com](http://www.quadravest.com) or [www.sedarplus.com](http://www.sedarplus.com).

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**INVESTMENT OBJECTIVES AND STRATEGIES**

The Trust’s goal is to provide monthly distributions at an annual rate of 10% (based on the volume weighted average market price (VWAP) of Income Financial’s units over the last 3 trading days of the previous month). The Trust has a scheduled termination date of January 1, 2029 which may be extended thereafter at the Trust’s discretion for additional terms of five years each. The units trade on the Toronto Stock Exchange under the symbol INC.UN.

The portfolio is actively managed and is invested in North American financial services companies whose shares are included in the S&P/TSX Capped Financials Index, the S&P 500 Financials Index or the S&P MidCap 400 Financials Index. Many of the leading financial services companies in North America, in the banking, insurance, brokerage, investment management and/or specialty finance sectors, are held within the portfolio.

In order to generate additional income above the dividend and interest income earned in the portfolio, the Trust writes covered call options on some or all of the underlying securities in the portfolio. This conservative strategy is designed to enhance the income in the portfolio by enabling the Trust to earn strong income in times of volatile markets while reducing the effects of market corrections. In addition, this source of income is treated as capital gains and as such receives a more favourable tax treatment relative to other sources of income.

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**RISK**

The risks of investing in the Trust remain as discussed in the Annual Information form dated March 22, 2024. In addition, note 5 of the financial statements (“Management of Financial Risk”) contains disclosure on specific types of risks related to the financial investments held by the Trust.

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## RESULTS OF OPERATIONS

North American equity markets gained during the six month period ended June 30, 2024. In Canada, these gains were a result of higher commodity prices and lower inflation while in the U.S. the gains were fueled by optimism around interest rate cuts. U.S. GDP growth declined markedly in the first quarter of 2024 as compared to the fourth quarter of 2023 with deteriorating trade, inventories, weakened consumer spending, and increased uncertainty regarding the presidential election and resulting policies having contributed to the slowdown. In Canada, the economy continued to moderate, with unemployment rising and wage growth slowing. With continued evidence of the easing of inflation, the Bank of Canada reduced its policy rate by 0.25% in June 2024. The U.S. Federal Reserve maintained its policy rate unchanged during the period waiting for more data to confirm low inflation readings before starting rate cuts.

Though the spread between the 10-year and 2-year treasury yield continued to narrow, the yield curve continued to be inverted during the period, with shorter term maturities yielding more than longer-term maturities, which generally adversely impacts the earnings potential of financial services companies and creates headwinds for business investments.

Overall, most of the companies held in the portfolio appreciated during the period.

The net assets per unit finished at \$7.32 as at June 30, 2024 after the payment of \$0.38 in distributions during the period.

During the period ended June 30, 2024, 5,700 units were sold through an at-the-market equity program (the "ATM Program") at an average selling price of \$7.51 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$42,783, \$42,002 and \$781, respectively.

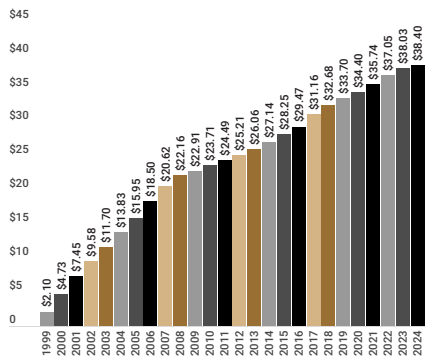
The portfolio was weighed 44.5% in Canadian financial services stocks and 55.5% in U.S. financial services stocks as at June 30, 2024.

At various times during the period, increased volatility in financial markets created opportunities for the Trust to add higher option premiums through the covered call writing program.

## Distributions

The distributions paid during the period include 6 monthly payments for a total of \$0.38 per unit. The variable monthly distribution policy is determined by applying a 10% annualized rate on the volume weighted average market price of the Trust's units over the last 3 trading days of the preceding month.

## Cumulative Distributions since inception



38.40

Cumulative total of distributions paid since inception

## RECENT DEVELOPMENTS

Financial markets and equity markets have experienced volatility in response to significant macroeconomic factors, including central bank responses to inflation levels and geopolitical events and tensions, including military events. The investment portfolio of the Trust has been subject to these market fluctuations and may continue to experience significant volatility as these situations evolve.

## RELATED PARTY TRANSACTIONS

Quadravest Capital Management Inc. ("Quadravest") as investment manager and manager earns fees from the Trust as described below in the Management fees section.

## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Trust and are intended to help you understand the Trust's semi-annual financial statements and previous audited annual financial statements. The information in the following table is presented in accordance with National Instrument ("NI") 81-106 and, as a result, does not act as a continuity of opening and closing net assets per unit.

