ANNUAL REPORT
2013

S SPLIT CORP.

strathbridge
ASSET MANAGEMENT

Letter to Shareholders

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

2013 was a very strong year for Global equity markets with many indices making new all-time highs. Although the year was dominated by news events that caused concern for financial markets, world stock markets continued to rise on the back of stronger economic data and accommodative central bank monetary policy. For the year ended December 31, 2013, the S&P/TSX Composite Index generated a total return of 13.0 percent while the S&P 500 Index was up 32.3 percent, outperforming its Canadian counterpart for the third year in a row. The Canadian economy showed small signs of improvement during the year but was not enough to compel the Bank of Canada to tighten interest rates. The Canadian dollar opened the year around par versus the U.S. dollar but ended 2013 at 94.1 cents, its lowest level since the middle of 2010.

For the year ended December 31, 2013, the Fund's annual total return per Unit and per Class A share (ticker symbol "SBN"), including reinvestment of distributions, were 15.2 percent and 27.1 percent respectively. During the year, cash distributions of $0.53 per share were paid to Preferred shareholders and $0.50 per share were paid to Class A shareholders. The net asset value per Unit of the Fund increased 8.9 percent from $18.23 per Unit at December 31, 2012 to $19.86 per Unit at December 31, 2013, primarily reflecting an increase in the market value of The Bank of Nova Scotia shares. The net realized loss on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to $0.24 per Unit in 2013 as compared to a net realized loss on options of $0.70 per Unit in 2012. For a more detailed review of the operation of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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

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

The Fund

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

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

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

TABLE OF CONTENTS

Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2013 of S Split Corp. (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, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Investment Objectives and Strategies

The Fund’s investment objectives are to:

(1) provide holders of Preferred shares with fixed cumulative preferential monthly cash distributions in the amount of $0.04375 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum and to return the issue price of $10.00 per Preferred share to holders of Preferred shares at the time of redemption of such shares on December 1, 2014, and

(2) provide holders of Class A shares with regular monthly cash distributions targeted to be 6.0 percent per annum on the net asset value (“NAV”) of the Class A shares and to provide holders of Class A shares with the opportunity for leveraged growth in NAV and distributions per Class A share.

The Fund invests in The Bank of Nova Scotia (“BNS”) shares.

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

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the 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 2013 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.

The Fund is scheduled to terminate on December 1, 2014. The holders of Class A and Preferred shares may consider a proposal to extend the term of the Fund. There is no assurance that the Fund will continue to operate after the scheduled termination date of December 1, 2014.

Results of Operations

Distributions

For the year ended December 31, 2013, cash distributions of $0.53 per share were paid to Preferred shareholders, unchanged from the previous year and cash distributions of $0.50 per share were paid to Class A shareholders compared to $0.48 per share a year ago. Since the inception of the Fund in May 2007, the Fund has paid total cash distributions of and $3.48 per Preferred share and $3.80 per Class A share.

Revenue and Expenses

The Fund's total revenue, comprising mainly of BNS dividends, was $0.56 per Unit for the year ended December 31, 2013, down $0.15 per Unit compared to the prior year. Total expenses increased by $0.03 per Unit to $0.46 per Unit in 2013, largely attributable to higher administrative and other expenses. The Fund had a net realized and unrealized gain of $2.47 per Unit in 2013 as compared to a net realized and unrealized gain of $1.11 per Unit a year ago.

Net Asset Value

The net asset value per Unit of the Fund increased 8.9 percent, from $18.23 per Unit at December 31, 2012 to $19.86 per Unit at December 31, 2013. The aggregate net asset value of the Fund increased $1.8 million, from $60.1 million at December 31, 2012 to $61.9 million at December 31, 2013, primarily reflecting net income before distributions of $8.2 million unit and partially offset by redemptions of $3.1 million and cash distributions of $3.3 million.

Recent Developments

On April 29, 2013, the Fund announced it filed a Notice of Intention to renew its previous normal course issuer bid to purchase up to 329,531 Class A shares and 329,531 Preferred shares representing approximately 10 percent of the Fund's public float of 3,295,312 Class A shares and 3,295,312 Preferred shares, as at April 25, 2013. The Fund may purchase up to 65,906 of each respective class of shares in any 30-day period which is 2 percent of the 3,295,312 shares issued and outstanding of each respective class as at April 25, 2013. The shares may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased together as a Unit at a price per share not exceeding the last net asset value per Unit. As at December 31, 2013, nil Units had been purchased by the Fund.

Future Accounting Policy Changes

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

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its first semi-annual and annual financial statements in accordance with IFRS, with comparative information, for the period ended June 30, 2014 and year ending December 31, 2014 respectively.

