Dividend 15 Split Corp. II

2014 Annual Report

Dividend 15

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

This is the annual Management Report of Fund Performance (MRFP) for the period ended November 30, 2014. This MRFP contains financial highlights but does not contain the complete financial statements of the Company. The annual financial statements and accompanying notes are attached to this report.

Investors may also obtain a copy of the Company's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure by visiting our website at www.dividend15.com or by writing to the Company at Investor Relations, Royal Trust Tower, 77 King Street West, P.O. Box 341, Toronto, Ontario, M5K 1K7.

These reports are available to view and download at www.dividend15.com or www.sedar.com.

Investment Objectives and Strategies

The Company invests in a portfolio of dividend yielding common shares (the "Portfolio"), which will include each of the 15 Canadian companies listed below:

- Bank of Montreal
- Bank of Nova Scotia
- BCE Inc.
- Canadian Imperial Bank of Commerce
- CI Financial Corp.
- Enbridge Inc.
- Manulife Financial
- National Bank of Canada
- Royal Bank of Canada
- Sun Life Financial
- TELUS Corporation
- Thomson Reuters Corporation
- The Toronto-Dominion Bank
- TransAlta Corporation
- TransCanada Corp.

The Company may also invest up to 15% of its Net Asset Value in equity securities of issuers other than the 15 companies listed above. In order 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:

1. To provide holders of the Preferred shares 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
2. On or about the termination date of December 1, 2019 (subject to further 5 year extensions thereafter), to pay the holders of the Preferred shares the original issue price of those shares.

Class A Shares

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

1. To provide holders of the Class A shares with regular monthly cash dividends targeted to be $0.10 per Class A share to yield 8.0% per annum on the original issue price; and
2. On or about the termination date, to pay the holders of Class A shares at least the original issue price of those shares.

Risk

The risks of investing in the Company remain as discussed in the Annual Information Form dated February 24, 2015. In addition, Note 3 of the annual financial statements ("Management of Risk") contains disclosure on specific types of risks related to the financial investments held by the Company.

Results of Operations

The year ended November 30, 2014 reflected the sixth year of continued economic and market improvement.

The 15 core portfolio companies held in the Portfolio continued to perform well during the year. The Canadian banks held in the Portfolio continued their strong performance and finished at or near record highs. A continuation of solid earnings growth and above average dividend increases during the period reflects their strong fundamentals. The wealth management units of these banks have particularly benefited as rising markets have increased fees generated on the value of assets under management. The decline in longer term rates during the period benefited the telecom and utility stocks held in the Portfolio.

The Net Assets per unit finished $0.72 higher to end at $17.33 per unit (consisting of one Preferred share and one Class A share) as at November 30, 2014 after the payment of distributions to both classes of shares at the targeted rates. A combined total of $1.725 was paid in distributions during the period bringing total distributions paid per unit to $13.02 since inception.

The Company completed three successful overnight secondary offerings on December 3, 2013, April 10, 2014 and September 24, 2014 that resulted in an aggregate issue of 6,357,750 units for net proceeds of $112.7 million.

Shareholder reporting costs declined as the prior year included one-time costs associated with the 2013 special shareholder meeting.

Net Asset Value for the Company finished the year at $198.6 million.

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

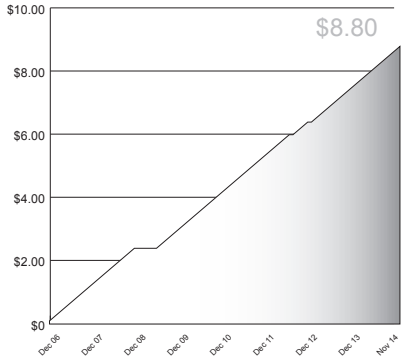
Class A shares – Distributions

Class A 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. The net asset value per unit must be greater than $15 in order to declare monthly dividends. Total distributions of $1.20 per Class A share were made at the target rate during the year.

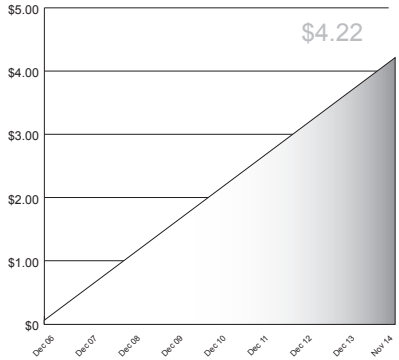
Preferred shares – Distributions

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 during the year were at the fixed rate for a total of $0.525 per share.

Cumulative Distributions since inception



Cumulative Distributions since inception



Recent Developments

There were no recent developments.

Related Party Transactions

Quadravest Capital Management Inc. ("Quadravest") as Investment Manager and Manager earns fees from the Company as described below in the Management Fees section.

Financial Highlights

The following tables show selected financial information about the Company and are intended to help you understand the Company's financial performance. This information is derived from the Company's annual financial statements and previous annual audited financial statements. The Net Assets included in the Net Assets per unit table is from the Company's financial statements and calculated using bid prices. 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 Asset Value and Net Assets per unit. The Net Asset Value included in the Ratios/ Supplemental data Table is for transactional pricing purposes and calculated using closing prices (see Note 2 in the financial statements).