### The Trust's net assets per unit

	June 30, 2024	Years ended December 31				
		2023	2022	2021	2020	2019
Net assets per unit, beginning of period	6.97	7.53	8.09	6.92	8.21	7.64
Increase (decrease) from operations						
Total revenue	0.14	0.29	0.25	0.23	0.26	0.28
Total expenses	(0.08)	(0.14)	(0.15)	(0.18)	(0.16)	(0.17)
Realized gains (losses) for the period	(0.02)	(0.03)	0.12	0.19	0.29	0.29
Unrealized gains (losses) for the period	0.69	0.22	(0.72)	1.51	(1.01)	1.19
Total increase (decrease) from operations <sup>(1)</sup>	<u>0.73</u>	<u>0.34</u>	<u>(0.50)</u>	<u>1.75</u>	<u>(0.62)</u>	<u>1.59</u>
Distributions <sup>(2)</sup>						
Canadian dividends	(0.04)	(0.09)	(0.04)	-	(0.09)	(0.11)
Return of Capital	<u>(0.34)</u>	<u>(0.88)</u>	<u>(1.27)</u>	<u>(1.34)</u>	<u>(0.61)</u>	<u>(0.91)</u>
Total annual distributions	<u>(0.38)</u>	<u>(0.97)</u>	<u>(1.31)</u>	<u>(1.34)</u>	<u>(0.70)</u>	<u>(1.02)</u>
Net assets per unit, end of period	7.32	6.97	7.53	8.09	6.92	8.21

- (1) Total increase (decrease) from operations is before the payment of distributions and is calculated based on the weighted average number of units outstanding during the period.
- (2) Distributions are based on the number of units outstanding on the record date for each distribution and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors (for semi-annual periods ended June 30, it is based on the actual characterization for the most recently completed annual period and will be updated at year end).

## RATIOS AND SUPPLEMENTAL DATA

	June 30, 2024	Years ended December 31				
		2023	2022	2021	2020	2019
Net asset value (millions) <sup>(1)</sup>	\$24.6	\$23.3	\$24.4	\$20.3	\$15.6	\$19.1
Number of units outstanding	3,354,770	3,349,070	3,235,070	2,514,970	2,260,970	2,323,488
Management expense ratio <sup>(2)</sup>	1.82%	2.50%	3.28%	3.42%	2.19%	1.87%
Portfolio turnover rate <sup>(3)</sup>	1.01%	2.15%	9.45%	6.07%	6.01%	0.00%
Trading expense ratio <sup>(4)</sup>	0.04%	0.02%	0.03%	0.01%	0.04%	0.01%
Closing market price (TSX)	\$7.40	\$7.32	\$11.60	\$15.07	\$7.76	\$9.08

(1) This information is provided as at June 30 or December 31.

(2) Management expense ratio is based on the total expenses (excluding commissions and other portfolio transaction costs and withholding tax) of the Trust for the stated period, including unit issuance costs, and is expressed as an annualized percentage of the average net asset value during the period. Excluding unit issuance costs, the management expense ratio for the period ended June 30, 2024 was 1.82% (December 31, 2023-1.71%).

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

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

## MANAGEMENT FEES

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable monthly in arrears at an annual rate of 0.65% of the Trust's net asset value, calculated as at each month-end valuation date.

Pursuant to the management agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate equal to 0.1% of the net asset value of the Trust, calculated as at each month-end valuation date.

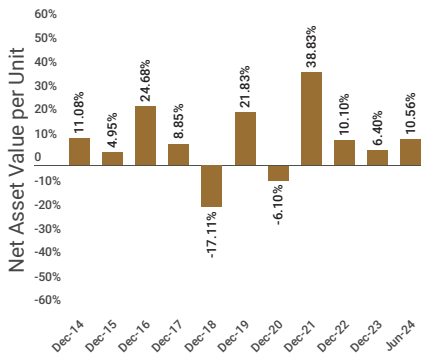
The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required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

## PAST PERFORMANCE

### Year-by-Year Returns

The past performance of the net asset value per unit for the year ended December 31, 2023 and for each 12 month period ended December 31 over the last 10 years is presented in the bar chart below. Each bar in the chart reflects the change in percentage terms of how a unit 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 Trust during the years shown were reinvested in the applicable additional securities of the Trust;
- 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 Trust does not necessarily indicate how it will perform in the future.





