

**JUNE 30** | **INCOME FINANCIAL TRUST**  
**2023** | **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, 2023**

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This is the semi-annual Management Report of Fund Performance (MRFP) for the period ended June 30, 2023. 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.ca](http://www.sedarplus.ca)

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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, 2024 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 24, 2023. 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 America markets continued to experience macroeconomic headwinds and bouts of volatility during the period ended June 30, 2023. The U.S. Federal Reserve and the Bank of Canada's aggressive tightening of monetary policies beginning in early 2022, which included rapid increases in interest rates and the reduction of their balance sheets in order to control inflation, has had an adverse impact on the North American economies, affecting many households and small businesses with higher loan payments. Both the U.S. Federal Reserve and the Bank of Canada remain committed to hawkish monetary policies, including increasing interest rates, until inflation returns to the 2% target.

In early March 2023, regulators abruptly closed certain U.S. regional banks due to liquidity and solvency concerns. Later in the month, Credit Suisse was taken over by UBS Group at the behest of regulators in Switzerland. These events led to widespread and significant declines in the market prices of financial services companies in the United States and Canada and highlighted the risks associated with the historical pace of increase in interest rates that had occurred over the last year.

Markets were also buffeted by the ongoing developments surrounding the U.S. debt ceiling discussions and the potential adverse consequences that could result if U.S. politicians were unable to reach an agreement to increase the debt ceiling limit before the projected early June deadline at which time the U.S. would run out of the ability to fully fund all of its obligations.

The yield curve continued to be inverted during the period, with shorter term maturities yielding more than longer term maturities, which generally adversely impacted the earnings potential of financial services companies and reflected market expectations for a decline in longer-term interest rates as a result of deteriorating economic performance.

Near the period end, North American stocks declined as unexpectedly strong reports on the U.S. and Canadian labour markets caused some concern among market participants that more central bank interest rate hikes may be required to slow potential wage pressures that could continue to sustain higher inflation rates.

Against this backdrop, the portfolio finished the period with a mixed performance reflecting the volatility experienced during the period.

The net assets per unit finished at \$6.75 as at June 30, 2023 after the payment of \$0.56 in distributions during the period.

During the period ended June 30, 2023, 111,800 units were sold through an at-the-market equity program (the "ATM Program") at an average selling price of \$11.43 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$1,277,839, \$1,245,893, and \$31,946, respectively.

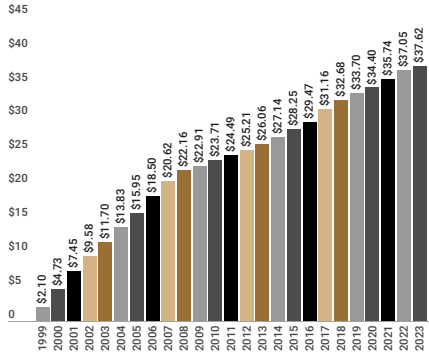
The portfolio was weighed 47.6% in Canadian financial services stocks 52.4% in U.S. financial services stocks as at June 30, 2023.

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 \$0.56 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



37.62

Cumulative total of distributions paid since inception

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## RECENT DEVELOPMENTS

Financial 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 in Ukraine and Russia.

In addition, in early March 2023, regulators abruptly closed certain U.S. regional banks due to liquidity and solvency concerns. These closures have led to widespread and significant declines in the market prices of financial services companies in the United States and Canada including companies held in the investment portfolio of the Trust.

The investment portfolio of the Trust has been subject to these market fluctuations and may continue to experience volatility as these situations evolve.

Effective December 5, 2022, Michael Sharp was appointed to the Independent Review Committee (the "IRC") of the Trust following the death of William C. Thornhill, who had served as a dedicated member of the IRC since May 2007.

