SEMI-ANNUAL REPORT

2014

LOW VOLATILITY U.S. EQUITY INCOME FUND

strathbridge
ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2014 semi-annual report containing the management report of fund performance and the unaudited financial statements for Low Volatility U.S. Equity Income Fund.

After generating mixed returns in the first quarter of 2014 amid concerns surrounding geopolitical tension between Ukraine and Russia as well as comments from the U.S. Federal Reserve that it would consider raising interest rates, most Global equity markets advanced in the second quarter. The rally was fueled by economic data out of the U.S. which started to rebound from the weakness driven by harsh weather experienced this past winter. Europe, meanwhile, continued to improve economically as indicated by the regional purchasing managers indexes. The European Central Bank kept monetary policy accommodative by reducing its key benchmark rate to an unprecedented rate of negative 0.10 percent with an eye on the possible negative economic effects from geopolitical tensions in Ukraine and the Middle East. Although the Canadian economy posted subdued growth during the six month period, the S&P/TSX Composite Index outperformed most other markets in the first half of 2014 due to strength in the Energy and Materials sectors.

During the six months ended June 30, 2014, the Fund paid cash distributions of $0.52 per unit, including a special distribution of $0.25 per unit to unitholders of record on April 15, 2014. The net asset value ("NAV") per unit decreased from $10.97 at December 31, 2013 to $10.89 at June 30, 2014. The total return of the Fund, including reinvestment of distributions, was 4.2 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to $0.04 per unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

On July 23, 2014, the Fund announced a 10 percent increase in the annual distribution rate to 5.5 percent on the NAV per unit, effective for the August distribution. In addition, the Fund will be paying special distributions of $0.10 per unit for the September and October distribution dates. The increase in the distribution rate and the special distributions are due to the continued strong performance of the Fund along with realized capital gains which are expected to exceed the regular monthly distributions for 2014. These distributions are in addition to the special distribution of $0.25 per unit paid in April 2014.

We thank all unitholders for their continued support and encourage unitholders 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 closed-end investment trust designed to maximize risk adjusted returns for unitholders and to pay unitholders monthly cash distributions in an amount targeted to be 5.0 percent per annum on the net asset value per unit. The units are listed on the Toronto Stock Exchange under the ticker symbol LVU.UN. To accomplish its objectives, the Fund invests in a conservative portfolio consisting of large capitalization equity securities selected from the S&P 100 Index with a beta of less than 1.0, combined with selective covered call option writing designed to enhance portfolio income and mitigate downside risk. Beta is a financial term used as a measure of a security's or a portfolio's return in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio 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, 2014 of Low Volatility U.S. Equity Income Fund (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.

Results of Operations

Distributions

For the six months ended June 30, 2014, cash distributions of $0.52 per unit were paid to unitholders, including a special distribution of $0.25 per unit to unitholders of record on April 15, 2014.

Since the inception of the Fund in November 2013, the Fund has paid total cash distributions of $0.89 per unit including a special distribution of $0.25.

Revenue and Expenses

For the six months ended June 30, 2014, the Fund’s total revenue was $0.15 per unit while total expenses amounted to $0.18 per unit compared to total revenue of $0.06 per unit and total expenses of $0.08 per unit for the period March 13, 2013 to June 30, 2013. The Fund had a net realized and unrealized gain of $0.48 per unit in the first half of 2014 as compared to a net realized and unrealized gain of $0.36 per unit for the period March 13, 2013 to June 30, 2013.

Net Asset Value

The net asset value per unit of the Fund decreased 0.7 percent from $10.97 at December 31, 2013 to $10.89 at June 30, 2014. The total net asset value of the Fund decreased $0.2 million, from $23.4 million at December 31, 2013 to $23.2 million at June 30, 2014 reflecting cash distributions of $1.1 million, partially offset by an increase in net assets attributable to equity holders of $0.9 million.

Recent Developments

On March 25, 2014, the Fund announced a special cash distribution in the amount of $0.25 per unit payable on April 30, 2014 to unitholders of record on April 15, 2014.

Transition to International Financial Reporting Standards Accounting Policies

The Fund has adopted International Financial Reporting Standards (”IFRS”) accounting policies for the year beginning January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. Under IFRS 13, Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. Note 5 to the financial statements for the six months ended June 30, 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the period ended December 31, 2013 prepared under Canadian GAAP.

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 February 26, 2013.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated February 26, 2013. 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 from its inception on March 13, 2013.

