

*May 31
2004*

Dividend 15 Split Corp

Semi-annual Report



QUADRAVEST
CAPITAL MANAGEMENT

Table of Contents

Message to Shareholders.....4
Investment Objectives5
Distributions.....6
Financial Statements9
Notes to Financial Statements13

Board of Directors

Wayne Finch, Chairman and Chief Investment Officer	Peter Cruickshank, Managing Director and Chief Financial Officer
Laura Johnson, Managing Director and Portfolio Manager	William Thornhill, Vice Chairman
Michael W. Sharp Blake, Cassels & Graydon LLP	John Steep Consultant

Corporate Details

Auditors

PricewaterhouseCoopers LLP
77 King Street West, P.O. Box 82
Toronto, Ontario M5K 1G8

Transfer Agent

Computershare
100 University Avenue
Toronto, Ontario M5J 2Y1

Legal Counsel

Blake, Cassels & Graydon LLP
Commerce Court West
Toronto, Ontario M5L 1A9

Custodian

Royal Trust
Royal Trust Tower, 77 King Street West
11th Floor, Toronto, Ontario M5W 1P9



Dividend 15 Split Corp

Message to Shareholders

The financial report for Dividend 15 Split Corp. covers the initial period from March 16, 2004 to May 31, 2004. The major activity during this brief period was to begin the process of investing the proceeds of the offering in the 15 dividend yielding companies listed on the opposite page.

As at May 31, 2004, approximately 83% of the proceeds had been invested. In addition to investing in the 15 core companies, the Fund also made investments in Manulife and Sun Life Financial as part of the 15% of the portfolio that can be invested in other issuers. Both of these investments provided a positive contribution to the portfolio during the period. The active covered call writing program was initiated during this period, which also provided additional income to the portfolio.

The Corporation made distributions at the targeted rates for both the Preferred and Class A shares.

We would like to take this opportunity to thank investors for their participation in this offering and look forward to achieving the investment objectives for the Corporation in the years to come.

A handwritten signature in brown ink, appearing to read 'Wayne Finch', with a long horizontal flourish extending to the right.

Wayne Finch
Chairman and
Chief Investment Officer

Dividend 15 Split Corp

Investment Objectives

Dividend 15 Split Corp invests in a portfolio of dividend yielding common shares, which will include each of the 15 Canadian companies listed below:

- Bank of Montreal
- The Bank of Nova Scotia
- BCE Inc.
- Brascan Corporation
- Canadian Imperial Bank of Commerce
- Dofasco Inc.
- Enbridge Inc.
- National Bank of Canada
- Noranda Inc.
- Royal Bank of Canada
- TELUS Corporation
- The Thomson Corporation
- The Toronto-Dominion Bank
- TransAlta Corporation
- TransCanada Corporation

The Company may also invest up to 15% of the Net Asset Value in equity securities of issuers other than the 15 companies listed above. The Company will be managed in a manner to ensure that it remains as Canadian property for registered plans. To supplement the dividends received on the Portfolio and to reduce risk, the Company will from time to time write covered call options in respect of some or all of the common shares of the portfolio.

The Company offers two types of shares:

Preferred Shares

The investment objectives with respect to the Preferred Shares are as follows:

- a) to provide holders with fixed cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price; and
- b) on or about December 1, 2009 (the termination date) to pay holders the original issue price (\$10) of the Preferred shares

Class A Shares

The investment objectives with respect to the Class A shares are as follows:

- a) to provide with regular monthly cash dividends initially targeted to be \$0.10 per Class A shares to yield 8% per annum on the original issue price; and
- b) on or about December 1, 2009 (the termination date), to pay holders at least the original issue price (\$15) of those shares

