

# Split Share Primer

## What are Split Shares?

Canadian split shares are unique investment vehicles that typically invest in a diversified portfolio of stocks and “split” the portfolio returns (dividends and capital appreciation) between two distinct classes of shares: Preferred Shares and Class A Shares. This structure caters to both conservative investors seeking stable income and growth-oriented investors.

## Preferred Shares

For Conservative, Income-Focused Investors

Preferred shares appeal to conservative investors seeking steady income. Typically issued with a fixed term (often five years and subject to renewal), they have priority claims on fund distributions but limited potential for capital appreciation. Their fixed term, stable income, and minimal growth potential make them similar to fixed-income investments.

### Key Features

#### Stable Income

Receive fixed, cumulative distributions providing a consistent income stream

#### Tax-Efficient

Often taxed as eligible Canadian dividends, making them more tax-efficient than other income sources

#### Priority Claim

Have the first claim on the corporation's assets, meaning they are paid before Class A shareholders

#### Low Volatility

The market price of preferred shares has historically remained fairly stable

## Class A Shares

For Growth-Oriented, Risk-Tolerant Investors

Class A shares cater to growth oriented investors seeking higher yields and capital appreciation potential. Class A shares receive all portfolio gains (losses) after paying preferred share distributions. The structural leverage is more cost efficient than borrowing at prevailing interest rates.

### Key Features

#### Capital Appreciation

Benefit from capital appreciation and dividends in the underlying portfolio after preferred distributions have been paid

#### Embedded Leverage

Generates leveraged exposure while avoiding the costs of borrowing, amplifying returns

#### Higher Volatility

More suitable for investors seeking growth and are willing to accept a higher level of risk

# Split Shares Managed by Mulvihill

Mulvihill Capital manages two split share funds and one Split Share ETF listed on the TSX: Premium Income Corporation (PIC), Premium Global Income Corp (PGIC), and the Mulvihill Enhanced Split Preferred Share ETF (SPFD).

## Premium Income Corp

TSX: PIC.A, PIC.PR.A

Premium Income Corp offers exposure to a high-quality portfolio consisting of the "Big Six" Canadian banks. With over 28 years of performance history, the fund has paid 118 consecutive distributions without missing a payment since inception.

**Investment Focus** Canadian Banks

[Fund Fact Sheet](#)

PIC	Class A	Preferred
TSX Ticker	PIC.A	PIC.PR.A
Distribution Yield*	18.80%	8.50%
Distribution Frequency	Monthly	Monthly
Maturity Date	November 1, 2031	

## Premium Global Income Corp

TSX: PGIC, PGIC.PR

Premium Global Income Corp. offers exposure to an actively managed, globally diversified portfolio. The fund employs option writing strategies to enhance portfolio income while providing tax-efficient return of capital (ROC) distributions for both Class A and Preferred Shares.

**Investment Focus** Global Equities

[Fund Fact Sheet](#)

PGIC	Class A	Preferred
TSX Ticker	PGIC.A	PGIC.PR
Distribution Yield*	15.70%	7.50%
Distribution Frequency	Monthly	Monthly
Maturity Date	June 30, 2029	

## Mulvihill Enhanced Split Preferred Share ETF

TSX: SPFD

SPFD provides tax-efficient monthly income by actively managing a diversified portfolio of primarily preferred shares of Canadian Split Share Corporations. Strategic leverage (up to 50%) provides additional return potential.

**Investment Focus** Split Preferred Shares

[Fund Fact Sheet](#)

SPFD	
TSX Ticker	SPFD
Distribution Yield*	10.80%
Distribution Frequency	Monthly

# Split Share Example

## Assumptions

### Starting NAV

Class A and Preferred shares start with a NAV of \$10.00 each, giving a combined NAV of \$20.00

### Preferred Share

Fixed 7% annual distribution, or \$0.70 per share

NAV remains constant at \$10.00 unless Class A's NAV falls below zero

### Class A Shares

10% annual yield, or \$1.00 per share

NAV varies with portfolio returns, experiencing amplified gains and losses due to structural leverage

Combined distribution of \$1.70 is deducted from the Class A NAV

## Split Share Return Scenarios

Return Assumption	-10%	0%	10%	20%
Total Unit Starting NAV	\$20.00	\$20.00	\$20.00	\$20.00
NAV Gain/Loss	(\$2.00)	\$0.00	\$2.00	\$4.00
Total unit Distributions Paid	(\$1.70)	(\$1.70)	(\$1.70)	(\$1.70)
<b>Total Unit Ending NAV</b>	<b>\$16.30</b>	<b>\$18.30</b>	<b>\$20.30</b>	<b>\$22.30</b>

Starting with a Net Asset Value (NAV) of \$20, split equally between two share classes

Portfolio NAV fluctuates based on the returns of the underlying investments

Distributions paid to unitholders decrease the fund's NAV

### Preferred Shares

Total Unit Starting NAV	\$10.00	\$10.00	\$10.00	\$10.00
NAV Gain/Loss	\$0.70	\$0.70	\$0.70	\$0.70
<b>Preferred Total Return</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>	<b>7.00%</b>

NAV remains constant at \$10.00 unless Class A's NAV falls below zero

Stable source of income through a fixed distribution

Forego any potential for capital appreciation, which is allocated to Class A unitholders

### Class A Shares

Class A NAV	\$6.30	\$8.30	\$10.30	\$12.30
Class A Distribution Received	\$1.00	\$1.00	\$1.00	\$1.00
<b>Class A Total Return</b>	<b>-27.00%</b>	<b>-7.00%</b>	<b>13.00%</b>	<b>33.00%</b>

NAV varies with portfolio returns. Class A NAV is the total unit NAV minus the Preferred share NAV

Receives higher income

Class A shares experience amplified gains and losses due to structural leverage

# Disclosures

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\* Distribution Yield based on most recently declared distribution annualized, as a percentage of the net asset value as of 04/30/2025. Actual yield changes daily based on market conditions