**SUMMARY OF INVESTMENT PORTFOLIO**  
**All holdings as at June 30, 2024**

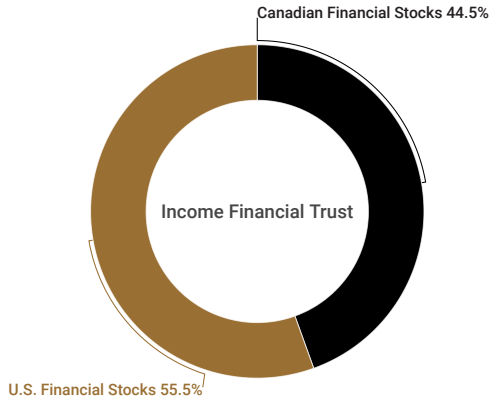
<b>Name</b>	<b>Weighting (%)</b>
Goldman Sachs Group Inc.	11.1
Royal Bank of Canada	6.2
TMX Group Inc.	5.4
Sun Life Financial Inc.	4.9
American Express Company	4.0
Guardian Capital Group Ltd.	4.0
National Bank of Canada	4.0
Manulife Financial Corporation	3.7
Wells Fargo & Co.	3.6
Bank of America	3.6
Morgan Stanley	3.4
Canadian Imperial Bank of Commerce	3.3
Toronto-Dominion Bank	3.1
Huntington Bancshares, Inc.	2.9
Citigroup Inc.	2.8
Janus Henderson Group PLC	2.7
Regions Financial Corp.	2.4
Intact Financial Corp.	2.3
State Street Corporation	2.3
J.P. Morgan Chase & Co.	2.3
Synovus Financial	2.2
Bank of Nova Scotia	2.1
Texas Capital BancShares Inc.	2.1
First Horizon National	2.0
Zions Bancorporation	1.7
US Bancorp.	1.5
AGF Management Ltd., Class 'B'	1.4
Truist Financial Corp.	1.3
Fiera Sceptre Inc.	1.3
Franklin Resources Inc.	1.1
East West Bancorp Inc.	1.0
CI Financial Corp.	1.0
IGM Financial Inc.	0.9
Fifth Third Bancorporation	0.5
<b>Total long positions as a percentage of net assets</b>	<b>98.1</b>
Cash	2.7
Other net assets (liabilities)	-0.8
	100.0

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

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## PORTFOLIO BREAKDOWN

The following pie chart shows the composition of the Trust's holdings between Canadian and U.S. financial services companies.



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**INCOME FINANCIAL TRUST**  
**MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING**

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

The Manager maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The interim financial statements have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards"), as applicable to the preparation of interim financial statements, including International Accounting Standard ("IAS") 34, Interim Financial Reporting, and may include certain amounts that are based on estimates and judgments. The material accounting policy information applicable to the Trust is described in note 3 to the financial statements.

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



**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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**INCOME FINANCIAL TRUST**  
**STATEMENTS OF FINANCIAL POSITION**

AS AT JUNE 30, 2024 (UNAUDITED) AND DECEMBER 31, 2023

	2024 (\$)	2023 (\$)
<b>ASSETS</b>		
Current Assets		
Investments (note 5)	24,130,314	22,207,320
Cash	663,744	1,448,103
Interest, dividends and other receivables	58,518	58,052
Total assets	<u>24,852,576</u>	<u>23,713,475</u>
<b>LIABILITIES</b>		
Current liabilities		
Written Options	29,962	120,297
Fees and other accounts payable	45,317	52,221
Distributions payable	<u>209,405</u>	<u>196,189</u>
	<u>284,684</u>	<u>368,707</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<u><b>24,567,892</b></u>	<u><b>23,344,768</b></u>
Number of redeemable units outstanding (note 6)	3,354,770	3,349,070
Net assets per unit	\$7.32	\$6.97

Approved on behalf of the Manager, Quadravest Capital Management Inc.



**WAYNE FINCH**

Director



**PETER CRUICKSHANK**

Director

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

**INCOME FINANCIAL TRUST**  
**STATEMENTS OF COMPREHENSIVE INCOME / (LOSS)**

FOR THE SIX MONTH PERIODS ENDED JUNE 30 (UNAUDITED)

	2024 (\$)	2023 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives</b>		
Net realized gain (loss)	(105,014)	20,022
Net change in unrealized appreciation/depreciation	2,290,010	(1,339,766)
Dividends	439,993	412,722
Interest for distribution purposes	25,264	58,709
<b>Net gain (loss) on investments and derivatives</b>	<b>2,650,253</b>	<b>(848,313)</b>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	33,619	(468)
Change in unrealized gain (loss) in the value of currency	9,443	(30,302)
	<u>2,693,315</u>	<u>(879,083)</u>
<b>EXPENSES (note 9)</b>		
Management fees	91,994	93,236
Audit fees	13,432	18,242
Independent Review Committee fees	1,154	950
Trustees expense	2,493	2,479
Custodian fees	22,559	13,656
Legal fees	16,045	28,010
Unitholder reporting costs	14,290	14,570
Other operating expenses	41,290	32,236
Harmonized sales tax	17,374	17,762
Transaction costs	4,532	1,757
Withholding taxes	28,698	27,734
<b>Total expenses</b>	<u>253,861</u>	<u>250,632</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<u>2,439,454</u>	<u>(1,129,715)</u>
<b>Increase (decrease) in net assets attributable to holders per redeemable unit (note 7)</b>	<b>0.73</b>	<b>(0.34)</b>