The information for the period ended December 31, 2013 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2014 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2014[4]
NET ASSETS PER UNIT	
Net Assets, beginning of period[1]	$ 10.97[6]
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.15
Total expenses	(0.18)
Realized gain (loss) for the period	1.37
Unrealized gain (loss) for the period	(0.89)
Total Increase (Decrease) from Operations[2]	0.45
DISTRIBUTIONS	
From capital gains	(0.52)
Non-taxable distributions	–
Total Distributions[3]	(0.52)
Net Assets, end of period[1]	$ 10.89

(1) Net assets per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices for the six months ended June 30, 2014 and for the period ended December 31, 2013 at bid prices and the aggregate value of the liabilities, 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 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.

	Six months ended June 30, 2014[6]
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value ($millions)	$ 23.25
Number of units outstanding	2,135,000
Management expense ratio[1]	3.01%[4]
Portfolio turnover rate[2]	302.31%
Trading expense ratio[3]	0.40%[4]
Net Asset Value per unit[5]	$ 10.89
Closing market price	$ 10.65

(1) The management expense ratio is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, divided by the average net asset value.
(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.

As a result of the adoption of IFRS, for June 30, 2014, the net assets per unit presented in the financial statements and the net asset value per unit calculated weekly are both valued at closing prices. For the period ended December 31, 2013, the net assets per unit presented in the financial statements differs from the net asset value per unit calculated daily, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for daily net asset value purposes.

Period Ended Dec. 31, 2013[4]
$ 9.33[5]
0.13
(0.23)
0.61
1.51
2.02
(0.23)
(0.14)
(0.37)
$ 10.97

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. All distributions were paid in cash.
(4) For the period from inception on March 13, 2013 to December 31, 2013.
(5) Initial issue price, net of agent fees and initial issue costs.
(6) Net Assets has been adjusted for the adoption of IFRS. (See Note 5 to the financial statements for the six months ended June 30, 2014).

Period Ended Dec. 31, 2013[6]
$ 23.43
2,135,000
2.54%[4]
223.06%
0.33%[4]
$ 10.97
$ 10.45

(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, divided by the number of units then outstanding.
(6) For the period from inception on March 13, 2013 to December 31, 2013.

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager and Manager of the Fund, is entitled to fees under the Investment Management Agreement and Trust Agreement calculated monthly as 1/12 of 1.00 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. Services received under the Trust 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 made by the Fund during these periods were reinvested in units of the Fund,

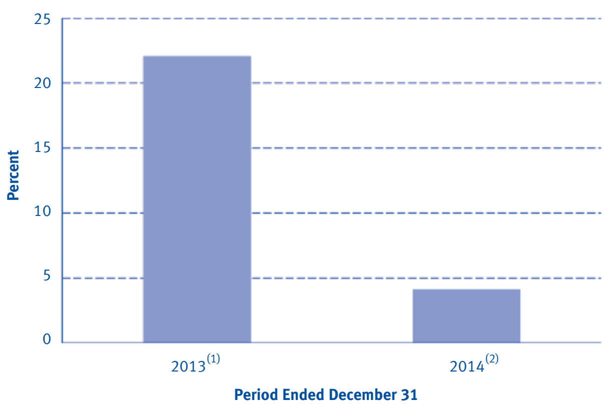
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 for the period since inception and for the six month period ended June 30, 2014. The chart also shows, in percentage terms, how much an investment made on January 1, 2014 or the date of inception on March 13, 2013 would have increased or decreased by the end of the fiscal year or June 30, 2014 for the six months ended.

Annual Total Return



(1) For the period from March 13, 2013, the inception of the Fund, to December 31, 2013.
(2) For the six months ended June 30, 2014.

Portfolio Manager Report

After generating mixed returns in the first quarter of 2014 amid concerns surrounding geopolitical tension between Ukraine and Russia as well as comments from the U.S. Federal Reserve that it would consider raising interest rates, most Global equity markets advanced in the second quarter. The rally was fueled by economic data out of the U.S. which started to rebound from the weakness driven by harsh weather experienced this past winter. Europe, meanwhile, continued to improve economically as indicated by the regional purchasing managers indexes. The European Central Bank kept monetary policy accommodative by reducing its key benchmark rate to an unprecedented rate of negative 0.10 percent with an eye on the possible negative economic effects from geopolitical tensions in Ukraine and the Middle East. Although the Canadian economy posted subdued growth during the six month period, the S&P/TSX Composite Index outperformed most other markets in the first half of 2014 due to strength in the Energy and Materials sectors.

As at June 30, 2014, the net asset value ("NAV") per unit of the Fund was $10.89 compared to $10.97 at December 31, 2013. Unitholders received regular distributions of $0.27 per unit and a special distribution of $0.25 per unit during the period. The Fund's units, listed on the Toronto Stock Exchange as LVU.UN, closed on June 30, 2014 at $10.65 per unit, which represents a 2.2 percent discount to the NAV.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2014 was 4.2 percent vs. 6.2 percent for the S&P/100 Index over the same period. The best performing stock within the portfolio was Walgreen Co., up 30.3 percent during the period. The stock has rallied considerably since February 5, 2014 after its main competitor CVS Caremark Corporation announced it would stop selling cigarettes and other tobacco products, which generates about US$2 billion in annual revenues for the company, by October 1, 2014. At the other end of the spectrum, Target Corporation was the laggard down 7.0 percent during the period, mostly on the news that Chief Executive Officer Gregg Steinhafel announced he was stepping down on May 5, 2014 due to a security breach of customer credit and debit card information.

