
Top 10 Canadian Financial Trust

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 Top 10 Canadian Financial Trust (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.

For the year ended December 31, 2019, the annual total return of the Fund, including reinvestment of distributions, was 20.2 percent. The Fund paid cash distributions of \$0.68 per unit during the year. The net asset value increased 11.5 percent from \$8.32 per unit at December 31, 2018 to \$9.28 per unit at December 31, 2019. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.11 per unit in 2019 as compared to a net realized gain on options of \$0.08 per unit in 2018. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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



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

The Fund

The Fund is a closed-end investment trust designed to provide unitholders with a stable stream of tax-efficient quarterly cash distributions in an amount targeted to be 7.5 percent per annum on the net asset value of the Fund and to return \$15.60 per unit to unitholders upon termination of the Fund. The units are listed on the Toronto Stock Exchange under the ticker symbol TCT.UN.

To accomplish its objectives, the Fund invests in a portfolio of securities consisting of common equity securities of the six largest Canadian banks and the four largest Canadian life insurance companies. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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

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

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2019 of Top 10 Canadian Financial Trust (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 a stable stream of quarterly cash distributions in an amount targeted to be 7.5 percent of the net asset value per unit and to return \$15.60 per unit to unitholders upon termination of the Fund.

To achieve its objectives, the Fund invests in a portfolio of securities consisting of common equity securities of the six largest Canadian banks and the four largest Canadian life insurance companies. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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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 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 year that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the year ended December 31, 2019, cash distributions were \$0.68 per unit compared to \$0.73 per unit a year ago.

Since the reorganization of the Fund in August 2005 when the Fund adopted new objectives and a new investment strategy as the Top 10 Canadian Financial Trust, the Fund has paid total cash distributions of \$12.08 per unit.

Revenue and Expenses

For the year ended December 31, 2019, the Fund’s total revenue was \$0.36 per unit unchanged from the prior year. Total expenses were \$0.30 per unit for 2019 up \$0.03 per unit from a year ago. The Fund had a net realized and unrealized gain of \$1.59 per unit in 2019 as compared to a net realized and unrealized loss of \$1.35 per unit in 2018.

Net Asset Value

The net asset value per unit of the Fund increased 11.5 percent from \$8.32 per unit at December 31, 2018 to \$9.28 per unit at December 31, 2019. The total net asset value of the Fund decreased \$1.0 million from \$10.8 million at December 31, 2018 to \$9.8 million at December 31, 2019, reflecting an increase in net assets attributable to holders of units of \$2.1 million, annual redemptions of \$2.2 million and cash distributions of \$0.9 million.

Recent Developments

There were no recent developments pertaining to the Fund during the year ended December 31, 2019.

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the Fund’s investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated February 15, 2000 and amended as of August 2, 2005.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated February 15, 2000 and amended as of August 2, 2005. 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.

Years ended December 31	2019	2018	2017	2016	2015
NET ASSETS PER UNIT					
Net Assets, beginning of year⁽¹⁾	\$ 8.32	\$ 10.30	\$ 10.24	\$ 9.53	\$ 10.85
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	0.36	0.36	0.37	0.38	0.38
Total expenses	(0.30)	(0.27)	(0.28)	(0.27)	(0.26)
Realized gain (loss) for the period	0.02	0.38	0.92	0.15	0.39
Unrealized gain (loss) for the period	1.57	(1.73)	(0.19)	1.17	(1.07)
Total Increase (Decrease) from Operations⁽²⁾	1.65	(1.26)	0.82	1.43	(0.56)
DISTRIBUTIONS					
From investment income	–	(0.02)	(0.02)	(0.04)	(0.02)
Non-taxable distributions	(0.68)	(0.71)	(0.74)	(0.68)	(0.75)
Total Annual Distributions⁽³⁾	(0.68)	(0.73)	(0.76)	(0.72)	(0.77)
Net Assets, end of year⁽¹⁾	\$ 9.28	\$ 8.32	\$ 10.30	\$ 10.24	\$ 9.53

(1) All per unit figures presented are derived from the Fund's audited financial statements for the years ended December 31. Net assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, 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 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 unitholders are based on the number of units outstanding on the record date for each distribution.

