

**DEC 31** | **INCOME FINANCIAL TRUST**  
**2020** | **ANNUAL REPORT**



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**  
**ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE**  
**DECEMBER 31, 2020**

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This is the annual Management Report of Fund Performance (MRFP) for the year ended December 31, 2020. This MRFP contains financial highlights but does not contain the complete financial statements of Income Financial Trust (“the Trust”). The 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.sedar.com](http://www.sedar.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, 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 Financials Index or the S&P Midcap 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, 2021. In addition, note 5 of the annual financial statements (“Management of Financial Risk”) contains disclosure on specific types of risks related to the financial investments held by the Trust.

## RESULTS OF OPERATIONS

Equity markets rebounded significantly during the period after reaching a multi-year low in March brought on by the unprecedented effects of the global pandemic.

This recovery was fueled in large part by extraordinary levels of monetary easing and fiscal stimulus, with the U.S. Federal Reserve and the Bank of Canada aggressively reducing interest rates to near zero and governments introducing significant individual consumer and business programs designed to provide necessary support through the adverse financial consequences of the pandemic. The U.S. Federal Reserve also announced a new inflation-targeting strategy indicating that it would tolerate periods of inflation above the standard target, which investors interpreted as an indication of an indefinite period of low short-term interest rates. The rapid pace of the development of a coronavirus vaccine, as well as decreasing infection rates and the gradual reopening of economies served to boost investor confidence allowing investors to price in an eventual return to a more normalized living and economic environment. During the latter months of the fiscal year, many of the sectors that had been hit the hardest experienced significant price appreciation joining those sectors that had previously benefitted from the “stay at home” economy. After the U.S. election in early November, market participants began to adjust their outlook and portfolios to the prospects of much greater fiscal stimulus.

The portfolio companies generally followed this pattern with their market prices reaching extreme lows in late March and then recovering significantly in the latter months of the fiscal year.

The net assets per unit finished at \$6.92 as at December 31, 2020 after the payment of \$0.70 in distributions during the year.

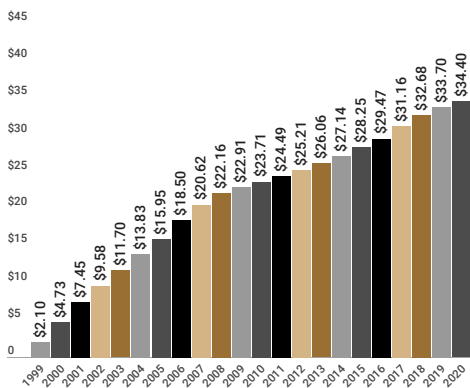
The portfolio was weighed 44.7% in Canadian financial services stocks versus 55.3% in U.S. financial services stocks as at December 31, 2020.

At various times during the year, 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 year include 12 monthly payments for a total of \$0.70 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



34.40

Cumulative total of distributions paid since inception

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## RECENT DEVELOPMENTS

Financial markets have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Trust has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

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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.

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## FINANCIAL HIGHLIGHTS

The following tables show selected financial information about the Trust and are intended to help you understand the Trust’s financial performance for the past five years. This information is derived from the Trust’s 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

	┌	Years ended December 31			└
	2020	2019	2018	2017	2016
Net assets per unit, beginning of year	8.21	7.64	10.77	11.55	10.48
Increase (decrease) from operations					
Total revenue	0.26	0.28	0.30	0.27	0.28
Total expenses	(0.16)	(0.17)	(0.20)	(0.20)	(0.18)
Realized gains (losses) for the year	0.29	0.29	0.53	0.59	0.31
Unrealized gains (losses) for the year	<u>(1.01)</u>	<u>1.19</u>	<u>(2.24)</u>	<u>0.25</u>	<u>1.87</u>
Total increase (decrease) from operations <sup>(1)</sup>	<u>(0.62)</u>	<u>1.59</u>	<u>(1.61)</u>	<u>0.91</u>	<u>2.28</u>
Distributions <sup>(2)</sup>					
Canadian dividends	(0.09)	(0.11)	(0.08)	(0.05)	(0.08)
Return of Capital	<u>(0.61)</u>	<u>(0.91)</u>	<u>(1.44)</u>	<u>(1.64)</u>	<u>(1.14)</u>
Total annual distributions	<u>(0.70)</u>	<u>(1.02)</u>	<u>(1.52)</u>	<u>(1.69)</u>	<u>(1.22)</u>
Net assets per unit, end of year	6.92	8.21	7.64	10.77	11.55

- (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 year.
- (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.