Dividend 15 Split Corp

Ten Largest Holdings

(common equity)

as at May 31, 2004

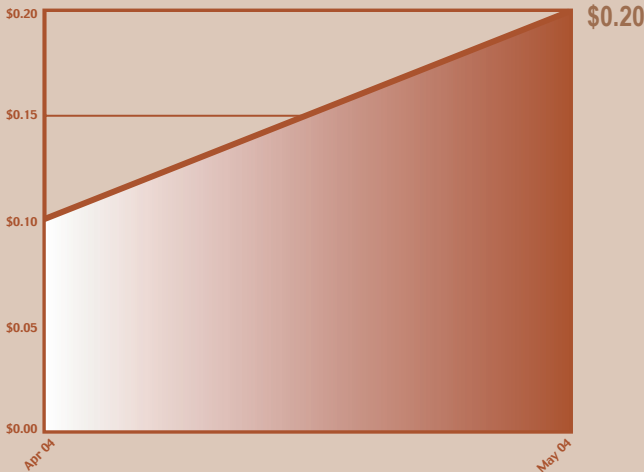
- | | |
|---------------------------------------|-----------------------------------|
| 1. Canadian Imperial Bank of Commerce | 6. National Bank of Canada |
| 2. BCE Inc | 7. The Toronto-Dominion Bank |
| 3. Bank of Montreal | 8. Royal Bank of Canada |
| 4. Brascan Corporation | 9. Manulife Financial Corporation |
| 5. The Thomson Corporation | 10. The Bank of Nova Scotia |

Note: Holdings are as at May 31, 2004 and may at any time be materially different.

Class A Shares – Distributions

Shareholders are entitled to receive regular monthly cash dividends initially targeted to be \$0.10 per Class A Share to yield 8.0% per annum on the original issue price. Distributions paid since inception on March 16, 2004 to May 31, 2004 include two distributions at the targeted rate for a total of \$0.20 per share.

Cumulative Distributions since inception

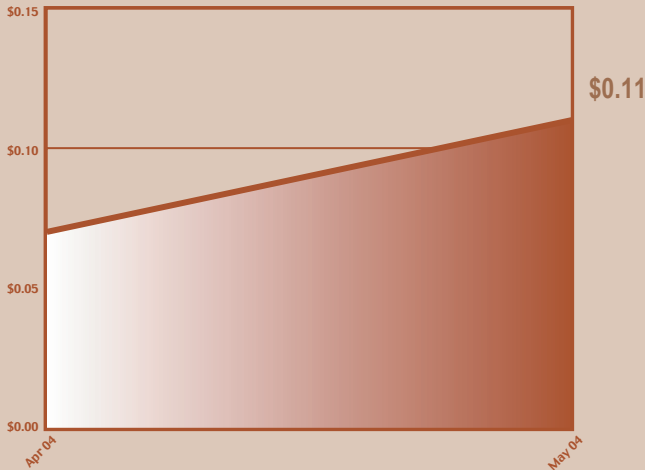


Preferred Shares – Distributions

Preferred Shareholders are entitled to fixed, cumulative preferential monthly cash dividends in the amount of \$0.04375 per Preferred Share to yield 5.25% per annum on the original issue price. Distributions paid since inception on March 16, 2004 to May 31, 2004 include two distributions at the fixed rate for a total of \$0.11 per share.

Note: The initial distribution was for the period March 16, 2004 to April 30, 2004.

Cumulative Distributions since inception





Dividend 15 Split Corp

Statements of Financial Position

As at May 31, 2004 (unaudited)

Assets	(\$)
Investments - at market value (cost-\$168,151,706)	168,797,167
Cash	36,250,545
Interest, dividends and other receivables	313,314
Total Assets	<u>205,361,026</u>
Liabilities	
Fees and other accounts payable	146,423
Payable in respect of investments purchased	6,349,450
Distributions Payable	1,207,500
Preferred shares (note 3)	84,000,000
	<u>91,703,373</u>
Shareholders' Equity	
Class A and Class B shares (note 4)	115,421,000
Retained earnings	(1,763,347)
	<u>113,657,653</u>
Liabilities & Shareholders' Equity	<u>205,361,026</u>

Approved on behalf of the Board of Directors



Wayne Finch
Chairman and
Chief Investment Officer



Peter Cruickshank
Managing Director and
Chief Financial Officer



Dividend 15 Split Corp

Statements of Operations and Retained Earnings

For the period March 16, 2004 to May 31, 2004 (unaudited)

