



Low Volatility U.S. Equity Income Fund
Annual Report 2016

Letter to Unitholders

We are pleased to present the 2016 annual report containing the management report of fund performance and the audited financial statements for Low Volatility U.S. Equity Income Fund (the “Fund”).

After getting off to the worst start since 2009, 2016 ended up being a robust year for most investors with some indices hitting all-time highs. The S&P/TSX Composite Index in Canada was one of the strongest performing markets generating a total return of 21.1 percent, primarily led by strength in the Materials and Energy sectors. In the U.S., the broad market S&P 500 Index rose 11.9 percent while the technology centric NASDAQ Index had a total return of 9.0 percent. Despite various events throughout the year that caused uncertainty for investors, such as the China growth scare at the beginning of 2016, “Brexit” where Great Britain voted in favour to leave the European Union and the election of Donald Trump as President in the U.S., markets quickly stabilized and resumed their uptrend on the anticipation of stronger GDP growth due to more supportive fiscal policies. 2017 is expected to provide continued uncertainty with elections in both France and Germany potentially impacting the state of the European Union, while North Korea continues to test its nuclear and missile capabilities escalating tensions with South Korea and China

For the year ended December 31, 2016, the total return of the Fund, including the reinvestment of distributions, was negative 2.3 percent. The Fund paid cash distributions of \$0.57 per unit during the year. The net asset value per unit decreased 7.6 percent from \$10.99 per unit at December 31, 2015 to \$10.16 per unit at December 31, 2016. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) was \$0.07 per unit over the same period as compared to a net realized gain on options of \$0.03 per unit in 2015. 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 unitholders for their continued support and encourage unitholders to review the detailed information contained within the 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 at least 75 percent of the value of the Fund in securities of an issuer included in the S&P 100 Index that has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 on the date the Investment Universe is established or reconstituted. In addition, up to 25 percent of the value of the Fund may be invested in securities of other issuers included in the S&P 100 Index. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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 Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2016 of Low Volatility U.S. Equity Income Fund (the “Fund”). The 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 and annual reports at no cost using one of the above methods.

Investment Objectives and Strategies

The Fund’s investment objectives are to:

- (1) maximize risk adjusted returns for unitholders; and
- (2) pay unitholders monthly cash distributions in an amount targeted to be 5.0 percent per annum on the net asset value (“NAV”) per unit.

To achieve its objectives, the Fund invests at least 75 percent of the value of the Fund in securities of an issuer included in the S&P 100 Index that has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 on the date the Investment Universe is established or reconstituted. In addition, up to 25 percent of the value of the Fund may be invested in securities of other issuers included in the S&P 100 Index. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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 Fund while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2016 Annual Information Form, which is available on the Fund’s website at www.strathbridge.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the year that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the year ended December 31, 2016, cash distributions were \$0.57 per unit compared to \$0.61 per unit a year ago.

Since inception on March 13, 2013, cash distributions of \$2.57 per unit were paid to the unitholders of the Fund.

Revenue and Expenses

For the year ended December 31, 2016, the Fund’s total revenue was \$0.23 per unit compared to total revenue of \$0.26 per unit in the prior year. Overall expenses decreased \$0.1 million or 21.6 percent compared to the prior year. However, total expenses per unit increased by \$0.06 per unit to \$0.47 per unit mainly due to a decreased average number of units outstanding during the year. The Fund had a net realized and unrealized loss of \$0.09 per unit in 2016 as compared a net realized and unrealized gain of \$0.20 per unit in 2015.

Net Asset Value

The net asset value per unit of the Fund decreased 7.6 percent from \$10.99 per unit at December 31, 2015 to \$10.16 per unit at December 31, 2016. The total net asset value of the Fund decreased \$2.91 million from \$9.53 million at December 31, 2015 to \$6.62 million at December 31, 2016, reflecting a decrease in net assets attributable to equity holders of \$0.27 million, cash distributions of \$0.45 million and annual redemptions of \$2.19 million.

Recent Developments

There were no recent developments pertaining to the Fund during the year ended December 31, 2016.

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the Fund’s 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 year, 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.

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. This information is derived from the Fund's audited annual financial statements.

As a result of the adoption of International Financial Reporting Standards ("IFRS"), for December 31, 2016, 2015, 2014 and 2013, 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.

