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S Split Corp.

Semi-Annual Report 2019

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# S Split Corp.

## Letter to Shareholders

We are pleased to present the 2019 semi-annual report containing the management report of fund performance and the unaudited financial statements for S Split Corp. (the "Fund").

Stock markets around the world advanced in the first half of 2019 recouping losses from the volatile markets at the end of 2018. The S&P 500 Index rose to new all-time highs as investors looked past the potential consequences of a global trade war and focused on the pivot in central bank policy from tighter conditions to anticipating looser monetary policy in the future. For the first six months of 2019, the S&P 500 Index and S&P/TSX Composite Index advanced 18.5 percent and 16.2 percent, respectively. Global markets followed the positive tone set by U.S. stocks with the MSCI EAFE Index up 14.5 percent and the MSCI Emerging Markets Index up 10.7 percent. The Federal Reserve Open Market Committee ("FOMC"), which appeared to be on the most aggressive path of tightening after raising the overnight interest rate four times in 2018, paused in the first six months of 2019 leaving the target rate at 2.5 percent. The short-end of the yield curve in the United States reacted by pricing in the probability of several rate cuts by the FOMC as 2-year yields plummeted from 2.49 percent at year end to 1.75 percent at the end of June 2019. Long-term interest rates also reacted ending the second quarter at 2.00 percent versus 2.68 percent to start the year. This dynamic has caused the yield curve (10-2 Year) to steepen slightly but remains just 25 basis points from being inverted, a condition often associated with an imminent recession. Oil prices recovered in the first half of 2019 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$58.47 per barrel on June 28, 2019, up 28.8 percent from US\$45.41 at the end of 2018. Meanwhile, other commodities did not fare as well with copper prices rising 2.1 percent, aluminum down 12.3 percent and natural gas off 24.1 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index ("VIX"), declined in the first half of 2019 falling from 25.4 at the end of 2018 to 15.1 at the end of June. Given the uncertainty surrounding the global political landscape, trade war rhetoric, The United States-Mexico-Canada Agreement renegotiations, declining economic data, along with the Federal Reserve continuing to pivot monetary policy, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

Cash distributions of \$0.26 per share were paid to Preferred shareholders and \$0.10 per share were paid to Class A shareholders during the six months ended June 30, 2019. The net asset value per Unit of the Fund increased from \$15.76 at December 31, 2018 to \$16.10 at June 30, 2019. The Fund's total return per Unit and per Class A share, including reinvestment of distributions, was 4.5 percent and 7.7 percent respectively for the period. The net realized gain on options attributable to Strathbridge Selective Underwriting strategy (see "The Fund") amounted to \$0.15 per Unit during the period. For a more detailed review of the operations 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 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 and may also invest up to 10 percent of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest.

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.

# S Split Corp.

## Management Report of Fund Performance

### Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2019 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, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at info@strathbridge.com, 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, 2019, cash distributions of \$0.26 per share were paid to Preferred shareholders unchanged from the prior year and cash distributions of \$0.10 per share were paid to Class A shareholders compared to \$0.26 per share in the prior year.

Since the inception of the Fund on May 17, 2007, the Fund has paid total cash distributions of \$6.36 per Preferred share and \$6.18 per Class A share.

#### Revenue and Expenses

For the six months ended June 30, 2019, the Fund's total revenue per Unit was \$0.37 unchanged from the same period last year. Total expenses per Unit were \$0.29 per Unit compared to \$0.31 per Unit in the previous year. The Fund had a net realized and unrealized gain of \$0.61 per Unit in the first half of 2019 as compared to a net realized and unrealized loss of \$1.53 per Unit a year earlier.

#### Net Asset Value

The net asset value per Unit of the Fund increased 2.2 percent from \$15.76 December 31, 2018 to \$16.10 at June 30, 2019. The aggregate net asset value of the Fund increased \$0.33 million, from \$15.23 million at December 31, 2018 to \$15.56 million at June 30, 2019, reflecting an operating profit of \$0.68 million and cash distributions of \$0.35 million to Preferred and Class A shareholders.

## Management Report of Fund Performance

### Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2019.

### Related Party Transactions

Strathbridge Asset Management Inc. (“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.

# S Split Corp.

## 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.

Information for the period ended June 30, 2019 is derived from the Fund's unaudited semi-annual financial statements.