Volatility levels for U.S equities remained at the lower end of their historical range for most the period other than a brief spike in January related to news Russian troops were occupying Crimea, an autonomous republic of Ukraine. The covered call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting ("SSO") strategy. The Fund ended June 30, 2014 with approximately 6.7 percent of the portfolio subject to covered calls. During the period, the net realized gain on options attributable to the SSO strategy was $0.04 per unit. The Fund maintained its invested position during the majority of the period and ended with a cash position of 0.8 percent compared to 2.3 percent at the end of 2013. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 100 percent of the U.S. dollar hedged.

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.

Asset Mix

June 30, 2014

	% of Net Asset Value
Information Technology	27.9 %
Health Care	16.7 %
Energy	16.7 %
Industrials	10.8 %
Consumer Staples	8.4 %
Materials	6.1 %
Utilities	5.0 %
Other Assets (Liabilities)	3.6 %
Consumer Discretionary	2.0 %
Financials	2.0 %
Cash	0.8 %
	100.0 %

Top 25 Holdings

June 30, 2014

	% of Net Asset Value
ConocoPhillips	6.4 %
Intel Corporation	6.4 %
Apache Corporation	6.3 %
Monsanto Company	6.1 %
Apple Inc.	6.0 %
Johnson & Johnson	5.9 %
Walgreen Co.	5.5 %
Cisco Systems, Inc.	4.4 %
Microsoft Corporation	4.4 %
Occidental Petroleum Corporation	4.0 %
UnitedHealth Group Incorporated	4.0 %
Eli Lilly and Company	3.9 %
United Parcel Service, Inc.	3.8 %
Hewlett-Packard Company	3.7 %
Caterpillar Inc.	3.0 %
Facebook, Inc.	3.0 %
PepsiCo, Inc.	2.9 %
Exelon Corporation	2.0 %
General Dynamics Corporation	2.0 %
American Electric Power Company, Inc.	2.0 %
NIKE, Inc.	2.0 %
3M Company	2.0 %
U.S. Bancorp	2.0 %
Medtronic, Inc.	1.9 %
The Southern Company	1.0 %

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 Low Volatility U.S. Equity Income Fund (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 Advisors (the "Board").

The financial statements have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") 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 financial statements for the six months ended June 30, 2014.

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 Board 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 Board.

John P. Mulvihill
Director
Strathbridge Asset Management Inc.

John D. Germain
Director
Strathbridge Asset Management Inc.

August 11, 2014

Notice to Unitholders

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

Financial Statements

Statements of Financial Position

As at June 30, 2014 and December 31, 2013 (Unaudited)

	Note	**2014**	2013
			Restated
ASSETS			
Financial assets at fair value through profit or loss	3,5	**$ 22,566,778**	$ 22,942,055
Dividends receivable		**18,996**	28,992
Due from brokers - investments		**2,947,813**	–
Cash		**178,312**	539,756
TOTAL ASSETS		**25,711,899**	23,510,803
LIABILITIES			
Due to brokers - investments		**2,390,070**	–
Accrued liabilities		**49,903**	63,336
Accrued management fees		**18,780**	20,099
TOTAL LIABILITIES		**2,458,753**	83,435
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	5	**$ 23,253,146**	$ 23,427,368
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT		**$ 10.8914**	$ 10.9730

The notes are an integral part of the Financial Statements.

Statements of Comprehensive Income

For the six months ended June 30, 2014 and for the period from March 13, 2013, the inception of the Fund, to June 30, 2013 (Unaudited)

	Note	2014	2013 Restated
INCOME			
Dividend income		$ 311,183	$ 121,570
Interest income		–	3,898
Net realized gain/(loss) on investments at fair value through profit or loss		3,452,704	(15,382)
Net realized gain/(loss) on options at fair value through profit or loss		91,945	(2,741)
Net realized loss on forward exchange contracts at fair value through profit or loss		(622,637)	(47,460)
Net change in unrealized appreciation/depreciation of investments at fair value through profit or loss	5	(1,906,302)	828,497
TOTAL INCOME		1,326,893	888,382
EXPENSES			
Management fees	10	114,020	60,179
Service fees		46,519	24,193
Administrative and other expenses		46,099	22,854
Transaction fees	11	46,047	27,935
Custodian fees		30,774	19,379
Audit fees		10,612	9,828
Advisory board fees	10	12,000	4,707
Independent review committee fees	10	3,491	1,968
Legal fees		10,204	1,647
Unitholder reporting costs		6,203	286
Harmonized sales tax		20,148	10,715
Withholding taxes		46,677	18,240
TOTAL EXPENSES		392,794	201,931
INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	5,12	$ 934,099	$ 686,451
INCREASE IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT	12	$ 0.4375	$ 0.3233

The notes are an integral part of the Financial Statements.

