



SEMI-ANNUAL  
REPORT

2015

U.S. FINANCIALS INCOME FUND

  
strathbridge  
ASSET MANAGEMENT

### Letter to Unitholders

We are pleased to present the 2015 semi-annual report containing the management report of fund performance and the unaudited statements for U.S. Financials Income Fund (the “Fund”).

Global equity markets posted very different returns for the first half of 2015 as macro-economic concerns continued to take center stage. The reasons are varied, but include, continued concerns about Greece’s potential exit from the Eurozone and the meteoric rise and fall of the Chinese stock market, a question of when the U.S. Federal Reserve will start raising rates, and an announcement by the European Central Bank in January that it would inject up to 1.1 trillion Euros in an effort to increase liquidity and fuel economic growth. In Canada, a negative 0.6 percent Gross Domestic Product for the first quarter, a lackluster recovery in the price of oil, and sluggish commodity prices in general have all weighed on investor sentiment. Meanwhile, the Bank of Canada surprised the market in January by cutting the overnight lending rate by 25 basis points to 0.75 percent which negatively impacted the Canadian dollar as it declined 7 percent in the first half of 2015, ending the period at \$0.80 per U.S. dollar. In the U.S., the economy has improved in the second quarter after showing weakness in the first quarter due to harsh winter conditions and port congestion in the West Coast. Both housing and employment numbers continue to show a strengthening economy with the National Association of Home Builders Index reaching its highest level since November 2005 and U.S. unemployment rate declining to its lowest level since April 2008. Market volatility suggests investors are calm or even complacent in the face of the concerns mentioned above.

The Fund completed its initial public offering on February 24, 2015 raising total gross proceeds of C\$37.2 million from the issuance of 3,200,000 Class A units at a price of C\$10.00 per unit and 412,600 Class U units at a price of US\$10.00 per unit. On March 9, 2015, the Fund closed the over-allotment option raising additional gross proceeds of C\$1.8 million from the issuance of 175,000 Class A units. The Class A units are listed on the Toronto Stock Exchange under the ticker symbol USF.UN and closed on June 30, 2015 at C\$9.03. The Class U units are denominated in U.S. dollar currency and do not trade on an exchange.

The Fund paid cash distributions of C\$0.175 per Class A unit and US\$0.175 per Class U unit during the period ended June 30, 2015. The net asset value (“NAV”) per Class A unit decreased 2.4 percent from C\$9.33 at February 24, 2015 to C\$9.11 at June 30, 2015 and the NAV per Class U unit decreased 1.0 percent from US\$9.33 on February 24, 2015 to US\$9.24 at June 30, 2015. The total return of the Fund, including reinvestment of distributions, for the period ended June 30, 2015 was negative 0.5 percent for the Class A units and positive 1.0 percent for the Class U units. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to C\$0.06 per unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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



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

### The Fund

The Fund is a closed-end investment trust designed to provide quarterly cash distributions and to maximize total return through capital appreciation and distributions. The Class A units are listed on the Toronto Stock Exchange under the ticker symbol USF.UN. From time to time, between 0 percent and 100 percent of the value of the Class A units' U.S. dollar exposure may be hedged back to the Canadian dollar. The Class U units are denominated in U.S. dollar currency and do not trade on an exchange.

To accomplish its investment objectives, the Fund invests in an actively managed portfolio of U.S. financial issuers selected from the S&P 500 Index that are classified as "Financials" by Standard & Poor's Global Industry Classification Standard and which have a market capitalization of at least US\$10 billion and a credit rating issued by Standard & Poor's Rating Services of at least A- at the time of purchase. The portfolio also includes U.S. publicly listed alternative asset management issuers which have a market capitalization of at least US\$5 billion at the time of purchase. The Fund may invest up to 25 percent of the net asset value in other U.S. financial or alternative asset management issuers that do not meet the rating or market capitalization requirements noted above, 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. The Fund intends to strategically write covered call options from time to time, in respect of all or a portion of the securities in its portfolio. In addition, the Fund may write cash covered put options and may invest up to 10 percent of net assets to purchase call options both in respect of securities in which the Fund 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.