**Six months ended  
June 30, 2019**

#### NET ASSETS PER UNIT

<b>Net Assets, beginning of period<sup>(1)</sup></b>	\$	<b>15.76</b>
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue		0.37
Total expenses		(0.29)
Realized gain (loss) for the period		0.25
Unrealized gain (loss) for the period		0.36
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>		<b>0.69</b>
DISTRIBUTIONS		
<b>Preferred Share</b>		
From net investment income		(0.09)
Non-taxable distributions		(0.17)
<b>Total Preferred Share Distributions</b>		<b>(0.26)</b>
<b>Class A Share</b>		
From net investment income		–
Non-taxable distributions		(0.10)
<b>Total Class A Share Distributions</b>		<b>(0.10)</b>
<b>Total Distributions<sup>(3)</sup></b>		<b>(0.36)</b>
<b>Net Assets, end of period<sup>(1)</sup></b>	\$	<b>16.10</b>

(1) All per Unit figures presented are derived from the Fund's unaudited financial statements for the six months ended June 30, 2019 and the annual audited financial statements for the years ended December 31. Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

**Six months ended  
June 30, 2019**

#### RATIOS/SUPPLEMENTAL DATA

Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$	15.56
Net Asset Value (\$millions)	\$	5.89
Number of Units outstanding		965,993
Management expense ratio <sup>(1)</sup>		3.39% <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>		4.70%
Trading expense ratio <sup>(3)</sup>		0.07% <sup>(4)</sup>
Net Asset Value per Unit <sup>(5)</sup>	\$	16.10
Closing market price – Preferred	\$	10.15
Closing market price – Class A	\$	5.16

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, including Preferred share distributions, is 6.57%, 6.18%, 5.85%, 6.25%, 5.85% and 5.27% for 2019, 2018, 2017, 2016, 2015 and 2014 respectively. The MER for 2015 and 2014 includes the special resolution expense/(recovery). The MER for 2015 and 2014 excluding the special resolution expense/(recovery) is 2.92% and 2.33%.

## Management Report of Fund Performance

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

	Years ended December 31				
	2018	2017	2016	2015	2014
\$	19.35	\$ 18.64	\$ 15.34	\$ 18.78	\$ 19.86
0.74 (0.58) 0.33 (3.10)	0.72 (0.60) 1.21 0.45	0.65 (0.54) 1.23 2.69	0.91 (0.50) 0.62 (3.49)	0.79 (0.55) 3.20 (2.67)	
(2.61)	1.78	4.03	(2.46)	0.77	
(0.17) (0.36)	(0.14) (0.39)	(0.15) (0.38)	(0.53)	(0.53)	(0.53) —
(0.53)	(0.53)	(0.53)	(0.53)	(0.53)	(0.53)
— (0.45)	— (0.54)	— (0.26)	— (0.43)	— (0.26) (0.34)	
(0.45) (0.98)	(0.54) (1.07)	(0.26) (0.79)	(0.43) (0.96)	(0.60) (1.13)	
\$ 15.76	\$ 19.35	\$ 18.64	\$ 15.34	\$ 18.78	

(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 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.

	Years ended December 31				
	2018	2017	2016	2015	2014
\$ 15.23 \$ 5.57 965,993 3.23% 0.00% 0.04%	\$ 18.94 \$ 9.15 978,753 3.11% 23.23% 0.03%	\$ 19.12 \$ 8.86 1,025,576 3.13% 77.97% 0.08%	\$ 17.48 \$ 6.08 1,139,931 2.85% 24.16% 0.02%	\$ 21.89 \$ 10.23 1,165,364 2.72% 0.00% 0.01%	
\$ 15.76 \$ 10.15 \$ 5.00	\$ 19.35 \$ 10.55 \$ 8.25	\$ 18.64 \$ 10.70 \$ 6.87	\$ 15.34 \$ 10.10 \$ 4.67	\$ 18.78 \$ 10.15 \$ 9.00	

(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. 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 Preferred Share liability, divided by the number of Units then outstanding.