The Company's Net Assets per unit

	Year ended November 30				
	2014	**2013**	**2012**	**2011**	**2010**
Net Assets per unit, beginning of the year[1]	16.61	15.30	15.21	16.73	16.53
Increase (decrease) from operations					
Total revenue	0.54	0.60	0.63	0.62	0.64
Total expenses	(0.46)	(0.26)	(0.20)	(0.21)	(0.20)
Realized gains (losses) for the year	0.43	(0.17)	0.73	0.17	(0.15)
Unrealized gains (losses) for the year	1.08	2.86	0.43	(0.37)	1.63
Total increase from operations[2]	1.59	3.03	1.59	0.21	1.92
Distributions[3]					
Taxable Dividends	(1.73)	(1.73)	(1.53)	(1.73)	(1.73)
Capital Gains	-	-	-	-	-
Total distributions	(1.73)	(1.73)	(1.53)	(1.73)	(1.73)
Net Assets per unit at end of year	17.33	16.61	15.30	15.21	16.73
Net Assets per Preferred share	10.00	10.00	10.00	10.00	10.00
Net Assets per Class A share	7.33	6.61	5.30	5.21	6.73
Net Assets per unit at end of year	17.33	16.61[4]	15.30	15.21	16.73

(1) Net assets per unit is the difference between the aggregate value of the assets of the Company and the aggregate value of the liabilities excluding the Preferred shares of the Company on that date divided by the number of units then outstanding.

(2) Total increase (decrease) from operations is calculated based on the weighted average number of units outstanding during the period.

(3) Distributions on the Preferred shares and Class A shares are based on the number of Preferred shares and Class A shares outstanding on the record date for each distribution in the period and were paid in cash. Characterization of distributions is based on the tax treatment that is received by investors.

(4) The difference between the GAAP Net Assets per unit and the Net Asset Value per unit (published) is due to the fact that Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments rather than the use of last traded prices currently used for the purpose of determining Net Asset Value. The difference is also due to the timing of the accounting for the secondary issue of 1,782,500 units for net proceeds of $32,530,625 that closed on December 3, 2013. The published Net Asset Value reflects and accrues for the accretive financial impact of the secondary offering that closed on December 3, 2013. The Company concluded that all necessary conditions for the closing of this secondary offering were present on November 30, 2013 and as such the Company accrued for this transaction as part of its published Net Asset Value. The GAAP Net Assets per unit does not reflect this transaction as at November 30, 2013. The difference in timing of the accounting of this offering accounts for $0.21 of the difference.

Ratios and Supplemental Data (based on net asset value)

	Year ended November 30				
	2014	2013	2012	2011	2010
Net Asset Value (millions)[1]	$198.6	$115.6[7]	$78.1	$77.4	$84.7
Number of units outstanding[1]	11,444,214	6,868,964	5,086,464	5,059,000	5,059,000
Base Management expense ratio[2]	2.72%	1.58%[7]	1.28%	1.27%	1.23%
Management expense ratio including one time secondary offering expenses[3]	4.62%	3.35%	1.28%	1.27%	1.23%
Management expense ratio per Class A share[4]	18.59%	17.63%	13.61%	11.09%	11.07%
Portfolio turnover rate[5]	30.7%	49.0%	50.7%	18.2%	27.3%
Trading expense ratio[6]	0.08%	0.06%	0.06%	0.03%	0.03%
Closing market price (TSX): Preferred shares	$10.13	$10.03	$10.16	$10.17	$10.35
Closing market price (TSX): Class A shares	$8.68	$8.24	$6.26	$7.20	$10.98

(1) This information is provided as at November 30.

(2) A separate base management expense ratio has been presented to reflect the normal operating expenses of the Company excluding any one time secondary offering expenses. Management expense ratio is based on total expenses for the stated period and is expressed as an annualized percentage of average net asset value during the period.

(3) Share issue expenses, representing all Agents' fees and other offering expenses are one time expenses connected with any secondary offering.

(4) Management expense ratio for Class A shares is based on the requirements of NI 81-106. This instrument requires that all Split share companies produce an expense ratio which allocates all operating expenses of the Company, all distributions on Preferred shares and all issuance costs to the Class A shares and expresses this as an annualized percentage of net assets applicable only to the Class A shares during the period. The management expense ratio per Class A share should not be interpreted as the required return necessary for the Company or the Class A shares to cover the operating expenses of the Company. This calculation is based only on a portion of the Company's assets whereas the Company utilizes its entire assets to generate investment returns. Management believes that the base management expense ratio per unit disclosed in the table above is the most representative ratio in assessing the ongoing efficiency of the administration of the Company, making comparisons to the expense ratios of single unit mutual funds or determining the minimum investment returns necessary by the Company to achieve growth in Net Asset Value per unit.

(5) The Company's portfolio turnover rate indicates how actively Quadravest manages the portfolio investments. A portfolio turnover rate of 100% is equivalent to the Company buying and selling all of the securities in its portfolio once in the course of the year. The Company employs a covered call writing strategy which can cause the portfolio turnover rate to be higher than conventional mutual funds. The higher the Company's portfolio turnover rate in a year, the greater the trading costs payable by the Company 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 Company.

(6) 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.

