
Mulvihill Premium Yield Fund

Annual Report 2019

Letter to Unitholders

We are pleased to present the 2019 annual report containing the management report of fund performance and the audited financial statements for Mulvihill Premium Yield Fund (the “Fund”).

2019 was a robust year across all asset classes as broad monetary policy easing coordinated by central banks propelled equity indices to or near all-time highs. Although the ongoing trade war rhetoric continued between the United States and China for most of 2019, tensions started to de-escalate in the fourth quarter with some sort of resolution expected in early 2020. Heightened geopolitical conflicts were present during 2019 involving such countries as Iran, United Kingdom (Brexit), Saudi Arabia and Russia. In the end, the bulls prevailed as the S&P 500 Index posted a strong total return of 31.5 percent. Closer to home, the S&P/TSX Composite Index lagged its U.S. counterpart but still posted a solid 22.8 percent total return. With coordinated central bank easing in 2019, bonds also provided a positive return of 6.8 percent, as measured by the Bloomberg Barclays Global-Aggregate Total Return Index. The Information Technology sector led the rise in the S&P 500 Index advancing 50.3 percent, with Communication Services and Financials the only other sectors to outpace the broader market, rising 32.7 percent and 32.1 percent respectively. Although the price of oil, as measured by WTI Cushing OK Spot, was one of the best performing asset classes in 2019, up 34.5 percent, the Energy sector continued to lag as it has over the past few years, posting a total return of 11.8 percent. In Canada, Information Technology was also the best performer up 64.1 percent, while Health Care was the only sector to decline due to weakness in Cannabis stocks, generating a total return of negative 10.9 percent. The Bank of Canada was on hold during 2019, leaving the overnight lending rate at 1.75 percent for the year, while the U.S. Federal Reserve cut the Federal Funds rate 25 basis points on three separate occasions to now sit at 1.75 percent. Due to different monetary policy paths, the Canadian dollar rose 5.0 percent versus the U.S. dollar, as the spread between U.S. and Canada government bonds narrowed during the year.

The date of inception for the Fund was December 1, 2019 for the Class I and Class F units and December 12, 2019 for the Class A units. The net asset value per Class I, Class F and Class A unit at December 31, 2019 is \$9.99, \$9.99 and \$9.95 respectively. The return of the Fund for the period from inception to December 31, 2019 for Class I units and Class F units was negative 0.1 percent and negative 0.5 percent for Class A units. No distributions were paid during the period. The net realized gain on options amounted to \$0.01 per Class I unit, \$0.01 per Class F unit and \$0.01 per Class A unit in 2019. 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 mutual fund investment trust that seeks to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio's total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to 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 Funds managed by Strathbridge and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to primarily select securities that generate strong free cash flow and have a high shareholder yield, utilizing measures such as dividends and share buybacks. The Fund will, from time to time employ various investment strategies, including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

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Management Report of Fund Performance

The management report of fund performance contains the financial highlights for the period ended December 31, 2019 of Mulvihill Premium Yield 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 or annual reports at no cost by using one of the above methods.

Investment Objectives and Strategies

The Fund’s investment objectives are to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio’s total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to 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 Funds managed by Strathbridge and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to primarily select securities that generate strong free cash flow and have a high shareholder yield, utilizing measures such as dividends and share buybacks. The Fund will, from time to time employ various investment strategies, including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2019 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 period that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the period ended December 31, 2019, no distributions were paid.

Revenue and Expenses

For the period ended December 31, 2019, the Fund’s total revenue were \$0.03 per Class I unit, \$0.03 per Class F unit and \$0.01 per Class A unit and total expenses were \$0.03 per Class I unit, \$0.03 per Class F unit and \$0.03 per Class A unit. The Fund had net realized and unrealized losses of \$0.02 per Class I unit, \$0.00 per Class F unit and \$0.09 per Class A unit.

Net Asset Value

The net asset value per Class I unit decreased 0.1 percent from \$10.00 at inception on December 1, 2019 to \$9.99 at December 31, 2019. The net asset value per Class F unit decreased 0.1 percent from \$10.00 at inception on December 1, 2019 to \$9.99 at December 31, 2019. The net asset value per Class A unit decreased 0.5 percent from \$10.00 at inception on December 12, 2019 to \$9.95 at December 31, 2019. The total net asset value of the Fund decreased \$0.47 million from \$14.83 million from the issuance of Class I, Class F and Class A units to \$14.36 million at December 31, 2019, reflecting a decrease in net assets attributable to holders of Class I, Class F and Class A units of \$0.02 million and Class F unit redemptions of \$0.45 million.

Recent Developments

On November 4, 2019, Strathbridge Asset Management Inc. (the “Manager”), the Manager of Low Volatility U.S. Equity Income Fund (“LVU”) and NDX Growth & Income Fund (“NGI”), announced that unitholders of LVU and NGI approved a merger of both LVU and NGI with Mulvihill Premium Yield Fund (“MPY”). The costs associated with the merger and issuance of units was borne by the Manager.