Years ended December 31	2019	2018	2017	2016	2015
RATIOS/SUPPLEMENTAL DATA					
Net Asset Value (\$millions) ⁽¹⁾	\$ 9.80	\$ 10.76	\$ 17.06	\$ 17.03	\$ 16.08
Number of units outstanding ⁽¹⁾	1,056,245	1,293,182	1,656,719	1,663,319	1,688,179
Management expense ratio ⁽²⁾	3.15%	2.66%	2.61%	2.72%	2.43%
Portfolio turnover rate ⁽³⁾	94.76%	62.52%	103.23%	155.79%	94.80%
Trading expense ratio ⁽⁴⁾	0.18%	0.13%	0.12%	0.15%	0.09%
Net Asset Value per unit ⁽⁵⁾	\$ 9.28	\$ 8.32	\$ 10.30	\$ 10.24	\$ 9.53
Closing market price	\$ 9.21 ⁽⁶⁾	\$ 8.36	\$ 10.26	\$ 9.94	\$ 9.98

(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 but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2015 includes the special resolution expense. The MER for 2015 excluding the special resolution expense is 2.43%.

(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 year.

(5) Net Asset Value per unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities divided by the number of units then outstanding.

(6) The last date with an executed trade was December 27, 2019.

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 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Trust 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 Trust Agreement include providing or arranging for required administrative services to the Fund.

Past Performance

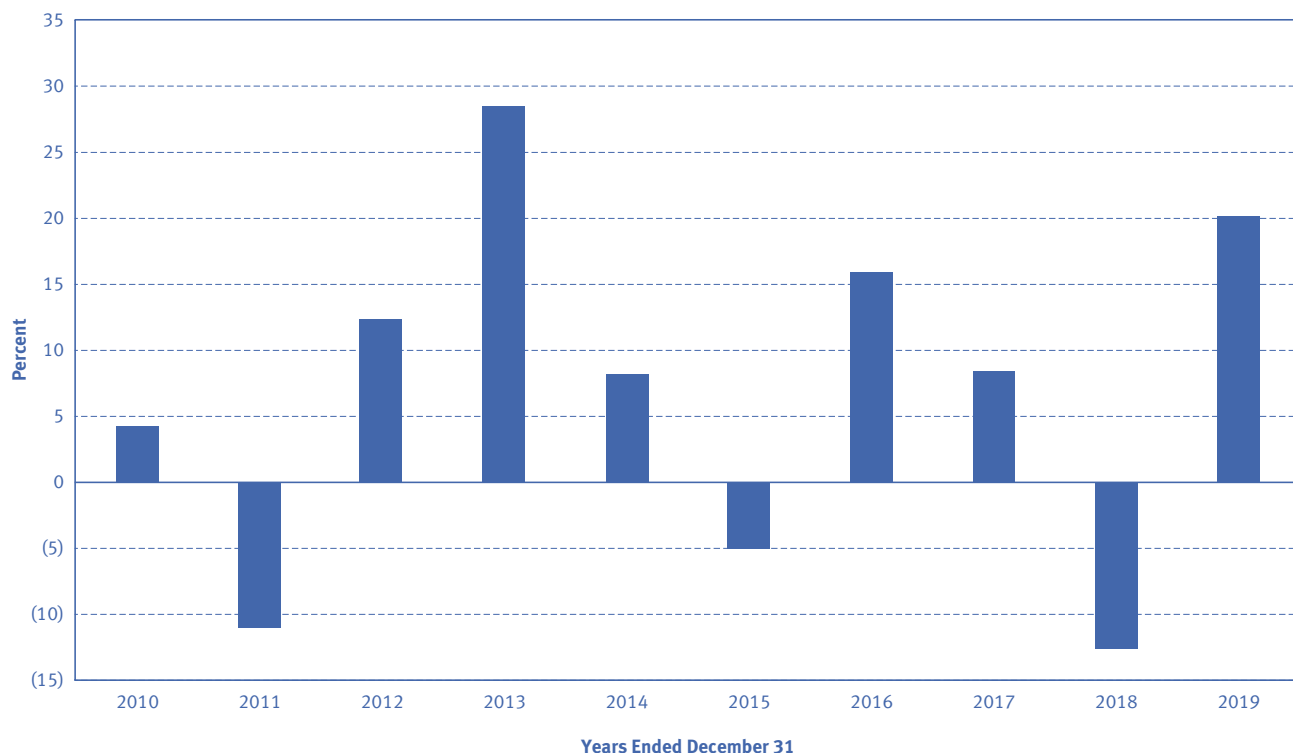
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

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

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the years ended December 31, 2019 as compared to the performance of the S&P/TSX Capped Financials Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Top 10 Canadian Financial Trust	20.17%	4.35%	4.55%	6.08%
S&P/TSX Capped Financials Index ⁽¹⁾	21.35%	7.68%	8.50%	10.12%

(1) The S&P/TSX Capped 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 relative weight of any single index constituent is capped at 25 percent.