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## RATIOS AND SUPPLEMENTAL DATA

	2020	Years ended December 31 <sup>(5)</sup>			2016
	2020	2019	2018	2017	2016
Net asset value (millions) <sup>(1)</sup>	\$15.6	\$19.1	\$17.7	\$25.0	\$26.8
Number of units outstanding	2,260,970	2,323,488	2,323,488	2,323,488	2,323,488
Management expense ratio <sup>(2)</sup>	2.19%	1.87%	1.81%	1.66%	1.69%
Portfolio turnover rate <sup>(3)</sup>	6.0%	0.0%	0.0%	0.0%	2.4%
Trading expense ratio <sup>(4)</sup>	0.04%	0.01%	0.01%	0.02%	0.01%
Closing market price (TSX)	\$7.76	\$9.08	\$9.99	\$16.26	\$14.13

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

(2) Management expense ratio is based on total expenses for the stated year and is expressed as an annualized percentage of average net asset value during the year.

(3) 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 year. 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 year, the greater the trading costs payable by the Trust in the year and the greater chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the 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 year.

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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 and an amount equal to the service fee payable to dealers at a rate of 0.25% per annum.

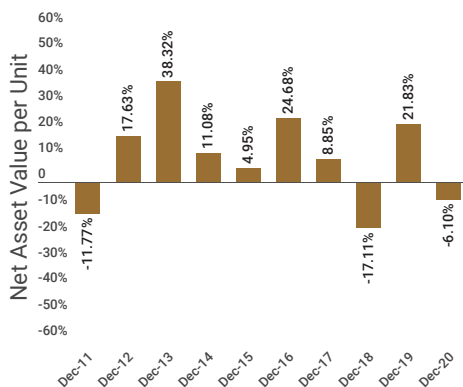
The base management fee was used by Quadravest to provide investment analysis, make investment decisions, and make brokerage arrangements for the purchase and sale of securities including the covered call writing program. The administration fee was used to provide or arrange administrative services required 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, 2020 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.



## ANNUAL COMPOUND PERFORMANCE

The following table shows the Trust's annual compound return for the one, three, five, and ten year years ended December 31, 2020 and since inception:

	One year	Three years	Five years	Ten years	Since inception
Income Financial	-6.10%	-1.76%	5.17%	7.97%	5.29%

## MARKET INDICES

S&P TSX Capped Financials Index	1.62%	3.83%	9.51%	9.40%	9.28%
S&P 500 Financial Index	-3.63%	4.66%	9.29%	13.56%	3.24%

**SUMMARY OF INVESTMENT PORTFOLIO**  
**All holdings as at December 31, 2020**

<b>Name</b>	<b>Weighting (%)</b>
Goldman Sachs Group Inc.	6.4
TMX Group Inc.	6.1
Guardian Capital Group Ltd.	5.2
Janus Henderson Group PLC	4.5
Intact Financial Corp.	4.3
Morgan Stanley	3.5
Sun Life Financial Inc.	3.5
Regions Financial Corp.	3.4
State Street Corporation	3.3
Truist Financial Corp.	3.2
J.P. Morgan Chase & Co.	3.1
Texas Capital BancShares Inc.	3.0
Fiera Sceptre Inc.	2.9
Toronto-Dominion Bank	2.8
First Horizon National	2.8
Royal Bank of Canada	2.7
Huntington Bancshares, Inc.	2.6
Synovus Financial	2.6
Canadian Imperial Bank of Commerce	2.6
Manulife Financial Corporation	2.5
Zions Bancorp	2.5
Bank of Nova Scotia	2.4
National Bank of Canada	2.1
CI Financial Corp.	1.9
Franklin Resources Inc.	1.9
US Bancorp.	1.9
IGM Financial Inc.	1.8
AGF Management Ltd., Class 'B'	1.7
Wells Fargo Company	1.6
TCF Financial Corp.	1.4
Citigroup Inc.	1.4
East West Bancorp Inc.	1.2
American Express Company	0.6
Fifth Third Bancorporation	0.6
Bank of America	1.5
<b>Total long positions as a percentage of net assets</b>	<b>95.5</b>
Cash	5.6
Other net assets (liabilities)	-1.1
	100.0