Financial Statements

Statement of Changes in Equity

Six months ended June 30, 2014 (Unaudited)

	Note	Unit Capital	Retained Earnings	Total
BALANCE AT MARCH 13, 2013		$ –	$ –	$ –
Increase in Net Assets Attributable to Equity Holders		–	4,314,506	4,314,506
Distributions		–	(796,013)	(796,013)
Proceeds from units issued, net of issue costs		19,908,875	–	19,908,875
BALANCE AT DECEMBER 31, 2013	5	**$ 19,908,875**	**$ 3,518,493**	**$ 23,427,368**
Increase in Net Assets Attributable to Equity Holders		–	934,099	934,099
Distributions		–	(1,108,321)	(1,108,321)
BALANCE AT JUNE 30, 2014		**$ 19,908,875**	**$ 3,344,271**	**$ 23,253,146**

The notes are an integral part of the Financial Statements.

Statements of Cash Flows

For the six months ended June 30, 2014 and for the period from March 13, 2013, the inception of the Fund, to June 30, 2013 (Unaudited)

	Note	2014	2013
			Restated
CASH, BEGINNING OF YEAR		**$ 539,756**	$ –
Cash Flows Provided by (Used In) Operating Activities			
Increase in Net Assets Attributable to Equity Holders		**934,099**	686,451
Adjustments to Reconcile Net Assets Attribute to Equity Holders to Net Cash Provided by (Used In) Operating Activities			
Purchase of investment securities		**(68,305,655)**	(35,549,642)
Proceeds from disposition of investment securities		**69,695,811**	16,724,212
Net realized (gain)/loss on investments at fair value through profit or loss		**(3,452,704)**	15,382
Net realized (gain)/loss on options at fair value through profit or loss		**(91,945)**	2,741
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss		**622,637**	47,460
Net change in unrealized appreciation/depreciation of investments at fair value through profit or loss	5	**1,906,302**	(828,497)
(Increase)/decrease in dividends receivable and due from brokers - investments		**(2,937,817)**	(406,204)
Increase/(decrease) in accrued liabilities, due to brokers - investments, accrued management fees, and issue expenses payable		**2,375,318**	817,465
Net change in unrealized appreciation/depreciation of cash		**831**	8,640
		(187,222)	(19,168,443)
Cash Flows Provided by (Used In) Financing Activities			
Unitholder distributions		**(1,108,321)**	(256,200)
Proceeds from units issued, net of issue costs		**–**	19,908,875
		(1,108,321)	19,652,675
Net Increase/(Decrease) in Cash During the Period		**(361,444)**	1,170,683
CASH, END OF PERIOD		**$ 178,312**	$ 1,170,683

Interest received		**$ –**	$ 3,898
Dividends received		**$ 321,179**	$ 115,872

The notes are an integral part of the Financial Statements.

Financial Statements

Schedule of Investments

As at June 30, 2014 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Equity Holders
INVESTMENTS				
United States Common Shares				
Consumer Discretionary				
NIKE, Inc.	5,600	$ 462,097	$ 462,576	2.0 %
Consumer Staples				
PepsiCo, Inc.	7,200	690,966	685,159	
Walgreen Co.	16,200	970,858	1,279,152	
Total Consumer Staples		1,661,824	1,964,311	8.4 %
Energy				
Apache Corporation	13,600	1,296,989	1,457,593	
ConocoPhillips	16,400	1,314,116	1,497,579	
Occidental Petroleum Corporation	8,500	925,195	929,194	
Total Energy		3,536,300	3,884,366	16.7 %
Financials				
U.S. Bancorp	9,900	464,188	456,811	2.0 %
Health Care				
Eli Lilly and Company	13,800	920,811	913,846	
Johnson & Johnson	12,300	1,351,458	1,370,670	
Medtronic, Inc.	6,700	457,145	455,025	
Merck & Co., Inc.	3,700	233,502	227,991	
UnitedHealth Group Incorporated	10,600	925,982	923,011	
Total Health Care		3,888,898	3,890,543	16.7 %
Industrials				
3M Company	3,000	463,754	457,719	
Caterpillar Inc.	6,000	651,423	694,503	
General Dynamics Corporation	3,800	486,971	471,747	
United Parcel Service, Inc.	8,200	904,056	896,661	
Total Industrials		2,506,204	2,520,630	10.8 %
Information Technology				
Apple Inc.	14,000	1,319,084	1,385,789	
Cisco Systems, Inc.	38,900	1,050,127	1,029,649	
Facebook, Inc.	9,600	692,891	688,073	
Hewlett-Packard Company	24,300	832,281	871,749	
Intel Corporation	45,100	1,353,354	1,484,390	
Microsoft Corporation	23,100	1,011,791	1,026,032	
Total Information Technology		6,259,528	6,485,682	27.9 %
Materials				
Monsanto Company	10,600	1,360,411	1,408,395	6.1 %
Utilities				
American Electric Power Company, Inc.	7,800	448,790	463,349	
Exelon Corporation	12,200	467,941	474,054	
The Southern Company	4,800	231,619	232,017	
Total Utilities		1,148,350	1,169,420	5.0 %
Total United States Common Shares		$ 21,287,800	$ 22,242,734	95.6 %