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 quarterly distributions and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to enhance the income generated by the portfolio and reduce volatility.

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

Portfolio Manager Report

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 annual return of the Fund for 2019, including reinvestment of distributions, was 20.2 percent, compared to the S&P/TSX Capped Financials Index return of 21.4 percent and the S&P/TSX Composite Index return of 22.8 percent. The Fund achieved its income objective of providing a stable stream of quarterly distributions targeted to be 7.5 percent per annum on the net asset value. Total cash distributions of \$0.68 per unit were paid over the year and the net asset value per unit increased from \$8.32 at the end of 2018 to \$9.28 at the close of 2019.

During 2019, the bank holdings underperformed the insurance holdings significantly, by 26.0 percentage points, with an average return of 16.9 percent for the bank portion and 42.8 percent for the insurance portion. iA Financial Corporation Inc. led the Fund with an annual total return of 69.0 percent while The Toronto-Dominion Bank lagged with an annual total return of 11.6 percent.

The average dividend yield on the portfolio holdings at the end of 2019 was 4.2 percent. This was roughly one half of one percentage point lower than the year prior. The year-end dividend yield on the bank stocks was 4.4 percent, down about 20 basis points from 2018, and for the insurance holdings it was 3.8 percent, down about 100 basis points from 2018.

Although volatility in the equity market was more subdued in 2019 as measured by the Chicago Board Option Exchange Volatility Index ("VIX") traded in a range between 11 and 25 for most of the year, the Fund was opportunistic to find opportunities to utilize the Strathbridge Selective Overwriting ("SSO") strategy. The net realized gain on options attributable to SSO strategy amounted to \$0.11 per unit compared to \$0.08 per unit in 2018. The average call writing exposure over the year was 11.4 percent, up from 7.2 percent a year ago. Long put positions were as high as 11.0 percent averaging 4.8 percent. The Fund ended 2019 with the portfolio subject to 2.3 percent short calls and a cash position of 2.9 percent.

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
Financials	119.9 %
Cash and Short-Term Investments	2.9 %
Other Assets (Liabilities)	(22.8)%
	100.0 %

Portfolio Holdings

December 31, 2019

	% OF NET ASSET VALUE
iA Financial Corporation Inc.	17.0%
National Bank of Canada	16.8%
Sun Life Financial Inc.	15.2%
Great-West Lifeco Inc.	14.2%
Manulife Financial Corporation	13.3%
Bank of Montreal	10.6%
The Bank of Nova Scotia	8.7%
Canadian Imperial Bank of Commerce	8.1%
The Toronto-Dominion Bank	8.0%
Royal Bank of Canada	8.0%
Cash and Short-Term Investments	2.9%

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 Top 10 Canadian Financial Trust (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 Top 10 Canadian Financial Trust (the "Fund")

Opinion

We have audited the financial statements of the Fund, which comprise the statements of financial position as at December 31, 2019 and 2018, and the statements of comprehensive income, changes in net assets attributable to holders of units and cash flows for the years then ended, 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 2018, and its financial performance and its cash flows for the years 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; and
- The information, other than the financial statements and our auditor's report thereon, in the Annual Report.

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 and the Annual Report 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Michael Darroch.

The logo for Deloitte LLP, featuring the word "Deloitte" in a large, blue, cursive script font, followed by "LLP" in a smaller, blue, sans-serif font.

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

Statements of Financial Position

As at December 31

	Note	2019	2018
ASSETS			
Financial assets at fair value through profit or loss	6	\$ 11,752,937	\$ 11,870,361
Dividends receivable		26,915	50,290
Short-term investments	6	249,911	1,396,748
Cash		34,884	567,581
TOTAL ASSETS		12,064,647	13,884,980
LIABILITIES			
Redemptions payable		2,198,183	3,023,937
Accrued liabilities		50,941	52,265
Accrued management fees	8	11,229	12,898
Derivative liabilities	6	4,928	39,027
TOTAL LIABILITIES		2,265,281	3,128,127
NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS		\$ 9,799,366	\$ 10,756,853
NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS PER UNIT		\$ 9.2776	\$ 8.3181

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.