On November 19, 2019, pursuant to the merger, each holder of units of LVU received 0.50217 Class F units of MPY for each unit of LVU held on the effective date of the merger, being November 19, 2019. A total of 294,258 Class F units were issued.

On November 21, 2019, pursuant to the merger, each holder of Class A units of NGI received 0.812727 Class F units of MPY for each Class A unit of NGI held on the effective date of the merger, being November 21, 2019. Additionally, each holder of Class U units of NGI received 1.143674 Class F units of MPY for each Class U unit of NGI held on the effective date of the Merger, being November 21, 2019. A total of 160,041 Class F units were issued.

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager and Manager of the Fund, manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund and is responsible for providing or arranging for required administrative services to the Fund pursuant to an Trust Agreement made between the Fund and Strathbridge dated September 18, 2019.

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.

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 December 1, 2019 for the Class I and Class F units and December 12, 2019 for the Class A units. This information is derived from the Fund's audited annual financial statements.

	Period Ended December 31, 2019		
	Class I Unit ⁽³⁾	Class F Unit ⁽³⁾	Class A Unit ⁽⁴⁾
NET ASSETS PER UNIT			
Net Assets, beginning of period⁽¹⁾	\$ 10.00	\$ 10.00	\$ 10.00
INCREASE (DECREASE) FROM OPERATIONS			
Total revenue	0.03	0.03	0.01
Total expenses	(0.03)	(0.03)	(0.03)
Realized gain (loss) for the period	0.01	0.01	–
Unrealized gain (loss) for the period	(0.03)	(0.01)	(0.09)
Total Increase (Decrease) from Operations⁽²⁾	(0.02)	–	(0.11)
Net Assets, end of period⁽¹⁾	\$ 9.99	\$ 9.99	\$ 9.95

(1) All per unit figures are derived from the Fund's audited financial statements for the period ended December 31. Net Assets per unit is the difference between the aggregate value of the assets 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) For the period from inception on December 1, 2019 to December 31, 2019.

(4) For the period from inception on December 12, 2019 to December 31, 2019.

	Period Ended December 31, 2019		
	Class I Unit ⁽⁷⁾	Class F Unit ⁽⁷⁾	Class A Unit ⁽⁸⁾
RATIOS/SUPPLEMENTAL DATA			
Net Asset Value (\$millions) ⁽¹⁾	\$ 10.08	\$ 4.09	\$ 0.18
Number of units outstanding ⁽¹⁾	1,009,369.276	409,716.477	18,498.886
Management expense ratio ⁽²⁾	2.00% ⁽⁵⁾	1.97% ⁽⁵⁾	4.77% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	0.00%	0.00%	0.00%
Trading expense ratio ⁽⁴⁾	0.86% ⁽⁵⁾	0.89% ⁽⁵⁾	0.82% ⁽⁵⁾
Net Asset Value per unit ⁽⁶⁾	\$ 9.99	\$ 9.99	\$ 9.95

(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 2019 for the Class I, Class F and Class A units, excluding withholding taxes, for is 1.88%, 1.84% and 4.66% 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 December 1, 2019 to December 31, 2019.

(8) For the period from inception on December 12, 2019 to December 31, 2019.

Management Fees

Strathbridge, as the Investment Manager and Manager of the Fund, is entitled to fees under the Trust Agreement and is calculated and accrued daily and paid monthly. For Class I and UI units, the management fees are negotiable but will not exceed the management fee payable on the Class A and UA units. The maximum annual rate of the management fee for Class F units and Class UF units is 1.00 percent and for Class A units and Class UA units is 2.00 percent. Services received under the Trust 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 providing or arranging for required administrative services to 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.

To achieve effective and competitive management fees, Strathbridge may reduce the management fee borne by certain unitholders who have signed an agreement with Strathbridge. Strathbridge will pay out the amount of the reduction in the form of a management fee rebate directly to the eligible unitholder. Management fee rebates are reinvested in units unless otherwise requested. The decision to pay management fee rebates will be in Strathbridge's discretion and will depend on a number of factors, including the size of the investment and a negotiated fee agreement between the unitholder and Strathbridge. Strathbridge reserves the right to discontinue or change management fee rebates at any time.

Strathbridge is entitled to receive a performance fee from the Fund in respect of any calendar quarter equal to 10 percent of the amount by which the Adjusted Net Asset Value ("NAV") per unit at the end of such calendar quarter exceeds the performance of the reference index (the "Performance Fee Index") since the end of the period for which the last performance fee was paid, plus applicable taxes. Notwithstanding the foregoing, no performance fee will be payable with respect to a calendar quarter unless the Adjusted NAV per Unit exceeds both (i) the highest calendar quarter end Adjusted NAV per Unit immediately following the last time a performance fee was paid and (ii) an amount equal to the original issue price (being \$10.00) of the units. In addition, the amount of the performance fee in respect of any calendar quarter will be limited such that the Adjusted NAV per Unit after giving effect to the payment of the performance fee may not be less than either (i) or (ii) above. "Adjusted NAV per Unit" means the NAV per Unit at the end of a calendar quarter without including any accrual for the performance fee plus the aggregate amount of all distributions paid or payable since the last time a performance fee was paid.