As at December 31, 2013, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles where investment fund accounting was based upon guidance in AcG-18,
- Changes to the presentation of shareholder equity to consider puttable instruments,
- Presentation of comparative information, and
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager's current understanding and analysis of IFRS as compared to the accounting policies under Canadian GAAP, the Manager does not anticipate that the transition to IFRS will have a material impact on the Fund's net assets per share, nor systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the 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 April 26, 2007.

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

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

During the 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 for the past five years. This information is derived from the Fund's audited annual financial statements.

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

Years ended December 31	2013	2012	2011	2010	2009
THE FUND'S NET ASSETS PER UNIT					
Net Assets, beginning of year (based on bid prices)(1)	$ 18.22	$ 17.81	$ 21.45	$ 20.89	$ 16.98
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	0.56	0.71	0.70	0.72	0.89
Total expenses	(0.46)	(0.43)	(0.49)	(0.50)	(0.47)
Realized gain (loss) for the period	(0.11)	(0.56)	1.09	0.27	(2.67)
Unrealized gain (loss) for the period	2.58	1.67	(2.36)	1.46	7.04
Total Increase (Decrease) from Operations(2)	2.57	1.39	(1.06)	1.95	4.79
DISTRIBUTIONS					
Preferred Share					
From net investment income	(0.22)	(0.28)	(0.53)	(0.17)	(0.29)
Non-taxable distributions	(0.31)	(0.25)	–	(0.36)	(0.24)
Total Preferred Share Distributions	(0.53)	(0.53)	(0.53)	(0.53)	(0.53)
Class A Share					
From net investment income	–	–	(0.16)	–	–
Non-taxable distributions	(0.50)	(0.48)	(0.43)	(0.62)	(0.42)
Total Class A Share Distribution	(0.50)	(0.48)	(0.59)	(0.62)	(0.42)
Total Annual Distributions(3)	(1.03)	(1.01)	(1.12)	(1.15)	(0.95)
Net Assets, as at December 31 (based on bid prices)(1)	$ 19.85	$ 18.22	$ 17.81	$ 21.45	$ 20.89

(1) Net Assets per Unit is the difference between the aggregate value of the assets including the valuation of securities at bid prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses excluding Preferred share distributions, and is calculated based on the weighted average number of Units outstanding during the year. 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 year.
(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution and were paid in cash.

Years ended December 31	2013	2012	2011	2010	2009
RATIOS/SUPPLEMENTAL DATA					
Net Asset Value, excluding the Redeemable Preferred Share liability ($millions)(1)	$ 61.89	$ 60.08	$ 63.41	$ 84.36	$ 79.80
Net Asset Value ($millions)(1)	$ 30.73	$ 27.13	$ 27.84	$ 45.05	$ 41.62
Number of Units outstanding(1)	3,116,112	3,295,312	3,556,512	3,930,870	3,818,900
Management expense ratio(2)	2.51%	2.41%	2.88%	2.93%	2.52%
Portfolio turnover rate(3)	4.52%	5.33%	45.90%	54.87%	18.07%
Trading expense ratio(4)	0.01%	0.01%	0.07%	0.04%	0.07%
Net Asset Value per Unit(5)	$ 19.86	$ 18.23	$ 17.83	$ 21.46	$ 20.90
Closing market price - Preferred	$ 10.35	$ 10.52	$ 10.35	$ 10.38	$ 10.00
Closing market price - Class A	$ 8.47	$ 6.66	$ 6.00	$ 8.95	$ 8.50

(1) This information is provided as at December 31. One Unit consists of one Class A share and one Preferred share.
(2) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees and Preferred share distributions, divided by the average net asset value excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2011, 2010 and 2009 includes the warrant offering costs and/or warrant exercise fees. The MER for 2011, 2010 and 2009 excluding the warrant offering costs and/or warrant exercise fees is 2.36%, 2.26% and 2.30% respectively. The MER, including Preferred share distributions, is 5.37%, 5.31%, 5.52%, 5.48% and 5.39% for 2013, 2012, 2011, 2010 and 2009 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) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