Statements of Comprehensive Income

Years ended December 31

	Note	2019	2018
INCOME			
Dividend income		\$ 451,710	\$ 588,021
Interest income		9,773	6,848
Net realized gain/(loss) on investments at fair value through profit or loss		(114,134)	501,028
Net realized gain on options at fair value through profit or loss		140,190	135,459
Net change in unrealized gain/(loss) on investments at fair value through profit or loss		2,023,101	(2,867,104)
TOTAL INCOME/(LOSS), NET		2,510,640	(1,635,748)
EXPENSES			
Management fees	8	129,336	173,970
Service fees		34,283	45,622
Administrative and other expenses		66,144	62,025
Transaction fees	9	20,650	21,415
Custodian fees		44,301	41,162
Audit fees		30,206	29,612
Advisory board fees	8	18,900	19,500
Independent review committee fees	8	7,559	7,500
Legal fees		1,302	496
Unitholder reporting costs		12,680	11,958
Harmonized sales tax		23,680	32,027
TOTAL EXPENSES		389,041	445,287
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS	10	\$ 2,121,599	\$ (2,081,035)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS PER UNIT	10	\$ 1.6414	\$ (1.2569)

The notes are an integral part of the Financial Statements.

Statements of Changes in Net Assets Attributable to Holders of Units

Years ended December 31

	2019	2018
NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS, BEGINNING OF YEAR	\$ 10,756,853	\$ 17,064,918
Increase/(Decrease) in Net Assets Attributable to Holders of Units	2,121,599	(2,081,035)
Unit Transactions		
Value for units redeemed	(2,198,183)	(3,023,937)
Distributions		
From net investment income	–	(32,443)
Non-taxable distribution	(880,903)	(1,170,650)
	(880,903)	(1,203,093)
Changes in Net Assets during the Year	(957,487)	(6,308,065)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS, END OF YEAR	\$ 9,799,366	\$ 10,756,853

Statements of Cash Flows

Years ended December 31

	2019	2018
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	\$ 1,964,329	\$ 446,800
Cash Flows Provided By (Used In) Operating Activities		
Increase/(Decrease) in Net Assets Attributable to Holders of Units	2,121,599	(2,081,035)
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	114,134	(501,028)
Net realized gain on options at fair value through profit or loss	(140,190)	(135,459)
Net change in unrealized (gain)/loss on investments at fair value through profit or loss	(2,023,101)	2,867,104
Decrease in dividends receivable and due from brokers – investments	23,375	38,444
Increase/(decrease) in accrued liabilities and accrued management fees	(2,993)	4,248
Purchase of investment securities	(10,440,171)	(9,327,088)
Proceeds from disposition of investment securities	12,572,653	11,923,421
	103,707	4,869,642
Cash Flows Used In Financing Activities		
Unitholder distributions	(880,903)	(1,203,093)
Unitholder redemptions	(3,023,937)	(67,985)
	(3,904,840)	(1,271,078)
Net Increase/(Decrease) in Cash during the Year	(1,679,534)	1,517,529
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 284,795	\$ 1,964,329
Cash and Cash Equivalents are comprised of:		
Cash	\$ 34,884	\$ 567,581
Short-Term Investments	249,911	1,396,748
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 284,795	\$ 1,964,329
Dividends received	\$ 475,085	\$ 587,070
Interest received	\$ 11,802	\$ 4,808

The notes are an integral part of the Financial Statements.