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## 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, 2023	Years ended December 31				
		2022	2021	2020	2019	2018
Net assets per unit, beginning of period	7.53	8.09	6.92	8.21	7.64	10.77
Increase (decrease) from operations						
Total revenue	0.14	0.25	0.23	0.26	0.28	0.30
Total expenses	(0.08)	(0.15)	(0.18)	(0.16)	(0.17)	(0.20)
Realized gains (losses) for the period	0.01	0.12	0.19	0.29	0.29	0.53
Unrealized gains (losses) for the period	(0.41)	(0.72)	1.51	(1.01)	1.19	(2.24)
Total increase (decrease) from operations <sup>(1)</sup>	<u>(0.34)</u>	<u>(0.50)</u>	<u>1.75</u>	<u>(0.62)</u>	<u>1.59</u>	<u>(1.61)</u>
Distributions <sup>(2)</sup>						
Canadian dividends	(0.02)	(0.04)	-	(0.09)	(0.11)	(0.08)
Return of Capital	<u>(0.54)</u>	<u>(1.27)</u>	<u>(1.34)</u>	<u>(0.61)</u>	<u>(0.91)</u>	<u>(1.44)</u>
Total annual distributions	<u>(0.56)</u>	<u>(1.31)</u>	<u>(1.34)</u>	<u>(0.70)</u>	<u>(1.02)</u>	<u>(1.52)</u>
Net assets per unit, end of period	6.75	7.53	8.09	6.92	8.21	7.64

- (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).

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## RATIOS AND SUPPLEMENTAL DATA

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	June 30, 2023	2022	Years ended December 31			2018
			2021	2020	2019	
Net asset value (millions) <sup>(1)</sup>	\$22.6	\$24.4	\$20.3	\$15.6	\$19.1	\$17.7
Number of units outstanding	3,346,870	3,235,070	2,514,970	2,260,970	2,323,488	2,323,488
Management expense ratio <sup>(2)</sup>	2.03%	3.28%	3.42%	2.19%	1.87%	1.81%
Portfolio turnover rate <sup>(3)</sup>	0.26%	9.45%	6.07%	6.01%	0.00%	0.00%
Trading expense ratio <sup>(4)</sup>	0.01%	0.03%	0.01%	0.04%	0.01%	0.01%
Closing market price (TSX)	\$10.24	\$11.60	\$15.07	\$7.76	\$9.08	\$9.99

(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, 2023 was 1.83% (December 31, 2022 - 1.70%)

(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.

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## 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. Effective June 1, 2022, the Trust discontinued the payment of the service fee which was paid to dealers whose clients hold units of the Trust at a rate of 0.25% per annum paid quarterly.

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.

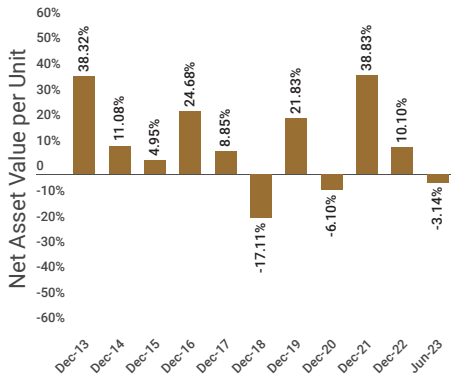
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## PAST PERFORMANCE

### Year-by-Year Returns

The past performance of the net asset value per unit for the period ended June 30, 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:

- a) 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;
- b) The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and,
- c) 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, 2023**