(7) The difference between the GAAP Net Assets per unit and the Net Asset Value per unit (published) is due to the fact that Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments rather than the use of last traded prices currently used for the purpose of determining Net Asset Value. The difference is also due to the timing of the accounting for the secondary issue of 1,782,500 units for net proceeds of $32,530,625 that closed on December 3, 2013. The published Net Asset Value reflects and accrues for the accretive financial impact of the secondary offering that closed on December 3, 2013. The Company concluded that all necessary conditions for the closing of this secondary offering were present on November 30, 2013 and as such the Company accrued for this transaction as part of its published Net Asset Value. The GAAP Net Assets per unit does not reflect this transaction as at November 30, 2013. The difference in timing of the accounting of this offering accounts for $0.21 of the difference.

Management fees

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 Asset Value of the Company, which include the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Pursuant to the administration agreement, the Manager 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 Company, which includes the outstanding Preferred shares, calculated as at each month-end 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. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

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 Company which includes all operational services, financial accounting, shareholder reporting and regulatory reporting.

Past Performance

Year-by-Year Returns

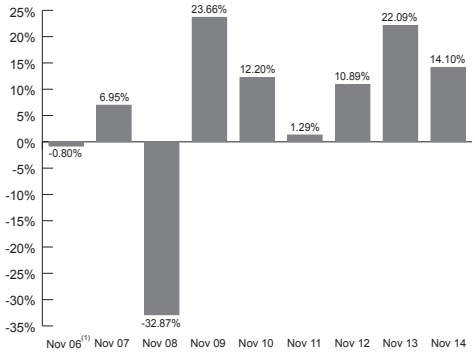
The past performance of 1) the Net Asset Value per unit; 2) the Preferred share on a Net Asset Value basis; and 3) the Class A share on a Net Asset Value basis for each period since inception are presented in the bar charts below. Each bar in the chart reflects the change in percentage terms of how a unit, a Preferred share or a Class A share would have increased or decreased during the applicable period. In respect to the charts displayed below, please note the following:

a) The performance information shown assumes that all cash distributions made by the Company during the periods shown were reinvested in the applicable additional securities of the Company;

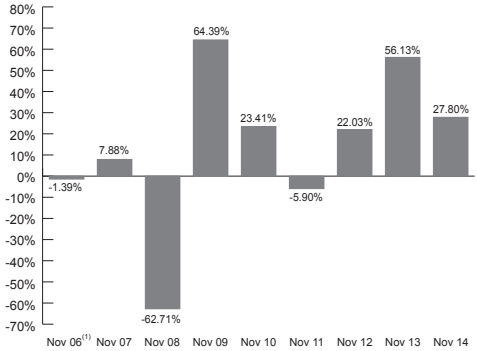
b) The performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance; and

c) Past performance of the Company does not necessarily indicate how it will perform in the future.

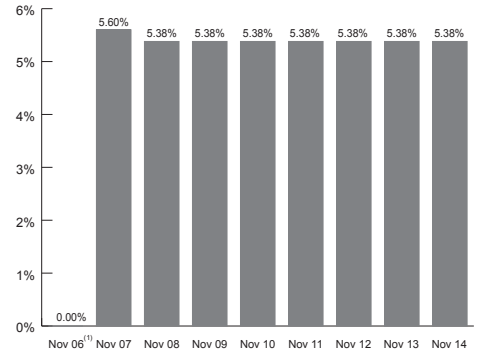
NET ASSET VALUE PER UNIT



CLASS A SHARE



PREFERRED SHARE



(1) Based on initial period from November 16, 2006 to November 30, 2006

Annual Compound Performance

The following table shows the Company's annual compound return for the one, three and five year periods ended November 30, 2014 and since inception:

	One year	Three years	Five years	Since inception
Dividend 15 Split Corp. II - Unit	14.10%	15.60%	11.91%	5.57%
Dividend 15 Split Corp. II - Preferred share	5.38%	5.38%	5.38%	5.38%
Dividend 15 Split Corp. II - Class A share	27.80%	34.53%	23.11%	7.90%
MARKET INDICES				
S&P TSX 60 Index[1]	15.07%	10.76%	7.91%	4.90%

(1) As a result of the Company being limited to a specific universe of stocks and that a covered call writing program is implemented to generate additional income, the investment profile of the Company is quite unique and any comparisons with any other external market indices may not be appropriate.

SUMMARY OF INVESTMENT PORTFOLIO

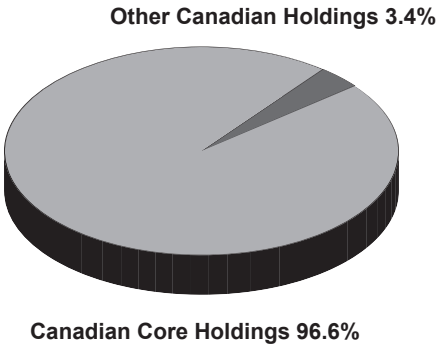
All holdings as at November 30, 2014

Name	Weighting (%)
Canadian Imperial Bank of Commerce	9.9
Toronto-Dominion Bank	7.6
Bank of Nova Scotia	7.3
BCE Inc.	7.2
Royal Bank of Canada	7.1
Manulife Financial Corp.	6.8
Sun Life Financial Inc.	6.8
National Bank of Canada	5.6
Telus Corporation	5.5
CI Financial Corp.	5.0
Bank of Montreal	4.8
TransAlta Corporation	4.5
Thomson Reuters Corp.	4.3
TransCanada Corp.	3.9
Enbridge Inc.	3.1
Loblaw Companies Ltd.	1.6
AGF Management Ltd., Class 'B'	1.5
TMX Group Inc.	0.1
Total long positions as a percentage of net assets	**92.6**
Cash	9.7
Other net assets	-2.3

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

Portfolio Breakdown

The following pie chart shows the division of the Company's holdings between Canadian core and other Canadian investments.