Periods ended December 31	2016	2015	2014	2013 ⁽⁴⁾
NET ASSETS PER UNIT				
Net Assets, beginning of period⁽¹⁾	\$ 10.99	\$ 11.33	\$ 10.97	\$ 9.33⁽⁵⁾
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue	0.23	0.26	0.28	0.16
Total expenses	(0.47)	(0.41)	(0.38)	(0.25)
Realized gain (loss) for the period	0.12	1.43	1.92	0.61
Unrealized gain (loss) for the period	(0.21)	(1.23)	(0.58)	1.51
Total Increase (Decrease) from Operations⁽²⁾	(0.33)	0.05	1.24	2.03
DISTRIBUTIONS				
From capital gains	–	(0.41)	(0.67)	(0.23)
Non-taxable distributions	(0.57)	(0.20)	(0.35)	(0.14)
Total Annual Distributions⁽³⁾	(0.57)	(0.61)	(1.02)	(0.37)
Net Assets, end of period⁽¹⁾	\$ 10.16	\$ 10.99	\$ 11.33	\$ 10.97

(1) All per unit figures presented are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited financial statements for the years ended December 31, 2016, 2015 and 2014. Net assets 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.

(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.

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

(4) For the period from inception on March 13, 2013 to December 31, 2013.

(5) Initial issue price, net of agent fees and issue costs.

Financial Highlights

Periods ended December 31	2016	2015	2014	2013 ⁽⁷⁾
RATIOS/SUPPLEMENTAL DATA				
Net Asset Value (\$millions) ⁽¹⁾	\$ 6.62	\$ 9.53	\$ 14.62	\$ 23.43
Number of units outstanding ⁽¹⁾	651,798	867,508	1,289,533	2,135,000
Management expense ratio ⁽²⁾	4.09%	3.35%	3.10%	2.82% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	516.54%	369.11%	473.12%	223.06%
Trading expense ratio ⁽⁴⁾	0.44%	0.36%	0.35%	0.33% ⁽⁵⁾
Net Asset Value per unit ⁽⁶⁾	\$ 10.16	\$ 10.99	\$ 11.33	\$ 10.97
Closing market price	\$ 9.86	\$ 10.37	\$ 11.00	\$ 10.45

(1) This information is provided as at December 31.

(2) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. 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 3.35% and 3.06% respectively. The MER for 2016, 2015, 2014 and 2013, excluding withholding taxes, is 3.76%, 3.00%, 2.73%, and 2.54% respectively.

(3) 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.

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

(5) Annualized.

(6) 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.

(7) For the period from inception on March 13, 2013 to December 31, 2013.

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

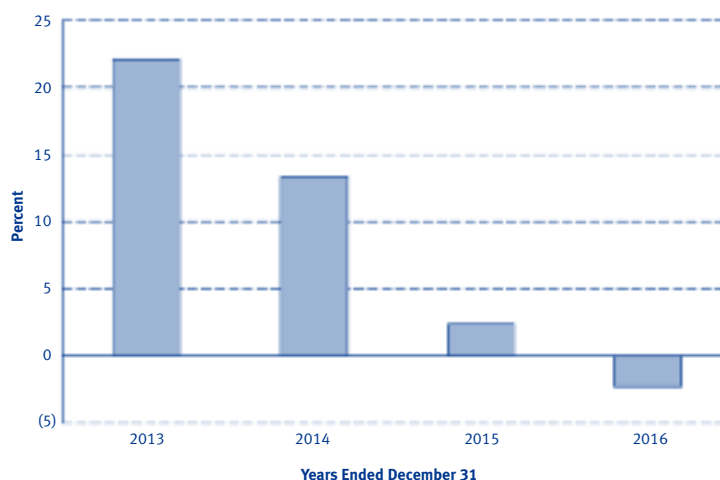
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (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 from year to year for each of the past four years. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception on March 13, 2013 would have increased or decreased by the end of the fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund’s historical annual compound return (net of expenses) for the periods ended December 31, 2016 as compared to the performance of the S&P 100 Equal Weight Index.

	One Year	Three Years	Since Inception ⁽¹⁾
Low Volatility U.S. Equity Income Fund (C\$)	(2.26)%	4.30 %	8.94 %
S&P 100 Equal Weight Index ⁽²⁾ (US\$)	12.70 %	8.59 %	12.51 %

⁽¹⁾ From date of inception on March 13, 2013.

⁽²⁾ The S&P 100 Equal Weight Index is the equal-weight version of the S&P 100. The index has the same constituents as the capitalization weighted S&P 100, but each company in the S&P 100 Equal Weight Index is allocated a fixed weight.