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

**INCOME FINANCIAL TRUST**  
**STATEMENTS OF CHANGES IN NET ASSETS**  
**ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**  
FOR THE SIX MONTH PERIODS ENDED JUNE 30 (UNAUDITED)

	2024	2023
	(\$)	(\$)
<b>Net assets attributable to holders of redeemable units</b>		
- Beginning of period	23,344,768	24,356,994
Increase (decrease) in net assets attributable to holders of redeemable units	2,439,454	(1,129,715)
Gross proceeds on issuance of redeemable units	42,783	1,277,839
Issuance costs on issue of redeemable units	(781)	(46,388)
Net proceeds on issuance of redeemable units	<u>42,002</u>	<u>1,231,451</u>
<b>Distributions to unitholders (note 10)<sup>1</sup></b>		
Canadian dividends	(124,272)	(62,068)
Return of capital	<u>(1,134,060)</u>	<u>(1,805,562)</u>
	<u>(1,258,332)</u>	<u>(1,867,630)</u>
<b>Change in net assets attributable to holders of redeemable units</b>	<u>1,223,124</u>	<u>(1,765,894)</u>
<b>Net assets attributable to holders of redeemable units</b>		
- End of period	<u>24,567,892</u>	<u>22,591,100</u>

(1) The tax characterization of distributions is an estimate only based on the actual characterization for the respective most recently completed annual period. Actual year-end characterization will differ.

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

**INCOME FINANCIAL TRUST**  
**STATEMENTS OF CASH FLOW**

FOR THE SIX MONTH PERIODS ENDED JUNE 30 (UNAUDITED)

	2024	2023
	(\$)	(\$)
<b>Cash flows from (used) in operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	2,439,454	(1,129,715)
Adjustment for:		
Change in unrealized (gain) loss in the value of currency	(9,443)	30,302
Net realized (gain) loss on investments and derivatives	105,014	(20,022)
Net change in unrealized appreciation/depreciation of investments and derivatives	(2,290,010)	1,339,766
Purchase of investments, net of option premiums	15,116	2,077
Proceeds from sale of investments, net of option premiums	156,551	49,959
(Increase) decrease in interest, dividends and other receivables	(466)	(562)
Increase (decrease) in fees and other accounts payable	(6,904)	(500)
<b>Net cash flows from (used in) operating activities</b>	<b><u>409,312</u></b>	<b><u>271,305</u></b>
<b>Cash flows from (used in) financing activities</b>		
Gross proceeds on issuance of redeemable units	42,783	1,277,839
Issuance costs on issue of redeemable units	(781)	(46,388)
Distributions paid to holders of redeemable units	(1,245,116)	(1,898,381)
<b>Net cash flows from (used in) financing activities</b>	<b><u>(1,203,114)</u></b>	<b><u>(666,930)</u></b>
Change in unrealized gain (loss) in the value of currency	9,443	(30,302)
Net increase (decrease) in cash	(784,359)	(425,927)
Cash at beginning of the period	1,448,103	3,310,155
<b>Cash at end of the period</b>	<b><u>663,744</u></b>	<b><u>2,884,228</u></b>
<b>Supplementary information</b>		
Dividends received, net of withholding taxes*	410,950	384,634
Interest received*	25,264	58,709