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at June 30, 2014 (Unaudited)

	Number of Contracts		Proceeds		Fair Value	% of Net Assets Attributable to Equity Holders
Forward Exchange Contracts						
Sold USD $8,050,000, Bought CAD $8,745,761 @ 0.92045 - July 16, 2014				$	167,420	
Sold USD $6,950,000, Bought CAD 7,565,422 @ 0.91865 - August 6, 2014					155,122	
Sold USD $1,250,000, Bought CAD $1,342,412 @ 0.93116 - August 20, 2014					9,220	
Sold USD $5,000,000, Bought CAD $5,372,250 @ 0.93071- September 10, 2014					36,756	
Total Forward Exchange Contracts				$	368,518	1.6 %
Options						
Written Covered Call Options (100 shares per contract)						
American Electric Power Company, Inc. - July 2014 @ $50	(20)	$	(4,696)	$	(12,356)	
Exelon Corporation - July 2014 @ $35	(61)		(5,892)		(10,721)	
General Dynamics Corporation - July 2014 @ $120	(26)		(4,182)		(831)	
Medtronic, Inc. - July 2014 @ $60	(2)		(300)		(809)	
Merck & Co., Inc. - August 2014 @ $60	(37)		(4,246)		(2,049)	
Monsanto Company - July 2014 @ $120	(35)		(8,659)		(17,708)	
Total Written Covered Call Options			(27,975)		(44,474)	
Total Options		$	(27,975)	$	(44,474)	(0.2)%
Adjustment for transaction fees			(6,433)			
TOTAL INVESTMENTS		$	21,253,392	$	22,566,778	97.0 %
OTHER NET ASSETS					686,368	3.0 %
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS				$	23,253,146	100.0 %

The notes are an integral part of the Financial Statements.

Notes to Financial Statements

June 30, 2014

1. Fund Information

Low Volatility U.S. Equity Income Fund (the "Fund') is an investment trust established under the laws of the Province of Ontario on February 26, 2013. The address of the Fund's registered office is 121 King Street West, Suite 2600, Toronto, Ontario.

The Fund is a closed-end investment trust designed to maximize risk adjusted returns for unitholders and to pay unitholders monthly cash distributions in an amount targeted to be 5.0 percent per annum on the net asset value per unit. The units are listed on the Toronto Stock Exchange under the ticker symbol LVU.UN. To accomplish its objectives, the Fund invests in a conservative portfolio consisting of large capitalization equity securities selected from the S&P 100 Index with a beta of less than 1.0, combined with selective covered call option writing designed to enhance portfolio income and mitigate downside risk. Beta is a financial term used as a measure of a security's or a portfolio's return in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio 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.

These financial statements were approved by the Board of Advisors on August 11, 2014.

2. Basis of Presentation and Adoption of International Financial Reporting Standards

The semi-annual financial statements for the Fund have been prepared in compliance with International Financial Reporting Standards ("IFRS") as published by the International Accounting Standard ("IAS") 34 Interim Financial Reporting.

The Fund has adopted IFRS accounting policies for the year beginning January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The Fund has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these accounting policies had always been in effect. Note 5 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the period ended December 31, 2013 prepared under Canadian GAAP.

3. Summary of Significant Accounting Policies

Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). The Fund's portfolio is predominately United States securities and the functional currency is U.S. dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund's presentation currency.

Financial Instruments

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The Fund's investments and derivatives within the portfolio are held for trading and measured at fair value through profit or loss ("FVTPL").

Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the reporting date. On adoption of IFRS, the Fund uses the last traded market price as its valuation input for financial assets and liabilities if the last traded price falls within the bid-ask spread. In other circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value for financial reporting purposes.