Dividend 15 Split Corp. II
Management's Responsibility for Financial Reporting

The financial statements of Dividend 15 Split Corp. II (the "Company") and all the information in this annual report are the responsibility of management and have been approved by the Board of Directors of the Company.

The Company maintains appropriate procedures to ensure that relevant and reliable financial information is produced. Statements have been prepared in accordance with Canadian generally accepted accounting principles and may include certain amounts that are based on estimates and judgments. The significant accounting policies applicable to the Company are described in Note 2 to the financial statements.

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

The Company with the approval of its Board of Directors has appointed the external firm PricewaterhouseCoopers LLP as the auditor of the Company. They have audited the financial statements of the Company in accordance with Canadian generally accepted auditing standards to enable them to express to shareholders their opinion on the financial statements. The auditor has full and unrestricted access to the Audit Committee to discuss its findings.

Independent Auditor's Report

To the Shareholders of Dividend 15 Split Corp. II (the "Company")

We have audited the accompanying financial statements of the Company, which comprise the statement of portfolio investments as at November 30, 2014, the statements of financial position as at November 30, 2014 and 2013 and the statements of operations, cash flow and changes in shareholders' equity for the years then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at November 30, 2014 and 2013 and the results of its operations, its cash flows and the changes in its net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

PricewaterhouseCoopers LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
February 24, 2015

Dividend 15 Split Corp. II
Statements of Financial Position
As at November 30

	2014 ($)	2013 ($)
ASSETS		
Investments - at fair value (note 3)	183,202,642	78,648,242
Cash	19,186,938	10,451,103
Interest, dividends and other receivables	480,379	202,778
Total Assets	**202,869,959**	**89,302,123**
LIABILITIES		
Fees and other accounts payable	290,824	190,062
Payable in respect to investments purchased	2,601,800	3,880,357
Dividends payable	1,645,106	731,179
Preferred shares (note 4)	114,442,140	50,864,640
	118,979,870	55,666,238
SHAREHOLDERS' EQUITY		
Class A and Class B shares (note 5)	120,915,114	69,663,928
Deficit (note 5)	(40,797,127)	(39,800,145)
Other equity (note 5)	3,772,102	3,772,102
	83,890,089	33,635,885
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	**202,869,959**	**89,302,123**
Number of units (1 Preferred share and 1 Class A share) outstanding	11,444,214	5,086,464
Net Assets per unit (note 2)	$17.33	$16.61
Net Assets per Preferred share (note 2)	$10.00	$10.00
Net Assets per Class A share (note 2)	$7.33	$6.61

Approved on behalf of the Board of Directors

Wayne Finch
Chief Executive Officer,
President and Director

Peter Cruickshank
Chief Financial Officer
and Director

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

Dividend 15 Split Corp. II
Statements of Operations
For the years ended November 30

	2014 ($)	2013 ($)
INCOME		
Dividends	4,875,060	3,074,803
	4,875,060	3,074,803
EXPENSES (note 6)		
Management fees	1,167,760	633,828
Service fees	334,199	135,619
Audit fees	20,200	19,500
Directors' fees	23,583	21,460
Independent Review Committee fees	4,268	3,499
Custodian fees	72,714	37,909
Legal fees	33,065	36,041
Shareholder reporting costs	19,712	259,473
Other operating expenses	104,250	82,361
Harmonized sales tax	258,321	87,431
Agent fees and issue costs on secondary offerings	2,170,877	-
	4,208,949	1,317,121
Net investment income before distributions on Preferred shares	**666,111**	**1,757,682**
Distributions on Preferred shares (note 4 and 7)	**(4,693,481)**	**(2,670,393)**
Net investment loss for the year	**(4,027,370)**	**(912,711)**
Realized and unrealized gain (loss) on investments and options and transaction costs		
Net realized gain (loss) on investments and options	4,077,149	(816,551)
Change in unrealized appreciation of investments and options	9,802,673	14,560,478
Transaction costs on purchase and sale of investments (note 2)	(121,478)	(49,443)
Net gain on investments and options for the year	**13,758,344**	**13,694,484**
Increase in net assets from operations for the year	**9,730,974**	**12,781,773**
Increase in net assets from operations per Class A share	**1.07**	**2.51**

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

Dividend 15 Split Corp. II
Statements of Changes in Shareholders' Equity
For the years ended November 30

	2014 ($)	2013 ($)
Shareholders' equity - Beginning of year	**33,635,885**	**26,957,869**
Increase in net assets from operations for the year	9,730,974	12,781,773
Gross proceeds from issue of Class A shares	54,182,750	-
Agent fees and costs on secondary offering	(2,931,564)	-
Net proceeds from issue of Class A shares	51,251,186	-
Distributions on Class A shares		
From net realized gains	(2,220,656)	-
From return of capital	(8,507,301)	(6,103,757)
	(10,727,957)	(6,103,757)
Increase in shareholders' equity for the year	**50,254,204**	**6,678,016**
Shareholders' equity - End of year	**83,890,089**	**33,635,885**