The Performance Fee Index for each class is as follows:

Class I units: blended total return of the CBOE S&P 500 BuyWrite Index ("BXM") (in Canadian dollars) and the MX Covered Call Writers' Index ("MCWX") (in Canadian dollars) (weighted 50% as to each index).

Class UI units: blended total return of the BXM (in U.S. dollars) and the MCWX (in U.S. dollars) (weighted 50% as to each index).

Class F units and Class A units: blended total return of the BXM (in Canadian dollars) and the MCWX (in Canadian dollars) (weighted 50% as to each index).

Class UI units and Class UF units: blended total return of the BXM (in U.S. dollars) and the MCWX (in U.S. dollars) (weighted 50% as to each index).

The BXM Index is benchmark index designed to track the performance of the hypothetical buy-write strategy on the S&P 500 Index.

The MCWX Index is a passive total return index based on selling near-term close-to-the-money calls against a long position in the iShares S&P TSX 60 Index ETF ("XIU"). It is designed to reflect the return on a portfolio that consists of a long position in XIU and a short position in the XIU close-to-the-money calls options.

For any redemption of units of any class of the fund during a calendar quarter, the prorated performance fee for that class of units of the fund at the time of redemption of such units will be paid to Strathbridge at the end of the month in which the redemption occurs.

Year-By-Year Returns, Annual Total Return and Annual Compound Return

The Fund has been operational for less than one year. No year-by-year returns, annual total return or annual compound return have been calculated.

Portfolio Manager Report

2019 was a robust year across all asset classes as broad monetary policy easing coordinated by central banks propelled equity indices to or near all-time highs. Although the ongoing trade war rhetoric continued between the United States and China for most of 2019, tensions started to de-escalate in the fourth quarter with some sort of resolution expected in early 2020. Heightened geopolitical conflicts were present during 2019 involving such countries as Iran, United Kingdom (Brexit), Saudi Arabia and Russia. In the end, the bulls prevailed as the S&P 500 Index posted a strong total return of 31.5 percent. Closer to home, the S&P/TSX Composite Index lagged its U.S. counterpart but still posted a solid 22.8 percent total return. With coordinated central bank easing in 2019, bonds also provided a positive return of 6.8 percent, as measured by the Bloomberg Barclays Global-Aggregate Total Return Index. The Information Technology sector led the rise in the S&P 500 Index advancing 50.3 percent, with Communication Services and Financials the only other sectors to outpace the broader market, rising 32.7 percent and 32.1 percent respectively. Although the price of oil, as measured by WTI Cushing OK Spot, was one of the best performing asset classes in 2019, up 34.5 percent, the Energy sector continued to lag as it has over the past few years, posting a total return of 11.8 percent. In Canada, Information Technology was also the best performer up 64.1 percent, while Health Care was the only sector to decline due to weakness in Cannabis stocks, generating a total return of negative 10.9 percent. The Bank of Canada was on hold during 2019, leaving the overnight lending rate at 1.75 percent for the year, while the

U.S. Federal Reserve cut the Federal Funds rate 25 basis points on three separate occasions to now sit at 1.75 percent. Due to different monetary policy paths, the Canadian dollar rose 5.0 percent versus the U.S. dollar, as the spread between U.S. and Canada government bonds narrowed during the year.

The net asset value of the Fund on December 31, 2019 was \$9.99 per Class I unit, \$9.99 per Class F unit and \$9.95 per Class A unit compared to \$10.00 per unit at inception of the Fund on December 1, 2019 for Class I unit and Class F unit and December 12, 2019 for Class A unit.

Unitholders received no cash distributions in this period.

The return of the Fund, including reinvestment of distributions, was negative 0.1 percent for Class I units and Class F units and negative 0.5 percent for Class A units for the period from inception to December 31, 2019. The best performing stocks in the portfolio in 2019 were Power Corporation of Canada rising 4.7 percent followed by Gibson Energy Inc. rising 2.8 percent. The Walt Disney Company and Alimentation Couche-Tard Inc. were the stocks in the portfolio that had the largest negative impact on the Fund.

Although volatility in the equity market was more subdued in 2019 as the Chicago Board Options Exchange Volatility Index (“VIX”) traded in a range between 11 and 25 for most of the year, the Fund opportunistically used option writing strategies to generate additional portfolio income. The Fund had on average 12.9 percent of the portfolio subject to covered calls and 7.8 percent to cash covered puts since inception. The net realized gain on options amounted to \$0.01 per Class I unit, \$0.01 per Class F unit and \$0.01 per Class A unit in 2019.