## U.S. Financials Income Fund

### Management Report of Fund Performance

#### Management Report of Fund Performance

The interim management report of fund performance contains the financial highlights for the period ended June 30, 2015 of U.S. Financials Income Fund (the "Fund"). The unaudited 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, by email at [info@strathbridge.com](mailto:info@strathbridge.com) or by visiting our website at [www.strathbridge.com](http://www.strathbridge.com). You can also request an interim report at no cost using one of the above methods.

#### Investment Objectives and Strategies

The Fund's investment objectives are to:

- (1) provide unitholders with quarterly cash distributions; and
- (2) maximize total return through capital appreciation and distributions.

To achieve its investment objectives, the Fund will invest in an actively managed portfolio of U.S. financial issuers selected from the S&P 500 Index that are classified as "Financials" by Standard & Poor's Global Industry Classification Standard and which have a market capitalization of at least US\$10 billion and a credit rating issued by Standard & Poor's Rating Services of at least A- at the time of purchase. The portfolio will also include U.S. publicly listed alternative asset management issuers which have a market capitalization of at least US\$5 billion at the time of purchase. The Fund may invest up to 25 percent of the net asset value in other U.S. financial or alternative asset management issuers that do not meet the rating or market capitalization requirements noted above, 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 Manager will select the constituent issuers to be included in the Portfolio utilizing its proprietary quantitative model supplemented by fundamental analysis including, among other things, its view as to (i) the sustainability of the dividends on the securities held in the Portfolio, (ii) the potential for price appreciation, and (iii) the attractiveness of the shares for generating premiums from writing covered call options including liquidity and volatility considerations.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio and to reduce volatility. The Fund strategically writes covered call options from time to time, in respect of all or a portion of the securities in its portfolio. In addition, the Fund may write cash covered put options and may invest up to 10 percent of net assets to purchase call options both in respect of securities in which the Fund is permitted to invest.

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

## Management Report of Fund Performance

### Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund's Annual Information Form, which is available on the Fund's website at [www.strathbridge.com](http://www.strathbridge.com) or on SEDAR at [www.sedar.com](http://www.sedar.com). There were no changes to the Fund over the period that materially affected the risks associated with an investment in the securities of the Fund.

### Results of Operations

#### Distributions

For the period ended June 30, 2015, the Fund paid cash distributions of C\$0.175 per Class A unit and US\$0.175 per Class U unit.

Distributions to Class A unitholders are denominated in Canadian dollars while distributions to Class U unitholders are U.S. dollar denominated.

#### Revenue and Expenses

For the period ended June 30, 2015, the Fund's total revenue were C\$0.06 per Class A unit and US\$0.05 per Class U unit and total expenses were C\$0.10 per Class A unit and US\$0.09 per Class U unit. The Fund had a net realized and unrealized loss of C\$0.01 per Class A unit and net realized and unrealized gain of US\$0.13 per Class U unit during the period.

#### Net Asset Value

The net asset value per Class A unit of the Fund decreased 2.4 percent from C\$9.33 at inception on February 24, 2015 to C\$9.11 at June 30, 2015. The net asset value per Class U unit of the Fund decreased 1.0 percent from US\$9.33 at inception to US\$9.24 at June 30, 2015. The total net asset value of the Fund increased C\$0.8 million from C\$34.7 million at February 24, 2015 to C\$35.5 million at June 30, 2015, reflecting the net proceeds from the over-allotment option on Class A units of C\$1.6 million, partially offset by cash distributions of C\$0.7 million and a decrease in net assets attributable to holders of Class A and Class U units of C\$0.1 million.