# S Split Corp.

## Management Report of Fund Performance

### 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.

### Past Performance

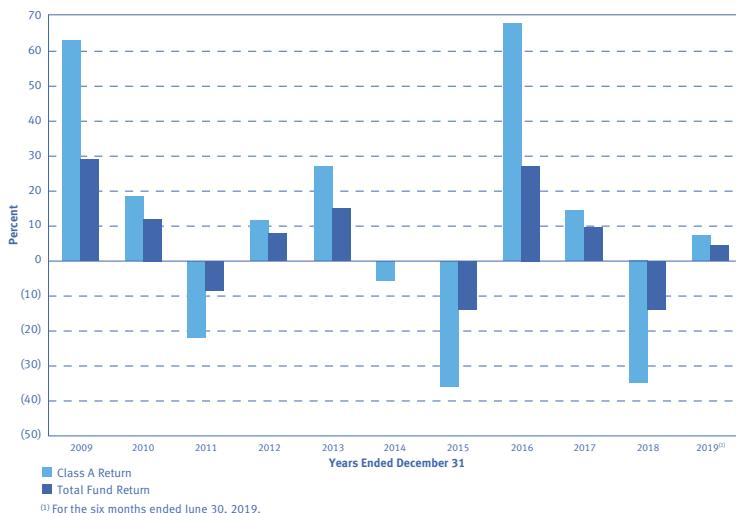
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (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.

### 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 ten years and for the six months ended June 30, 2019. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of the fiscal year or June 30, 2019 for the six months ended.

### Total Return



## Management Report of Fund Performance

**Portfolio Manager Report**

Stock markets around the world advanced in the first half of 2019 recouping losses from the volatile markets at the end of 2018. The S&P 500 Index rose to new all-time highs as investors looked past the potential consequences of a global trade war and focused on the pivot in central bank policy from tighter conditions to anticipating looser monetary policy in the future. For the first six months of 2019, the S&P 500 Index and S&P/TSX Composite Index advanced 18.5 percent and 16.2 percent, respectively. Global markets followed the positive tone set by U.S. stocks with the MSCI EAFE Index up 14.5 percent and the MSCI Emerging Markets Index up 10.7 percent. The Federal Reserve Open Market Committee ("FOMC"), which appeared to be on the most aggressive path of tightening after raising the overnight interest rate four times in 2018, paused in the first six months of 2019 leaving the target rate at 2.5 percent. The short-end of the yield curve in the United States reacted by pricing in the probability of several rate cuts by the FOMC as 2-year yields plummeted from 2.49 percent at year end to 1.75 percent at the end of June 2019. Long-term interest rates also reacted ending the second quarter at 2.00 percent versus 2.68 percent to start the year. This dynamic has caused the yield curve (10-2 Year) to steepen slightly but remains just 25 basis points from being inverted, a condition often associated with an imminent recession. Oil prices recovered in the first half of 2019 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$58.47 per barrel on June 28, 2019, up 28.8 percent from US\$45.41 at the end of 2018. Meanwhile, other commodities did not fare as well with copper prices rising 2.1 percent, aluminum down 12.3 percent and natural gas off 24.1 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index ("VIX"), declined in the first half of 2019 falling from 25.4 at the end of 2018 to 15.1 at the end of June. Given the uncertainty surrounding the global political landscape, trade war rhetoric, The United States-Mexico-Canada Agreement renegotiations, declining economic data, along with the Federal Reserve continuing to pivot monetary policy, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

The Bank of Nova Scotia ("BNS") reported adjusted earnings of \$1.70 per share which missed consensus estimates by a few cents and was lower than the first quarter adjusted earnings of \$1.75 per share. However, top line growth in most divisions was solid. The lackluster bottom line resulted from a substantial increase in loan loss provisions, as well as, additional costs as the bank continues to digest the massive acquisitions from last year. On the retail side, MD Financial Management and Jarislowsky Fraser Ltd. are already contributing nicely to the bottom line. CEO Brian Porter expects the second half of 2019 to be improved over the first half.

The price performance of BNS in the first half was weaker than most of the big six banks with a total return at 6.0 percent as market participants continue to take a wait and see attitude towards the banks recent strategy. BNS closed on June 28, 2019 at \$70.34 up from \$68.05 on December 31, 2018. Dividends per share of \$0.85 and \$0.87 were paid to shareholders in the first and second quarter respectively, up from \$0.82 and \$0.85 in the previous two quarters.