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

Dividend 15 Split Corp. II
Statements of Cash Flow
For the years ended November 30

	2014 ($)	2013 ($)
Cash flow from Operating activities		
Net investment loss for the year	(4,027,370)	(912,711)
Proceeds from sale of investments	40,110,953	44,930,974
Purchase of investments	(132,185,564)	(33,092,699)
Net change in interest, dividends and other receivable balances	(277,601)	48,576
Net change in fees, other accounts payable and Dividends payable on Preferred shares	360,247	109,508
Cash flow from operations	(96,019,335)	11,083,648
Cash flow from Financing activities		
Gross proceeds from the issue of Class A shares and Preferred shares	117,760,250	-
Agent's fees and issue costs on secondary offering	(2,912,898)	-
Distributions on Class A shares	(10,092,182)	(5,595,111)
Cash flow from Financing activities	104,755,170	(5,595,111)
Increase in cash for the year	8,735,835	5,488,537
Cash, beginning of year	10,451,103	4,962,566
Cash, end of year	**19,186,938**	**10,451,103**
Supplemental information		
Distributions paid on Preferred shares	4,415,330	2,670,394

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

Dividend 15 Split Corp. II
Statement of Portfolio Investments
As at November 30, 2014

No. of shares	Description	Average Cost ($) (Premiums received)	Fair Value ($)
	17 Core Holdings		
	Canadian Common Equities		
114,933	Bank of Montreal	8,646,000	9,612,996
204,550	Bank of Nova Scotia	13,253,796	14,410,548
269,258	BCE Inc.	12,457,414	14,351,451
185,300	Canadian Imperial Bank of Commerce	17,827,684	19,708,508
292,356	CI Financial Corp.	8,912,363	9,899,174
117,900	Enbridge Inc.	5,026,784	6,177,960
588,600	Manulife Financial Corp.	12,451,327	13,396,536
210,500	National Bank of Canada	9,063,332	11,171,235
169,871	Royal Bank of Canada	11,578,565	14,121,376
317,000	Sun Life Financial Inc.	11,316,307	13,447,140
252,834	Telus Corporation	9,009,420	10,940,127
187,286	Thomson Reuters Corp.	7,418,726	8,525,259
261,000	Toronto-Dominion Bank	12,511,199	15,015,330
793,000	TransAlta Corporation	11,514,487	8,826,090
142,400	TransCanada Corp.	7,183,451	7,735,168
	Total Core Portfolio Equities (96.8%)	**158,170,855**	**177,338,898**
	Other Canadian Equity Holdings		
294,000	AGF Management Ltd., Class 'B'	5,036,121	2,922,360
53,200	Loblaw Companies Ltd.	2,646,521	3,272,332
4,023	TMX Group Inc.	185,044	206,702
	Total Other Canadian Common Equities (3.4%)	**7,867,686**	**6,401,394**
	Total Canadian Common Equities	**166,038,541**	**183,740,292**

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

Dividend 15 Split Corp. II
Statement of Portfolio Investments
As at November 30, 2014

No. of shares	Description	Average Cost ($) (Premiums received)	Fair Value ($)
	Call Options written (100 shares per contract)		
No. of contracts	**Canadian call options written**		
(250)	Bank of Montreal @ $85 December 2014	(10,625)	(13,500)
(200)	Bank of Nova Scotia @ $72 January 2015	(8,800)	(12,400)
(375)	BCE Inc. @ $54 December 2014	(20,250)	(12,750)
(150)	BCE Inc. @ $54 January 2015	(10,650)	(8,400)
(250)	Canadian Imperial Bank of Commerce @ $105 December 2014	(29,750)	(61,750)
(250)	Canadian Imperial Bank of Commerce @ $110 January 2015	(6,500)	(14,750)
(300)	CI Financial @ $35 January 2015	(8,700)	(10,500)
(250)	Loblaw @ $60 December 2014	(22,000)	(51,250)
(75)	Manulife Financial @ $21 December 2014	(3,075)	(14,025)
(500)	Manulife Financial @ $22 December 2014	(19,500)	(47,500)
(125)	National Bank @ $56 December 2014	(5,812)	(2,625)
(150)	Royal Bank @ $84 December 2014	(12,750)	(12,750)
(350)	Sun Life Financial @ $41 December 2014	(10,150)	(61,250)
(350)	Telus @ $44 December 2014	(19,425)	(13,650)
(350)	Telus @ $44 January 2015	(28,175)	(26,600)
(400)	Thomson Reuters @ $44 December 2014	(13,600)	(70,400)
(400)	Thomson Reuters @ $45 January 2015	(19,200)	(49,200)
(150)	Toronto-Dominion Bank @ $58 December 2014	(5,400)	(8,700)
(150)	Toronto-Dominion Bank @ $58 January 2015	(8,100)	(12,300)
(1,200)	TransAlta @ $12 December 2014	(20,200)	(14,400)
(700)	TransAlta @ $12 January 2015	(7,350)	(7,700)
(225)	TransCanada @ $56 December 2014	(22,275)	(11,250)
	Total Canadian call options written (-0.3%)	**(312,287)**	**(537,650)**
		165,726,254	**183,202,642**
	less adjustment for transaction costs (note 2)	(132,415)	
	Total Investments (100%)	**165,593,839**	**183,202,642**

The Company's investment portfolio is concentrated as follows:

	November 30, 2014	November 30, 2013
Canadian Core Common Equities	89.4%	88.0%
Other Canadian Equities	3.2%	5.3%
Call Options written	-0.3%	-2.7%
Other Assets less Liabilities (excluding Preferred shares)	7.7%	9.4%
	100.0%	100.0%

Due to tax considerations, the level of option premiums outstanding at year end may not be indicative of options outstanding during the year.