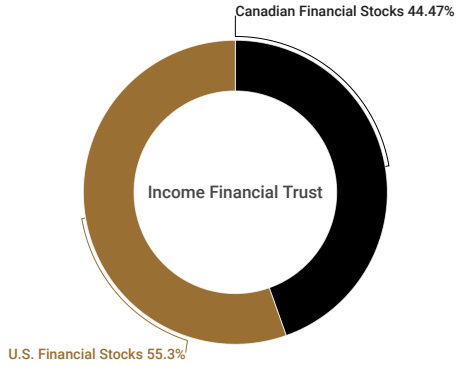
The summary of investment portfolio may change due to ongoing portfolio transactions of the Trust.  
Updates are available quarterly.



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## PORTFOLIO BREAKDOWN

The following pie chart shows the division 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 financial statements of Income Financial Trust (the "Trust") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Manager of the Trust, Quadravest Capital Management Inc. (the "Manager").

The Trust maintains appropriate procedures to ensure that relevant and reliable financial information is produced. The financial statements have been prepared in accordance with International Financial Reporting Standards. 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 financial statements.

The Manager with the approval of its Board of Directors has appointed PricewaterhouseCoopers LLP as the independent auditor of the Trust. They have audited the financial statements of the Trust in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements.



**WAYNE FINCH**

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



**SILVIA GOMES**

Chief Financial Officer  
Quadravest Capital Management Inc.



## *Independent auditor's report*

To the Unitholders and Trustee of Income Financial Trust (the Trust)

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### *Our opinion*

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

#### **What we have audited**

The Trust's financial statements comprise:

- the statements of financial position as at December 31, 2020 and 2019;
- the statements of comprehensive income/(loss) for the years then ended;
- the statements of changes in net assets attributable to holders of redeemable units for the years then ended;
- the statements of cash flow for the years then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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### *Basis for opinion*

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

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

#### **Independence**

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

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### *Other information*

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

*PricewaterhouseCoopers LLP*  
*PwC Tower, 18 York Street, Suite 2600, Toronto, Ontario, Canada M5J 0B2*  
*T: +1 416 863 1133, F: +1 416 365 8215*

\*PwC refers to PricewaterhouseCoopers LLP, an Ontario limited liability partnership.



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

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

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

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### *Responsibilities of management and those charged with governance for the financial statements*

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

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

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

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### *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

*PricewaterhouseCoopers LLP*

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario  
March 23, 2021

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

AS AT DECEMBER 31

	2020 (\$)	2019 (\$)
<b>ASSETS</b>		
Current Assets		
Investments (note 5)	14,951,318	18,621,843
Cash	872,938	516,121
Interest, dividends and other receivables	41,697	50,503
Receivable in respect of investments sold	-	143,796
Total assets	<u>15,865,953</u>	<u>19,332,263</u>
<b>LIABILITIES</b>		
Current liabilities		
Written Options	23,553	4,075
Fees and other accounts payable	57,618	67,507
Distributions payable	<u>141,311</u>	<u>182,975</u>
	<u>222,482</u>	<u>254,557</u>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS</b>	<u><b>15,643,471</b></u>	<u><b>19,077,706</b></u>

Number of redeemable units outstanding (note 6)	2,260,970	2,323,488
Net assets per unit	\$6.92	\$8.21