Management Fees

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

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

Retraction Fee

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

Past Performance

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

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

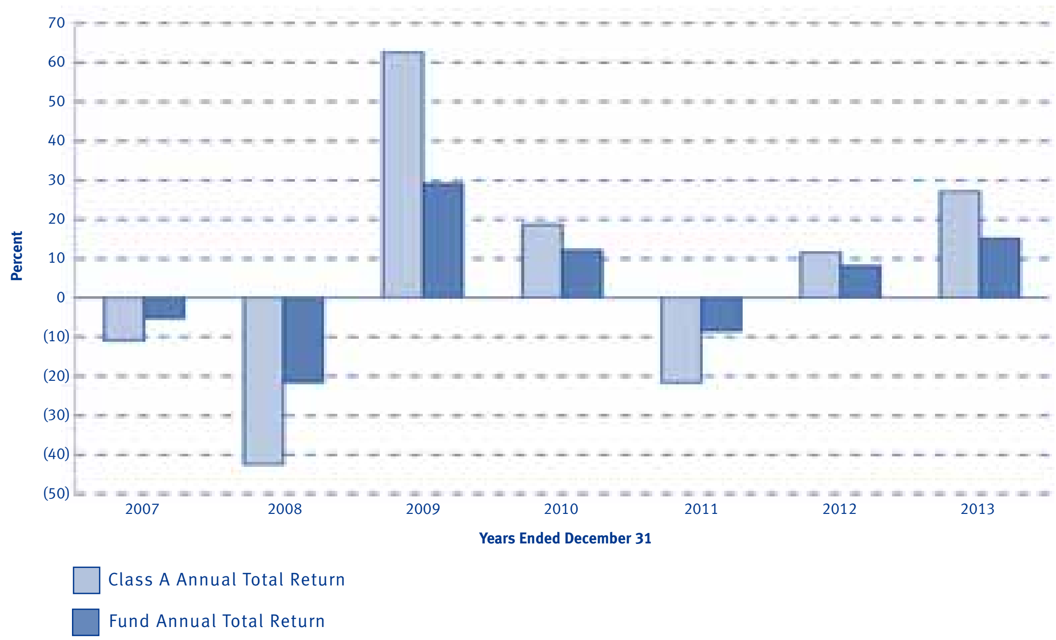
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

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

Year-By-Year Returns

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

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, 2013 as compared to the performance of the The Bank of Nova Scotia and S&P/TSX Financials Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Since Inception[1]
S Split Corp.	**15.16%**	4.42%	10.51%	3.10%
S Split Corp. - Preferred	**5.38%**	5.38%	5.38%	5.37%
S Split Corp. - Class A	**27.11%**	3.57%	16.49%	1.43%
The Bank of Nova Scotia	**19.71%**	9.13%	19.53%	7.17%
S&P/TSX Financials Index[2]	**23.65%**	12.19%	17.84%	4.81%

[1] From date of inception on May 17, 2007.
[2] The S&P/TSX Financials Index is a subset of the constituents of the S&P/TSX Composite Index that have been classified according to the Global Industry Classification Standard.

The equity performance benchmark shown here provides 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 monthly 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

2013 was a very strong year for Global equity markets with many indices making new all-time highs. Although the year was dominated by news events that caused concern for financial markets, world stock markets continued to rise on the back of stronger economic data and accommodative central bank monetary policy. The year started off with the U.S. "Fiscal Cliff" being narrowly avoided and then, in March, negotiations to deal with the U.S. deficit and debt ceiling stalled. There was a banking crisis in Cyprus and continued weakness in the periphery countries of the European Union that caused concern. Global economic growth remained sluggish in the first half of 2013 as China's economy, the second largest in the world, continued to slow down. The Federal Reserve surprised and confused the market in September by delaying the tapering of its bond purchases after suggesting in July that it would do so. Finally, the U.S. government shut down in October for 16 days as brinkmanship in Washington ruled the day. Despite all that, Global equity markets performed exceptionally well in 2013 with the S&P/TSX Composite Index generating a total return of 13.0 percent while the S&P 500 Index was up 32.3 percent, outperforming its Canadian counterpart for the third year in a row. The Canadian economy showed small signs of improvement during the year but was not enough to compel the Bank of Canada to tighten interest rates. The Canadian dollar opened the year around par versus the U.S. dollar but ended 2013 at 94.1 cents, its lowest level since the middle of 2010.

The Bank of Nova Scotia ("BNS") had a reasonably good year, although earnings per share were down slightly over 2012 due mainly to the additional shares issued for the acquisition of ING DIRECT Canada. BNS shares continue to be a favoured investment among the big five Canadian banks because of its diversity of earnings. Each of its five main divisions contributes roughly equal amounts to corporate earnings. One of these divisions is its International deposit and lending business which distinguishes it from the other banks. Net interest margins were weaker this year and may remain subdued in 2014 if the Federal Reserve starts to taper its asset purchases, but this international exposure will likely bode well for BNS in 2015 and beyond.

The net asset value of the Fund at December 31, 2013 was $19.86 per Unit compared to $18.23 per Unit at December 31, 2012. The Fund's Preferred and Class A shares which are listed on the Toronto Stock Exchange as SBN.PR.A and SBN closed on December 31, 2013 at $10.35 and $8.47 respectively.

For the year ended December 31, 2013, the Fund's annual total return per Unit and per Class A share (ticker symbol "SBN"), including reinvestment of distributions, were 15.2 percent and 27.1 percent respectively. Cash distributions of $0.53 per share were paid to Preferred shareholders and $0.50 per share were paid to Class A shareholders during the year ended December 31, 2013. The total return on BNS shares during this period was 19.7 percent. The average cash position during the year was approximately 2 percent. The Fund endeavours to be as fully invested in BNS as operationally possible.