\* Included as part of Cash Flows from Operating Activities

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

**INCOME FINANCIAL TRUST**  
**SCHEDULE OF PORTFOLIO INVESTMENTS**

AS AT JUNE 30, 2024 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$)	Fair Value (\$)
<b>Canadian Common Equities</b>			
40,000	AGF Management Ltd., Class 'B'	687,648	338,000
8,400	Bank of Nova Scotia	499,169	525,672
12,500	Canadian Imperial Bank of Commerce	692,177	813,125
16,900	CI Financial Corp.	542,111	243,360
41,500	Fiera Sceptre Inc.	407,906	325,360
22,800	Guardian Capital Group Ltd.	214,801	980,856
6,100	IGM Financial Inc.	187,687	230,397
2,500	Intact Financial Corp.	167,036	570,025
25,000	Manulife Financial Corporation	568,232	910,750
9,000	National Bank of Canada	568,589	976,590
10,400	Royal Bank of Canada	1,105,184	1,514,760
17,800	Sun Life Financial Inc.	786,163	1,194,024
35,000	TMX Group Inc.	323,015	1,332,800
10,200	Toronto-Dominion Bank	695,560	767,040
	<b>Total Canadian Common Equities (44.5%)</b>	<b>7,445,278</b>	<b>10,722,759</b>
<b>U.S. Common Equities</b>			
3,100	American Express Company	634,521	982,205
16,300	Bank of America	774,997	887,031
8,000	Citigroup Inc.	544,903	694,681
2,500	East West Bancorp Inc.	93,721	250,510
2,500	Fifth Third Bancorporation	131,485	124,827
22,500	First Horizon National	253,576	485,523
9,100	Franklin Resources Inc.	176,624	278,301
4,400	Goldman Sachs Group Inc.	1,419,956	2,723,291
39,295	Huntington Bancshares, Inc.	460,645	708,677
2,000	J.P. Morgan Chase & Co.	150,205	553,523
14,600	Janus Henderson Group PLC	691,835	673,453
6,200	Morgan Stanley	393,126	824,534
21,900	Regions Financial Corp.	171,632	600,534
5,500	State Street Corporation	387,477	556,916
10,000	Synovus Financial	244,680	549,938
6,200	Texas Capital BancShares Inc.	145,047	518,696
6,152	Truist Financial Corp.	236,019	327,042
6,600	US Bancorp.	337,869	358,534
11,000	Wells Fargo & Co.	794,698	893,926
7,000	Zions Bancorporation	208,391	415,413
	<b>Total U.S. Common Equities (55.6%)</b>	<b>8,251,407</b>	<b>13,407,555</b>
	<b>Total Equities (100.1%)</b>	<b>15,696,685</b>	<b>24,130,314</b>



**INCOME FINANCIAL TRUST**  
**SCHEDULE OF PORTFOLIO INVESTMENTS (CONTINUED...)**

AS AT JUNE 30, 2024 (UNAUDITED)

No. of contracts (shares)	Description	Premiums Received (\$)	Fair Value (\$)
<b>Call Options written</b>			
<b>Canadian call options written</b>			
(16)	Canadian Imperial Bank of Commerce @ \$70 September 2024	(688)	(704)
(15)	CI Financial Corp. @ \$15 July 2024	(495)	(135)
(30)	Royal Bank of Canada @ \$146 July 2024	(6,390)	(5,295)
(10)	Sun Life Financial Inc. @ \$72 July 2024	(600)	(24)
(10)	Toronto-Dominion Bank @ \$75.50 July 2024	(430)	(630)
<b>Total Canadian options written (0.0%)</b>		<u><b>(8,603)</b></u>	<u><b>(6,788)</b></u>
<b>U.S. call Options written</b>			
(5)	American Express Company @ \$250 July 2024	(4,276)	(708)
(20)	Bank of America @ \$44 September 2024	(1,203)	(835)
(5)	Fifth Third Bancorp. @ \$37 August 2024	(650)	(855)
(10)	Goldman Sachs Group Inc. @ \$485 July 2024	(11,699)	(2,867)
(10)	Morgan Stanley @ \$105 July 2024	(2,649)	(554)
(55)	Regions Financial Corp. @ \$19 August 2024	(5,644)	(11,289)
(6)	US Bancorp. @ \$42.50 September 2024	(599)	(825)
(20)	Wells Fargo & Co. @ \$60 August 2024	(4,034)	(5,241)
<b>Total U.S. options written (-0.1%)</b>		<u><b>(30,754)</b></u>	<u><b>(23,174)</b></u>
less adjustment for transaction costs		(11,003)	
<b>Total Investments (100.0%)</b>		<u><b>15,646,325</b></u>	<u><b>24,100,352</b></u>

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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### 1. Establishment of Trust

Income Financial Trust (“Income Financial” or the “Trust”) is an investment trust established under the laws of the Province of Ontario on January 27, 1999. The manager and investment manager of Income Financial is Quadravest Capital Management Inc. (“Quadravest” or “Manager”). RBC Investor Services Trust (the Trustee) is the trustee and acts as custodian of the assets of the Trust. The Trust’s principal office is located at 200 Front Street West, Suite 2510, Toronto, Ontario M5V 3K2. The Trust’s investment objective is to provide unitholders with a stable stream of monthly distributions by investing in a diversified portfolio consisting primarily of common shares issued by corporations whose shares are included in the S&P/TSX Capped Financials Index, the S&P 500 Financials Index or the S&P MidCap 400 Financials Index. The Trust employs an active covered call writing program to enhance the income earned from the portfolio.