The fair value of financial assets and liabilities that are not traded in an active market is determined by valuation techniques as described in Note 4.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Net realized gain/loss on investments at fair value through profit or loss and change in unrealized appreciation/depreciation of investments at fair value through profit or loss are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received,

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option, and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in net realized gain/ (loss) on options at fair value through profit or loss. Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid,

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid, and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the change in unrealized

Notes to Financial Statements

June 30, 2014

appreciation/depreciation of investments at fair value through profit or loss. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date.

Interest income is measured using the effective interest method and recorded on a daily basis.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) on short-term investments are reflected as interest income (loss). Realized gains (losses) relating to forward exchange contracts are included in net realized gain/ (loss) on forward exchange contracts at fair value through profit or loss. Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on investments at fair value through profit or loss, as appropriate.

Short-Term Investments

Short-term investments are held for investment purposes and consist primarily of money market instruments with original maturities of one year or less.

Increase/(Decrease) in Net Assets Attributable to Equity Holders

The increase/(decrease) in net assets attributable to equity holders per unit is calculated by dividing the increase/(decrease) in net assets attributable to equity holders by the weighted average number of units outstanding during the period. Please refer to Note 12 for the calculation.

Taxation

The Fund is a “mutual fund trust” as defined in the Income Tax Act (Canada) (the “Act”). The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act. Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires management to use judgement in applying accounting policies and to make estimates and assumptions about the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements.

In classifying and measuring the financial instruments held by the Fund, the Manager determined that the Fund invests on a total return basis for the purpose of applying the fair value option for financial assets under IAS 39, Financial Instruments - Recognition and Measurement. The portfolio investments are held for trading and valued at FVTPL accordingly.

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation models and techniques generally recognized as standard within the investment industry. These valuation methods use observable data as practicable as possible. Observable market data are readily available and supplied by independent sources actively involved in the relevant market. However, areas such as credit risk (both own and counterparty) and its correlations require the Manager to make estimates. Significant changes in assumptions about these factors could adversely affect the reported fair values of financial instruments. Please refer to Note 7 for a further analysis of risks associated with financial instruments.

5. Transition to IFRS

The effect of the Fund's transition to IFRS is summarized as follows:

Transition Elections

No financial asset or liability at FVTPL was designated at inception by way of voluntary exemption. Based on the investment strategies adopted by the Fund, securities in the portfolio are classified as held for trading and therefore required to be at FVTPL.

Statement of Cash Flows

Under Canadian GAAP, the Fund was exempt from providing a statement of cash flows. IAS 1 requires that a complete set of financial statements include a statement of cash flows for the current and comparative periods, without exception.

Reconciliation of Net Assets and Comprehensive Income as previously reported under Canadian GAAP to IFRS

Net Assets	Dec. 31, 2013	June 30, 2013
Net Assets as reported under Canadian GAAP	$ 23,424,448	$ 20,324,750
Revaluation of investments at FVTPL	2,920	14,376
Net Assets Attributable to Equity Holders	$ 23,427,368	$ 20,339,126

Comprehensive Income	June 30, 2013
Comprehensive Income as reported under Canadian GAAP	$ 672,075
Revaluation of investments at FVTPL	14,376
Increase in Net Assets Attributable to Equity Holders	$ 686,451

Under Canadian GAAP, the Fund measured the fair values of its investments in accordance with Section 3855, Financial Instruments - Recognition and Measurement, which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. If no bid or ask prices are available, the securities are valued at the closing sale price or the Manager may estimate fair value using appropriate and accepted industry valuation techniques including valuation models. Under IFRS 13, Fair Value Measurement, the fair value of investments is to be based on a price within the bid-ask spread. It also allows the use of certain pricing conventions such as last traded prices as a practical expedient for fair value measurements within a bid-ask spread. As a result of the use of last traded prices upon IFRS transition, adjustments were recognized to increase the carrying amount of the Fund's investments by $2,920 as at December 31, 2013. Another impact of fair value adjustments was to increase the Fund's increase/(decrease) in net assets attributable to equity holders by $14,376 for the six months ended June 30, 2013.

Notes to Financial Statements

June 30, 2014

Reclassification Adjustments

The Fund reclassified withholding taxes from the total revenue section to the total expenses section in the Statement of Comprehensive Income upon transition in order to conform to the financial statement presentation under IFRS.

6. Capital Disclosures

IAS 1, Presentation of Financial Statements, requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 1, information on the Fund's units is described in Note 9 and the trust indenture does not have any externally imposed capital requirements.

7. Risks Associated with Financial Instruments

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk), concentration risk and capital risk management.

Tables are based on restatements of values of financial assets at fair value through profit and loss and unrealized appreciation/depreciation of investments as at December 31, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

Credit Risk

The Fund is subject to the credit risk that its counterparty (whether a clearing corporation, in the case of exchange traded instruments, or other third party, in the case of over-the-counter instruments) may be unable to meet its obligations. The Fund manages these risks through the use of various risk limits and trading strategies.