Commencing in 2016, the S&P 100 Index was superseded by the S&P 100 Equal Weight Index as the performance benchmark of the Fund. Use of the S&P 100 Equal Weight Index is deemed to be more appropriate as it has broader diversification across industries with more diversified performance contribution from individual companies and sectors within the index.

The equity performance benchmark shown here provide an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed this index; rather, its objectives are to pay out quarterly distributions and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to enhance the income generated by the portfolio and reduce volatility.

The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the portfolio.

Portfolio Manager Report

After getting off to the worst start since 2009, 2016 ended up being a robust year for most investors with some indices hitting all-time highs. The S&P/TSX Composite Index in Canada was one of the strongest performing markets generating a total return of 21.1 percent, primarily led by strength in the Materials and Energy sectors. In the U.S., the broad market S&P 500 Index rose 11.9 percent while the technology centric NASDAQ Index had a total return of 9.0 percent. Despite various events throughout the year that caused uncertainty for investors, such as the China growth scare at the beginning of 2016, "Brexit" where Great Britain voted in favour to leave the European Union and the election of Donald Trump as President in the U.S., markets quickly stabilized and resumed their uptrend on the anticipation of stronger GDP growth due to more supportive fiscal policies. The Bank of Canada stayed on hold in 2016 by maintaining the overnight lending rate at 0.50 percent, while the U.S. Federal Reserve went ahead last December with its highly telegraphed 25 basis point increase in the Federal Funds Target Rate to now sit at 0.75 percent. Despite diverging monetary policies, the Canadian dollar rose by 2.8 percent to end the year at US\$0.74 per Canadian dollar with most of the strength attributed to stronger oil prices as West Texas Intermediate ("WTI") Cushing Crude Oil spot price rose 45 percent to end the year at US\$53.72 per barrel.

For the year ended December 31, 2016, the net asset value of the Fund was \$10.16 per unit compared to \$10.99 per unit at December 31, 2015. Unitholders received cash distributions of \$0.57 per unit during the year. The Fund's units, listed on the Toronto Stock Exchange as LVU.UN, closed on December 30, 2016 at \$9.86 per unit, which represents a 3.0 percent discount to the net asset value.

For the year ended December 31, 2016, the annual total return of the Fund, including reinvestment of distributions, was negative 2.3 percent. The best performing stock within the portfolio was Bank of America Corporation, which had a total return of 45.9 percent while being held by the Fund. Meanwhile, Bristol-Myers Squibb Company negatively impacted the performance of the Fund as the shares declined 23 percent while held in the Fund.

In 2016, volatility levels, as measured by the Chicago Board Options Exchange Volatility Index, continued to remain at the lower end of their historical range other than three distinctive periods when volatility spiked. Those three periods coincided with the very weak start of 2016 due to concerns regarding growth in China, the "Brexit" vote in late June and the U.S. election around early November. Each of those risk events turned out to be short lived with markets rebounding quickly and volatility subsiding. The covered call writing activity was opportunistic over the year while taking advantage of signals generated by the Strathbridge Selective Overwriting ("SSO") strategy. During the year, the net realized gain on options attributable to the SSO strategy was \$0.07 per unit compared to \$0.03 per unit in 2015. The Fund ended 2016 with 5.0 percent of the portfolio subject to covered calls as well as a cash position of 3.6 percent. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the year and ended the year with approximately 50 percent of the U.S. dollar exposure hedged.

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

December 31, 2016

	% OF NET ASSET VALUE
Industrials	34.1 %
Financials	17.6 %
Consumer Discretionary	15.7 %
Information Technology	12.1 %
Health Care	9.1 %
Energy	9.0 %
Cash	3.6 %
Other Assets (Liabilities)	(1.2)%
	100.0 %

Top 25 Holdings

December 31, 2016

	% OF NET ASSET VALUE
Chevron Corporation	6.0 %
Microsoft Corporation	5.5 %
American Express Company	5.4 %
The Boeing Company	5.4 %
FedEx Corporation	5.3 %
Caterpillar Inc.	5.3 %
United Parcel Service, Inc.	5.1 %
UnitedHealth Group Incorporated	4.9 %
Norfolk Southern Corporation	4.8 %
United Technologies Corporation	4.2 %
Pfizer Inc.	4.2 %
General Electric Company	4.0 %
Apple Inc.	4.0 %
Time Warner Inc.	3.9 %
Cash	3.6 %
The Walt Disney Company	3.2 %
Schlumberger Limited	3.0 %
American International Group, Inc.	3.0 %
Morgan Stanley	2.7 %
Citigroup Inc.	2.6 %
QUALCOMM Incorporated	2.6 %
Target Corporation	2.5 %
Twenty-First Century Fox, Inc.	2.1 %
Lowe's Companies Inc.	2.0 %
Berkshire Hathaway Inc.	2.0 %

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 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 and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements.

