Semi-Annual Report 2013

S Split Corp.

strathbridge
ASSET MANAGEMENT

Letter to Shareholders

We are pleased to present the 2013 semi-annual report containing the management report of fund performance and the unaudited financial statements for S Split Corp.

Cash distributions of $0.25 per share were paid to Class A shareholders and $0.26 per share were paid to Preferred shareholders during the six months period ended June 30, 2013. The net asset value per Unit of the Fund decreased 4.2 percent, from $18.23 per Unit at December 31, 2012 to $17.47 per Unit at June 30, 2013, largely attributable to a net loss from operations and cash distributions during the period. The Fund's total return, including reinvestment of distributions, for the six months period ended June 30, 2013 was negative 1.5 percent. The net realized loss on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to $0.09 per Unit as compared to a net realized loss on options of $0.33 per Unit a year ago. For a more detailed review of the operation of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all shareholders for their continued support and encourage shareholders to review the more detailed information contained within the semi-annual report.

John P. Mulvihill
Chairman & CEO
Strathbridge Asset Management Inc.

The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with fixed cumulative preferential monthly distributions of 5.25 percent per annum and the Class A shareholders with regular monthly distributions of 6.0 percent per annum on the net asset value of the Fund and return the original issue price of both classes on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols SBN.PR.A for the Preferred shares and SBN for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share. To accomplish its objectives the Fund invests in common shares of The Bank of Nova Scotia.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the BNS shares and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2013 of S Split Corp. (the "Fund"). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund's proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2013, cash distributions of $0.25 per Class A share and $0.26 per Preferred share were paid, both unchanged from a year ago.

Since the inception of the Fund in May 2007, the Fund has paid total cash distributions of $3.55 per Class A share and $3.21 per Preferred share.

Revenue and Expenses

For the six months ended June 30, 2013, the Fund's total revenue remained unchanged at $0.37 per Unit as compared to the prior year. Total expenses were $0.24 per Unit in 2013, up $0.01 per Unit from 2012, primarily due to higher administration costs. The Fund had a net realized and unrealized loss of $0.37 per Unit in the first half of 2013 as compared to a net realized and unrealized gain of $0.25 per Unit a year earlier.

Net Asset Value

The net asset value per Unit of the Fund decreased 4.2 percent, from $18.23 per Unit at December 31, 2012 to $17.47 per Unit at June 30, 2013, largely attributable to a net loss from operations and cash distributions during the period. The aggregate net asset value of the Fund decreased $5.7 million, from $60.1 million at December 31, 2012 to $54.4 million at June 30, 2013, reflecting a net loss from operations of $0.8 million, redemptions of $3.1 million, and cash distributions of $1.7 million.

Management Report of Fund Performance

Recent Developments

On April 29, 2013, the Fund announced it filed a Notice of Intention to renew its previous normal course issuer bid to purchase up to 329,531 Class A shares and 329,531 Preferred shares representing approximately 10 percent of the Fund's public float of 3,295,312 Class A shares and 3,295,312 Preferred shares, as at April 25, 2013. The Fund may purchase up to 65,906 of each respective class of shares in any 30-day period which is 2 percent of the 3,295,312 shares issued and outstanding of each respective class as at April 25, 2013. The shares may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased together as a Unit at a price per share not exceeding the last net asset value per Unit. As at June 30, 2013, nil Units had been purchased by the Fund.

Future Accounting Policy Changes

Strathbridge Asset Management Inc. ("Strathbridge"), as the Manager of the Fund, has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the year ending December 31, 2014.

As at June 30, 2013, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in AcG-18,

- Changes to the presentation of shareholder equity to consider puttable instruments,
- Presentation of comparative information, and
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager's current understanding and analysis of IFRS to the accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated April 26, 2007.

Strathbridge is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Strathbridge dated April 26, 2007. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee ("IRC") concerning related party transactions.

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

.

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

The information for the periods ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2013 is derived from the Fund's unaudited semi-annual financial statements.