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

1. Incorporation

Dividend 15 Split Corp. II (the "Company") is a mutual fund corporation established under the laws of the Province of Ontario on September 28, 2006 that began investment operations on November 16, 2006. The manager and the investment manager of the Company is Quadravest Capital Management Inc. ("Quadravest"). The termination date of the Company is December 1, 2019 and may be extended thereafter at the Company's discretion for additional terms of five years each. Shareholders would be provided with a continuing special retraction right in connection with any such extension.

2. Summary of significant accounting policies

These financial statements, prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), include estimates and assumptions by management that affect the reported amount of assets, liabilities, income and expenses during the reporting years. Actual results could differ from these estimates.

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

Valuation of investments

Investments are categorized as held for trading and are recorded at fair value for purposes of determining the Net Assets per unit reflected in the financial statements.

The fair value of investments as at the financial reporting date is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the closing bid price
- Call options written are valued at closing ask prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

National Instrument 81-106 ("NI 81-106") requires an investment fund to calculate its Net Asset Value for the purposes of any purchases or redemption of units based on the fair value of the investment fund's assets and liabilities (Net Asset Value or NAV).

The fair value of investments for purposes of calculating the bi monthly Net Asset Value used for the purposes of calculating the price paid on any redemptions received is determined as follows:

- Shares or other securities for which market quotations are readily available are valued at the last traded market price
- Call options written are valued at the last traded prices as reported on recognized exchanges
- Fixed income investments are based on the average bid quotations from recognized dealers

In accordance with NI 81-106, the Net Asset Value per unit is compared to the Net Assets per unit and the difference is required to be disclosed in the notes to the financial statements. The following table is presented to show the differences between these amounts:

	Net Assets (GAAP) per unit	Difference	Net Asset Value (Published NAV) per unit
November 30, 2014	$17.33	$0.02	$17.35
November 30, 2013	$16.61	$0.22[1]	$16.83[1]

(1) The difference between the GAAP Net Assets per unit and the Net Asset Value per unit (published) is due to the fact that Canadian GAAP requires the use of bid prices for long positions and ask prices for short positions in the fair valuation of investments rather than the use of last traded prices currently used for the purpose of determining Net Asset Value. The difference is also due to the timing of the accounting for the secondary issue of 1,782,500 units for net proceeds of $32,530,625 that closed on December 3, 2013. The published Net Asset Value reflects and accrues for the accretive financial impact of the secondary offering that closed on December 3, 2013. The Company concluded that all necessary conditions for the closing of this secondary offering were present on November 30, 2013 and as such the Company accrued for this transaction as part of its published Net Asset Value. The GAAP Net Assets per unit does not reflect this transaction as at November 30, 2013. The difference in timing of the accounting of this offering accounts for $0.21 of the difference.

Transaction costs

- Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Company are recognized as an expense in the Statement of Operations.

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
- Written call option income received is 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 statements of operations
- 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

Cash and short-term investments

Cash and short-term investments consist of cash on hand and short term debt investments with maturities of less than three months on acquisition. Cash and short–term investments are deemed held for trading and therefore are carried at fair value.

Redeemable Preferred shares

In accordance with their terms, each redeemable Preferred share is valued at the lesser of: (i) $10.00; and (ii) the Net Assets of the Company divided by the number of Preferred shares outstanding. The Net Assets are equal to the difference between the aggregate value of the assets of the Company and the aggregate value of its liabilities, excluding Preferred shares of the Company.

Other Assets and Liabilities

Other assets are designated as loans and receivables and recorded at cost or amortized cost. Similarly, other liabilities are designated as financial liabilities and reported at cost or amortized cost. Cost or amortized cost approximates fair value for these assets and liabilities due to their short-term nature.

3. Management of Risk of Financial Instruments

CICA Handbook – Accounting Section 3862, Financial Instruments-Disclosures ("Section 3862") requires disclosure about the inputs to fair value measurements, including the classification with a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

Level 3 - Inputs that are not based on observable market data.

The following table illustrates the classification of the Company's financial instruments within the fair value hierarchy as at November 30, 2014 and November 30, 2013:

Financial assets and liabilities at fair value as at November 30, 2014

	Level 1	Level 2	Level 3	Total
Equities	$183,740,292	-	-	$183,740,292
Options	($537,650)	-	-	($537,650)
	$183,202,642	-	-	$183,202,642

Financial assets and liabilities at fair value as at November 30, 2013

	Level 1	Level 2	Level 3	Total
Equities	$78,864,613	-	-	$78,864,613
Options	($216,371)	-	-	($216,371)
	$78,648,242	**-**	**-**	**$78,648,242**

The Company'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 Price Risk

All securities investments present a risk of loss of capital. The 15 core stock holdings in the Portfolio were selected because of their long term history of above average market price appreciation and dividend growth. These Portfolio companies were selected from the S&P/TSX 60 index and are among the largest companies in Canada.