In order to enhance income generated by the BNS shares, the Fund may write covered call options in respect of all or part of the BNS shares held in the portfolio. If the year before was challenging to generate option premium because of low implied volatility, 2013 was even worse. The S&P/TSX VIX Index ("VIXC") made historic lows this year. BNS saw a historic low implied volatility of 8.3 percent in January 2013. Since the market was trending higher, the Fund reduced its level of overwriting compared to the previous year in order to capture as much upside as possible. The Fund's overwritten percentage in 2013 was 9 percent compared to 29 percent in 2012. The net realized loss on options attributable to Strathbridge Selective Overwriting ("SSO") strategy amounted to $0.24 per Unit.

Summary of Investment Portfolio

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

Asset Mix and Portfolio Holdings

December 31, 2013

	% OF NET ASSET VALUE*
Financials - The Bank of Nova Scotia	100 %

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

This report may contain forward-looking statements about the Fund. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions. In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also forward-looking. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to any divergence between what is anticipated and what actually occurs, including, but not limited to, general economic, political and market factors, interest and foreign exchange rates, global equity and capital markets, business competition, technology change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

The above-mentioned list of important factors is not exhaustive. You should consider these and other factors carefully before making any investment decisions and you should avoid placing undue reliance on forward-looking statements. While the Fund currently anticipates that subsequent events and developments may cause the Fund's views to change, the Fund does not undertake to update any forward-looking statements.

Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this 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 Audit Committee meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Audit Committee and the Board.

John P. Mulvihill
Director
Strathbridge Asset Management Inc.
March 4, 2014

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Shareholders of S Split Corp.

We have audited the accompanying financial statements of S Split Corp., which comprise the statement of investments as at December 31, 2013, the statements of financial position as at December 31, 2013 and 2012, and the statements of operations and deficit, changes in net assets and 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 Canadian generally accepted accounting principles, 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 S Split Corp. as at December 31, 2013 and 2012, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
March 4, 2014
Toronto, Ontario

Statements of Financial Position

As at December 31

	2013	2012
ASSETS		
Investments at fair value (cost - $49,892,426; 2012 - $49,568,174)	**$ 61,951,200**	$ 53,354,686
Short-term investments at fair value (cost - nil; 2012 - $10,795,572)	**–**	10,795,572
Cash	**–**	491,927
Accrued interest	**–**	3,598
Dividends receivable	**–**	514,288
Income tax recoverable (Note 7)	**–**	8,487
Due from brokers - investments	**92,501**	–
TOTAL ASSETS	**$ 62,043,701**	$ 65,168,558
LIABILITIES		
Bank indebtedness	**$ 1,617**	$ –
Accrued liabilities	**90,457**	83,898
Accrued management fees	**86,924**	84,140
Due to brokers - investments	**–**	4,959,235
Redeemable Preferred shares (Note 5)	**31,161,120**	32,953,120
	31,340,118	38,080,393
EQUITY		
Class A and Class J shares (Note 5)	**37,245,030**	39,386,900
Deficit	**(6,541,447)**	(12,298,735)
	30,703,583	27,088,165
TOTAL LIABILITIES AND EQUITY	**$ 62,043,701**	$ 65,168,558
Number of Units Outstanding (Note 5)	**3,116,112**	3,295,312
Net Assets per Unit		
Preferred share	**$ 10.0000**	$ 10.0000
Class A share	**9.8532**	8.2202
Net Assets per Unit (Note 4)	**$ 19.8532**	$ 18.2202

On behalf of the Board of Directors,

John P. Mulvihill, Director

Robert W. Korthals, Director

The notes are an integral part of the Financial Statements.

Statements of Operations and Deficit

Years ended December 31

	2013	2012
REVENUE		
Dividends	**$ 1,807,112**	$ 2,443,032
Interest	**5,155**	5,864
TOTAL REVENUE	**1,812,267**	2,448,896
EXPENSES (Note 6)		
Management fees	**981,666**	1,023,374
Service fees	**135,070**	140,520
Administrative and other expenses	**133,385**	116,024
Transaction fees (Note 8)	**3,247**	5,775
Custodian fees	**22,807**	24,333
Audit fees	**28,890**	27,897
Director fees	**18,900**	19,945
Independent review committee fees	**7,775**	7,976
Legal fees	**6,976**	3,733
Shareholder reporting costs	**15,995**	17,057
Harmonized sales tax	**126,079**	110,840
TOTAL EXPENSES	**1,480,790**	1,497,474
Net Investment Income before Distributions	**331,477**	951,422
Preferred share distributions	**(1,682,999)**	(1,801,281)
Net Investment Loss	**(1,351,522)**	(849,859)
Net realized gain on investments	**410,644**	486,800
Net realized loss on options	**(759,092)**	(2,427,093)
Net Loss on Sale of Investments	**(348,448)**	(1,940,293)
Net change in unrealized appreciation/depreciation of investments	**8,272,262**	5,767,107
Net Gain on Investments	**7,923,814**	3,826,814
NET INCOME FOR THE YEAR	**$ 6,572,292**	$ 2,976,955
NET INCOME PER CLASS A SHARE		
(based on the weighted average number of Class A shares outstanding during the year of 3,211,849; 2012 - 3,445,668)	**$ 2.0463**	$ 0.8640
DEFICIT		
Balance, beginning of year	**$ (12,298,735)**	$ (14,741,932)
Net allocations on retractions of Class A shares (Note 5)	**803,730**	1,110,527
Net income for the year	**6,572,292**	2,976,955
Class A share distributions	**(1,618,734)**	(1,644,285)
BALANCE, END OF YEAR	**$ (6,541,447)**	$ (12,298,735)