The net asset value ("NAV") per Unit of the Fund at June 30, 2019 was \$16.10 compared to \$15.76 on December 31, 2018. The Fund's Class A and Preferred Shares, which are listed on the Toronto Stock Exchange as SBN and SBN.PR.A, were bid on June 28, 2019 at \$5.16 and \$10.15 respectively. When combined, the bid prices represent a 4.9 percent discount to the NAV per unit. Cash distributions of \$0.10 per share were paid to the Class A shareholders and \$0.26 per share were paid to the Preferred shareholders during the first six months of 2019.

After the dramatic pull back in share prices in December 2018, volatility in BNS spiked and set multi-year highs in the low 20 percent range. Volatility has trended lower for the subsequent six months and tested the 2017 lows in April this year at just over 8 percent. Approximately 20 percent of the Fund was overwritten in the first quarter but was reduced in the second quarter to average 13 percent for the first half of the year and contributed positively to the return of the Fund during this period.

# S Split Corp.

## Management Report of Fund Performance

### 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](http://www.strathbridge.com).

### Asset Mix and Portfolio Holdings

June 30, 2019

	% of Net Asset Value*
Financials – The Bank of Nova Scotia	94.6%
Cash	4.1%
Other Assets (Liabilities)	1.3%
	100.0%

\*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 condensed 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 condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards 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 condensed 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, 2018.

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 matters, 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  
Director  
Strathbridge Asset Management Inc.



John D. Germain  
Director  
Strathbridge Asset Management Inc.

August 7, 2019

## S Split Corp.

### Notice to Shareholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2019 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

## Condensed Financial Statements

**Statements of Financial Position**

As at June 30, 2019 (Unaudited) and December 31, 2018 (Audited)

	Note	June 30, 2019	Dec. 31, 2018
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	\$ 14,722,162	\$ 14,617,140
Dividends receivable		182,091	182,580
Derivative assets	2	61,022	—
Cash		642,084	526,914
<b>TOTAL ASSETS</b>		<b>15,607,359</b>	15,326,634
<b>LIABILITIES</b>			
Accrued liabilities		31,196	49,154
Accrued management fees	4	21,137	21,384
Derivative liabilities	2	—	27,667
Redeemable Preferred shares		9,659,930	9,659,930
Class J shares		100	100
<b>TOTAL LIABILITIES</b>		<b>9,712,363</b>	9,758,235
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>		<b>\$ 5,894,996</b>	\$ 5,568,399
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>		<b>\$ 6.1025</b>	\$ 5.7644

The notes are an integral part of the Condensed Financial Statements.

# S Split Corp.

## Condensed Financial Statements

### Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2019	2018
<b>INCOME</b>			
Dividend income		\$ 355,047	\$ 355,962
Interest income		3,778	1,541
Net realized gain on investments at fair value through profit or loss		102,921	205,662
Net realized gain/(loss) on options at fair value through profit or loss		142,079	(17,656)
Net change in unrealized gain/loss on investments at fair value through profit or loss		352,223	(1,686,743)
<b>TOTAL INCOME/(LOSS), NET</b>		<b>956,048</b>	<b>(1,141,234)</b>
<b>EXPENSES</b>			
Management fees	4	130,252	147,576
Service fees		9,828	18,994
Administrative and other expenses		54,600	53,072
Transaction fees	5	5,542	1,890
Custodian fees		14,479	15,519
Audit fees		15,059	15,143
Director fees	4	9,600	10,200
Independent review committee fees	4	3,750	3,750
Legal fees		1,302	1,254
Shareholder reporting costs		8,852	9,689
Harmonized sales tax		22,392	25,221
<b>TOTAL EXPENSES</b>		<b>275,656</b>	<b>302,308</b>
<b>OPERATING PROFIT/(LOSS)</b>		<b>680,392</b>	<b>(1,443,542)</b>
Preferred share distributions		(253,573)	(256,922)
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>	6	<b>\$ 426,819</b>	<b>\$ (1,700,464)</b>
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>	6	<b>\$ 0.4418</b>	<b>\$ (1.7374)</b>

The notes are an integral part of the Condensed Financial Statements.