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.
March 6, 2017



John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Low Volatility U.S. Equity Income Fund

We have audited the accompanying financial statements of Low Volatility U.S. Equity Income Fund, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Low Volatility U.S. Equity Income Fund as at December 31, 2016 and December 31, 2015, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

The logo for Deloitte LLP, featuring the company name in a stylized, cursive script.

Chartered Professional Accountants

Licensed Public Accountants

March 6, 2017

Toronto, Ontario

Statements of Financial Position

As at December 31

	Note	2016	2015
ASSETS			
Financial assets at fair value through profit or loss	3,6	\$ 6,468,521	\$ 9,433,967
Derivative assets	3,6	4,159	–
Dividends receivable		5,775	9,606
Cash		235,895	429,805
TOTAL ASSETS		6,714,350	9,873,378
LIABILITIES			
Derivative liabilities	3,6	47,640	185,796
Accrued liabilities		38,131	54,539
Accrued management fees	9	5,495	8,104
Due to brokers - investments		–	95,171
TOTAL LIABILITIES		91,266	343,610
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		\$ 6,623,084	\$ 9,529,768
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT		\$ 10.1613	\$ 10.9852

On behalf of the Manager,
Strathbridge Asset Management Inc.



John P. Mulvihill, Director



John D. Germain, Director

Statements of Comprehensive Income

For the years ended December 31

	Note	2016	2015
INCOME			
Dividend income		\$ 186,294	\$ 301,892
Net realized gain/(loss) on investments at fair value through profit or loss	7	(27,119)	3,838,940
Net realized gain on options at fair value through profit or loss	7	65,797	41,075
Net realized gain/(loss) on forward exchange contracts at fair value through profit or loss	7	56,448	(2,209,388)
Net change in unrealized gain/loss on investments at fair value through profit or loss	7	(172,441)	(1,432,226)
TOTAL INCOME		108,979	540,293
EXPENSES			
Management fees	9	82,034	125,859
Service fees		30,356	47,749
Administrative and other expenses		53,017	60,138
Transaction fees	10	36,035	46,854
Custodian fees		55,433	63,492
Audit fees		27,743	27,232
Advisory board fees	9	19,500	18,900
Independent review committee fees	9	6,898	6,918
Legal fees		10,421	3,266
Unitholder reporting costs		8,474	11,031
Harmonized sales tax		17,598	22,177
Withholding taxes	3	27,656	45,406
Subtotal Expenses		375,165	479,022
Special resolution recovery	1	-	(638)
TOTAL EXPENSES		375,165	478,384
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	11	\$ (266,186)	\$ 61,909
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT	11	\$ (0.3310)	\$ 0.0532

Statements of Changes in Equity

For the years ended December 31

	Unit Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2015	\$ 12,024,895	\$ 2,591,362	\$ 14,616,257
Increase in Net Assets Attributable to Equity Holders	–	61,909	61,909
Distributions			
From capital gains	–	(451,594)	(451,594)
Non-taxable distributions	–	(249,631)	(249,631)
Value for units redeemed	(3,935,383)	(511,790)	(4,447,173)
BALANCE AT DECEMBER 31, 2015	\$ 8,089,512	\$ 1,440,256	\$ 9,529,768
Decrease in Net Assets Attributable to Equity Holders	–	(266,186)	(266,186)
Distributions			
Non-taxable distributions	–	(453,328)	(453,328)
Value for units redeemed	(2,011,496)	(175,674)	(2,187,170)
BALANCE AT DECEMBER 31, 2016	\$ 6,078,016	\$ 545,068	\$ 6,623,084