		Six months ended June 30, 2013
NET ASSETS PER UNIT		
Net Assets, beginning of period (based on bid prices)(1)	$	18.22
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		0.37
Total expenses		(0.24)
Realized gain (loss) for the period		(0.04)
Unrealized gain (loss) for the period		(0.33)
Total Increase (Decrease) from Operations(2)		(0.24)
DISTRIBUTIONS		
Class A Share		
From net investment income		–
Non-taxable distributions		(0.25)
Total Class A Share Distributions		(0.25)
Preferred Share		
From net investment income		(0.08)
Non-taxable distributions		(0.18)
Total Preferred Share Distributions		(0.26)
Total Distributions(3)		(0.51)
Net Assets, end of period (based on bid prices)(1)	$	17.47

(1) Net Assets per Unit is the difference between the aggregate value of the assets including the valuation of securities at bid prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses excluding Preferred share distributions, and is

		Six months ended June 30, 2013
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value, excluding the Redeemable Preferred Share liability ($millions)	$	54.43
Net Asset Value ($millions)	$	23.27
Number of units outstanding		3,116,112
Management expense ratio(1)		2.61%(4)
Portfolio turnover rate(2)		3.91%
Trading expense ratio(3)		0.01%(4)
Net Asset Value per Unit(5)	$	17.47
Closing market price - Class A	$	6.47
Closing market price - Preferred	$	10.27

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. The MER for 2011, 2010 and 2009 includes the warrant offering costs and/or warrant exercise fees. The MER for 2011, 2010 and 2009 excluding the warrant offering costs and/or warrant exercise fees is 2.36%, 2.26% and 2.30% respectively. The MER, including Preferred share distributions, is 5.49%, 5.31%, 5.52%, 5.48%, 5.39% and 4.73% for 2013, 2012, 2011, 2010, 2009 and 2008 respectively.
(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities.

Management Report of Fund Performance

The net assets per Unit presented in the financial statements differs from the net asset value per Unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

	Years ended December 31				
	2012	2011	2010	2009	2008
	$ 17.81	$ 21.45	$ 20.89	$ 16.98	$ 22.96
	0.71	0.70	0.72	0.89	0.64
	(0.43)	(0.49)	(0.50)	(0.47)	(0.47)
	(0.56)	1.09	0.27	(2.67)	(0.76)
	1.67	(2.36)	1.46	7.04	(4.13)
	1.39	(1.06)	1.95	4.79	(4.72)
	–	(0.16)	–	–	–
	(0.48)	(0.43)	(0.62)	(0.42)	(0.67)
	(0.48)	(0.59)	(0.62)	(0.42)	(0.67)
	(0.28)	(0.53)	(0.17)	(0.29)	(0.17)
	(0.25)	–	(0.36)	(0.24)	(0.36)
	(0.53)	(0.53)	(0.53)	(0.53)	(0.53)
	(1.01)	(1.12)	(1.15)	(0.95)	(1.20)
	$ 18.22	17.81	$ 21.45	$ 20.89	$ 16.98

calculated based on the weighted average number of Units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of Units outstanding during the period.

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

	Years ended December 31				
	2012	2011	2010	2009	2008
	$ 60.08	$ 63.41	$ 84.36	$ 79.80	$ 74.49
	$ 27.13	$ 27.84	$ 45.05	$ 41.62	$ 30.75
	3,295,312	3,556,512	3,930,870	3,818,900	4,374,300
	2.41%	2.88%	2.93%	2.52%	2.22%
	5.33%	45.90%	54.87%	18.07%	9.10%
	0.01%	0.07%	0.04%	0.07%	0.05%
	$ 18.23	$ 17.83	$ 21.46	$ 20.90	$ 17.02
	$ 6.66	$ 6.00	$ 8.95	$ 8.50	$ 4.50
	$ 10.52	$ 10.35	$ 10.38	$ 10.00	$ 9.25

The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Redeemable Preferrred Share liability, divided by the number of Units then outstanding.