The Fund did not have any of the U.S. dollar exposure hedged back into Canadian dollars at December 31, 2019.

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, 2019

	% OF NET ASSET VALUE
Cash and Short-Term Investments	21.6 %
Financials	18.9 %
Energy	11.6 %
Information Technology	11.2 %
Industrials	11.2 %
Health Care	7.5 %
Communication Services	7.1 %
Consumer Discretionary	3.8 %
Utilities	3.8 %
Consumer Staples	3.6 %
Other Assets (Liabilities)	(0.3)%
	100.0 %

Portfolio Holdings

December 31, 2019

	% OF NET ASSET VALUE
Cash and Short-Term Investments	21.6%
Enbridge Inc.	3.9%
Power Corporation of Canada	3.9%
Gibson Energy Inc.	3.9%
NIKE, Inc.	3.8%
Morgan Stanley	3.8%
Canadian Natural Resources Limited	3.8%
Hydro One Limited	3.8%
Open Text Corporation	3.8%
Merck & Co., Inc.	3.8%
JPMorgan Chase & Co.	3.8%
Eaton Corporation Public Limited Company	3.8%
Microsoft Corporation	3.7%
Lam Research Corporation	3.7%
Fifth Third Bancorp	3.7%
Canadian Pacific Railway Limited	3.7%
Johnson & Johnson	3.7%
Thomson Reuters Corporation	3.7%
Brookfield Asset Management Inc.	3.7%
Alphabet Inc.	3.6%
Alimentation Couche-Tard Inc.	3.6%
The Walt Disney Company	3.5%

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 Mulvihill Premium Yield 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 3, 2020



John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Mulvihill Premium Yield Fund (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statement of financial position as at December 31, 2019, and the statements of comprehensive income, changes in net assets attributable to holders of Class I, Class F and Class A units and cash flows for the period from September 18, 2019 (inception) to December 31, 2019, and notes to the financial statements, including a summary of significant accounting policies (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at December 31, 2019, and its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards ("Canadian GAAS"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises Management Report of Fund Performance.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS, 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.

In preparing the financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian GAAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian GAAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The image shows the signature of Deloitte LLP in a blue, cursive script. The word "Deloitte" is written in a larger, more stylized font, and "LLP" is written in a smaller, simpler font to its right.

Chartered Professional Accountants
Licensed Public Accountants
Toronto, Ontario
March 27, 2020

Statement of Financial Position

As at December 31

	Note	2019
ASSETS		
Financial assets at fair value through profit or loss	6	\$ 11,293,405
Dividends receivable		17,488
Short-term investments	6	1,799,360
Cash		1,301,593
TOTAL ASSETS		14,411,846
LIABILITIES		
Derivative liabilities	6	44,750
Accrued liabilities		11,645
TOTAL LIABILITIES		56,395
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS		\$ 14,355,451
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS		\$ 10,079,879
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS		\$ 4,091,551
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS		\$ 184,021
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS PER CLASS I UNIT		\$ 9.9863
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS PER CLASS F UNIT		\$ 9.9863
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT		\$ 9.9477

On behalf of the Manager,
Strathbridge Asset Management Inc.



John P. Mulvihill, Director



John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statement of Comprehensive Income

From the period from September 18, 2019, the inception of the Fund, to December 31, 2019

	Note	2019
INCOME		
Dividend income		\$ 31,943
Interest income		3,029
Net realized loss on investments at fair value through profit or loss		(3,944)
Net realized gain on options at fair value through profit or loss		14,655
Net unrealized loss on investments at fair value through profit or loss		(31,630)
TOTAL INCOME		14,053
EXPENSES		
Administrative and other expenses		9,010
Transaction fees	9	11,709
Custodian fees		3,819
Audit fees		6,420
Advisory board fees	8	2,486
Independent review committee fees	8	1,303
Harmonized sales tax		2,372
Withholding taxes		1,629
TOTAL EXPENSES		38,748
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS	10	\$ (24,695)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I UNITS PER CLASS I UNIT	10	\$ (0.0227)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS F UNITS PER CLASS F UNIT	10	\$ (0.0075)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT	10	\$ (0.1051)

The notes are an integral part of the Financial Statements.