The market price risk is affected by three main components: price movements, interest rate risk and foreign currency movements.

Price risk

The Investment Manager manages market price risk by limiting investment in any one Portfolio company to no more than 10% of the Net Assets of the Company at the time of purchase. In addition, the supplemental covered call writing program which generates an additional stream of income to the portfolio 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.

Since the 15 Portfolio companies are significant components of the S&P/TSX 60, it would be reasonable to expect that the Company's Portfolio will exhibit market price movements that are reflective and generally highly correlated with those particular securities and to a lesser extent with the price movements of the S&P/TSX 60 index based on the underlying composition of the Portfolio.

A 10% increase/decrease in the portfolio (net of any covered call options written) would currently increase/decrease Net Assets of the Company by $18,320,264 (November 30, 2013- $7,864,824).

Interest rate risk

The majority of the Company's financial assets and liabilities are non interest bearing. As a result, the Company 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.

Currency risk

All Portfolio holdings and other Net Assets are denominated in Canadian dollars and therefore there is no currency risk (consistent with previous period).

Other risks

Credit risk

Credit risk is defined as the risk that a counterparty will be unable to pay amounts in full when due. All of the Company'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 purchase once the securities have been received by the broker.

Liquidity risk

Liquidity risk is the risk that the Company may not be able to settle or meet its obligations on time or at a reasonable price. The Company is exposed to liquidity risk primarily through its monthly and annual retractions of Class A shares and Preferred shares. The Company receives adequate notice for all retraction requests. The Company's portfolio is invested in highly liquid large capitalization investments that trade on the Toronto Stock Exchange ("TSX") (consistent with previous period). All Class A shares and Preferred shares outstanding are redeemable on demand but are scheduled to be redeemed upon termination of the Company. All other financial liabilities are payable within three months from the end of the period.

Concentration risk

The Company's 15 core holdings are concentrated in the S&P/TSX 60 index and as such will be exposed to some of the specific factors that affect this index (consistent with previous period). An individual Portfolio holding may represent no more than 10% of the Net Asset Value of the Company at the time of purchase.

4. Preferred shares

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

Issued and outstanding	November 30, 2014	November 30, 2013
11,444,214 Preferred shares (2013-5,086,464)	$114,442,140	$50,864,640
Preferred share transactions		
Beginning of year	5,086,464	5,086,464
Issued during the year	6,357,750	-
End of year	11,444,214	5,086,464

Preferred shares are entitled to cumulative monthly cash dividends of $0.04375 per Preferred share. All Preferred shares outstanding on the termination date will be redeemed by the Company on that date. The Preferred shares have been presented as liabilities in the financial statements.

Preferred shares trade under the symbol "DF.PR.A" on the TSX. Preferred shares trading price on the TSX was $10.13 as at November 30, 2014 (November 30, 2013-$10.03). 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 August in each period will be entitled to receive an amount equal to the Net Asset Value per unit calculated on the last day of August. Preferred shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. 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 with respect to the payment of dividends. Preferred shares rank in priority to the Class A shares upon termination of the Company.

The Company issued 1,782,500, 2,225,250 and 2,350,000 Preferred shares respectively on December 3, 2013, April 10, 2014 and September 24, 2014 at $10 per Preferred share pursuant to three secondary offerings.

5. Class A shares and Class B shares

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

Issued and outstanding	November 30, 2014	November 30, 2013
11,444,214 Class A shares (2013-5,086,464)	$120,914,114	$69,662,928
1,000 Class B shares	$1,000	$1,000
	$120,915,114	$69,663,928

Class A share transactions		
Beginning of year	5,086,464	5,086,464
Issued during the year	6,357,750	-
End of year	11,444,214	5,086,464

Class A shares were originally issued at $15 per share. Class A share distributions are targeted at $0.10 per month per share. All Class A shares outstanding on the termination date will be redeemed by the Company on that date.

Class A shares trade under the symbol "DF" on the TSX. Class A shares trading price on the TSX was $8.68 as at November 30, 2014 (November 30, 2013-$8.24). 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 a Preferred share (together, a "unit") in the month of August in each period will be entitled to receive an amount equal to the Net Asset Value per unit calculated on the last day of August. Class A shares retracted in any other month will receive a retraction price based on a discounted specified retraction formula. 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 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).

The Company issued 1,782,500 Class A shares at $8.25 per share for gross proceeds of $14,705,625 in connection with a secondary offering on December 3, 2013. Net proceeds were $13,879,933 after deducting agents fees and filing fees of $825,692.

The Company issued 2,225,250 Class A shares at $8.50 per share for gross proceeds of $18,914,625 in connection with a secondary offering on April 10, 2014. Net proceeds were $17,877,002 after deducting agents fees and issue costs of $1,037,623.

The Company issued 2,350,000 Class A shares at $8.75 per share for gross proceeds 20,562,500 in connection with a secondary offering on September 24, 2014. Net proceeds were $19,494,252 after deducting agents fees and issue costs of $1,068,248.

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 November 16, 2007, the Company issued $1,000 Class B shares to Dividend 15 Split Corp. II Holding Trust for cash consideration of $1,000.