Statements of Changes in Net Assets

Years ended December 31

	2013	2012
NET ASSETS, BEGINNING OF YEAR	**$ 27,088,165**	$ 27,766,935
Net Investment Income before Distributions	**331,477**	951,422
Net Gain on Investments	**7,923,814**	3,826,814
Class A Share Capital Transactions		
Value for Class A shares redeemed	**(1,338,140)**	(2,011,440)
Distributions		
Preferred Share		
From net investment income	**(693,213)**	(949,828)
Non-taxable distributions	**(989,786)**	(851,453)
Class A Share		
Non-taxable distributions	**(1,618,734)**	(1,644,285)
	(3,301,733)	(3,445,566)
Changes in Net Assets during the Year	**3,615,418**	(678,770)
NET ASSETS, END OF YEAR	**$ 30,703,583**	$ 27,088,165

Statements of Cash Flows

Years ended December 31

	2013	2012
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	**$ 11,287,499**	$ 1,075,255
Cash Flows Provided by (Used In) Operating Activities		
Net Investment Income before Distributions	**331,477**	951,422
Adjustments to Reconcile Net Cash Flows Provided by (Used in) Operating Activities		
Purchase of investment securities	**(3,306,654)**	(3,253,078)
Proceeds from disposition of investment securities	**2,633,954**	15,500,774
(Increase)/decrease in due from brokers - investments, dividends receivable, accrued interest and income tax recoverable	**433,872**	112,280
Increase/(decrease) in accrued management fees, accrued liabilities, due to brokers - investments and bank indebtedness	**(4,948,275)**	4,969,852
	(5,187,103)	17,329,828
Cash Flows Provided by (Used In) Financing Activities		
Preferred share distributions	**(1,682,999)**	(1,801,281)
Class A share distributions	**(1,618,734)**	(1,644,285)
Preferred share redemptions	**(1,792,000)**	(2,612,000)
Class A share redemptions	**(1,338,140)**	(2,011,440)
	(6,431,873)	(8,069,006)
Net Increase/(Decrease) in Cash and Short-Term Investments During the Year	**(11,287,499)**	10,212,244
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ –**	$ 11,287,499
Cash and Short-Term Investments comprised of:		
Cash	**$ –**	$ 491,927
Short-Term Investments	**–**	10,795,572
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ –**	$ 11,287,499

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2013

	Number of Shares	Average Cost	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	933,000	$ 49,917,139	$ 61,951,200	100.1 %
Total Canadian Common Shares		$ 49,917,139	$ 61,951,200	100.1 %
Adjustment for transaction fees		(24,713)		
TOTAL INVESTMENTS		$ 49,892,426	$ 61,951,200	100.1 %
OTHER NET LIABILITIES			(86,497)	(0.1)%
TOTAL NET ASSETS, excluding the Redeemable Preferred Share liability			$ 61,864,703	100.0 %

1. Establishment of the Fund

S Split Corp. (the "Fund") is a mutual fund corporation established under the laws of the Province of Ontario on January 26, 2007. The Fund began operations on May 17, 2007.

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.

2. Investment Objectives of the Fund

The Fund's investment objectives are to:

(i) provide holders of Preferred shares with fixed cumulative preferential monthly cash distributions in the amount of $0.04375 per Preferred share representing a yield on the issue price of the Preferred shares of 5.25 percent per annum and to return the issue price of $10.00 per Preferred share to holders of Preferred shares at the time of redemption of such shares on December 1, 2014, and

(ii) provide holders of Class A shares with regular monthly cash distributions in an amount targeted to be 6.0 percent per annum on the net asset value ("NAV") of the Class A shares and to provide holders of Class A shares with the opportunity for leveraged growth in NAV and distributions per Class A share.

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

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the Fund 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.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which include estimates and assumptions made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

Financial Instruments - Disclosures

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. See additional note disclosures in Note 10.