On October 27, 2023, the Trust announced that it had extended its termination date from January 1, 2024 to January 1, 2029. In connection with the term extension, the February 2024 annual redemption date was advanced to December 2023. There were no redemptions tendered in connection with the December 2023 redemption right. Further extensions for additional terms of five years may be made in the discretion of Quadravest with the next following February annual redemption date being advanced to December 31 of the year immediately prior to the year in which the term is extended.

### 2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board (“IFRS Accounting Standards”), as applicable to the preparation of interim financial statements, including International Accounting Standard (“IAS”) 34, Interim Financial Reporting. These financial statements should be read in conjunction with the annual financial statements for the year ended December 31, 2023, which were prepared in accordance with IFRS Accounting Standards.

These financial statements were approved on behalf of the Trust by the Board of Directors of Quadravest, on August 19, 2024.

### 3. Material accounting policy information

The following is a summary of material accounting policy information applicable to the Trust.

#### Investments and financial instruments

The Trust classifies its investments, including derivatives, based on both the Trust’s business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Trust is primarily focused on fair value information and uses that information to assess the assets’ performance and to make decisions. The Trust has not taken the option to irrevocably designate any equity securities as fair value through other comprehensive income (“FVOCI”). Consequently, all investments, including derivatives are measured at fair value through profit or loss.

The Trust’s obligations for net assets attributable to holders of redeemable units are presented at the redemption amount. All other financial assets and liabilities are recognized initially at fair value and subsequently measured at amortized cost, which approximates fair value. The Trust 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,

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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such as brokerage commissions, related to financial assets and financial liabilities at fair value through profit and loss ("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 Trust 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 Trust are, so long as the options are outstanding, reflected as a liability, in the Statements of Financial Position and are valued at an amount equal to the current market value of an option that would have the effect of closing the position. Gains or losses realized upon expiration or exercise of the option are included in net realized gain (loss) on investments and derivatives in the Statements of Comprehensive Income/(Loss).

The Trust is obligated to distribute taxable income annually, for which investors may demand cash payment. As a result, the ongoing redemption feature is not its redeemable units' only contractual obligation and therefore, the units have been presented as financial liabilities at the value of the net assets to which they're entitled, which is equal to the annual redemption amount.

The net asset value of the Trust is determined in accordance with requirements of law, including National Instrument 81-106, Investment Fund Continuous Disclosure, and is used to process unitholder transactions. For financial reporting purposes under IFRS Accounting Standards, net assets of the Trust is determined as the difference between the aggregate amount of the Trust's assets and the aggregate amount of its liabilities ("net assets attributable to holders of redeemable units").

### **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) are based on the last traded prices at the close of trading on the reporting date. The Trust uses the last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances. The Trust'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 Trust 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 Trust's fair value measurements.

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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### Cash

Cash is comprised of demand deposits with a financial institution.

### Translation of foreign currencies

The Trust'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 Trust's functional currency at the rates of exchange prevailing at the end of the period. Purchases and sales of investments, income and expenses are translated at the rates of exchange prevailing on the respective dates of such transactions.

### Management fees, administration fees and performance fees

Management fees and administration fees are accrued by the Trust over time, as services are rendered by Quadravest. At each measurement date, the Trust recognizes an expense and financial liability based on the amount, if any, of performance fees expected to be paid based on the net asset value of the Trust. Refer to note 9 for further information about the calculation of management, administration fees and performance fees, if any, of the Trust.

### Increase (decrease) in net assets attributable to holders per redeemable unit

Increase (decrease) in net assets attributable to holders per redeemable unit is based on the increase or decrease in net assets attributable to holders of redeemable units divided by the weighted average number of such units outstanding during the period. Refer to note 7 for the calculation.

### Taxation

The Trust qualifies as a mutual fund trust under the Income Tax Act (Canada). All of the Trust's net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Trust. As a result, the Trust 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. As at June 30, 2024, the Trust had \$13,657,108 (December 31, 2023-\$13,657,108) of unused capital losses which have no expiry.

The Trust currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income/(Loss).

## 4. Critical Accounting Estimates and Judgements

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 Trust's most significant estimates involve the measurement of investments and derivatives at fair value as described in note 5.

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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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**5. Management of Financial Risk**

The Trust 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 Trust's financial instruments within the fair value hierarchy as at June 30, 2024 and December 31, 2023:

Financial assets and liabilities at fair value as at June 30, 2024

	Level 1	Level 2	Level 3	Total
Equities	\$24,130,314	-	-	\$24,130,314
Options	<u>(\$29,962)</u>	<u>-</u>	<u>-</u>	<u>(\$29,962)</u>
	<b>\$24,100,352</b>	<b>-</b>	<b>-</b>	<b>\$24,100,352</b>

Financial assets and liabilities at fair value as at December 31, 2023

	Level 1	Level 2	Level 3	Total
Equities	\$22,207,320	-	-	\$22,207,320
Options	<u>(\$120,297)</u>	<u>-</u>	<u>-</u>	<u>(\$120,297)</u>
	<b>\$22,087,023</b>	<b>-</b>	<b>-</b>	<b>\$22,087,023</b>

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 period ended June 30, 2024 or the year ended December 31, 2023.