The Other equity in the Statement of Financial Position is contributed surplus of $3,772,102 (November 30, 2013-$3,772,102) in connection with amounts paid on the retractions of Class A shares. Contributed surplus arises when the amount of the retraction allocated to the Class A shares is less than the average cost of capital per share of the Class A shares.

Changes to components of equity

November 30, 2014

	Class A and Class B shares	Deficit	Other Equity
Beginning of year	$69,663,928	($39,800,145)	$3,772,102
Increase in net assets from operations	-	$9,730,974	-
Distributions on Class A shares	-	($10,727,957)	-
Issued during the year	$54,182,750	-	-
Agents fees and issue costs on secondary offering	($2,931,564)	-	-
End of year	$120,915,114	($40,797,127)	$3,772,102

November 30, 2013

	Class A and Class B shares	Deficit	Other Equity
Beginning of year	$69,663,928	($46,478,161)	$3,772,102
Increase in net assets from operations	-	$12,781,773	-
Distributions on Class A shares	-	($6,103,757)	-
End of year	$69,663,928	($39,800,145)	$3,772,102

6. 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, 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 Company, which includes the outstanding Preferred shares, calculated as at each month-end 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. No service fee will be paid in any calendar quarter if regular dividends are not paid to holders of Class A shares in respect of each month in such calendar quarter.

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 Asset Value of the Company, which includes the outstanding Preferred shares, calculated as at each month-end valuation date. In addition, Quadravest is entitled to receive a performance fee subject to the achievement of certain pre-established total return thresholds.

Total management fees of $1,167,760 (November 30, 2013-$633,828) incurred during the period include the administration fee and base management fee. As at November 30, 2014, $122,442 (November 30, 2013-$74,144) was payable to the Manager with respect to management and administrative fees. No performance fees were paid in 2014 or 2013.

The brokerage commissions paid during the period by the Company for its Portfolio transactions were $121,478 (November 30, 2013-$49,443).

7. Distributions

Distributions per share were as follows:

	November 30, 2014	November 30, 2013
Preferred shares	$0.525	$0.525
Class A shares	$1.20	$1.20

8. Capital Management

The Company considers its capital to consist of Class A, Class B and Preferred shares.

The Company's objectives in managing its capital are:

i) to provide holders of Preferred shares with fixed cumulative preferential monthly cash dividends in an amount of $0.04375 per Preferred share to yield 5.25% per annum on the original issue price and to return the original issue price to their holders on the termination date; and

ii) to provide holders of Class A shares with regular monthly cash distribution targeted to be $0.10 per Class A share to yield 8.0% on the original issue price and return the original issue price to their holders on the termination date.

In order to manage its capital structure, the Company may adjust the amount of dividends paid to shareholders or return capital to shareholders.

9. Income Taxes

The Company is mutual fund corporation as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net income (excluding Canadian dividends) and realized capital gains. This tax on realized capital gains 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 Canadian dividends received in the year. Part IV 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.

Temporary differences between the carrying value of assets and liabilities for accounting and income tax purposes give rise to future income tax assets and liabilities. When the market value of a security in the Company exceeds its cost base, a future income tax liability arises. As capital gains taxes payable by the Company are refundable under the provisions of the Act, the future tax liability is offset by these future refundable taxes. If the cost base exceeds the market value of the security, a future income tax asset is generated. A full valuation allowance is taken to offset this asset given the uncertainty that such future assets will ultimately be realized. Future income tax liabilities or assets are calculated using substantively enacted tax rates expected to apply in the year that the temporary differences are expected to reverse.

The Company has estimated accumulated non capital losses for tax purposes of $15,317,033 (November 30, 2013-$12,753,393) that are available to lower taxable income in future years if required and expire after the scheduled termination date of the Company on December 1, 2019. The Company also has estimated accumulated capital losses for tax purposes of $5,596,897 (November 30, 2013-$5,596,897) which may be used to lower future capital gains if required.

10. Transition to International Financial Reporting Standards

Canadian Investment Companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2014. The Company will report its financial results for the six month period ending May 31, 2015, prepared on an IFRS basis. The Company will also provide comparative data on an IFRS basis, including an opening balance sheet as at December 1, 2013.

Currently, the Company has not identified any changes that will impact Net Asset Value (NAV) per unit as a result of the changeover to IFRS. However, this determination is subject to change as it finalizes its assessment of potential IFRS differences and as new standards are issued by the IASB prior to the Company's adoption of IFRS. It is expected that the impact to net assets per unit will change by $0.02 and $0.22 for the year ending November 30, 2014 and 2013 respectively. The impact of IFRS on accounting policies and implementation decisions will include the expected elimination of the difference between the net assets per unit and the net asset value per unit at the financial statement reporting dates as a result of adopting IFRS 13, Fair value measurements, that allows the use of mid-market pricing as a practical expedient for measuring financial instruments at fair value within a bid/ask spread as well as additional information disclosures in the notes to financial statements. The criteria contained within the IFRS Financial Instruments: Presentation standard (IAS 32) will require shareholders' equity to be classified as a liability within the Company's Statement of Net Assets.

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 Company.

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

Board of Directors

Wayne Finch,
Chairman and
Chief Investment Officer,
Quadravest Capital Management Inc.

Peter Cruickshank,
Managing Director and
Chief Financial Officer,
Quadravest Capital Management Inc.

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

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

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