Statements of Cash Flows

For the years ended December 31

	2016	2015
CASH, BEGINNING OF YEAR	\$ 429,805	\$ 200,648
Cash Flows Provided by (Used In) Operating Activities		
Increase/(Decrease) in Net Assets Attributable to Equity Holders	(266,186)	61,909
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	27,119	(3,838,940)
Net realized gain on options at fair value through profit or loss	(65,797)	(41,075)
Net realized (gain)/loss on foreign exchange contracts at fair value through profit or loss	(56,448)	2,209,388
Net change in unrealized gain/loss on investments at fair value through profit or loss	172,441	1,432,226
Net change in unrealized gain/loss on foreign cash	(2,899)	1,846
Increase in dividends receivable	3,831	1,659
Increase/(decrease) in accrued liabilities, accrued management fees and due to brokers - investments	(114,188)	76,212
Purchase of investment securities	(39,729,621)	(46,122,043)
Proceeds from disposition of investment securities	42,478,336	51,596,373
	2,712,774	5,315,646
Cash Flows Used In Financing Activities		
Unitholder distributions	(453,328)	(701,225)
Unitholder redemptions	(2,187,170)	(4,447,173)
	(2,640,498)	(5,148,398)
Net Increase/(Decrease) in Cash during the Year	(193,910)	229,157
CASH, END OF YEAR	\$ 235,895	\$ 429,805
Dividends received, net of withholding taxes	\$ 162,469	\$ 258,145

Schedule of Investments

As at December 31, 2016

	Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Equity Holders
INVESTMENTS				
Non-North American Common Shares				
Energy				
Schlumberger Limited	1,800	\$ 201,551	\$ 202,647	3.0 %
Total Non-North American Common Shares		\$ 201,551	\$ 202,647	3.0 %
United States Common Shares				
Consumer Discretionary				
Lowe's Companies Inc.	1,400	\$ 136,074	\$ 133,526	
McDonald's Corporation	800	129,208	130,587	
Target Corporation	1,700	167,071	164,670	
The Walt Disney Company	1,500	212,559	209,648	
Time Warner Inc.	2,000	207,969	258,905	
Twenty-First Century Fox, Inc.	3,800	139,252	142,892	
Total Consumer Discretionary		992,133	1,040,228	15.7 %
Energy				
Chevron Corporation	2,500	363,114	394,606	6.0 %
Financials				
American Express Company	3,600	322,992	357,644	
American International Group, Inc.	2,300	177,708	201,444	
Bank of America Corporation	4,300	85,946	127,441	
Berkshire Hathaway Inc.	600	127,905	131,139	
Citigroup Inc.	2,200	148,298	175,338	
Morgan Stanley	3,100	124,129	175,645	
Total Financials		986,978	1,168,651	17.6 %
Health Care				
Pfizer Inc.	6,400	279,726	278,768	
UnitedHealth Group Incorporated	1,500	299,492	321,934	
Total Health Care		579,218	600,702	9.1 %
Industrials				
Caterpillar Inc.	2,800	289,786	348,235	
FedEx Corporation	1,400	313,687	349,587	
General Electric Company	6,300	264,751	266,978	
Norfolk Southern Corporation	2,200	262,495	318,842	
The Boeing Company	1,700	304,273	354,919	
United Parcel Service, Inc.	2,200	312,655	338,226	
United Technologies Corporation	1,900	275,877	279,313	
Total Industrials		2,023,524	2,256,100	34.1 %
Information Technology				
Apple Inc.	1,700	266,470	264,046	
Microsoft Corporation	4,400	328,727	366,667	
QUALCOMM Incorporated	2,000	166,108	174,874	
Total Information Technology		761,305	805,587	12.1 %
Total United States Common Shares		\$ 5,706,272	\$ 6,265,874	94.6 %
Forward Exchange Contracts				
Sold USD \$2,700,000, Bought CAD \$3,577,878 @ 0.75464 - January 11, 2017			\$ (42,385)	
Bought USD \$1,400,000, Sold CAD \$1,873,018 @ 0.74746 - January 11, 2017			4,159	
Sold USD \$1,200,000, Bought CAD \$1,604,790 @ 0.74776 - January 25, 2017			(3,927)	
Total Forward Exchange Contracts			\$ (42,153)	(0.6)%
Options				
Written Covered Call Options (100 shares per contract)				
Target Corporation - January 2017 @ \$75	(17)	\$ (2,488)	\$ (1,048)	
United Parcel Service, Inc. - January 2017 @ \$120	(11)	(1,592)	(280)	
Total Options		\$ (4,080)	\$ (1,328)	0.0 %
Adjustment for transaction fees		(1,718)		
TOTAL INVESTMENTS		\$ 5,902,025	\$ 6,425,040	97.0 %
OTHER NET ASSETS			198,044	3.0 %
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS			\$ 6,623,084	100.0 %

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 and began operations on March 13, 2013. The address of the Fund’s registered office is 121 King Street West, Suite 2600, Toronto, Ontario.