## Condensed Financial Statements

**Statements of Changes in Net Assets Attributable to Holders of Class A Shares**

Six months ended June 30 (Unaudited)

	2019	2018
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF YEAR	\$ 5,568,399	\$ 9,153,466
<b>Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares</b>	<b>426,819</b>	(1,700,464)
<b>Class A Share Distributions</b>		
Non-taxable distributions	(100,222)	(256,923)
<b>Changes in Net Assets Attributable to Holders of Class A Shares during the Period</b>	<b>326,597</b>	(1,957,387)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 5,894,996	\$ 7,196,079

The notes are an integral part of the Condensed Financial Statements.

**Statements of Cash Flows**

Six months ended June 30 (Unaudited)

	2019	2018
CASH, BEGINNING OF YEAR	\$ 526,914	\$ 30,860
<b>Cash Flows Provided by (Used In) Operating Activities</b>		
Operating Profit/(Loss)	680,392	(1,443,542)
<b>Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities</b>		
Net realized gain on investments at fair value through profit or loss	(102,921)	(205,662)
Net realized (gain)/loss on options at fair value through profit or loss	(142,079)	17,656
Net change in unrealized gain/loss of investments at fair value through profit or loss	(352,223)	1,686,743
Decrease in dividends receivable	489	6,749
Decrease in accrued management fees and accrued liabilities	(18,205)	(11,856)
Purchase of investment securities	(702,485)	10,899
Proceeds from disposition of investment securities	1,105,997	1,298,853
	(211,427)	2,803,382
<b>Cash Flows Used In Financing Activities</b>		
Preferred share distributions	(253,573)	(256,922)
Class A share distributions	(100,222)	(256,923)
	(353,795)	(513,845)
<b>Net Increase in Cash During the Period</b>	<b>115,170</b>	845,995
CASH, END OF PERIOD	\$ 642,084	\$ 876,855
Dividends received	\$ 355,536	\$ 362,711
Interest received	\$ 3,778	\$ 1,541

The notes are an integral part of the Condensed Financial Statements.

# S Split Corp.

## Schedule of Investments

As at June 30, 2019 (Unaudited)

	Number of Shares/Contracts	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Financials</b>				
The Bank of Nova Scotia	209,300	\$ 13,714,565	\$ 14,722,162	94.6%
<b>Total Canadian Common Shares</b>		\$ 13,714,565	\$ 14,722,162	94.6%
<b>Options</b>				
<b>Purchased Put Options</b>				
(100 shares per contract)				
The Bank of Nova Scotia – November 2019 @ \$68	398	\$ 100,296	\$ 61,022	0.4%
<b>Total Options</b>		\$ 100,296	\$ 61,022	0.4%
Adjustment for transaction fees		(5,368)		
<b>TOTAL INVESTMENTS</b>		\$ 13,809,493	\$ 14,783,184	95.0%
<b>OTHER NET ASSETS</b>			771,842	5.0%
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES</b>				
			\$ 15,555,026	100.0%

## Notes to Condensed Financial Statements

June 30, 2019 (Unaudited)

**1. Basis of Presentation**

The condensed semi-annual financial statements for the S Split Corp. (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”), specifically the International Accounting Standard (“IAS”) 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2018.

These condensed 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, 2018.

These condensed financial statements were approved by the Board of Directors on August 7, 2019.

**2. Risks Associated with Financial Instruments**

The various types of risks associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended December 31, 2018.

**Credit Risk**

As at June 30, 2019 and December 31, 2018, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor’s Ratings Services.

**Liquidity Risk**

The amounts in the table are the contractual undiscounted cash flows:

	As at June 30, 2019			Total
	On Demand	< 3 months		
Accrued liabilities	\$ –	\$ 31,196	\$ 31,196	
Accrued management fees	–	21,137		21,137
Redeemable Preferred shares	9,659,930	–		9,659,930
Class J shares	100	–		100
Class A shares	5,894,996	–		5,894,996
	\$ 15,555,026	\$ 52,333	\$ 15,607,359	

	As at December 31, 2018			Total
	On Demand	< 3 months		
Accrued liabilities	\$ –	\$ 49,154	\$ 49,154	
Derivative liabilities	–	27,667		27,667
Accrued management fees	–	21,384		21,384
Redeemable Preferred shares	9,659,930	–		9,659,930
Class J shares	100	–		100
Class A shares	5,568,399	–		5,568,399
	\$ 15,228,429	\$ 98,205	\$ 15,326,634	