Statement of Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units

For the period from September 18, 2019, the inception of the Fund, to December 31, 2019

	2019
<hr/>	
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS, BEGINNING OF PERIOD	
Class I	\$ -
Class F	-
Class A	-
	<hr/>
	-
Decrease in Net Assets Attributable to Holders of Class I, Class F and Class A Units	
Class I	(20,121)
Class F	(3,236)
Class A	(1,338)
	<hr/>
	(24,695)
Unit Transactions	
Proceeds from issue of units	
Class I	10,100,000
Class F	4,544,966
Class A	185,359
	<hr/>
	14,830,325
Value for units redeemed	
Class F	(450,179)
Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units	
Class I	10,079,879
Class F	4,091,551
Class A	184,021
	<hr/>
	14,355,451
<hr/>	
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS, END OF PERIOD	
Class I	\$ 10,079,879
Class F	4,091,551
Class A	184,021
	<hr/>
	\$ 14,355,451
<hr/>	

Statement of Cash Flows

For the period from September 18, 2019, the inception of the Fund, to December 31, 2019

	2019
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	\$ -
Cash Flows Provided By (Used In) Operating Activities	
Decrease in Net Assets Attributable to Holders of Class I, Class F and Class A Units	(24,695)
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities	
Net realized loss on investments at fair value through profit or loss	3,944
Net realized gain on options at fair value through profit or loss	(14,655)
Net unrealized loss on investments at fair value through profit or loss	31,630
Net unrealized loss on foreign cash	(8,339)
Increase in dividends receivable	(17,488)
Increase in accrued liabilities	11,645
Purchase of investment securities	(11,261,235)
	(11,254,498)
Cash Flows Provided By (Used In) Financing Activities	
Proceeds from issue of Class I units	10,100,000
Proceeds from issue of Class F units	4,544,966
Proceeds from issue of Class A units	185,359
Class F unit redemptions	(450,179)
	14,380,146
Net Increase in Cash During the Period	3,100,953
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,100,953
Cash and Cash Equivalents are comprised of:	
Cash	\$ 1,301,593
Short-Term Investments	1,799,360
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,100,953
Dividends received, net of withholding taxes	\$ 12,826
Interest received	\$ 2,949

The notes are an integral part of the Financial Statements.

Mulvihill Premium Yield Fund

Schedule of Investments

As at December 31, 2019

	Par Value/ Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class I, Class F and Class A Units
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
Government of Canada, 1.63% – January 9, 2020	1,800,000	\$ 1,799,280	\$ 1,799,360	12.5 %
TOTAL SHORT-TERM INVESTMENTS		\$ 1,799,280	\$ 1,799,360	12.5 %
INVESTMENTS				
Canadian Common Shares				
Consumer Staples				
Alimentation Couche-Tard Inc.	12,500	\$ 546,115	\$ 515,125	3.6 %
Energy				
Canadian Natural Resources Limited	13,000	542,942	546,000	
Enbridge Inc.	10,900	548,370	562,767	
Gibson Energy Inc.	21,000	544,531	558,390	
Total Energy		1,635,843	1,667,157	11.6 %
Financials				
Brookfield Asset Management Inc.	7,000	538,403	525,210	
Power Corporation of Canada	16,800	544,724	561,960	
Total Financials		1,083,127	1,087,170	7.6 %
Industrials				
Canadian Pacific Railway Limited	1,600	515,684	529,648	
Thomson Reuters Corporation	5,700	535,580	529,473	
Total Industrials		1,051,264	1,059,121	7.4 %
Information Technology				
Open Text Corporation	9,500	548,112	543,590	3.8 %
Utilities				
Hydro One Limited	21,700	545,168	544,236	3.8 %
Total Canadian Common Shares		\$ 5,409,629	\$ 5,416,399	37.8 %
Non-North American Common Shares				
Industrials				
Eaton Corporation Public Limited Company	4,400	\$ 539,637	\$ 540,443	
Total Non-North American Shares		\$ 539,637	\$ 540,443	3.8 %
United States Common Shares				
Consumer Discretionary				
NIKE, Inc.	4,200	\$ 546,310	\$ 551,769	3.8 %
Communication Services				
Alphabet Inc.	300	535,425	521,055	
The Walt Disney Company	2700	540,712	506,381	
Total Communication Services		1,076,137	1,027,436	7.1 %
Financials				
Fifth Third Bancorp	13,300	545,984	530,165	
JPMorgan Chase & Co.	3,000	535,069	542,300	
Morgan Stanley	8,300	544,784	550,205	
Total Financials		1,625,837	1,622,670	11.3 %

Schedule of Investments

As at December 31, 2019

	Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class I, Class F and Class A Units
Health Care				
Johnson & Johnson	2,800	538,924	529,638	
Merck & Co., Inc.	4,600	539,424	542,520	
Total Health Care		1,078,348	1,072,158	7.5 %
Information Technology				
Lam Research Corporation	1,400	528,657	530,837	
Microsoft Corporation	2,600	539,938	531,693	
Total Information Technology		1,068,595	1,062,530	7.4 %
Total United States Common Shares		\$ 5,395,227	\$ 5,336,563	37.1 %
Options				
Written Covered Call Options (100 shares per contract)				
Alimentation Couche-Tard Inc. – January 2020 @ \$43	(125)	\$ (6,250)	\$ (750)	
Merck & Co., Inc. – January 2020 @\$90	(46)	(5,963)	(10,618)	
Morgan Stanley – January 2020 @ \$50	(83)	(14,466)	(19,642)	
The Walt Disney Company – January 2020 @ \$150	(13)	(7,575)	(978)	
Total Written Covered Call Options		(34,254)	(31,988)	(0.2)%
Written Put Options (100 shares per contract)				
Agnico Eagle Mines Limited – January 2020 @ \$78	(70)	(15,862)	(8,540)	
Apple Inc. – January 2020 @ \$278	(16)	(11,426)	(4,222)	
Total Written Put Options		(27,288)	(12,762)	(0.1)%
Total Options		\$ (61,542)	\$ (44,750)	(0.3)%
Adjustment for transaction fees		(11,005)		
TOTAL INVESTMENTS		\$ 11,271,946	\$ 11,248,655	78.4 %
OTHER NET ASSETS			1,307,436	9.1 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS I, CLASS F AND CLASS A UNITS			\$ 14,355,451	100.0 %