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 YEARS ENDED DECEMBER 31

	2020 (\$)	2019 (\$)
<b>INCOME</b>		
<b>Net gain (loss) on investments and derivatives (note 5)</b>		
Net realized gain (loss)	665,102	680,454
Net change in unrealized appreciation/depreciation	(2,263,009)	2,783,278
Dividends	581,695	653,763
Interest for distribution purposes	932	4,745
<b>Net gain (loss) on investments and derivatives</b>	<b>(1,015,280)</b>	<b>4,122,240</b>
<b>Other gain (loss)</b>		
Realized gain (loss) on currency	(5,967)	448
Change in unrealized gain (loss) in the value of currency	(29,633)	(29,131)
	<b>(1,050,880)</b>	<b>4,093,557</b>
<b>EXPENSES (note 9)</b>		
Management fees	110,587	141,987
Service fee	34,120	45,983
Audit fees	29,094	25,793
Independent Review Committee fees	4,268	4,268
Trustees expense	5,014	5,000
Custodian fees	33,679	22,529
Legal fees	31,201	22,818
Unitholder reporting costs	13,037	14,184
Other operating expenses	32,436	37,750
Harmonized sales tax	27,241	29,178
Transaction costs	5,173	1,912
Withholding taxes	39,364	45,843
<b>Total expenses</b>	<b>365,214</b>	<b>397,245</b>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	<b>(1,416,094)</b>	<b>3,696,312</b>
<b>Increase (decrease) in net assets attributable to holders per redeemable unit (note 7)</b>	<b>(0.62)</b>	<b>1.59</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 YEARS ENDED DECEMBER 31**

	2020 (\$)	2019 (\$)
<b>Net assets attributable to holders of redeemable units</b>		
- Beginning of year	19,077,706	17,741,663
Increase (decrease) in net assets attributable to holders of redeemable units	(1,416,094)	3,696,312
<b>Distributions to unitholders (note 10)</b>		
Canadian dividends	(210,917)	(253,434)
Return of capital	(1,378,417)	(2,106,835)
	<u>(1,589,334)</u>	<u>(2,360,269)</u>
Redemption of redeemable units	(428,807)	-
<b>Change in net assets attributable to holders of redeemable units</b>	<u>(3,434,235)</u>	<u>1,336,043</u>
<b>Net assets attributable to holders of redeemable units</b>		
- End of year	<u>15,643,471</u>	<u>19,077,706</u>

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



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

FOR THE YEARS ENDED DECEMBER 31

	2020 (\$)	2019 (\$)
<b>Cash flows from (used in) operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	(1,416,094)	3,696,312
Adjustment for:		
Change in unrealized (gain) loss in the value of currency	29,633	29,131
Net realized (gain) loss on investments and derivatives	(665,102)	(680,454)
Net change in unrealized appreciation/depreciation of investments and derivatives	2,263,009	(2,783,278)
Purchase of investments, net of option premiums	(837,953)	(8,158)
Proceeds from sale of investments, net of option premiums	3,073,845	1,902,181
(Increase) decrease in interest, dividends and other receivables	8,806	3,354
Increase (decrease) in fees and other accounts payable	(9,889)	11,544
<b>Net cash flows from (used in) operating activities</b>	<u><b>2,446,255</b></u>	<u><b>2,170,632</b></u>
<b>Cash flows from (used in) financing activities</b>		
Redemptions of redeemable units	(428,807)	-
Distributions paid to holders of redeemable units	(1,630,998)	(2,390,869)
<b>Net cash flows from (used in) financing activities</b>	<u><b>(2,059,805)</b></u>	<u><b>(2,390,869)</b></u>
Change in unrealized gain (loss) in the value of currency	(29,633)	(29,131)
Net increase (decrease) in cash	356,817	(249,368)
Cash at beginning of the year	516,121	765,489
<b>Cash at end of the year</b>	<u><b>872,938</b></u>	<u><b>516,121</b></u>
<b>Supplementary information</b>		
Dividends received, net of withholding taxes*	550,912	611,274
Interest received*	932	4,745

