

FINAL QUARTERLY UPDATE AND REVIEW

FUND MATURES JANUARY 31, 2012

The Company commenced operations on 6 February 2007 with a 5-year term; its scheduled wind-up date in January 31, 2012, when the Preferred Shares and the Class A Shares will be redeemed. The Preferred Shares will be redeemed for \$10.00 plus any accrued and unpaid distributions in respect of the Preferred Shares. The Class A Shares will be redeemed for the NAV per Unit minus \$10.00 and any accrued and unpaid distributions on the Preferred Shares. The Preferred Shares' claim on the Company's assets ranks ahead of that of the Class A Shares.

STRUCTURE AND LEVERAGE

A split share structure typically divides an investment in a portfolio of securities into two parts, preferred shares and Class A shares. For example, a \$25 unit might be made up of a \$15 Class A and a \$10 preferred share. The preferred share owns the first \$10 of the company's assets and has a right to quarterly dividends at a fixed rate. As a result, the preferred share is a relatively safe investment, with first claim on the portfolio's income and the ability to withstand a 60% drop in value. The risk associated with the preferred shares is that a significant drop in the value of the company's portfolio might leave its asset value impaired or put its income stream in doubt.

The Class A shareholders, on the other hand, have a leveraged investment in the portfolio; a 10% rise in the value of the portfolio initially would produce a 17% rise in the value of the Class A share. The leverage is achieved at a low, fixed rate via the preferred share coupons, and because it is a feature of the shares themselves, is not subject to margin requirements. In exchange, the Class A shares forego income until the preferred shareholders have been paid, and could be left with no value if the portfolio drops by 60% or more. Class A shares also have the issue that as the portfolio's value increases, their leverage is substantially reduced.

In order to address the risks inherent in traditional split shares structures, the Company created an innovative leveraging and de-leveraging mechanism. This mechanism allows the company to increase leverage on the Class A Shares by selling more preferred shares if the portfolio appreciates significantly in value. However, if the portfolio declines in value by 35% or more, the Company is required to reduce leverage by selling portfolio securities and holding cash equal to the value of the Preferred Shares. This had a number of positive effects.

For the Preferred Shares:

- Par value and coupon protected against a significant drop in portfolio value.
- The Preferred Shares earned and maintained DBRS's highest P-1 preferred share rating.

For the Class A Shares

- In a rising market, the capital shares could re-establish leverage periodically.
- The capital shares would lose leverage if the value of the portfolio dropped dramatically but would not lose all their value, and would still be invested in the underlying equities with a chance to recover and re-establish leverage.
- The low coupon on the Preferred Shares, as a result of the P-1 rating, results in inexpensive, secure leverage.

ABOUT THE FUND

CANADIAN Financials & Utilities Split Corp. was created to provide investors with a low cost, diversified investment in a high quality portfolio comprised of Canadian banks, utilities and pipeline issuers and non-bank financial issuers, utilizing an innovative split share structure with a unique leveraging and de-leveraging mechanism. The Company's equity portfolio holds approximately 42% banks, 35% non-bank financials including REITs and insurance companies, and 23% in utilities and pipelines. The portfolio has been rebalanced to these levels annually.

The Preferred Shares pay fixed cumulative preferential quarterly distributions yielding 4.25% per annum on the original issue price and are rated Pfd-1 by Dominion Bond Rating Service ("DBRS"), DBRS's highest preferred share rating, which reflects both the high quality of the portfolio and the Company's protective leveraging mechanism.

The Class A Shares were designed to provide investors with tax-efficient regular monthly distributions, expected to be primarily returns of capital, and with leveraged exposure to price appreciation and dividend growth.

TOP 10 EQUITY HOLDINGS

Holdings	Sector	Equity Portfolio (%)
Bank of Montreal	Banks	7.3%
Canadian Imperial Bank of Commerce	Banks	7.3%
Toronto-Dominion Bank	Banks	7.2%
National Bank of Canada	Banks	7.1%
Bank of Nova Scotia	Banks	7.0%
Royal Bank of Canada	Banks	6.9%
Enbridge Inc.	Utilities & Pipelines	4.0%
TransCanada Corporation	Utilities & Pipelines	3.8%
TransAlta Corp.	Utilities & Pipelines	3.7%
Emera inc.	Utilities & Pipelines	3.7%
Total		58.0%

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With the onset of the financial crisis in late 2008, Canadian and global stock markets declined dramatically. From its peak of 15,047 in May 2008, the TSX composite index had fallen 49% to 7,725 by November 20th, and the value of the Company's portfolio was off by 37%, just exceeding the 35% trigger. Under the terms of the leverage mechanism, the company announced on November 20, 2008 that a portion of its portfolio approximately equal to the aggregate par value of the Preferred Shares had been sold and the proceeds had been invested in cash. As a result, approximately 63% of the Company's portfolio was comprised of cash and cash equivalents on September 30, 2011. The Class A Shares continue to have exposure to the portfolio but on a non-leveraged basis, and distributions on the Class A Shares were suspended beginning in December 2008.