1. Fund Information

Mulvihill Premium Yield Fund (the “Fund”) was originally established pursuant to a trust agreement dated February 15, 2001, as amended May 23, 2006, April 18, 2008 and December 18, 2012 and was formerly known as Government Strip Bond Trust, a public closed-end fund, until the redemption of the units issued to the public on December 31, 2012. The Fund was not terminated at that time. The Fund began operations on December 1, 2019 for the Class I and F units and December 12, 2019 for the Class A units.

Strathbridge Asset Management Inc. (“Strathbridge” or the “Manager”) is the Manager of the Fund. During the period subsequent to December 31, 2012, the Manager has provided administrative services to the Fund for which no fees have been charged. The Fund had no operations during this period and incurred minimal charges. The head office of Strathbridge and of the Fund is located at 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario M5H 3T9.

The Fund is authorized to issue an unlimited number of classes divided into an unlimited number of units, each of which represents an equal undivided interest in the property of the Fund. As at September 18, 2019, the inception date of the Fund, John P. Mulvihill owned one Class A unit, the only issued and outstanding unit of the Fund and this Class A unit was issued on December 27, 2012. John P. Mulvihill is the Chairman, President, Chief Executive Officer, Secretary and Director of Strathbridge.

The Class I units and Class UI units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager and are offered on a private placement basis only.

The Class F units and Class UF units are generally only available to investors who have fee-based accounts with authorized brokers and dealers.

The Class A units and Class UA units are available to all investors.

No Class UI, Class UF and Class UA units have been issued.

The Fund is a mutual fund investment trust that seeks to provide unitholders with (i) high quarterly income on a tax efficient basis; (ii) long-term capital appreciation through investment in a portfolio of high quality equity securities; and (iii) lower overall portfolio volatility. The Fund will write options to seek to earn tax efficient option premiums, reduce overall portfolio volatility and enhance the portfolio’s total return.

To achieve its investment objectives, the Fund will (i) invest in an actively managed portfolio comprised of securities from the S&P/TSX Composite Index and S&P 500 Index; and (ii) use option writing strategies from time to time in response to market conditions to generate an enhanced tax efficient yield. The Fund is also permitted to 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 Funds managed by Strathbridge and provided there are no duplication of fees) that provide exposure to such securities.

The Fund will use a quantitative approach to primarily select securities that generate strong free cash flow and have a high shareholder yield, utilizing measures such as dividends and share buybacks. The Fund will, from time to time employ various investment strategies including the use of derivative instruments to generate income, reduce portfolio volatility and protect capital. The Fund seeks to achieve a 5 percent yield, with additional capital growth potential beyond such yield target.

These financial statements were approved by the Board of Advisors on March 3, 2020.

2. Basis of Presentation

The annual financial statements for the Fund have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as adopted 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 primarily in Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund’s presentation currency.

Financial Instruments

The Fund recognizes financial instruments at fair value upon initial recognition. Purchases and sales of financial assets are recognized at their trade date. The Fund’s investments are classified at fair value through profit or loss (“FVTPL”). The Fund’s obligation for net assets attributable to holders of redeemable units is presented at the redemption amount as of the date of the statement of financial position. All other financial assets and liabilities are measured at amortized cost. The Fund’s accounting policies for measuring the fair value of its investments are identical to those used in measuring its net asset value (“NAV”) for transactions with unitholders.

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

Classification

Financial Assets

The Fund classifies its investments in equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

Held for Trading

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and liabilities measured at amortized cost may include cash, dividends receivable, due from brokers – investments, due to brokers – investments, accrued liabilities, accrued management fees, redemptions payable and the Fund’s obligation for net assets attributable to holders of Class I units, Class F units and Class A units.

IFRS 9 (2014) replaced the incurred loss model in IAS 39 with the expected credit loss model (“ECL”), as the new impairment model for financial assets carried at amortized cost. At each reporting date, the Fund measures the loss allowance on cash collateral held, amounts due from broker, accrued income and other short-term receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund measures the loss allowance at an amount equal to the 12 month expected credit losses. Given the

December 31, 2019

short-term nature of the receivables and the high credit quality, the Fund has determined that the expected credit loss allowances are not material.