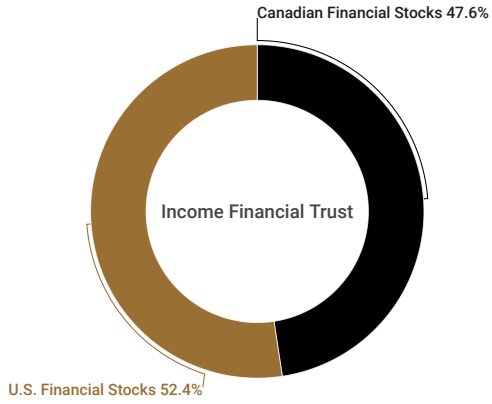
<b>Name</b>	<b>Weighting (%)</b>
Goldman Sachs Group Inc.	8.3
Sun Life Financial Inc.	5.4
Royal Bank of Canada	5.3
TMX Group Inc.	4.6
Guardian Capital Group Ltd.	4.2
National Bank of Canada	3.9
Toronto-Dominion Bank	3.7
American Express Company	3.7
Morgan Stanley	3.1
Bank of America	3.1
Manulife Financial Corporation	2.8
Wells Fargo & Co.	2.7
Citigroup Inc.	2.7
Canadian Imperial Bank of Commerce	2.7
Huntington Bancshares, Inc.	2.5
Bank of Nova Scotia	2.5
State Street Corporation	2.4
Janus Henderson Group PLC	2.3
Regions Financial Corp.	2.3
Intact Financial Corp.	2.3
Texas Capital BancShares Inc.	1.9
Synovus Financial	1.8
J.P. Morgan Chase & Co.	1.7
US Bancorp.	1.5
First Horizon National	1.5
Franklin Resources Inc.	1.4
AGF Management Ltd., Class 'B'	1.4
Truist Financial Corp.	1.3
Fiera Sceptre Inc.	1.2
CI Financial Corp.	1.1
Zions Bancorporation	1.1
IGM Financial Inc.	1.1
East West Bancorp Inc.	0.8
Fifth Third Bancorporation	0.4
<b>Total long positions as a percentage of net assets</b>	<b>88.7</b>
Cash	12.8
Other net assets (liabilities)	-1.5
	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 applicable to the preparation of interim financial statements including International Accounting Standard 34, and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Trust are 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, 2023 (UNAUDITED) AND DECEMBER 31, 2022

	2023 (\$)	2022 (\$)
<b>ASSETS</b>		
Current Assets		
Investments (note 5)	20,003,173	21,359,788
Cash	2,884,228	3,310,155
Interest, dividends and other receivables	57,711	57,149
Total assets	<u>22,945,112</u>	<u>24,727,092</u>
<b>LIABILITIES</b>		
Current liabilities		
Written Options	23,949	8,784
Fees and other accounts payable	47,821	48,321
Distributions payable	<u>282,242</u>	<u>312,993</u>
	<u>354,012</u>	<u>370,098</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<u><b>22,591,100</b></u>	<u><b>24,356,994</b></u>
Number of redeemable units outstanding (note 6)	3,346,870	3,235,070
Net assets per unit	\$6.75	\$7.53

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)

	2023 (\$)	2022 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives</b>		
Net realized gain (loss)	20,022	146,687
Net change in unrealized appreciation/depreciation	(1,339,766)	(3,853,097)
Dividends	412,722	325,230
Interest for distribution purposes	58,709	251
<b>Net gain (loss) on investments and derivatives</b>	<b>(848,313)</b>	<b>(3,380,929)</b>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	(468)	(12,556)
Change in unrealized gain (loss) in the value of currency	(30,302)	6,495
	<b>(879,083)</b>	<b>(3,386,990)</b>
<b>EXPENSES (note 9)</b>		
Management fees	93,236	85,406
Service fee	-	13,732
Audit fees	18,242	15,739
Independent Review Committee fees	950	1,154
Trustees expense	2,479	2,479
Custodian fees	13,656	11,802
Legal fees	28,010	26,877
Unitholder reporting costs	14,570	11,953
Other operating expenses	32,236	39,094
Harmonized sales tax	17,762	26,233
Transaction costs	1,757	1,318
Withholding taxes	27,734	22,689
<b>Total expenses</b>	<b>250,632</b>	<b>258,476</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(1,129,715)</b>	<b>(3,645,466)</b>
<b>Increase (decrease) in net assets attributable to holders per redeemable unit (note 7)</b>	<b>(0.34)</b>	<b>(1.29)</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)

	2023	2022
	(\$)	(\$)
<b>Net assets attributable to holders of redeemable units</b>		
- Beginning of period	24,356,994	20,348,413
Increase (decrease) in net assets attributable to holders of redeemable units	(1,129,715)	(3,645,466)
Gross proceeds on issuance of redeemable units	1,277,839	7,422,734
Issuance costs on issue of redeemable units	(46,388)	(254,372)
Net proceeds on issuance of redeemable units	<u>1,231,451</u>	<u>7,168,362</u>
<b>Distributions to unitholders (note 10)<sup>1</sup></b>		
Canadian dividends	(62,068)	-
Return of capital	<u>(1,805,562)</u>	<u>(2,032,643)</u>
	<u>(1,867,630)</u>	<u>(2,032,643)</u>
<b>Change in net assets attributable to holders of redeemable units</b>	<u>(1,765,894)</u>	<u>1,490,253</u>
<b>Net assets attributable to holders of redeemable units</b>		
- End of period	<u>22,591,100</u>	<u>21,838,666</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)