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.55 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Retraction Fee

If a retraction of a Class A Share or Preferred Share occurs prior to July 2014, a retraction fee payable to Strathbridge by the retracting shareholder will be deducted by Strathbridge from the amount otherwise receivable by the retracting shareholder to compensate Strathbridge, in part, for paying the Agents' fees and expenses of the offering.

Past Performance

The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

(1) information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in Units of the Fund,

(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

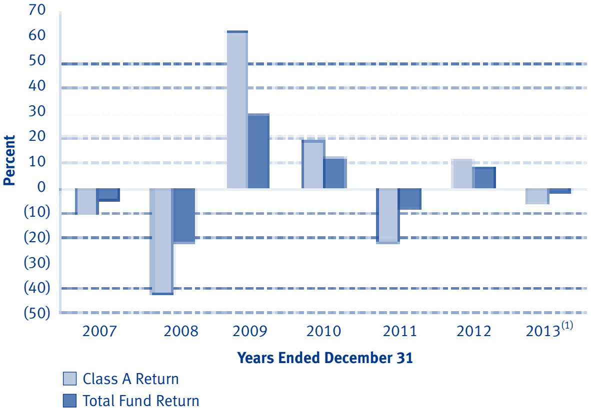
(3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Management Report of Fund Performance

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year in each of the past six years and for the six months ended June 30, 2013. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2007 would have increased or decreased by the end of the fiscal year or June 30, 2013 for the six months ended.

Annual Total Return



(1) For the six months ended June 30, 2013.

Portfolio Manager Report

Most Global equity markets trended higher in the first half of 2013 as economic data out of the United States and other parts of the World continued to improve while Central Banks maintained a bias to keep monetary policy accommodative. Market concerns surrounding the Fiscal Cliff in the U.S. quickly dissipated after a last minute deal was reached at the end of 2012 allowing the market to focus on better economic data and improving company fundamentals for the first half of 2013. The Canadian economy meanwhile posted subdued growth during the period and is expected to lag behind the U.S. economy as the slowdown in China is affecting the pricing of much of Canada's export commodities. Pricing turmoil in the oil and gas industry caused by newly found massive deposits of shale oil and shale gas, and inadequate transportation infrastructure has hurt the western Canadian resource industry. The Canadian housing market continues to slow which on balance is probably good for the economy. The austerity debate in Europe is a continuing concern with respect to renewed economic growth in that region.

The net asset value of the Fund at June 30, 2013 was $17.47 per Unit compared to $18.23 per Unit on December 31, 2013. The Fund's Class A and Preferred shares, which are listed on the Toronto Stock Exchange as SBN and SBN.PR.A, closed on June 28, 2013 at $6.47 and $10.27 respectively. The combined market price represents a 4.2 percent discount to the net asset value.

Cash distributions of $0.25 per share were paid to Class A shareholders and $0.26 per share were paid to Preferred shareholders during the first six month period ended June 30, 2013. The value of the Bank of Nova Scotia ("BNS") shares on June 28, 2013 was near the lows of the year at $56.22 compared to $57.46 on December 28, 2012. BNS paid dividends of $1.17 per share during the six month period and BNS increased its dividend by three cents per share in the second quarter.

The Fund was positive on the market for the first part of the year and kept overwriting to a minimum to participate more fully on the upside. The view changed towards the end of the period and the aggregate overwritten percentage at the end of June 2013 was 50 percent. The net realized loss on options attributable to Strathbridge Selective Overwriting strategy amounted to $0.09 per Unit for the six months ended June 30, 2013. With the shares not over-valued, no protective puts were purchased during this period.

The Canadian economy is still showing signs of slight improvement which will ultimately benefit BNS. The persistently low interest rate environment is challenging for all the banks; however, BNS maintained its net interest margins quarter over quarter and their most recently reported results were generally good, led by loan growth which was the best of the big five banks. Growth in International loans should continue to contribute to BNS earnings in the coming year. Trading revenues, on the other hand, continue to be weak and were down this period.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.strathbridge.com.