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 net 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.

Classification of Units

IAS 32, Financial Instruments: Presentation (“IAS 32”) requires that the Class I, Class F and Class A units (the “units”) (which are puttable instruments) be classified as financial liabilities unless all the criteria outlined in IAS 32 paragraph 16A are met. The Fund’s units do not meet the definition of IAS 32 paragraph 16A to be classified as equity.

Increase/(Decrease) in Net Assets Attributable to Holders of Class I, Class F and Class A Units per Unit

The increase/(decrease) in net assets attributable to holders of Class I, units, Class F units and Class A units per unit is calculated by dividing the increase/(decrease) in net assets attributable to holders of Class I, Class F and Class A units by the weighted average number of Class I units, Class F units and Class A units outstanding during the period. Please refer to Note 10 for the calculation.

Taxation

All of the Fund’s net income for tax purposes and sufficient net capital gains realized in any period are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes.

If the Fund did not qualify as a mutual fund trust under the Income Tax Act (Canada) throughout a taxation year, the Fund (i) could become liable for alternative minimum tax under the Income Tax Act (Canada) in such year, (ii) would not be eligible for capital gains refunds under the Income Tax Act (Canada), (iii) could be subject to the “mark-to-market” rules contained in the Income Tax Act (Canada) and (iv) could be subject to a special tax under Part XII.2 of the Income Tax Act (Canada) in such year.

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 line item in the Statement of Comprehensive Income.

IAS 7 Statement of Cash Flows

IAS 7 Statement of Cash Flows (“IAS 7”) requires disclosures related to changes in liabilities arising from financing activities. Class I, Class F and Class A units issued by the Fund are classified as financial liabilities in accordance with IAS 32, as they do not meet the definition of puttable instruments to be classified as equity in accordance with IAS 32 for financial reporting purposes.

A reconciliation between the opening and closing balances of the Class I units, Class F units and Class A units of the Fund is presented in the Statement of Changes in Net Assets Attributable to Holders of Class I, Class F and Class A Units, including changes from cash flows and non-cash changes.

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 the Manager's 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.

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 7 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 measures credit risk and lifetime ECLs related to the receivables using historical analysis and forward-looking information in determining the ECL.

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 period ended December 31, 2019, 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 credit quality of the Fund's short-term investments as at December 31, 2019 was AAA.

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. Class I unitholders must surrender units on or before the 10th day of the month, or next business day if the 10th day is not a business day. Class F and Class A unitholders can redeem units daily. Therefore the Fund has a maximum 18 business days for Class I units and 3 business days for Class F and A units and 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, 2019 Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ -	\$ 44,750	\$ 44,750
Accrued liabilities	-	11,645	11,645
Class I units	10,079,879	-	10,079,879
Class F Units	4,091,551	-	4,091,551
Class A units	184,021	-	184,021
	\$ 14,355,451	\$ 56,395	\$ 14,411,846

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 holders of Class I, Class F and Class A units 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 may use foreign exchange contracts, from time to time, to hedge all or part of its foreign currency exposure. The table below indicates the foreign currencies to which the Fund had significant exposure to as at December 31, 2019 in Canadian dollar terms, and, if any, the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to Class I, Class F and Class A units 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, 2019 U. S. Currency Exposure			Impact on Net Assets Attributable to Holders of Class I, Class F and Class A Units		
	Monetary	Non-Monetary	Total	Non-		Total
				Monetary	Monetary	
	\$697,465	\$5,840,796	\$6,538,261	\$ 34,873	\$292,040	\$326,913
% of Net Assets Attributable to Holders of Class I, Class F and Class A Units	5%	41%	46%	0%	2%	2%

(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.

December 31, 2019

(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 companies in the investment universe.

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 79 percent of the Fund's net assets attributable to holders of Class I, Class F and Class A units held at December 31, 2019 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at December 31, 2019, the net assets attributable to holders of Class I, Class F and Class A units would have increased or decreased by \$0.6 million or 3.9 percent of the net assets attributable to holders of Class I, Class F and Class A units 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, 2019
Financials	24.0%
Energy	14.8%
Information Technology	14.2%
Industrials	14.2%
Health Care	9.5%
Communication Services	9.1%
Consumer Discretionary	4.9%
Utilities	4.8%
Consumer Staples	4.5%
	100.0%

Capital Risk Management

The Class I, UI units are redeemable monthly on the last business day of each month, which will be the effective date (the "Monthly Redemption Date"). In order for a redemption to be effective on a Monthly Redemption Date, a duly completed redemption request must be delivered to the Manager at its registered office by 4:00pm on or before the tenth day of the month (or next business day if the 10th day is not a business day).