# S Split Corp.

## Notes to Condensed Financial Statements

June 30, 2019 (Unaudited)

### Market Risk

#### (a) Price Risk

Approximately 95 percent (December 31, 2018 – 96 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at June 30, 2019 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2019, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$0.7 million (December 31, 2018 – \$0.7 million) respectively or 4.7 percent (December 31, 2018 – 4.8 percent) of the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	June 30, 2019	Dec. 31, 2018
Financials	100.0%	100.0%

### Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2019 and December 31, 2018.

	As at June 30, 2019			Total
	Level 1	Level 2	Level 3	
Canadian Common Shares	\$ 14,722,162	\$ —	\$ —	\$ 14,722,162
Options	61,022	—	—	61,022
	\$ 14,783,184	\$ —	\$ —	\$ 14,783,184

	As at December 31, 2018			Total
	Level 1	Level 2	Level 3	
Canadian Common Shares	\$ 14,617,140	\$ —	\$ —	\$ 14,617,140
Options	(27,667)	—	—	(27,667)
	\$ 14,589,473	\$ —	\$ —	\$ 14,589,473

There were no transfers between Level 1 and Level 2 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during the six months ended June 30, 2019 and during the year ended December 31, 2018.

## Notes to Condensed Financial Statements

June 30, 2019 (Unaudited)

**3. Shares**

For the six months ended June 30, 2019, cash distributions paid to Preferred shareholders were \$253,573 (June 30, 2018 – \$256,922) representing a payment of \$0.26 (June 30, 2018 – \$0.26) per Preferred share and cash distributions paid to Class A shareholders were \$100,222 (June 30, 2018 – \$256,923) representing a payment of \$0.10 (June 30, 2018 – \$0.26) per Class A share.

During the six months ended June 30, 2019 and 2018, nil Preferred shares and Class A shares were redeemed.

During the six months ended June 30, 2019 and year ended December 31, 2018, share transactions are as follows:

	June 30, 2019	Dec. 31, 2018
<b>Redeemable Preferred Shares</b>		
Shares outstanding, beginning of year	965,993	978,753
Shares redeemed	–	(12,760)
Shares outstanding, end of period	965,993	965,993
<b>Class A Shares</b>		
Shares outstanding, beginning of year	965,993	978,753
Shares redeemed	–	(12,760)
Shares outstanding, end of period	965,993	965,993
<b>Class J Shares</b>		
Shares outstanding, beginning and end of period	100	100

**4. Related Party Transactions****(a) Management Fees**

Total management fees for the six months ended June 30, 2019 were \$130,252 (June 30, 2018 – \$147,576) of which \$21,137 (June 30, 2018 – \$23,080) was unpaid.

**(b) Director Fees**

Total director fees paid to the external members of the Board of Directors for the six months ended June 30, 2019 were \$9,600 (June 30, 2018 – \$10,200).

**(c) Independent Review Committee Fees**

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2019 were \$3,750 (June 30, 2018 – \$3,750).

# S Split Corp.

## Notes to Condensed Financial Statements

June 30, 2019 (Unaudited)

### 5. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2019 and 2018 is disclosed below:

	June 30, 2019	June 30, 2018
Soft Dollars	\$ 1,113	\$ 376
Percentage of Total Transaction Fees	20.1%	19.9%

### 6. Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share

The increase/(decrease) in net assets attributable to holders of Class A shares per Class A share for the six months ended June 30, 2019 and 2018 is calculated as follows:

	June 30, 2019	June 30, 2018
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	\$ 426,819	\$ (1,700,464)
Weighted Average Number of Class A Shares Outstanding during the Period	965,993	978,753
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ 0.4418	\$ (1.7374)

## **Investment Funds Managed by Strathbridge Asset Management Inc.**

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### **UNIT TRUSTS**

Canadian Utilities & Telecom Income Fund (UTE.UN)  
Core Canadian Dividend Trust (CDD.UN)  
Low Volatility U.S. Equity Income Fund (LVU.UN)  
NDX Growth & Income Fund (NGI.UN)  
U.S. Financials Income Fund (USF.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)

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