Asset Mix and Portfolio Holdings

June 30, 2013

	% of Net Asset Value[1]
Financials - The Bank of Nova Scotia	99%
Cash	1%
	100%

[1] The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of S Split Corp. (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Directors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2012.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Audit Committee meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Audit Committee and the Board.

John P. Mulvihill	John D. Germain
Director	Director
Strathbridge Asset Management Inc.	Strathbridge Asset Management Inc.

August 6, 2013

Notice to Shareholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Financial Statements

Statements of Financial Position

As at June 30, 2013 (Unaudited) and December 31, 2012 (Audited)

	2013	2012
ASSETS		
Investments at fair value (cost - $51,113,692; 2012 - $49,568,174)	$ 53,800,925	$ 53,354,686
Short-term investments at fair value (cost - nil; 2012 - $10,795,572)	–	10,795,572
Cash	204,337	491,927
Accrued interest	–	3,598
Income tax recoverable	–	8,487
Dividends receivable	609,960	514,288
Due from brokers - investments	3,091,550	–
TOTAL ASSETS	$ 57,706,772	$ 65,168,558
LIABILITIES		
Redemptions payable	$ 3,058,460	$ –
Accrued management fees	78,220	84,140
Retraction fee payable	71,680	–
Accrued liabilities	68,515	83,898
Due to brokers - investments	–	4,959,235
Redeemable Preferred shares	31,161,120	32,953,120
	34,437,995	38,080,393
EQUITY		
Class A and Class J shares	37,245,030	39,386,900
Deficit	(13,976,253)	(12,298,735)
	23,268,777	27,088,165
TOTAL LIABILITIES AND EQUITY	$ 57,706,772	$ 65,168,558
Number of Units Outstanding	3,116,112	3,295,312
Net Assets per Unit		
Preferred Share	$ 10.0000	$ 10.0000
Class A Share	7.4672	8.2202
Net Assets per Unit (Note 3)	$ 17.4672	$ 18.2202

Statements of Operations and Deficit

Six months ended June 30 (Unaudited)

	2013	2012
REVENUE		
Dividends	$ 1,222,080	$ 1,307,900
Interest	5,155	896
TOTAL REVENUE	1,227,235	1,308,796
EXPENSES		
Management fees	494,340	532,634
Service fees	65,156	73,763
Administrative and other expenses	99,440	77,128
Transaction fees (Note 4)	2,520	835
Custodian fees	11,817	12,109
Audit fees	13,796	13,872
Director fees	9,815	10,445
Independent review committee fees	4,224	4,040
Legal fees	6,079	2,734
Shareholder reporting costs	10,803	12,638
Harmonized sales tax	65,075	60,961
TOTAL EXPENSES	783,065	801,159
Net Investment Income before Distributions	444,170	507,637
Preferred share distributions	(865,019)	(933,584)
Net Investment Loss	(420,849)	(425,947)
Net realized loss sale of on derivatives	(298,069)	(1,183,551)
Net realized gain sale of on investments	171,981	79,593
Net Loss on Sale of Investments	(126,088)	(1,103,958)
Net change in unrealized appreciation/ depreciation of Investments	(1,099,279)	1,976,689
Net Gain (Loss) on Investments	(1,225,367)	872,731
NET INCOME (LOSS) FOR THE PERIOD	$ (1,646,216)	$ 446,784
NET INCOME (LOSS) PER CLASS A SHARE (based on the weighted average number of Class A shares outstanding during the period of 3,294,322; 2012 - 3,555,164)	$ (0.4997)	$ 0.1257
DEFICIT		
Balance, beginning of period	$ (12,298,735)	$ (14,741,932)
Net allocations on retractions	803,730	1,041,380
Net income (loss) for the period	(1,646,216)	446,784
Class A share distributions	(835,032)	(880,237)
BALANCE, END OF PERIOD	$ (13,976,253)	$ (14,134,005)