	2023 (\$)	2022 (\$)
<b>Cash flows from (used) in operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,129,715)	(3,645,466)
Adjustment for:		
Change in unrealized (gain) loss in the value of currency	30,302	(6,495)
Net realized (gain) loss on investments and derivatives	(20,022)	(146,687)
Net change in unrealized appreciation/depreciation of investments and derivatives	1,339,766	3,853,097
Purchase of investments, net of option premiums	2,077	(6,302,477)
Proceeds from sale of investments, net of option premiums	49,959	344,017
(Increase) decrease in interest, dividends and other receivables	(562)	(6,737)
Increase (decrease) in fees and other accounts payable	(500)	(9,470)
<b>Net cash flows from (used in) operating activities</b>	<u><b>271,305</b></u>	<u><b>(5,920,218)</b></u>
<b>Cash flows from (used in) financing activities</b>		
Gross proceeds on issuance of redeemable units	1,277,839	7,422,734
Issuance costs on issue of redeemable units	(46,388)	(254,372)
Distributions paid to holders of redeemable units	<u>(1,898,381)</u>	<u>(1,994,768)</u>
<b>Net cash flows from (used in) financing activities</b>	<u><b>(666,930)</b></u>	<u><b>5,173,594</b></u>
Change in unrealized gain (loss) in the value of currency	<u>(30,302)</u>	<u>6,495</u>
Net increase (decrease) in cash	<u>(425,927)</u>	<u>(740,129)</u>
Cash at beginning of the period	<u>3,310,155</u>	<u>1,939,073</u>
<b>Cash at end of the period</b>	<u><b>2,884,228</b></u>	<u><b>1,198,944</b></u>
<b>Supplementary information</b>		
Dividends received, net of withholding taxes*	384,634	295,535
Interest received*	58,709	251

\* 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, 2023 (UNAUDITED)

No. of shares (contracts)	Description	Average Cost (\$)	Fair Value (\$)
<b>Canadian Common Equities</b>			
40,000	AGF Management Ltd., Class 'B'	687,648	314,400
8,400	Bank of Nova Scotia	499,169	556,752
10,600	Canadian Imperial Bank of Commerce	591,060	599,536
16,900	CI Financial Corp.	542,111	254,176
41,500	Fiera Sceptre Inc.	407,906	268,090
22,800	Guardian Capital Group Ltd.	214,801	957,600
6,100	IGM Financial Inc.	187,687	246,013
2,500	Intact Financial Corp.	167,036	511,350
25,000	Manulife Financial Corporation	568,232	626,000
9,000	National Bank of Canada	568,589	888,300
9,400	Royal Bank of Canada	986,285	1,189,288
17,800	Sun Life Financial Inc.	786,163	1,229,268
35,000	TMX Group Inc.	323,015	1,043,350
10,200	Toronto-Dominion Bank	695,560	837,522
	<b>Total Canadian Common Equities (47.6%)</b>	<b>7,225,262</b>	<b>9,521,645</b>
<b>U.S. Common Equities</b>			
3,600	American Express Company	736,863	829,831
18,300	Bank of America	895,728	694,737
10,000	Citigroup Inc.	681,128	609,220
2,500	East West Bancorp Inc.	93,721	174,635
2,500	Fifth Third Bancorporation	131,485	86,705
22,500	First Horizon National	253,576	335,541
9,100	Franklin Resources Inc.	176,624	321,628
4,400	Goldman Sachs Group Inc.	1,419,956	1,877,912
39,295	Huntington Bancshares, Inc.	460,645	560,525
2,000	J.P. Morgan Chase & Co.	150,205	384,904
14,600	Janus Henderson Group PLC	691,835	526,452
6,200	Morgan Stanley	393,126	700,630
21,900	Regions Financial Corp.	171,632	516,406
5,500	State Street Corporation	387,477	532,591
10,000	Synovus Financial	244,680	400,281
6,200	Texas Capital BancShares Inc.	145,047	422,511
7,152	Truist Financial Corp.	274,383	287,227
8,000	US Bancorp.	409,538	349,759
11,000	Wells Fargo & Co.	794,698	621,235
7,000	Zions Bancorporation	208,391	248,798
	<b>Total U.S. Common Equities (52.5%)</b>	<b>8,720,738</b>	<b>10,481,528</b>
	<b>Total Equities (100.1%)</b>	<b>15,946,000</b>	<b>20,003,173</b>