INVESTMENT PORTFOLIO

The investment portfolio was rebalanced annually to the target weightings indicated below. Since the de-leveraging on November 20th, 2008, sufficient cash has been held to offset the full redemption value Preferred Shares.

	Target for Re-balancing	June 30, 2011	September 30, 2011
Banks	42.0%	42.1%	39.8%
Non-Bank Financials	35.1%	35.8%	35.9%
Pipelines & Utilities	22.9%	22.1%	24.3%
Cash weighting	Minimal cash unless a de-leveraging occurs	63.8% of total assets held in cash	62.6% of total assets held in cash

SECTOR PERFORMANCE

The Indexes below offer approximate benchmarks for the Company's passive investments in Canadian banks, insurance companies, REITS and utilities. The TSX 60 is shown for comparison. Performance is shown to September 30, 2011.

Index	Q3 2011	1 Year	Annualized Since Inception*
S&P/TSX Banks	-8.14%	0.18%	2.5%
S&P/TSX Insurance	-16.68%	-3.33%	-11.17%
S&P/TSX REITS	-0.13%	12.10%	3.64%
S&P/TSX Utilities	3.57%	10.63%	7.30%
S&P/TSX 60	-12.09%	-4.27%	0.03%

* Inception date February 6, 2007

PREFERRED SHARES (OCTOBER 31, 2011)

Coupon:	4.25%
Cumulative distributions	\$1.98
Rating:	Pfd-1
Maturity Date:	31 Jan 12
NAV:	\$10.00
Trading Price:	\$10.01
TSX Ticker:	CFS.PR.A
Market Cap:	\$8.8 million

CLASS A SHARES (OCTOBER 31, 2011)

Current Yield (Annualized):	N/A
Cumulative Distributions:	\$0.55
Redemption Date:	31 Jan 12
NAV:	\$5.42
Trading Price:	\$4.92
TSX Ticker:	CFS
Market Cap:	\$4.3 million

PORTFOLIO



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PREFERRED SHARE PERFORMANCE

The Preferred Shares have returned 4.25% per annum annualized since inception. The shares quarterly distributions have been primarily return of capital.

Distributions: The Preferred Shares have paid all their scheduled quarterly distributions to date at a rate of 4.25% per annum on the original issue price of \$10, for cumulative distributions of \$1.98 per share.

Redemption Price: Expected to be redeemed for \$10 per share on January 31, 2012.

Rating: The shares continue to hold DBRS's highest P-1 rating.

CLASS A SHARES PERFORMANCE

The Class A shares surrendered their leverage and ceased distributions on November 20, 2008 following a long decline in the equities market that troughed in the late fall of 2008, with the TSX having retreated approximately 50% from its high earlier in the year. This was a difficult period for split shares companies, many of which saw the value of their Class A share go to zero. The protective de-leveraging mechanism ensured that the Company's Class A Shares retained value through the market drop. Following de-leveraging, the shares had one to one exposure to the Company's equity portfolio.

	Cumulative Distributions Declared	NAV (End of Period)	Return
Annualized from Inception to September 30, 2011	\$0.55 (Distributions suspended after de-leveraging in November, 2008)	\$5.33	-17.0%
6 Months to September 30, 2011		\$5.33	-9.4%
Year to March 31, 2011		\$5.33	6.6%
Year to March 31, 2010		\$5.53	49.7%
Year to March 31, 2009	\$0.55	\$3.69	-63.0%
Year to March 31, 2008	\$0.33	\$10.23	-21.0%

INVESTMENT HIGHLIGHTS

Preferred Shares Rated Pfd-1: The Preferred Shares are rated Pfd-1 by DBRS. The Pfd-1 rating assigned to the Preferred Shares is the highest rating category offered by DBRS and indicates a superior capacity to pay the quarterly coupon due on the Preferred Shares and to repay principal in full to investors on the scheduled redemption date.

Quarterly Dividends on Preferred Shares: The Preferred Shares are structured to provide holders with fixed cumulative preferential quarterly distributions of \$0.10625 per Preferred Share (\$0.425 per annum to yield 4.25% on the original subscription price of \$10 per Preferred Share).

Tax Efficient Monthly Distributions on Class A Shares: Distributions payable to Class A shareholders have been suspended indefinitely. Distributions paid to date are expected to consist primarily of returns of capital which are generally not subject to tax upon receipt but which reduce the adjusted cost base of the Class A Shares. Distributions may resume only if leverage can be restored.

Leveraged Return on Class A Shares: Currently the Class A Shares have exposure to a passive portfolio of Canadian banks, non-bank financials and utility and pipeline companies on a non-leveraged basis. Leverage may be re-employed if the net asset value of the Class A Shares appreciates to approximately \$7.37.

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