Financial Statements

Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2013	2012
NET ASSETS, BEGINNING OF PERIOD	**$ 27,088,165**	$ 27,766,935
Net Investment Income before Distributions	**444,170**	507,637
Net Gain (Loss) on Investments	**(1,225,367)**	872,731
Class A Share Capital Transactions		
Value for Class A shares redeemed	**(1,338,140)**	(1,891,740)
Distributions		
Class A Shares		
Non-taxable distributions	**(835,032)**	(880,237)
Preferred Shares		
From net investment income	**(273,758)**	(474,914)
Non-taxable distributions	**(591,261)**	(458,670)
	(1,700,051)	(1,813,821)
Changes in Net Assets during the Period	**(3,819,388)**	(2,325,193)
NET ASSETS, END OF PERIOD	**$ 23,268,777**	$ 25,441,742

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	2013	2012
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF PERIOD	**$ 11,287,499**	$ 1,075,255
Cash Flows Provided by (Used in) Operating Activities		
Net Investment Income before Distributions	**444,170**	507,637
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Purchase of investment securities	**(3,977,406)**	1,432,501
Proceeds from disposition of investment securities	**2,305,800**	(937,294)
(Increase)/decrease in dividends receivable, accrued interest, due from brokers - investments and income tax recoverable	**(3,175,137)**	(21,859)
Increase/(decrease) in accrued management fees, accrued liabilities and due to brokers - investments	**(4,980,538)**	(9,027)
	(9,827,281)	464,321
Cash Flows Provided by (Used In) Financing Activities		
Class A share distributions	**(835,032)**	(880,237)
Preferred share distributions	**(865,019)**	(933,584)
	(1,700,051)	(1,813,821)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Period	**(11,083,162)**	(841,863)
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 204,337**	$ 233,392
Cash and Short-Term Investments comprised of:		
Cash	**$ 204,337**	$ 233,392
Short-Term Investments	**–**	–
CASH AND SHORT-TERM INVESTMENTS, END OF PERIOD	**$ 204,337**	$ 233,392

Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	961,600	$ 51,429,010	$ 54,061,152	99.3 %
Total Canadian Common Shares		$ 51,429,010	$ 54,061,152	99.3 %
Options				
Written Covered Call Options (100 shares per contract)				
The Bank of Nova Scotia - July 2013 @ $56	(2,540)	$ (133,350)	$ (201,316)	
The Bank of Nova Scotia - July 2013 @ $57	(2,268)	(156,492)	(58,911)	
Total Written Covered Call Options		(289,842)	(260,227)	(0.5)%
Total Options		$ (289,842)	$ (260,227)	(0.5)%
Adjustment for transaction costs		(25,476)		
TOTAL INVESTMENTS		$ 51,113,692	$ 53,800,925	98.8 %
OTHER NET ASSETS			628,972	1.2 %
TOTAL NET ASSETS, excluding the Redeemable Preferred Share liability			$ 54,429,897	100.0 %

Notes to Financial Statements

June 30, 2013

1. Basis of Presentation

The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2012.

These semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2012.

2. Normal Course Issuer Bid

On April 29, 2013, the Fund announced it filed a Notice of Intention to renew its previous normal course issuer bid to purchase up to 329,531 Class A shares and 329,531 Preferred shares representing approximately 10 percent of the Fund’s public float of 3,295,312 Class A shares and 3,295,312 Preferred shares, as at April 25, 2013. The Fund may purchase up to 65,906 of each respective class of shares in any 30-day period which is 2 percent of the 3,295,312 shares issued and outstanding of each respective class as at April 25, 2013. The shares may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased together as a Unit at a price per share not exceeding the last net asset value per Unit. As at June 30, 2013, nil Units had been purchased by the Fund.

3. Net Asset Value

The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per Unit is calculated using the fair value of investments at the closing bid price. The net assets per Unit for financial reporting purposes and net asset value per Unit for pricing purposes will not be the same due to the use of different valuation techniques.