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

AS AT JUNE 30, 2023 (UNAUDITED)

No. of contracts (shares)	Description	Premiums Received (\$)	Fair Value (\$)
	<b>Call Options written</b>		
	<b>Canadian call options written</b>		
(2)	Canadian Imperial Bank of Commerce @ \$58 July 2023	(92)	(34)
(14)	Canadian Imperial Bank of Commerce @ \$60 August 2023	(595)	(196)
(30)	Royal Bank of Canada @ \$130 July 2023	(992)	(465)
(10)	Sun Life Financial Inc. @ \$69 July 2023	(440)	(790)
(10)	Toronto-Dominion Bank @ \$85 July 2023	(880)	(45)
	<b>Total Canadian options written (0.0%)</b>	<u>(2,999)</u>	<u>(1,530)</u>
	<b>U.S. call Options written</b>		
(5)	American Express Company @ \$165 July 2023	(2,157)	(6,848)
(20)	Bank of America @ \$30 July 2023	(979)	(767)
(10)	Citigroup Inc. @ \$45 July 2023	(2,263)	(2,415)
(5)	Fifth Third Bancorporation @ \$25 July 2023	(782)	(1,141)
(5)	Goldman Sachs Group Inc. @ \$340 July 2023	(4,136)	(1,191)
(20)	Regions Financial Corp. @ \$18 July 2023	(2,117)	(1,456)
(10)	US Bancorp. @ \$30 July 2023	(2,594)	(4,565)
(10)	Wells Fargo & Co. @ \$40 July 2023	(2,502)	(4,036)
	<b>Total U.S. options written (-0.1%)</b>	<u>(17,530)</u>	<u>(22,419)</u>
	less adjustment for transaction costs	<u>(11,099)</u>	
	<b>Total Investments (100.0%)</b>	<u>15,914,372</u>	<u>19,979,224</u>

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (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 Quadrevest Capital Management Inc. (“Quadrevest” or “Manager”). RBC Investor Services Trust (the Trustee) is the trustee and acts as custodian of the assets of the Trust. The termination date of the Trust is January 1, 2024 and may be extended thereafter at the discretion of the Manager for additional terms of five years each. Unitholders will be provided with a special retraction right in connection with any such extension. 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.

### 2. Basis of presentation

These financial statements have been prepared in compliance with International Financial Reporting Standards (“IFRS”), 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, 2022, which were prepared in accordance with IFRS.

These financial statements were approved on behalf of the Trust by the Board of Directors of Quadrevest, on August 24, 2023.

### 3. Summary of significant accounting policies

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

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

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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, 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.

### 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

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# INCOME FINANCIAL TRUST

## NOTES TO FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

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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, 2023, the Trust had \$13,593,116 (December 31, 2022-\$13,593,116) 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.

## **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:

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

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

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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, 2023 and December 31, 2022:

Financial assets and liabilities at fair value as at June 30, 2023

	Level 1	Level 2	Level 3	Total
Equities	\$20,003,173	-	-	\$20,003,173
Options	(\$23,949)	-	-	(\$23,949)
	<u>\$19,979,224</u>	<u>-</u>	<u>-</u>	<u>\$19,979,224</u>

Financial assets and liabilities at fair value as at December 31, 2022

	Level 1	Level 2	Level 3	Total
Equities	\$21,359,788	-	-	\$21,359,788
Options	(\$8,784)	-	-	(\$8,784)
	<u>\$21,351,004</u>	<u>-</u>	<u>-</u>	<u>\$21,351,004</u>

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, 2023 or the year ended December 31, 2022.