\* 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 DECEMBER 31, 2020

No. of shares (contracts)	Description	Average Cost (\$)	Fair Value (\$)
<b>Canadian Common Equities</b>			
44,600	AGF Management Ltd., Class 'B'	766,728	271,168
5,400	Bank of Nova Scotia	244,272	371,520
3,800	Canadian Imperial Bank of Commerce	361,501	413,136
18,400	CI Financial Corp.	590,227	290,352
43,200	Fiera Sceptre Inc.	424,616	461,376
30,400	Guardian Capital Group Ltd.	286,402	819,280
8,000	IGM Financial Inc.	246,147	276,080
4,500	Intact Financial Corp.	300,666	678,240
17,500	Manulife Financial Corporation	399,546	396,375
4,500	National Bank of Canada	157,018	322,380
4,100	Royal Bank of Canada	257,636	428,819
9,800	Sun Life Financial Inc.	242,452	554,680
7,500	TMX Group Inc.	346,088	953,550
6,000	Toronto-Dominion Bank	265,283	431,520
	<b>Total Canadian Common Equities (44.7%)</b>	<b>4,888,582</b>	<b>6,668,476</b>
<b>Foreign Common Equities</b>			
600	American Express Company	91,145	92,424
6,100	Bank of America	278,744	235,551
2,800	Citigroup Inc.	152,515	219,953
2,800	East West Bancorp Inc.	104,968	180,893
2,500	Fifth Third Bancorporation	131,485	87,810
27,200	First Horizon National	306,545	442,169
9,100	Franklin Resources Inc.	176,624	289,719
3,000	Goldman Sachs Group Inc.	659,923	1,007,899
25,540	Huntington Bancshares, Inc.	294,300	410,954
3,000	J.P. Morgan Chase & Co.	225,308	485,661
17,000	Janus Henderson Group PLC	805,561	704,101
6,340	Morgan Stanley	331,188	553,527
25,900	Regions Financial Corp.	202,981	531,905
5,500	State Street Corporation	387,477	509,969
10,000	Synovus Financial	244,680	412,393
4,581	TCF Financial Corp.	166,355	216,056
6,200	Texas Capital BancShares Inc.	145,047	469,978
8,152	Truist Financial Corp.	312,748	497,784
5,000	US Bancorp.	178,875	296,778
6,500	Wells Fargo Company	505,120	249,920
7,000	Zions Bancorp	208,391	387,398
	<b>Total Foreign Common Equities (55.5%)</b>	<b>5,909,980</b>	<b>8,282,842</b>
	<b>Total Equities (100.2%)</b>	<b>10,798,562</b>	<b>14,951,318</b>

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

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

AS AT DECEMBER 31, 2020

No. of contracts (shares)	Description	Premiums Received (\$)	Fair Value (\$)
	<b>Call Options written</b>		
	<b>Canadian call options written</b>		
(12)	Canadian Imperial Bank of Commerce @ \$115 January 2021	(709)	(10)
(10)	Toronto-Dominion Bank @ \$74 February 2021	(660)	(291)
	<b>Total Canadian options written (0.0%)</b>	<u>(1,369)</u>	<u>(301)</u>
	<b>U.S. call Options written</b>		
(10)	Bank of America @ \$28 January 2021	(1,599)	(3,134)
(5)	Citigroup Inc. @ \$55 January 2021	(1,178)	(4,427)
(5)	Goldman Sach Group Inc. @ \$245 January 2021	(4,045)	(12,692)
(10)	J.P. Morgan Chase & Co. @ \$130 January 2021	(2,816)	(2,089)
(10)	US Bancorp. @ \$47.50 January 2021	(718)	(910)
	<b>Total U.S. options written (-0.2%)</b>	<u>(10,356)</u>	<u>(23,252)</u>
	less adjustment for transaction costs	<u>(10,011)</u>	
	<b>Total Investments (100.0%)</b>	<u>10,776,826</u>	<u>14,927,765</u>

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

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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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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. Shareholders 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 Financials Index or the S&P MidCap 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 issued by the International Accounting Standards Board (“IASB”). These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss (“FVTPL”).

These financial statements were approved on behalf of the Trust by the Board of Directors of Quadrevest, on March 23, 2021.

**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, which approximates their fair value. 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 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

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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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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 year. 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 year. 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 December 31, 2020, the Trust had \$14,228,815 (December 31, 2019-\$14,866,445) 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:

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.

**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019**

The following table illustrates the classification of the Trust's financial instruments within the fair value hierarchy as at December 31, 2020 and December 31, 2019:

Financial assets and liabilities at fair value as at December 31, 2020				
	Level 1	Level 2	Level 3	Total
Equities	\$14,951,318	-	-	\$14,951,318
Options	(\$23,553)	-	-	(\$23,553)
	<u>\$14,927,765</u>	<u>-</u>	<u>-</u>	<u>\$14,927,765</u>

Financial assets and liabilities at fair value as at December 31, 2019				
	Level 1	Level 2	Level 3	Total
Equities	\$18,621,843	-	-	\$18,621,843
Options	(\$4,075)	-	-	(\$4,075)
	<u>\$18,617,768</u>	<u>-</u>	<u>-</u>	<u>\$18,617,768</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 years ended December 31, 2020 and 2019.