Strathbridge Asset Management Inc. (“Strathbridge”) is the Manager as well as the Investment Manager of the Fund. RBC Investor Services Trust is the Custodian of 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.

On January 2, 2015, the Manager announced unitholder approval of a proposal to change the investment restrictions and the investment strategy of the Fund. In 2015, costs of \$638 were recovered in relation to this special resolution.

In accordance with the new investment mandate, the Fund invests at least 75 percent of the value of the Fund in securities of an issuer included in the S&P 100 Index that has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 on the date the Investment Universe is established or reconstituted. In addition, up to 25 percent of the value of the Fund may be invested in securities of other issuers included in the S&P 100 Index. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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 March 6, 2017.

2. Basis of Presentation

The annual financial statements for the Fund have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by the International Accounting Standards Board.

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”). Despite investments and related income being primarily in U.S. currency, the Manager has determined that the Canadian dollar is the functional currency as the Fund incurs its expenses, measures its performance and issues and redeems units in Canadian 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 except for the fair valuation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Under IAS 39, the Fund’s equity investments are designated at fair value through profit or loss (“FVTPL”) at inception and derivative investments are classified as held for trading and measured at 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. 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 net change in unrealized gain/loss on investments at fair value through profit or loss are determined on an average cost basis. 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 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 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 net change in unrealized gain/loss on 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. 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 90 days or less.

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

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 year. Please refer to Note 11 for the calculation.

Units

IAS 32, Financial Instruments: Presentation, requires that if all the criteria under paragraph 16A are met, the units (which are puttable instruments) should be classified as equity or if they do not meet all the conditions, they should be classified as financial liabilities. The Fund's units meet the definition of IAS 32 paragraph 16A to be classified as equity.

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 non-refundable income tax.

The Fund currently incurs withholding taxes imposed by certain foreign countries on investment income. Such foreign income is recorded gross

of withholding taxes, and the withholding taxes are presented as an expense item in the Statement of Comprehensive Income.

IAS 1 Disclosure Initiative

The Fund has applied amendments to IAS 1 Disclosure Initiative for the first time in the current year. The amendments clarify that an entity need not provide a specific disclosure required by an IFRS if the information resulting from that disclosure is not material, and give guidance on the basis of aggregating and disaggregating information for disclosure purposes. In addition, the amendments reiterate that an entity should consider providing additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users of financial statements to understand the impact of particular transactions, events and conditions on the Fund's financial position and financial performance.

The application of these amendments has not resulted in any impact on the financial performance or the financial position of the Fund.

4. Critical Accounting Estimates and Judgments

The preparation of financial statements requires the Manager to use judgment 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.

The Manager considers the currency of the primary economic environment in which the Fund operates to be Canadian dollars as this is the currency which in their opinion most faithfully represents the economic effects of underlying transactions, events and conditions. The financial statements of the Fund are presented in Canadian dollars as the Fund's presentation currency.

In classifying and measuring the financial instruments held by the Fund, the Manager has applied the fair value option for financial assets and liabilities under IAS 39, Financial Instruments: Recognition and Measurement. The fair value option was used as: (i) fair value is readily available via market quotation; (ii) it eliminates or significantly reduces an accounting mismatch; and (iii) financial instruments designated at FVTPL is part of an investment portfolio managed on a fair value basis. As a result, the Fund's equity investments have been designated at FVTPL at inception and the derivative investments have been classified as held for trading by nature and valued at FVTPL.

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 6 for a further analysis of risks associated with financial instruments.

5. Capital Disclosures

IAS 1, Presentation of Financial Statements ("IAS 1"), 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 8 and the Fund does not have any externally imposed capital requirements.

6. 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 the Fund 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.

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 years ended December 31, 2016 and 2015, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

The Fund's derivative instruments are subject to offsetting, enforceable netting arrangements and similar agreements. The Fund and its counterparty have elected to settle all transactions on a gross basis; however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. All outstanding derivatives have been presented on a gross basis on the Statement of Financial Position as derivative assets or derivative liabilities, as they do not meet the criteria for offsetting in IAS 32 paragraph 42.