The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair value which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. If no bid or ask prices are available, the securities are valued at the closing sale price or the Manager may estimate fair value using appropriate and accepted industry valuation techniques including valuation models. The fair value of an investment, determined using valuation models, requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value of a security may be determined using valuation techniques that are not supported by observable market data. Over-the-counter options are valued using the Black-Scholes valuation model.

Short-term investments are included in the Statement of Investments at their cost. This value together with accrued interest approximates fair value at bid price.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Operations and Deficit. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

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

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

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

Realized gains and losses related to options are included in net realized gain (loss) on options.

Realized gains and losses relating to purchased put options may arise from:

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

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

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

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the change in the net unrealized appreciation/depreciation of investments. 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 recorded daily as it is earned.

4. Net Asset Value

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

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

	2013	2012
Net Asset Value per Unit (for pricing purposes)	**$19.8622**	$18.2317
Difference	**(0.0090)**	(0.0115)
Net Assets per Unit (for financial statement purposes)	**$19.8532**	$18.2202

5. Share Capital

The Fund is authorized to issue an unlimited number of Class A shares, Preferred shares and Class J shares.

Class J Shares

The holders of Class J shares are not entitled to receive distributions. The holders of Class J shares will be entitled to one vote per share. The Class J shares are redeemable and retractable at a price of $1.00 per share. The Class J shares rank subordinate to both the Class A shares and the Preferred shares with respect to distributions on the dissolution, liquidation or winding up of the Fund. A trust established for the benefit of the holders from time to time of the Class A shares and the Preferred shares owns all of the issued and outstanding Class J shares.

Class A Shares

Class A shares may be surrendered at any time for retraction to Computershare Investor Services Inc. (“Computershare”), the Fund’s registrar and transfer agent, but will be retracted only on a monthly Valuation Date. Class A shares surrendered for retraction by a holder of Class A shares at least 10 business days prior to the last day of a month (a “Valuation Date”) will be retracted on such Valuation Date and the shareholder will be paid on or before the fifteenth business day of the following month (the “Retraction Payment Date”). Such retractions are subject to a Retraction Fee as described under “Retraction Fee” below.

Holders of Class A shares whose shares are surrendered for retraction will be entitled to receive a retraction price per Class A share (the “Class A share Retraction Price”) equal to 95 percent of the difference between (i) the NAV per Unit determined as of the relevant Valuation Date, and (ii) the cost to the Fund of the purchase of a Preferred share in the market for cancellation. The cost of the purchase of a Preferred share will include the purchase price of the Preferred share, commission and such other costs, if any, related to the liquidation of any portion of the Fund’s portfolio required to fund such purchase. If the NAV per Unit is less than $10.00, the Class A share Retraction Price will be nil. Any declared and unpaid distributions payable on or before a Valuation Date in respect of the Class A shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Class A shares also have an annual retraction right under which they may concurrently retract an equal number of Class A shares and Preferred shares on the June Valuation Date of each year (the “Annual Valuation Date”). The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Fund’s portfolio required to fund such retraction. Such retractions are subject to a Retraction Fee as described under “Retraction Fee” below. Net allocations on retractions of Class A shares represent gains on retractions where the price paid upon retraction is less than the carrying value of the retracted shares. In the current year, the gain was $803,730 (2012 - $1,110,527) reflected in the Statement of Operations and Deficit.

Preferred Shares

Preferred shares may be surrendered at any time for retraction to Computershare, but will be retracted only on a monthly Valuation Date. Preferred shares surrendered for retraction by a holder of Preferred shares at least 10 business days prior to a Valuation Date will be retracted on such Valuation Date and the shareholder will receive payment on or before the Retraction Payment Date. Such retractions are subject to a Retraction Fee as described under “Retraction Fee” below.

Holders of Preferred shares whose shares are surrendered for retraction will be entitled to receive a retraction price per Preferred share (the “Preferred Share Retraction Price”) equal to 95 percent of the lesser of: (i) the NAV per Unit determined as of the relevant Valuation Date less the cost to the Fund of the purchase of a Class A share in the market for cancellation; and (ii) $10.00. The cost of the purchase of a Class A share will include the purchase price of the Class A share, commission and such other costs, if any, related to the liquidation of any portion of the Fund’s portfolio required to fund such purchase. Any declared and unpaid distributions payable on or before a Valuation Date in respect of the Preferred shares tendered for retraction on such Valuation Date will also be paid on the Retraction Payment Date.

Holders of Preferred shares also have an annual retraction right under which they may concurrently retract an equal number of Preferred shares and Class A shares on the Annual Valuation Date. The price paid by the Fund for such a concurrent retraction will be equal to the NAV per Unit on that date, less any costs associated with the retraction, including commissions and other such costs, if any, related to the liquidation of any portion of the Fund’s portfolio required to fund such retraction. Such retractions are subject to a Retraction Fee as described under “Retraction Fee” below.