The Trust'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 Risk**

All securities investments present a risk of loss of capital. The portfolio companies were selected from the S&P/TSX Capped Financials index, the S&P 500 Financials index or the S&P MidCap 400 Financials index and are among the largest financial services companies in North America. The market risk is affected by three main components: price risk, interest rate risk and currency risk.

**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).

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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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 Trust 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 periods in which a particular portfolio company has a covered call option written against that position.

The Trust is exposed to other price risk from its investment in equity securities and written options. As at June 30, 2024, had the prices on the respective stock exchanges for these equity securities increased by 10%, with all other variables held constant, net assets attributable to holders or redeemable units would have increased by approximately \$2,323,000 (December 31, 2023-\$2,049,000). Similarly, had the prices on the respective stock exchanges for these equity securities decreased by 10%, with all other variables held constant, net assets attributable to holders or redeemable units would have decreased by approximately \$2,397,000 (December 31, 2023-\$2,155,000).

### **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 Trust's financial assets and liabilities are non interest bearing. As a result, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates and considers interest rate risk insignificant as at June 30, 2024 and December 31, 2023.

### **Currency risk**

Currency risk is the risk that financial instruments that are denominated in a currency other than the Canadian dollar, which is the Trust's reporting currency, will fluctuate due to changes in exchange rates. As at June 30, 2024, 56% of the net assets attributable to holders of redeemable units (December 31, 2023-57%) are invested in U.S. dollar denominated assets which includes U.S. dollar cash. As a result, the net assets attributable to holders of redeemable units will be affected by changes in the U.S. dollar relative to the Canadian dollar. The Trust has not entered into currency hedging contracts. If the Canadian dollar appreciated/depreciated by 5% against the U.S. dollar, the net assets attributable to the holders of redeemable units would decrease/increase by approximately \$690,179 (December 31, 2023-\$665,514).

### **Credit risk**

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. All of the Trust'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 purchases only once the securities have been received by the broker. Cash is held with a reputable and regulated financial institution. As at June 30, 2024 and December 31, 2023, the Trust did not have significant credit risk exposure.

### **Liquidity risk**

Liquidity risk is the risk that the Trust may not be able to settle its obligations on time or at a reasonable price. The Trust is exposed to liquidity risk primarily through its monthly and

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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annual redemptions. The Trust receives adequate notice for all redemption requests. The Trust is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange (“TSX”) and the New York Stock Exchange. All units are redeemable on a monthly and annual basis but are scheduled to be redeemed upon termination of the Trust on the termination date. As at June 30, 2024 and December 31, 2023, all other financial liabilities are payable within three months from the end of the period.

### Concentration risk

The portfolio holdings are concentrated in the financial services sector and as such will be exposed to the specific factors that affect this sector. An individual portfolio holding may represent no more than 10% of the net asset value of the Trust at the time of purchase.

### The Trust’s investment portfolio is concentrated in the following segments as at:

	June 30, 2024	December 31, 2023
Canadian common equities	43.5%	43.3%
U.S. common equities	54.6%	51.7%
Canadian call options written	0.0%	0.0%
U.S. call options written	-0.1%	-0.5%
Other assets less liabilities	<u>2.0%</u>	<u>5.5%</u>
	100.0%	100.0%

## 6. Redeemable Units

Income Financial is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of Income Financial.

Income Financial units trade on the Toronto Stock Exchange under the symbol “INC.UN”. The trading price of Income Financial units on June 30, 2024 was \$7.40 (December 31, 2023-\$7.32) per unit. Units may be surrendered for redemption at any time, but will be redeemed only on the last day of each month. Units redeemed in the month of February will receive the February month-end net asset value. Units retracted in any other month will be retracted at a 2% discount to that month’s net asset value.

Number of Units	June 30, 2024	June 30, 2023
Issued and outstanding - beginning of period	3,349,070	3,235,070
Issued during the period	<u>5,700</u>	<u>111,800</u>
Issued and outstanding - end of period	3,354,770	3,346,870

The Trust may issue units to the public from time to time, at the Trust’s discretion, through an at-the-market equity program (the “ATM Program”). Any units sold in the ATM Program will be sold through the TSX or any other marketplace in Canada on which the units are listed, quoted or otherwise traded at the prevailing market price at the time of sale.