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).

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

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

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

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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, 2023, 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 \$1,917,000 (December 31, 2022-\$2,087,000). 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 \$1,987,000 (December 31, 2022-\$2,131,000).

**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, 2023 and December 31, 2022.

**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, 2023, 53% of the net assets attributable to holders of redeemable units (December 31, 2022-55%) 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 \$594,034 (December 31, 2022-\$666,950).

**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 (consistent with previous period). 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, 2023 and December 31, 2022, 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 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

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

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

on the termination date. As at June 30, 2023 and December 31, 2022, 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, 2023	December 31, 2022
Canadian Common Equities	42.3%	37.9%
U.S. Common Equities	46.4%	49.9%
Canadian Call Options written	0.0%	0.0%
U.S. Call Options written	-0.1%	0.0%
Other Assets less Liabilities	11.4%	12.2%
	<u>100.0%</u>	<u>100.0%</u>

**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, 2023 was \$10.24 (December 31, 2022-\$11.60) 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.

<b>Number of Units</b>	<b>June 30, 2023</b>	<b>June 30, 2022</b>
Issued and outstanding - beginning of period	3,235,070	2,514,970
Issued during the period	111,800	524,400
Redeemed during the period	-	-
Issued and outstanding - end of period	<u>3,346,870</u>	<u>3,039,370</u>

The Trust may issue units to the public from time to time, at the Trust's discretion, under 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, 2023, 111,800 units were sold through the ATM Program at an average selling price of \$11.43 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$1,277,839, \$1,245,893, and \$31,946, respectively.

During the year ended December 31, 2022, 720,100 units were sold through the ATM Program at an average selling price of \$13.57 per unit. Gross proceeds, net proceeds and commissions on the unit sales were \$9,770,340, \$9,526,082 and \$244,258, respectively.

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

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (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, 2023 and 2022 is calculated as follows:

	June 30, 2023	June 30, 2022
Increase (decrease) in net assets attributable to holders of redeemable units	(\$1,129,715)	(\$3,645,466)
Weighted average redeemable units outstanding	3,312,737	2,818,837
Increase (decrease) in net assets attributable to holders per redeemable unit	(\$0.34)	(\$1.29)

**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. Effective June 1, 2022, the Trust discontinued the payment of the service fee which was paid to dealers whose clients hold units of the Trust at a rate of 0.25% per annum paid quarterly. Quadravest provides key management personnel to the Trust.

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 \$93,236 (June 30, 2022-\$85,406) incurred in the six month period ended June 30, 2023 include the administration fee and investment management fee. As at June 30, 2023, \$16,090 (December 31, 2022-\$15,006) was payable to the Manager with respect to management and administrative fees. No performance fees were paid in 2023 or 2022. 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, 2023 were \$NIL (June 30, 2022-\$NIL).

Total brokerage commissions paid during the period by Income Financial for its portfolio transactions was \$1,757 (June 30, 2022-\$1,318). Brokerage commissions paid to certain brokers may, in addition to paying for the cost of brokerage services in respect of portfolio transactions,



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

FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2023 AND 2022 (UNAUDITED)

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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, 2023 amounted to \$NIL (June 30, 2022-\$877).

**10. Distributions**

Distributions per unit to unitholders for the periods ended June 30, 2023 and 2022 and cumulative distributions since inception are shown below:

	June 30, 2023	June 30, 2022
Total distributions per unit	\$0.5632	\$0.7151
Cumulative distributions per unit since inception	\$37.6165	\$36.4571

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

As at June 30, 2023 and December 31, 2022, 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,  
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,  
Managing Director and Portfolio Manager,  
Quadravest Capital Management Inc.

Peter Cruickshank,  
Managing Director,  
Quadravest Capital Management Inc.

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## **CORPORATE DETAILS**

### **Auditor**

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

### **Legal Counsel**

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Commerce Court West, Suite 4000  
Toronto, Ontario M5L 1A9

### **Transfer Agent**

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Toronto, Ontario M5J 2Y1

### **Custodian**

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