	(\$)
Income	
Dividends	745,881
Interest	43,837
	<u>789,718</u>
Expenses (note 5)	
Management fees	309,182
Other operating expenses	185,329
Goods and services tax	34,616
	<u>529,127</u>
Net investment income (loss) for the period	<u>260,591</u>
Realized and unrealized gain (loss) on investments and options	
Net realized loss on investments and options (note 6)	(90,787)
Change in unrealized appreciation of investments	645,461
Change in unrealized depreciation of foreign exchange	12,620
	<u>567,294</u>
Net gain on investments and options for the period	<u>567,294</u>
Increase in net assets from operations before distributions	827,885
Distributions on Preferred shares (notes 3 and 8)	(911,232)
Increase (decrease) in net assets from operations	(83,347)
Retained earnings - Beginning of period	-
Distributions on Class A shares (notes 4 and 8)	(1,680,000)
Retained earnings - End of period	<u>(1,763,347)</u>

Dividend 15 Split Corp

Statements of Changes in Shareholders' Equity

For the period March 16, 2004 to May 31, 2004 (unaudited)

	(\$)
Increase in net assets from operations	(83,347)
Net proceeds from issue of Class A shares (note 4)	115,420,000
Net proceeds from issue of Class B shares (note 4)	1,000
	<u>115,421,000</u>
Distributions on Class A shares (note 8)	(1,680,000)
Increase in net assets for the period	113,657,653
Shareholders' equity - Beginning of period	-
Shareholders' equity - End of period	<u>113,657,653</u>



Dividend 15 Split Corp

Statement of Portfolio Investments

As at May 31, 2004 (unaudited)

No. of shares	Description	Average cost/ (Premiums received) (\$)	Market value(\$)
Canadian Equities			
245,000	Bank of Montreal	13,073,898	13,166,300
276,600	Bank of Nova Scotia	9,741,066	9,459,720
530,000	BCE Inc.	14,753,853	14,474,300
348,900	Brascan Corp.	11,480,293	12,542,955
244,700	Canadian Imperial Bank of Commerce	16,808,851	15,991,145
225,700	Dofasco Inc.	7,834,770	8,610,455
162,900	Enbridge Inc.	8,409,534	8,202,015
185,000	Manulife Financial Corp.	9,072,054	9,817,950
247,400	National Bank of Canada	11,064,234	10,870,756
320,800	Noranda Inc.	6,891,923	7,201,960
170,100	Royal Bank of Canada	10,614,796	10,046,106
155,200	Sun Life Financial Inc.	5,474,269	5,742,400
150,000	Telus Corporation	3,666,000	3,517,500
245,600	Telus Corporation (Non Voting)	5,446,682	5,329,520
252,600	Thomson Corp.	10,537,526	11,283,642
233,000	Toronto-Dominion Bank	10,767,968	10,578,200
292,800	TransAlta Corporation	5,158,034	4,962,960
274,700	TransCanada Corporation	7,847,856	7,524,033
	Total Equities (100.3%)	<u>168,643,606</u>	<u>169,321,917</u>
Call Options written (100 shares per contract)			
Canadian call options written			
(600)	Bank of Montreal, July 2004 @ \$52	(103,200)	(126,000)
(800)	Bank of Nova Scotia, July 2004 @ \$33.75	(44,400)	(68,000)
(1,000)	BCE Inc., June 2004 @ \$28	(48,000)	(10,000)
(600)	Canadian Imperial Bank of Commerce, July 2004 @ \$67.50	(29,400)	(30,000)
(500)	Dofasco Inc., July 2004 @ \$38	(64,000)	(55,000)
(600)	National Bank of Canada, July 2004 @ \$44	(40,200)	(46,500)
(500)	Noranda Inc., June 2004 @ 22	(34,000)	(48,750)
(800)	Royal Bank of Canada, July 2004 @ \$62	(25,200)	(24,000)
(500)	Thomson Corp., July 2004 @ \$45	(46,500)	(47,500)
(600)	Toronto Dominion Bank, July 2004 @ \$45	(57,000)	(69,000)
	Total call options written (-0.3%)	<u>(491,900)</u>	<u>(524,750)</u>
	Total Investments (100%)	<u>168,151,706</u>	<u>168,797,167</u>