The Class F, A, UF, UA units are redeemable daily. You may redeem your units of the Fund by giving instructions to your registered broker or dealer. The Fund may charge a short-term trading fee of up to 2 percent of the NAV of any units redeemed within 31 days of purchase.

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, 2019.

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ -	\$1,799,360	\$ -	\$ 1,799,360
Canadian Common Shares	5,416,399	-	-	5,416,399
Non-North American Common Shares	540,443	-	-	540,443
United States Common Shares	5,336,563	-	-	5,336,563
Options	(44,750)	-	-	(44,750)
	\$11,248,655	\$1,799,360	\$ -	\$13,048,015

The carrying values of cash, dividends receivable, accrued liabilities, accrued management fees, accrued liabilities and the Fund's obligation for net assets attributable to holders of Class I, Class F and Class A units 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 2019 and 2018.

7. Class I, Class UI, Class F, Class UF and Class A, Class UA Units

The Class I and Class UI units are available to institutional investors or to other investors on a case-by-case basis, all at the discretion of the Manager. The Class F and Class UF units are generally available only to investors who have fee-based accounts with authorized brokers or dealers. The Class A and Class UA units are available to all investors through dealers or brokers registered in their province or territory. The Class I, Class F and Class A units are Canadian dollar denominated. The Class UI, Class UF and Class UA units

are U.S. dollar denominated. The Fund is authorized to issue an unlimited number of units of an unlimited number of classes.

No distributions were paid during the period.

During the period ended December 31, 2019, 44,780.037 Class F units were redeemed with a total retraction value of \$450,179.

During the period ended December 31, 2019, unit transactions are as follows:

	Dec. 31, 2019
Class I Units	
Units outstanding, beginning of period	–
Units issued	1,009,369.276
Units outstanding, end of period	1,009,369.276
Class F Units	
Units outstanding, beginning of period	–
Units issued	454,496.514
Units redeemed	(44,780.037)
Units outstanding, end of period	409,716.477
Class A Units	
Units outstanding, beginning of period	–
Units issued	18,498.886
Units outstanding, end of period	18,498.886

8. 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 and Performance Fees

Strathbridge, as Investment Manager and Manager under the terms of the Trust Agreement, receives fees payable by the Fund which is calculated and accrued daily on the net asset value of each class of units of the Fund and paid monthly plus applicable taxes. For Class I and UI units, the management fees are negotiable but will not exceed the management fee payable on the Class A and UA units. The maximum annual rate of the management fee for Class F units and Class UF units is 1.00 percent and for Class A units and Class UA units is 2.00 percent. 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. Management fees for the Fund have been waived until assets under management reach a discretionary threshold.

Strathbridge is also entitled to receive a performance fee from the Fund in respect of any calendar quarter equal to 10 percent of the amount by which the Adjusted NAV per Unit at the end of such calendar quarter exceeds the performance of the reference index since the end of the period for which the last performance fee was paid, plus applicable taxes. "Adjusted NAV per Unit" means the NAV per Unit at the end of a calendar quarter without including any accrual for the performance fee plus the aggregate amount of all distributions paid or payable since the last time a performance fee was paid. No performance fee was paid in 2019.

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the period ended December 31, 2019 were \$2,486.

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the period ended December 31, 2019 were \$1,303.

9. 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 period ended December 31, 2019 is disclosed below:

	Dec. 31, 2019
Soft Dollars	\$ 8,826
Percentage of Total Transaction Fees	75.4%

10. Decrease in Net Assets Attributable to Holders of Class I, Class F and Class A Units per Unit

The decrease in net assets attributable to holders of Class I, Class F and Class A units per unit for the period ended December 31, 2019 is calculated as follows:

	December 31, 2019		
	Class I	Class F	Class A
Decrease in Net Assets Attributable to Holders of Units	\$ (20,121)	\$ (3,236)	\$ (1,338)
Weighted Average Number of Units Outstanding during the Period	885,604	433,834	12,732
Decrease in Net Assets Attributable to Holders of Units per Unit	\$ (0.0227)	\$ (0.0075)	\$ (0.1051)

11. Income Taxes

No amount is payable on account of income taxes in 2019.

Accumulated non-capital losses of approximately \$0.1 million and accumulated capital losses of approximately \$90.6 million are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire in 2027.

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
8 Adelaide Street West, Suite 200
Toronto, Ontario
M5H 0A9

Registrar:

SGGG Fund Services Inc.
121 King Street West, Suite 300
Toronto, Ontario
M5H 3T9

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.

MUTUAL FUNDS

Mulvihill Premium Yield Fund

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.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)

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Email: info@strathbridge.com

The logo for Strathbridge Asset Management features the word "strathbridge" in a bold, lowercase, blue sans-serif font. A thin, light blue curved line arches over the top of the letters "th" and "ri". Below "strathbridge", the words "ASSET MANAGEMENT" are written in a smaller, all-caps, blue sans-serif font. Underneath that, the website address "www.strathbridge.com" is displayed in a blue sans-serif font.

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