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102. During the periods ended June 30, 2014 and December 31, 2013, 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

Liquidity risk is the possibility that investments in the Fund cannot be readily converted into cash when required. To manage this risk, the Fund invests the majority of its assets in investments that are traded in an active market and which can be easily disposed. In addition, the Fund aims to retain sufficient cash and short-term investments to maintain liquidity and to meet its obligations when due.

Cash is required to fund redemptions. Unitholders must surrender units at least 10 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 21 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

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

June 30, 2014
Financial Liabilities

	On Demand	‹ 3 months	Total
Accrued liabilities	–	$ 49,903	$ 49,903
Accrued management fees	–	18,780	18,780
Due to brokers - investments	–	2,390,070	2,390,070
	–	$ 2,458,753	$ 2,458,753

December 31, 2013
Financial Liabilities

	On Demand	‹ 3 months	Total
Accrued liabilities	–	$ 63,336	$ 63,336
Accrued management fees	–	20,099	20,099
	–	$ 83,435	$ 83,435

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The following include sensitivity analyses that show how the net assets attributable to equity holders would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

(a) Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The portfolio includes securities and options denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the foreign currencies relative to the Canadian dollar. The Fund uses forward exchange contracts to actively hedge the majority of its foreign currency exposure

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2014 and December 31, in CAD terms, and the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to equity holders If CAD dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

June 30, 2014
United States Currency Exposure

				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	$(22,990,069)	$ 22,756,003	$ (234,066)	$(1,149,503)	$ 1,137,800	$ (11,703)
% of Net Assets Attributable to Equity Holders	(99)%	98%	(1)%	(5)%	5%	0%

Notes to Financial Statements

June 30, 2014

December 31, 2013
United States Currency Exposure

				Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	$(22,092,489)	$ 23,206,462	$ 1,113,973	$(1,104,624)	$ 1,160,323	$ 55,699
% of Net Assets Attributable to Equity Holders	(94)%	99%	5%	(5)%	5%	0%

(b) Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short-term fixed income securities. The Fund has minimal sensitivity to changes in rates since securities are usually held to maturity and are short-term in nature.

(c) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all the issuers in the S&P 100 Index.

The Fund's price risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options. Approximately 96 percent (December 31, 2013 - 99 percent) of the Fund's net assets held attributable to equity holders at June 30, 2014 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2014, the net assets attributable to equity holders would have increased or decreased by $1.1M (December 31, 2013 - $1.2M) respectively or 4.8 percent (December 31, 2013 - 5.0 percent) of the net assets attributable to equity holders 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, 2014	Dec. 31, 2013
Information Technology	29.2%	7.8%
Health Care	17.5%	16.9%
Energy	17.5%	6.1%
Industrials	11.3%	26.8%
Consumer Staples	8.8%	16.0%
Materials	6.3%	–
Utilities	5.3%	4.2%
Consumer Discretionary	2.1%	17.9%
Financials	2.0%	4.3%
	100.0%	100.0%

Capital Risk Management

Unitholders whose units are redeemed on an Annual Redemption Date will be entitled to receive a redemption price per unit equal to the net asset per unit determined as of such date. For unitholders whose units are redeemed on a Monthly Redemption Date, the redemption price per unit will be equal to the lesser of: (i) 95 percent of the market price; and (ii) 100 percent of the closing market price of the units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the portfolio.

Fair Value Measurement

The Fund classifies fair value of measurement within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Inputs, other than quoted prices in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

Level 3: Inputs that are based on unobservable market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. 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, 2014 and December 31, 2013.

As at June 30, 2014

	Level 1	Level 2	Level 3	Total
United States Common Shares	$ 22,242,734	$ –	$ –	$ 22,242,734
Forward Exchange Contracts	–	368,518	–	368,518
Options	(44,474)	–	–	(44,474)
	$ 22,198,260	$ 368,518	$ –	$ 22,566,778

As at December 31, 2013

	Level 1	Level 2	Level 3	Total
United States Common Shares	$ 23,206,462	$ –	$ –	$ 23,206,462
Forward Exchange Contracts	–	(264,407)	–	(264,407)
	$ 23,206,462	$ (264,407)	$ –	$ 22,942,055

The carrying values of cash, dividends receivable, interest receivable, due to brokers - investments, accrued liabilities, accrued management fees, due from brokers - investments and redemptions payable, and the Fund's obligation for net assets attributable to equity holders approximate their fair values due to their short-term nature.

(a) Equities

The Fund's equity positions are classified as Level 1 as equity securities are actively traded and a reliable quoted price is observable.

Notes to Financial Statements

June 30, 2014

(b) Short-Term Investments

Short-term investments are valued at cost plus accrued interest which approximates fair value. The inputs are generally observable and therefore short-term investments have been classified as Level 2.