Dividend 15 Split Corp

Notes to Financial Statements

For the period ended May 31, 2004 (unaudited)

1. Incorporation

Dividend 15 Split Corp (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on January 9, 2004 and began investment operations on March 16, 2004. The manager of the Company is Quadravest Inc. (the Manager) and the investment manager is Quadravest Capital Management Inc. (Quadravest). All shares outstanding on December 1, 2009, the termination date of the Company, will be redeemed by the Company on that date.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles, include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting periods. The following is a summary of the significant accounting policies followed by the Company. Actual results could differ from these estimates.

Valuation of investments

Investments are recorded in the financial statements at their market values at the end of the period, determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing sale price or, if there is no sale price, the average of the closing bid and ask prices. Shares or other securities for which market quotations are not readily available are valued at fair market values as determined by the Manager.
- Listed options are valued at market values as reported on recognized exchanges. Over the counter options are valued using an appropriate valuation model.

Investment transactions and income recognition

- Investment transactions are accounted for on the trade date.
- Realized gains and losses on investment sales and unrealized appreciation or depreciation in investment values are calculated on the average cost basis.
- Option fees paid or received are deferred and included in investments on the statements of financial position. Realized capital gains or losses are recognized in the statements of operations when options are exercised, expire or are closed out.
- Deferred gains and losses on options are recognized in investments and as a component of net unrealized appreciation (depreciation) in the value of investments in shareholders' equity.
- Dividend income is recognized on the ex-dividend date. Interest income is recognized when earned.
- Net realized gains and losses on investments include net realized gains or losses from foreign currency changes.

Dividend 15 Split Corp

Notes to Financial Statements

For the period ended May 31, 2004 (unaudited)

3. Preferred shares

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

Issued and outstanding	May 31, 2004
8,400,000 Preferred shares	<u>84,000,000</u>

Preferred shares were issued at \$10 per share. Preferred shares are entitled to fixed, cumulative monthly cash dividends of \$0.04375 per Preferred share. All Preferred shares outstanding on December 1, 2009 will be redeemed by the Company on that date. For accounting purposes, the Preferred shares have been presented as liabilities in the financial statements in accordance with Section 3860 of the CICA Handbook.

Preferred shares trade under the symbol "DFN.PR.A" on the Toronto Stock Exchange (TSX). Preferred shares trading price on the TSX was \$10.40 as at May 31, 2004. Preferred shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Preferred share and a Class A share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of October. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at May 31, 2004 was \$23.53. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares and the Class A shares rank in priority to the Class B shares with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

4. Class A shares and Class B shares

Authorized

An unlimited number of Class A shares
1,000 Class B shares

<u>Issued and outstanding</u>	May 31, 2004
8,400,000 Class A shares	115,420,000
1,000 Class B shares	<u>1,000</u>
	<u>115,421,000</u>

Class A shares were issued at \$15 per share. Class A share distributions are targeted at \$0.10 per month. All Class A shares outstanding on December 1, 2009 will be redeemed by the Company on that date.

Dividend 15 Split Corp

Notes to Financial Statements

For the period ended May 31, 2004 (unaudited)

Class A shares trade under the symbol "DFN" on the Toronto Stock Exchange (TSX). Class A shares trading price on the TSX was \$13.97 as at May 31, 2004. Class A shares may be surrendered at any time for retraction at specified retraction amounts, but will be retracted only on the last day of each month. Shareholders who concurrently retract a Class A share and an Preferred share (together, a "unit") in the month of October in each year will be entitled to receive an amount equal to the net asset value per unit on the last day of October. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. The net asset value per unit as at May 31, 2004 was \$23.53. Under the terms of a Recirculation Agreement, the Company may, but is not obligated to, require the Recirculation Agent to use its best efforts to find purchasers for any Preferred shares or Class A shares tendered for retraction.