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 financial services indices of the TSX and S&P 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).

Financial markets and equity markets in particular have experienced significant volatility in response to the COVID-19 pandemic. The investment portfolio of the Trust has been subject to these market fluctuations and may continue to experience significant volatility as the situation evolves.

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 years 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 December 31, 2020, had the prices on the respective stock exchanges for these

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

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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equity securities increased by 10%, with all other variables held constant, net assets attributable to holders or redeemable units would have increased by \$1,446,392 (December 31, 2019–\$1,837,984). 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 \$1,475,742 (December 31, 2019–\$1,859,064).

**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 (consistent with previous years).

**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 December 31, 2020, 58% of the net assets attributable to holders of redeemable units (December 31, 2019-60%) 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 \$453,790 (December 31, 2019-\$567,807).

**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 year). Payment is made on purchases only once the securities have been received by the broker. Credit risk of cash is considered low as it is held at an AA-rated Canadian bank (consistent with previous year).

**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 on the termination date. All other financial liabilities are payable within three months from the end of the year (consistent with previous year).



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**INCOME FINANCIAL TRUST****NOTES TO FINANCIAL STATEMENTS**FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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**Concentration risk**

The portfolio holdings are concentrated in the financial services sector (as was the case in the prior year) and as such will be exposed to the specific factors that affect this sector (consistent with previous year). 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:**

	December 31, 2020	December 31, 2019
Canadian Common Equities	42.6%	40.4%
Foreign Common Equities	52.9%	57.2%
Canadian Call Options written	0.0%	0.0%
U.S. Call Options written	-0.1%	0.0%
Other Assets less Liabilities	<u>4.6%</u>	<u>2.4%</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 December 31, 2020 was \$7.76 (December 31, 2019-\$9.08) 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>2020</b>	<b>2019</b>
Issued and outstanding - beginning of year	2,323,488	2,323,488
Redemptions	<u>(62,518)</u>	<u>-</u>
Issued and outstanding - end of year	2,260,970	2,323,488

**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 years ended December 31, 2020 and 2019 is calculated as follows:

	2020	2019
Increase (decrease) in net assets attributable to holders of redeemable units	(1,416,094)	3,696,312
Weighted average Class A shares outstanding	2,276,265	2,323,488
Increase (decrease) in net assets attributable to holders per redeemable unit	(0.62)	1.59

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**INCOME FINANCIAL TRUST**  
**NOTES TO FINANCIAL STATEMENTS**  
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

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### 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

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 and an amount equal to the service fee payable to dealers 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 \$110,587 (December 31, 2019-\$141,987) incurred in the year ended December 31, 2020 include the administration fee and base management fee. As at December 31, 2020, \$11,198 (December 31, 2019-\$13,933) was payable to the Manager with respect to management and administrative fees. No performance fees were paid in 2020 or 2019. 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 year ended December 31, 2020 were \$2,371 (December 31, 2019-\$NIL).

In addition to the management fee payable to Quadravest, Income Financial is responsible for all expenses incurred in connection with the operation and administration of Income Financial, including, but not limited to ongoing trustee, custodian, transfer agent, legal and audit expenses.

Total brokerage commissions paid during the year by Income Financial for its portfolio transactions was \$5,173 (December 31, 2019-\$1,912).

### 10. Distributions

Distributions per unit to unitholders for the years ended December 31, 2020 and 2019 and cumulative distributions since inception are shown below:

	2020 (\$)	2019 (\$)
Total distribution per unit	0.6975	1.0158
Cumulative distributions per unit since inception	34.3981	33.7006

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

As at December 31, 2020 and December 31, 2019, 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

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

John Steep,  
President, S. Factor Consulting Inc.

### Board of Directors of Manager

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

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

Peter Cruickshank,  
Managing Director,  
Quadravest Capital Management Inc.

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## CORPORATE DETAILS

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### Legal Counsel

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