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:

	As at December 31, 2016			Total
	Financial Liabilities			
	On Demand	< 3 months		
Derivative liabilities	\$ -	\$ 47,640		\$ 47,640
Accrued liabilities	-	38,131		38,131
Accrued management fees	-	5,495		5,495
	\$ -	\$ 91,266		\$ 91,266

As at December 31, 2015

	Financial Liabilities			Total
	On Demand	< 3 months		
Derivative liabilities	\$ -	\$ 185,796		\$ 185,796
Due to brokers - investments	-	95,171		95,171
Accrued liabilities	-	54,539		54,539
Accrued management fees	-	8,104		8,104
	\$ -	\$ 343,610		\$ 343,610

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, from time to time, to actively hedge all or part of the majority of its foreign currency exposure.

The table below indicates the foreign currencies to which the Fund had significant exposure to as at December 31, 2016 and 2015 in Canadian dollar 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 the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

	As at December 31, 2016					
	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ (3,088,008)	\$ 6,467,193	\$ 3,379,185	\$ (154,400)	\$ 323,360	\$ 168,960
% of Net Assets Attributable to Equity Holders	(47)%	98%	51%	(2)%	5%	3%

	As at December 31, 2015					
	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ (4,444,295)	\$ 9,427,451	\$ 4,983,156	\$ (222,215)	\$ 471,373	\$ 249,158
% of Net Assets Attributable to Equity Holders	(47)%	99%	52%	(2)%	5%	3%

(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 98 percent (2015 - 99 percent) of the Fund's net assets held attributable to equity holders at December 31, 2016 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at December 31, 2016, the net assets attributable to equity holders would have increased or decreased by \$0.3 million (2015 - \$0.5 million) respectively or 4.9 percent (2015 - 4.9 percent) of the net assets attributable to equity holders with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

The Manager believes that a portfolio that is subject to covered call option writing or purchased put options should provide a degree of protection against falling share prices in a downward trending market.

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:

	Dec. 31, 2016	Dec. 31, 2015
Industrials	34.9%	8.5%
Financials	18.1%	11.0%
Consumer Discretionary	16.1%	21.4%
Information Technology	12.4%	23.7%
Health Care	12.4%	12.7%
Energy	6.1%	-
Consumer Staples	-	20.2%
Telecommunication Services	-	2.5%
	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. For such purposes, "Market Price" means the weighted average trading price of the units on the stock exchange on which the units are listed for the ten trading days immediately preceding the applicable Redemption Date, and the "Closing Market Price" means the closing price of the units on the stock exchange on which the Units are listed or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the stock exchange on which the units are listed.

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 December 31, 2016 and 2015.

	As at December 31, 2016			Total
	Level 1	Level 2	Level 3	
Non-North American				
Common Shares	\$ 202,647	\$ -	\$ -	\$ 202,647
United States Common Shares	6,265,874	-	-	6,265,874
Forward Exchange Contracts	-	(42,153)	-	(42,153)
Options	(1,328)	-	-	(1,328)
	\$ 6,467,193	\$ (42,153)	\$ -	\$ 6,425,040

	As at December 31, 2015			Total
	Level 1	Level 2	Level 3	
Non-North American				
Common Shares	\$ 245,754	\$ -	\$ -	\$ 245,754
United States Common Shares	9,188,213	-	-	9,188,213
Forward Exchange Contracts	-	(179,280)	-	(179,280)
Options	(6,516)	-	-	(6,516)
	\$ 9,427,451	\$ (179,280)	\$ -	\$ 9,248,171

The carrying values of cash, dividends receivable, due to brokers - investments, accrued liabilities, accrued management fees 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.

(b) Short-Term Investments

Short-term investments are valued at cost plus accrued interest which approximates fair value. The inputs are observable and therefore short-term investments are 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 and the Fund did not hold any financial instruments within Level 3 of the fair value hierarchy during 2016 and 2015.

7. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at December 31, 2016 and 2015.

	As at December 31, 2016		Financial Instruments at Amortized Cost	Total
	Financial Instruments at FVTPL Designated at Inception	Held for Trading		
Assets				
Non-derivative financial assets	\$ 6,468,521	\$ -	\$ -	\$ 6,468,521
Derivative assets	-	4,159	-	4,159
Dividends receivable	-	-	5,775	5,775
Cash	-	-	235,895	235,895
	\$ 6,468,521	\$ 4,159	\$ 241,670	\$ 6,714,350
Liabilities				
Derivative liabilities	\$ -	\$ 47,640	\$ -	\$ 47,640
Accrued liabilities	-	-	38,131	38,131
Accrued management fees	-	-	5,495	5,495
	\$ -	\$ 47,640	\$ 43,626	\$ 91,266