The Fund’s Preferred shares have been classified as liabilities in accordance with Canadian GAAP. Accordingly, net income (loss) for the year is stated after Preferred share distributions.

During the year, 179,200 (2012 - 261,200) each of Class A shares and Preferred shares were redeemed with a total retraction value of $3,130,140 (2012 - $4,623,440).

Issued and Outstanding

	2013	2012
3,116,112 Preferred shares (2012 - 3,295,312)	**$31,161,120**	$32,953,120
3,116,112 Class A shares (2012 - 3,295,312)	**$37,244,930**	$39,386,800
100 Class J shares (2012 - 100)	**100**	100
	$37,245,030	$39,386,900

On January 19, 2012, the Fund renewed its previous normal course issuer bid to purchase up to 355,651 Class A shares and 355,651 Preferred shares representing approximately 10 percent of the public float of 3,556,512 Class A shares and 3,556,512 Preferred shares, as of January 10, 2012. The normal course issuer bid remained in effect until January 22, 2013 and at such time nil Units (2012 - nil) had been purchased by the Fund.

On April 29, 2013, the Fund announced it filed a Notice of Intention to renew its previous normal course issuer bid to purchase up to 329,531 Class A shares and 329,531 Preferred shares representing approximately 10 percent of the Fund's public float of 3,295,312 Class A shares and 3,295,312 Preferred shares, as at April 25, 2013. The Fund may purchase up to 65,906 of each respective class of shares in any 30-day period which is 2 percent of the 3,295,312 shares issued and outstanding of each respective class as at April 25, 2013. The shares may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased together as a Unit at a price per share not exceeding the last net asset value per Unit. As at December 31, 2013, nil Units had been purchased by the Fund.

Retraction Fee

If a retraction of a Class A share or Preferred share occurs prior to July 2014, a retraction fee payable to the Investment Manager by the retracting shareholder will be deducted by the Investment Manager from the amount otherwise receivable by the retracting shareholder to compensate the Investment Manager, in part, for paying the Agents' fees and expenses of the offering. Retraction fees in the amount of $71,680 (2012 - $153,560) were incurred during the year.

The retraction fee is calculated as follows:

Time of Retraction	Retraction Fee per Unit
July 2011 to June 2012	$0.60
July 2012 to June 2013	$0.40
July 2013 to June 2014	$0.20
July 2014 to December 2014	Nil

6. Management Fees and Expenses

Strathbridge, as Manager under the terms of the Management Agreement and as Investment Manager under terms of the Investment Management Agreement, receives fees payable at annual rates of 0.10 percent and 1.55 percent respectively of the Fund's net asset value, 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 the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

The Fund pays a service fee equal to 0.50 percent annually of the Class A shares net asset value of the Fund which it pays to dealers in connection with Class A shares held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly. No service fee will be paid in any calendar quarter if regular distributions are not paid to Class A shareholders in respect of each month in such calendar quarter.

7. Income Taxes

The Fund is a "mutual fund corporation" as defined in the Income Tax Act (Canada) (the "Act") and is subject to tax in respect of its net realized capital gains. This tax is refundable in certain circumstances. Also, the Fund is generally subject to a tax of 33 1/3 percent under Part IV of the Act on taxable dividends received in the year. This tax is fully refundable upon payment of sufficient dividends. The Fund is also subject to tax on the amount of its interest and foreign dividend income that is not offset by operating expenses and share issue expenses.

The Fund is also a "financial intermediary corporation" as defined in the Act and, as such, is not subject to tax under Part IV.1 of the Act on dividends received nor is it generally liable to tax under Part VI.1 on dividends paid on taxable preferred shares.

No amount is payable on account of income taxes in 2013 and 2012. The Fund paid a refundable Part IV tax of $8,487 for 2011 which was recoverable in the Statement of Financial Position since the Fund paid sufficient dividends in 2012.

Accumulated capital losses of approximately $9.4M (2012 - $8.6M) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely.

Issue costs of approximately $0.2M (2012 - $0.4M) remain undeducted for tax purposes at year-end.

8. Transaction Fees

Total transaction fees for the year ended December 31, 2013 in connection with portfolio transactions were $3,247 (2012 - $5,775). Of this amount $1,510 (2012 - $1,643) was directed to cover payment of research services provided to the Investment Manager.

9. Capital Disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures" 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 2, information on the Fund's shareholders' equity is described in Note 5 and the Fund does not have any externally imposed capital requirements.

10. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, certain derivative contracts, receivables, payables and Redeemable Preferred shares. Cash, receivables, and payables are short-term in nature and as such their carrying values approximates fair value. The fair value of a Redeemable Preferred share is based on the redemption price payable by the Fund which is valued at the lessor of: (i)$10.00; and (ii) the net assets of the Fund divided by the number of Preferred shares outstanding. In accordance with CICA Handbook Section 3862, "Financial Instruments - Disclosures", the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

(i) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(ii) Level 2 - for inputs, other than quoted prices included 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

(iii) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 2013 in valuing the Fund's investments carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 61,951,200	$ –	$ –	$ 61,951,200
Total Investments	$ 61,951,200	$ –	$ –	$ 61,951,200

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

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

There were no transfers between Level 1 and Level 2 during 2013 and 2012.

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include other price risk, liquidity risk, interest rate risk and credit risk.

These risks and related risk management practices employed by the Fund are discussed below:

Other Price Risk

Other 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 other price risk arises from its investments in equity securities. Net assets per Unit varies as the value of BNS shares varies. The Fund has no control over the factors that affect the value of the securities in the Fund, specifically factors that affect BNS securities. The Fund's market 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 100 percent (2012 - 90 percent) of the Fund's net assets, excluding the Redeemable Preferred Share liability, held at December 31, 2013 were in a publicly traded equity. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2013, the net assets, excluding the Redeemable Preferred Share liability, of the Fund would have increased or decreased by $6.2M (2012 - $5.4M) respectively or 10.0 percent (2012 - 9.0 percent) of the net assets, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

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. Liabilities are payable within one year except the Redeemable Preferred Share liability which matures on December 1, 2014 (see Note 5).

Cash is required to fund redemptions. Shareholders must surrender shares at least 10 business days prior to the last day of the month and receive payment on or before 15 business days following the month end valuation date. Therefore the Fund has a maximum of 25 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

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 change in rates since securities are usually held to maturity and are short-term in nature.

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 in accordance with the Fund's objectives.

The credit risk is mitigated 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.

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the year based on Standard & Poor's credit ratings as of December 31, 2013:

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

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

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

The Fund held no short-term investments at December 31, 2013.

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

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

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

11. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards (“IFRS”) for the year beginning on January 1, 2011. In January 2011, the Canadian Accounting Standards Board (“AcSB”) approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2014 and will issue its first semi-annual and annual financial statements in accordance with IFRS, with comparative information, for the period ending June 30, 2014 and the year ending December 31, 2014 respectively.

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

Statement of Corporate Governance Practices

The Board of Directors of the Fund is responsible for the overall stewardship of the Fund's business and affairs. The Fund has investment objectives and investment strategies that are set out in the prospectus of the Fund. The Fund's manager, Strathbridge Asset Management Inc. (the "Manager" or the "Investment Manager"), administers, either directly or indirectly through third party service organizations, every function associated with the operations of the Fund pursuant to a management agreement entered into at the time the Fund issued its shares to the public. Under this agreement the Manager is responsible for day to day operations of the Fund including the payment of distributions on its shares and attending to the retraction or redemption of its shares in accordance with their terms.

The Board consists of five directors, three of whom are independent of the Manager. The Board believes that the number of directors is appropriate for the Fund and only directors independent of the Fund are compensated. Amounts paid as compensation are reviewed for adequacy to ensure that they realistically reflect the responsibilities and risk involved in being an effective director. Individual directors may engage an outside advisor at the expense of the Fund in appropriate circumstances subject to the approval of the Board.

To assist the Board in its monitoring of the Fund's financial reporting and disclosure, the Board has an Audit Committee. The Audit Committee consists of three members, all of whom are independent of the Manager. The responsibilities of the Audit Committee include, but are not limited to, review of the annual financial statements and the annual audit performed by the independent auditor, and oversight of the Fund's compliance with tax and securities laws and regulations. The Audit Committee has direct communication channels with the independent auditor to discuss and review specific issues as appropriate.

The Board is responsible for developing the Fund's approach to governance issues and, together with the Investment Manager, has established a best practices governance procedure.

The Fund maintains an Investor Relations line (toll free: 1-800-725-7172 or e-mail: info@strathbridge.com) and website (www.strathbridge.com) to respond to inquiries from shareholders.

Board of Directors

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

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

Michael M. Koerner[1,2]
Corporate Director

Robert W. Korthals[1,2]
Corporate Director

Robert G. Bertram[1,2]
Corporate Director

[1] *Audit Committee Member*
[2] *Independent Review Committee Member*

Information

Independent Auditor:
Deloitte LLP
Brookfield Place
181 Bay Street, Suite 1400
Toronto, Ontario
M5J 2V1

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

Shares Listed:
Toronto Stock Exchange
trading under
SBN.PR.A/SBN

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)
Gold Participation and Income Fund (GPF.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
NDX Growth & Income Fund (NGI.UN)
Premier Canadian Income Fund (PCU.UN)
Top 10 Canadian Financial Trust (TCT.UN)

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

Head Office:

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

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

Contact your broker directly for address changes.

www.strathbridge.com

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

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