The difference between the net asset value per Unit for pricing purposes and the net assets per Unit reflected in the financial statements is as follows:

	June 30, 2013	Dec. 31, 2012
Net Asset Value per Unit (for pricing purposes)	**$ 17.4672**	$ 18.2317
Difference	**0.0000**	(0.0115)
Net Assets per Unit (for financial statement purposes)	**$ 17.4672**	$ 18.2202

4. Transaction Fees

Total transaction fees for the six months ended June 30, 2013 in connection with portfolio transactions were $2,520 (June 30, 2012 - $835). Of this amount $1,182 (June 30, 2012 - $285) was directed to cover payment of research services provided to the Investment Manager.

5. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund remain unchanged from the prior year and are described in Note 10 of the annual financial statements for the year ended December 31, 2012.

The following is a summary of the inputs used as of June 30, 2013 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 54,061,152	$ –	$ –	$ 54,061,152
Options	–	(260,227)	–	(260,227)
Total Investments	$ 54,061,152	$ (260,227)	$ –	$ 53,800,925

The following is a summary of the inputs used as of December 31, 2012 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 10,799,170	$ –	$ 10,799,170
Canadian Common Shares	54,261,900	–	–	54,261,900
Options	–	(907,214)	–	(907,214)
Total Investments	$ 54,261,900	$ 9,891,956	$ –	$ 64,153,856

Notes to Financial Statements

June 30, 2013

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2013 and during the year ended December 32, 2012.

Other Price Risk

Approximately 99 percent (December 31, 2012 - 90 percent) of the Fund’s net assets, excluding the Redeemable Preferred Share liability, held at June 30, 2013 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2013, the net assets, excluding the Redeemable Preferred Share liability, of the Fund would have increased or decreased by $5.4M (December 31, 2012 - $5.4M) respectively or 9.9 percent (December 31, 2012 - 9.0 percent) of the net assets, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the current period based on Standard & Poor's credit ratings as of June 30, 2013:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Bank of Montreal	A-	A-2
Canadian Imperial Bank of Commerce	A+	A-1
Deutsche Bank	A	A-1
National Bank of Canada	A-	A-2
Royal Bank of Canada	AA-	A-1+
The Bank of Nova Scotia	A+	A-1
The Toronto-Dominion Bank	AA-	A-1+
USB AG	A	A-1

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the prior year based on Standard & Poor's credit ratings as of December 31, 2012:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A-	A-2
Deutsche Bank	A+	A-1
National Bank of Canada	A-	A-2
Royal Bank of Canada	AA-	A-1+
The Bank of Nova Scotia	A+	A-1
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A	A-1

The Fund held no short-term investments as of June 30, 2013.

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2012:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Treasury Bills	A-1+	100%
Total		100%

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

6. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2014 and will issue its initial statements, with comparative information, for the year ending December 31, 2014.

7. Comparative Figures

Distributions for the six months ended June 30, 2012 of $33,222 have been reclassified from non-taxable distributions to net investment income to conform with the presentation in the most recent audited financial statements for the year ended December 31, 2012.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)
Core Canadian Dividend Trust (CDD.UN)
Gold Participation and Income Fund (GPF.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
Premier Canadian Income Fund (PCU.UN)
Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)
S Split Corp. (SBN.PR.A/SBN)
Top 10 Split Trust (TXT.PR.A/TXT.UN)
World Financial Split Corp. (WFS.PR.A/WFS)

Head Office

Strathbridge Asset Management Inc.
121 King Street West, Suite 2600
Standard Life Centre, P.O. Box 113
Toronto, Ontario
M5H 3T9

Tel:	416-681-3966
Toll Free:	1-800-725-7172
Fax:	416-681-3901
Email:	info@strathbridge.com

Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.

This page is intentionally left blank.

This page is intentionally left blank.

Strathbridge Asset Management Inc.
Investor Relations
121 King Street West, Suite 2600
Standard Life Centre, P.O. Box 113
Toronto, Ontario
M5H 3T9

Tel: 416-681-3966
Toll Free: 1-800-725-7172
Fax: 416-681-3901
Email: info@strathbridge.com

strathbridge
ASSET MANAGEMENT
www.strathbridge.com