During the period ended June 30, 2024, 5,700 units were sold through the ATM Program at an average selling price of \$7.51 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$42,783, \$42,002 and \$781, respectively.

During the year ended December 31, 2023, 114,000 units were sold through the ATM Program at an average selling price of \$11.37 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$1,295,914, \$1,263,516 and \$32,398, respectively.

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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2024 AND 2023 (UNAUDITED)

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**7. Increase (decrease) in net assets attributable to holders per redeemable unit**

The increase (decrease) in net assets attributable to holders per redeemable unit for the periods ended June 30, 2024 and 2023 is calculated as follows:

	June 30, 2024	June 30, 2023
Increase (decrease) in net assets attributable to holders of redeemable units	\$2,439,454	(\$1,129,715)
Weighted average redeemable units outstanding	3,352,803	3,312,737
Increase (decrease) in net assets attributable to holders per redeemable unit	\$0.73	(\$0.34)

**8. Capital Management**

The Trust considers its capital to be its net assets attributable to holders of redeemable units. The Trust's current objectives in managing capital are to provide a steady stream of monthly distributions at an annual rate of 10% based on the volume weighted average market price (VWAP) of Income Financial's units over the last three trading days of the preceding month.

In order to manage its capital, the Trust may adjust the distributions paid to unitholders or return capital to unitholders.

**9. Expenses**

The Trust is responsible for all expenses incurred in connection with the operation and administration of the Trust, including, but not limited to, accounting and administration fees, custodian fees, transfer agent fees, trustee fees, legal and audit expenses, fees payable to the Trust's independent review committee, regulatory filing and stock exchange fees, costs of reporting to unitholders and costs and expenses arising as a result of complying with all applicable laws, regulations and policies.

Pursuant to the administration agreement, Quadravest is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the net asset value of the Trust calculated as at each month-end valuation date.

Pursuant to the terms of the investment management agreement, Quadravest is entitled to a base management fee payable monthly in arrears at an annual rate equal to 0.65% of the transactional net asset value of the Trust calculated as at each month-end valuation date. In addition, Quadravest is also entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of \$91,994 (June 30, 2023-\$93,236) incurred in the period ended June 30, 2024 include the administration fee and investment management fee. As at June 30, 2024, \$17,084 (December 31, 2023-\$16,957) was payable to the Manager with respect to management and administrative fees. No performance fees were paid during the period ended June 30, 2024 and the year ended December 31, 2023. In addition, Quadravest will receive the monthly redemption fee, if any, of 2% of the net asset value on monthly retractions. Redemption fees paid for the period ended June 30, 2024 were \$NIL (June 30, 2023-\$NIL).

Total brokerage commissions paid during the period ended June 30, 2024 by Income Financial Trust for its portfolio transactions were \$4,532 (June 30, 2023-\$1,757). Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect



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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**

FOR THE SIX MONTH PERIODS ENDED **JUNE 30, 2024** AND **2023** (UNAUDITED)

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of portfolio transactions, also provide for the cost of investment research services provided to the investment manager. The value of such research services included in commissions paid to brokers for the period ended June 30, 2024 amounted to \$NIL (June 30, 2023-\$NIL).

**10. Distributions**

Distributions per unit to unitholders for the periods ended June 30, 2024 and 2023 and cumulative distributions since inception are shown below:

	June 30, 2024	June 30, 2023
Total distributions per unit	\$0.3753	\$0.5632
Cumulative distributions per unit since inception	\$38.4027	\$37.6165

**11. Reconciliation of net asset value per unit to net assets attributable to holders of redeemable units per unit**

As at June 30, 2024 and December 31, 2023, there were no differences between net asset value per unit used for transactional purposes and net assets attributable to holders of redeemable units per unit 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 Trust.

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

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### **Independent Review Committee**

Gordon Currie,  
Former Executive Vice President  
and Chief Legal Officer,  
George Weston Limited

John Steep,  
President, S. Factor Consulting Inc.

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

### **Board of Directors of Manager**

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

Laura Johnson,  
Chief Investment Strategist,  
Director and Portfolio Manager,  
Quadravest Capital Management Inc.

Peter Cruickshank,  
Director,  
Quadravest Capital Management Inc.

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## **CORPORATE DETAILS**

### **Auditor**

PricewaterhouseCoopers LLP  
18 York Street, Suite 2500  
Toronto, Ontario M5J 0B2

### **Legal Counsel**

Blake, Cassels & Graydon LLP  
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Toronto, Ontario M5L 1A9

### **Transfer Agent**

Computershare Investor Service Inc.  
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Toronto, Ontario M5J 2Y1

### **Custodian**

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