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 Units
SHORT-TERM INVESTMENTS				
Treasury Bills				
Government of Canada, 1.63% – January 9, 2020	250,000	\$ 249,900	\$ 249,911	2.6 %
TOTAL SHORT-TERM INVESTMENTS		\$ 249,900	\$ 249,911	2.6 %
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	10,300	\$ 1,029,626	\$ 1,036,592	
Canadian Imperial Bank of Commerce	7,400	810,469	799,644	
Great-West Lifeco Inc.	41,800	1,367,832	1,390,268	
iA Financial Corporation Inc.	23,400	1,310,014	1,669,122	
Manulife Financial Corporation	49,400	1,220,413	1,302,184	
National Bank of Canada	22,900	1,425,422	1,650,632	
Royal Bank of Canada	7,600	758,152	780,900	
Sun Life Financial Inc.	25,100	1,291,785	1,486,171	
The Bank of Nova Scotia	11,600	859,609	850,860	
The Toronto-Dominion Bank	10,800	788,784	786,564	
Total Financials		10,862,106	11,752,937	119.9 %
Total Canadian Common Shares		\$ 10,862,106	\$ 11,752,937	119.9 %
Options				
Written Covered Call Options (100 shares per contract)				
Bank of Montreal – January 2020 @ \$99	(27)	\$ (2,704)	\$ (4,928)	(0.1)%
Total Options		\$ (2,704)	\$ (4,928)	(0.1)%
Adjustment for transaction fees		(8,206)		
TOTAL INVESTMENTS		\$ 10,851,196	\$ 11,748,009	119.8 %
OTHER NET LIABILITIES			(2,198,554)	(22.4)%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF UNITS			\$ 9,799,366	100.0 %

1. Fund Information

Top 10 Canadian Financial Trust (the “Fund”) was originally established as a closed-end investment trust under the laws of the Province of Ontario on February 15, 2000 under the name Digital World Trust (“DWT”) which began operations on February 23, 2000. On August 2, 2005, unitholders of DWT approved a special resolution resulting in a change in the investment objectives and strategy of the Fund. In connection with the approval of the proposal, the Fund changed its name to Top 10 Canadian Financial Trust to better reflect its new investment strategy. The address of the Fund’s registered office is 121 King Street West, Suite 2600, Toronto, Ontario.

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

The Fund is a closed-end investment trust designed to provide unitholders with a stable stream of tax-efficient quarterly cash distributions in an amount targeted to be 7.5 percent per annum on the net asset value of the Fund and to return \$15.60 per unit to unitholders upon termination of the Fund. The units are listed on the Toronto Stock Exchange under the ticker symbol TCT.UN.

The Fund invests in a portfolio of securities consisting of common equity securities of the six largest Canadian banks and the four largest Canadian life insurance companies. The Fund may also invest in public investment funds including exchange-traded funds and other Strathbridge Funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge Funds) that provide exposure to such securities.

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

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

These financial statements were approved by the Board of Advisors on March 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”). Based on the guidance provided in International Accounting Standard (“IAS”) 21, the Manager has determined that the functional currency is Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund’s presentation currency.

The Fund adopted IFRS 9: Financial Instruments (“IFRS 9 (2014)”) for the first time for the period beginning on January 1, 2018.

The adoption of IFRS 9 (2014) was applied retrospectively with the Fund utilizing the provisions allowed in the standard to not restate prior period comparative information. IFRS 9 (2014) requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9 (2014), the Fund’s financial assets and liabilities previously classified as at fair value through profit or loss (“FVTPL”) and amortized cost under IAS 39 “Financial Instruments: Recognition and Measurement”, continued to be classified at FVTPL and amortized cost.

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 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 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.

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.

Units

IAS 32, Financial Instruments: Presentation (“IAS 32”) requires that 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 Units per Unit

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

Taxation

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

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any non-refundable income tax.

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 for annual periods beginning on or after January 1, 2017. 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 units of the Fund is presented in the Statement of Changes in Net Assets Attributable to Holders of 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 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 noncompliance. 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 interest rate risk and price risk) and concentration risk.

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 years ended December 31, 2019 and 2018, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

The analysis below summarizes the credit quality of the Fund's short-term investments as at December 31, 2019 and 2018.

Credit Rating	Percentage of Short-term Investments	
	Dec. 31, 2019	Dec. 31, 2018
AAA	100.0%	100.0%

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

Liquidity Risk

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

Cash is required to fund redemptions. Unitholders must surrender units at least 5 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 16 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

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

	As at December 31, 2019 Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ –	\$2,198,183	\$ 2,198,183
Accrued liabilities	–	50,941	50,941
Accrued management fees	–	11,229	11,229
Derivative liabilities	–	4,928	4,928
Units	9,799,366	–	9,799,366
	\$9,799,366	\$2,265,281	\$12,064,647

	As at December 31, 2018 Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ –	\$3,023,937	\$ 3,023,937
Accrued liabilities	–	52,265	52,265
Derivative liabilities	–	39,027	39,027
Accrued management fees	–	12,898	12,898
Units	10,756,853	–	10,756,853
	\$10,756,853	\$3,128,127	\$13,884,980

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 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) 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.