	As at December 31, 2015		Financial Instruments at Amortized Cost	Total
	Financial Instruments at FVTPL Designated at Inception	Held for Trading		
Assets				
Non-derivative financial assets	\$ 9,433,967	\$ -	\$ -	\$ 9,433,967
Dividends receivable	-	-	9,606	9,606
Cash	-	-	429,805	429,805
	\$ 9,433,967	\$ -	\$ 439,411	\$ 9,873,378
Liabilities				
Derivative liabilities	\$ -	\$ 185,796	\$ -	\$ 185,796
Due to brokers - investments	-	-	95,171	95,171
Accrued liabilities	-	-	54,539	54,539
Accrued management fees	-	-	8,104	8,104
	\$ -	\$ 185,796	\$ 157,814	\$ 343,610

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the years ended December 31, 2016 and 2015.

	Dec. 31, 2016	Dec. 31, 2015
Net Realized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	\$ (27,119)	\$ 3,838,940
Held for Trading	122,245	(2,168,313)
	95,126	1,670,627
Net Change in Unrealized Gain/Loss on Financial Instruments at FVTPL		
Designated at Inception	(314,486)	(1,447,704)
Held for Trading	142,045	15,478
	(172,441)	(1,432,226)
Net Gain/(Loss) on Financial Instruments at FVTPL	\$ (77,315)	\$ 238,401

8. 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.

For the year ended December 31, 2016, cash distributions paid to unitholders were \$453,328 (2015 - \$701,225) representing a payment of \$0.57 (2015 - \$0.61) per unit.

During the year ended December 31, 2016, 215,710 (2015 - 422,025) units were redeemed with a total retraction value of \$2,187,170 (2015 - \$4,447,173).

During the years ended December 31, 2016 and 2015, unit transactions are as follows:

	Dec. 31, 2016	Dec. 31, 2015
Units outstanding, beginning of year	867,508	1,289,533
Units redeemed	(215,710)	(422,025)
Units outstanding, end of year	651,798	867,508

9. 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 year ended December 31, 2016 were \$82,034 (2015 - \$125,859).

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the year ended December 31, 2016 were \$19,500 (2015 - \$18,900).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the year ended December 31, 2016 were \$6,898 (2015 - \$6,918).

10. 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 years ended December 31, 2016 and 2015 is disclosed below:

	Dec. 31, 2016	Dec. 31, 2015
Soft Dollars	\$ 27,445	\$ 15,087
Percentage of Total Transaction Fees	76.2%	32.2%

11. 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 years ended December 31, 2016 and 2015 is calculated as follows:

	Dec. 31, 2016	Dec. 31, 2015
Increase/(Decrease) in Net Assets Attributable to Equity Holders	\$ (266,186)	\$ 61,909
Weighted Average Number of Units Outstanding during the Year	804,272	1,164,660
Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit	\$ (0.3310)	\$ 0.0532

12. Income Taxes

No amount is payable on account of income taxes in 2016 or 2015.

Accumulated non-capital losses of approximately \$0.4 million (2015 - nil) are available for utilization against net investment income and expire in 2036.

Issue costs of approximately \$0.3 million (2015 - \$0.6 million) remain undeducted for tax purposes at year-end.

13. Future Accounting Policy Changes

In July 2014, the International Accounting Standards Board ("IASB") finalized the reform of financial instruments accounting and issued IFRS 9: Financial Instruments ("IFRS 9") (as revised in 2014), which contains the requirements for: a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. IFRS 9 (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement in its entirety upon its effective date. The new standard, which becomes effective for annual periods beginning on or after January 1, 2018, is not expected to have a significant impact on the Fund.

Board of Advisors

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

John D. Germain
Senior Vice-President & Chief Financial Officer
Strathbridge Asset Management Inc.

Michael M. Koerner¹
Corporate Director

Robert W. Korthals¹
Corporate Director

Robert G. Bertram¹
Corporate Director

¹ *Independent Review Committee Member*

Information

Independent Auditor:
Deloitte LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 200
Toronto, Ontario
M5H 0A9

Transfer Agent:
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1

Units Listed:
Toronto Stock Exchange
trading under
LVU.UN

Custodian:
RBC Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario
M5V 3L3

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

Investment Funds Managed by Strathbridge Asset Management Inc.

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)
Top 10 Canadian Financial Trust (TCT.UN)
U.S. Financials Income Fund (USF.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
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

Contact your broker directly for address changes.



Strathbridge Asset Management Inc.
Investor Relations
121 King Street West, Suite 2600
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


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ASSET MANAGEMENT
www.strathbridge.com