(c) Derivative Assets and Liabilities

Derivative assets and liabilities consist of forward exchange contracts and option contracts.

Listed options are classified as Level 1 as the security is traded in a recognized exchange and a reliable price is readily observable.

Fair value of over-the-counter options is determined using the Black-Scholes Model with observable market data as inputs. Forward exchange contracts are valued on the gain or loss that would be realized if, on the valuation date, the position in the forward exchange contract, as the case may be, was to be closed out. Over-the-counter option and forward exchange contracts, for which the credit risks are determined not to be significant to fair value, have been classified as Level 2.

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2014 and during the year ended December 31, 2013.

8. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2014 and December 31, 2013. All the Fund's financial liabilities, other than its net assets attributable to equity holders, were carried at amortized cost.

Tables are based on restatements of values of financial assets at fair value through profit and loss and unrealized appreciation/depreciation of investments as at December 31, 2013 to comply with IFRS. Note 5 discloses the transition adjustments.

As at June 30, 2014

Assets	Held for Trading	Financial Assets at Amortized Cost	Total
Non-derivative financial assets	$ 22,242,734	$ –	$ 22,242,734
Derivative assets	324,044	–	324,044
Cash	–	178,312	178,312
Dividends receivable	–	18,996	18,996
Due from brokers - investments	–	2,947,813	2,947,813
	$ 22,566,778	$ 3,145,121	$ 25,711,899

As at December 31, 2013

Assets	Held for Trading	Financial Assets at Amortized Cost	Total
Non-derivative financial assets	$ 23,206,462	$ –	$ 23,206,462
Derivative assets	(264,407)	–	(264,407)
Cash	–	539,756	539,756
Dividends receivable	–	28,992	28,992
	$ 22,942,055	$ 568,748	$ 23,510,803

The following table presents the net realized gains/(losses) on financial instruments at FVTPL by category for the six months ended June 30, 2014 and 2013.

	Net Realized Gains/(Losses)	
Financial Assets at FVTPL	June 30, 2014	June 30, 2013
Held for Trading	$ 2,922,012	$ (65,583)
Total Financial Assets at FVTPL	$ 2,922,012	$ (65,583)

9. Units

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

The Fund intends to pay monthly cash distributions on the last day of each month in an amount targeted to be 5.0 percent per annum on the net asset value of the Fund.

During the six months ended June 30, 2014 and period ended December 31, 2013, unit transactions are as follows:

	June 30, 2014	Dec. 31, 2013
Units outstanding, beginning of period	2,135,000	–
Units issued	–	2,135,000
Units redeemed	–	–
Units outstanding, end of period	2,135,000	2,135,000

10. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

(a) Management Fees

Strathbridge, as the Investment Manager and Manager under the terms of the Investment Management Agreement and Trust Agreement, receives fees payable at annual rates of 1.00 percent of the net asset value of the Fund, calculated and payable monthly, plus applicable taxes. The Fund is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the Custodian and Manager in the ordinary course of business relating to the Fund's operations. Total management fees for the six months ended June 30, 2014 were $114,020 (June 30, 2013 - $60,179).

(b) Board of Advisors' Remuneration

Total remuneration paid to the external members of the Board of Advisors for the six months ended June 30, 2014 were $12,000 (June 30, 2013 - $4,707).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2014 were $3,491 (June 30, 2013 - $1,968).

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June 30, 2014

11. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2014 and 2013 is disclosed below:

	June 30, 2014	June 30, 2013
Soft Dollars	$ 8,434	$ 13,175
Percentage of Total Transaction Fees	18.3%	47.2%

12. Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit

The Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit for the six months ended June 30, 2014 and 2013 is calculated as follows:

	June 30, 2014	June 30, 2013
Increase in Net Assets Attributable to Equity Holders	$ 934,099	$ 686,451
Weighted Average Number of Units Outstanding during the Period	2,135,000	2,123,194
Increase in Net Assets Attributable to Equity Holders per Unit	$ 0.4375	$ 0.3233

13. Future Accounting Policy Changes

IFRS 9: Financial Instruments ("IFRS 9"), which is intended to replace IAS 39 Financial Instruments: Recognition and Measurement, sets forth new requirements for financial instrument classification and measurement, impairment and hedge accounting. The mandatory effective date of IFRS 9 has been tentatively set for January 1, 2018. Although entities may still choose to apply IFRS 9 immediately, the Fund has chosen not to early adopt IFRS 9. Based on the Manager’s current understanding and analysis of IFRS 9, the transition to IFRS 9 will change the manner in which investments are disclosed with no impact to value.

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)
NDX Growth & Income Fund (NGI.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.

strathbridge
ASSET MANAGEMENT

www.strathbridge.com

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