(b) 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 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 financial services industry.

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 120 percent (2018 – 110 percent) of the Fund's net assets attributable to holders of 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 units would have increased or decreased by \$0.6 million (2018 – \$0.6 million) respectively or 6.0 percent (2018 – 5.5 percent) of the net assets attributable to holders of 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	Dec. 31, 2018
Financials	100.0%	100.0%

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 and 2018.

	As at December 31, 2019			Total
	Level 1	Level 2	Level 3	
Short-Term Investments	\$ -	\$249,911	\$ -	\$ 249,911
Canadian Common Shares	11,752,937	-	-	11,752,937
Options	(4,928)	-	-	(4,928)
	\$11,748,009	\$249,911	\$ -	\$11,997,920

	As at December 31, 2018			Total
	Level 1	Level 2	Level 3	
Short-Term Investments	\$ -	\$1,396,748	\$ -	\$ 1,396,748
Canadian Common Shares	11,870,361	-	-	11,870,361
Options	(39,027)	-	-	(39,027)
	\$11,831,334	\$1,396,748	\$ -	\$13,228,082

The carrying values of cash, dividends receivable, accrued liabilities, accrued management fees, redemptions payable and the Fund's obligation for net assets attributable to 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 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. Over-the-counter option 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. Units

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

The Fund will endeavour to make quarterly cash distributions to unitholders of 7.5 percent per annum on the Fund's net asset value. Unitholders may elect to reinvest distributions received from the Fund in additional units.

For the year ended December 31, 2019, cash distributions paid to unitholders were \$880,903 (2018 – \$1,203,093) representing a payment of \$0.68 (2018 – \$0.73) per unit.

During the year ended December 31, 2019, 236,937 (2018 – 363,537) units were redeemed with a total retraction value of \$2,198,183 (2018 – \$3,023,937).

During the years ended December 31, 2019 and 2018, unit transactions are as follows:

	Dec. 31, 2019	Dec. 31, 2018
Units outstanding, beginning of year	1,293,182	1,656,719
Units redeemed	(236,937)	(363,537)
Units outstanding, end of year	1,056,245	1,293,182

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

Strathbridge, as Manager under the terms of the Trust Agreement and as Investment Manager under terms of the Investment Management Agreement, receives fees payable at annual rates of 0.10 percent and 1.00 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 Manager in the ordinary course of business relating to the Fund's operations. Total management fees for the year ended December 31, 2019 were \$129,336 (2018 – \$173,970) of which \$11,229 (2018 – \$12,898) was paid subsequent to year-end.

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the year ended December 31, 2019 were \$18,900 (2018 – \$19,500).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the year ended December 31, 2019 were \$7,559 (2018 – \$7,500).

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 years ended December 31, 2019 and 2018 is disclosed below:

	Dec. 31, 2019	Dec. 31, 2018
Soft Dollars	\$13,369	\$7,807
Percentage of Total Transaction Fees	64.7%	36.5%

10. Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit

The increase/(decrease) in net assets attributable to holders units per unit for the years ended December 31, 2019 and 2018 is calculated as follows:

	Dec. 31, 2019	Dec. 31, 2018
Increase/(Decrease) in Net Assets Attributable to Holders of Units	\$2,121,599	\$(2,081,035)
Weighted Average Number of Units Outstanding during the Year	1,292,533	1,655,723
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	\$ 1.6414	\$ (1.2569)

11. Income Taxes

No amount is payable on account of income taxes in 2019 and 2018.

Accumulated capital losses of approximately \$71.5 million (2018 – \$71.5 million) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely.

Top 10 Canadian Financial Trust [TCT.UN]

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

Transfer Agent:

Computershare Investor Services Inc.

100 University Avenue, 8th Floor

Toronto, Ontario

M5J 2Y1

Units Listed:

Toronto Stock Exchange

trading under

TCT.UN

Custodian:

RBC Investor Services Trust

RBC Centre

155 Wellington Street West, 2nd Floor

Toronto, Ontario

M5V 3L3

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

Annual Report 2019

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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