The Preferred shares rank in priority to the Class A shares and the Class A shares rank in priority to the Class B shares with respect to the payment of dividends. Upon the termination of the Company, Class A shareholders will receive an amount equal to the net asset value per unit less \$10 (the redemption value of the Preferred shares).

On March 16, 2004, the Company issued 8,000,000 Class A shares for a gross proceeds of \$109,900,000. An additional 400,000 Class A shares were issued on April 6, 2004 for net proceeds of \$5,520,000.

The holders of Class B shares are not entitled to receive dividends. The Class B shares are retractable at a price of \$1.00 per share. Class B shareholders are entitled to one vote per share. On March 16, 2004, the Company issued 1,000 Class B shares to Quadravest Capital Management Inc., the Company's investment manager, for cash consideration of \$1,000. Issue costs of \$10,080,000 and filing fees of \$500,000 were incurred in connection with this offering.

5. Expenses

The Company is responsible for all expenses incurred in connection with the operation and administration of the Company, including, but not limited to, ongoing custodian, transfer agent, legal and audit expenses.

Pursuant to the administration agreement, the Manager is entitled to an administration fee payable monthly in arrears at an annual rate of 0.10% of the net assets of the Fund calculated as at each monthly valuation date and an amount equal to the service fee payable to dealers on the Class A Shares at a rate of 0.50% per annum.

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

The Manager also pays the service fee to each dealer whose clients hold Class A Shares. The service fee is calculated and paid at the end of each calendar quarter and is equal to 0.50% annually of the value of the Class A Shares held by clients of the dealer. Total management fees of \$309,182 incurred during the period include the administration fee and base management fee.

Dividend 15 Split Corp

Notes to Financial Statements

For the period ended May 31, 2004 (unaudited)

5. Expenses (continued)

The management expense ratio is calculated as being the total expenses incurred by the Company, including GST, as a percentage of the weighted average of shareholders equity and the Preferred shares of the Company, and is expressed on an annualized basis. The management expense ratio for the Company was 1.31% of average net assets for the period.

6. Net realized gain on investments and options

The net realized gain on sale of investments and options (excluding short-term notes) was as follows:

	May 31, 2004
Proceeds on sale of investments and options	278,516
Less cost of investments sold:	
Investments at average cost	
Beginning of period	-
Cost of investments purchased	168,517,166
Investments at average cost - End of period	(168,151,707)
Investments sold during the period	<u>365,459</u>
	(86,943)
Net realized gain (loss) on foreign exchange	(3,844)
Net realized gain (loss) on investments and options	<u>(90,787)</u>

7. Results from Operations

The results from operations per Class A share before payment of Class A share distributions were as follows:

May 31, 2004
(\$0.01)

based on average number of Class A shares outstanding during the period.

8. Distributions

The Company's investment objectives are to provide steady monthly distributions to both the Preferred and Class A shareholders while returning the original issue price to each shareholder on the termination date of the Company on December 1, 2009.

Distributions per share were as follows:

	May 31, 2004
Preferred shares	\$0.108
Class A shares	\$0.20

Dividend 15 Split Corp

Notes to Financial Statements

For the period ended May 31, 2004 (unaudited)

9. Income Taxes

The Company is a mutual fund corporation as defined in the Income Tax Act (Canada) (the Act) and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Company is generally subject to a tax of 33-1/3% under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends.

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

10. Financial instruments and risk management

The fair values of the Company's assets and liabilities are affected by changes in interest rates and equity markets. The Company manages these risks through the use of various risk limits and trading strategies.

11. Statement of portfolio transactions

Additional unaudited information concerning the portfolio transactions for the Company for the period ended May 31, 2004 can be obtained without charge by writing to Quadravest Inc. at 77 King Street West, P.O. Box 341, Toronto, Ontario M5K 1K7.



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. 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 Quadravest.

Quadravest's investment strategy combines equity investments with covered call writing. Quadravest has completed initial public offerings for ten products in excess of \$1 billion.





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CAPITAL MANAGEMENT

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