### Recent Developments

On February 24, 2015, the Fund completed its initial public offering of 3,200,000 Class A units at a price of C\$10.00 per unit and 412,600 Class U units at a price of US\$10.00 per unit, for gross proceeds of approximately C\$37 million. The Class A units are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol USF.UN. The Fund intends to pay equal quarterly distributions of 5.0 percent per annum of each units respective currency based upon the \$10.00 per unit issue price in each units respective currency. The initial cash distribution was paid on June 30, 2015 and was prorated to reflect the period from the closing date to June 30, 2015.

On March 9, 2015, the Fund closed the over-allotment option raising additional gross proceeds of C\$1.8 million from the issuance of 175,000 Class A units.

### 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

## U.S. Financials Income Fund

### Management Report of Fund Performance

criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated January 29, 2015.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated January 29, 2015. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

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

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee ("IRC") concerning related party transactions.

### Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korhals, Michael M. Koerner and Robert G. Bertram.

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on February 24, 2015. This information is derived from the Fund's unaudited interim financial statements

		Period ended June 30 2015 <sup>(3)</sup>	
	Class A		Class U
<b>THE FUND'S NET ASSETS PER UNIT</b>			
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>C\$</b>	<b>9.33<sup>(4)</sup></b>	<b>US\$ 9.33<sup>(4)</sup></b>
INCREASE (DECREASE) FROM OPERATIONS			
Total revenue		0.06	0.05
Total expenses		(0.10)	(0.09)
Realized gain (loss) for the period		(0.23)	(0.20)
Unrealized gain (loss) for the period		0.22	0.33
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>		<b>(0.05)</b>	<b>0.09</b>
DISTRIBUTIONS			
Non-taxable distributions		(0.18)	(0.18)
<b>Total Distributions<sup>(5)</sup></b>		<b>(0.18)</b>	<b>(0.18)</b>
<b>Net Assets, end of the period<sup>(1)</sup></b>	<b>C\$</b>	<b>9.11</b>	<b>US\$ 9.24</b>

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

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized loss, less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

(3) For the period from inception on February 24, 2015 to June 30, 2015.

(4) Initial issue price, net of agents' fees and issue costs.

(5) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. All distributions are paid in cash.

		Period ended June 30 2015 <sup>(6)</sup>	
	Class A		Class U
<b>RATIOS/SUPPLEMENTAL DATA</b>			
Net Asset Value (\$millions)	<b>C\$</b>	<b>30.96</b>	<b>US\$ 3.63</b>
Number of units outstanding		<b>3,400,156</b>	<b>392,600</b>
Management expense ratio <sup>(1)</sup>		<b>2.66%<sup>(4)</sup></b>	<b>2.46%<sup>(4)</sup></b>
Portfolio turnover rate <sup>(2)</sup>		<b>109.30%</b>	<b>109.30%</b>
Trading expense ratio <sup>(3)</sup>		<b>0.49%<sup>(4)</sup></b>	<b>0.41%<sup>(4)</sup></b>
Net Asset Value per unit <sup>(5)</sup>	<b>C\$</b>	<b>9.11</b>	<b>US\$ 9.24</b>
Closing market price	<b>C\$</b>	<b>9.03</b>	

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales taxes and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2015, excluding withholding taxes, is 2.40% for Class A and 2.23% for Class U for 2015.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

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

(4) Annualized.

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

(6) For the period from inception on February 24, 2015 to June 30, 2015.

## U.S. Financials Income Fund

### Management Report of Fund Performance

#### Management Fees

Strathbridge, as the Investment Manager and Manager of the Fund, is entitled to fees under the Investment Management Agreement and Trust Agreement calculated monthly as 1/12 of 1.25 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

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

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

#### Portfolio Manager Report

Global equity markets posted very different returns for the first half of 2015 as macro-economic concerns continued to take center stage. The reasons are varied, but include, continued concerns about Greece's potential exit from the Eurozone and the meteoric rise and fall of the Chinese stock market, a question of when the U.S. Federal Reserve will start raising rates, and an announcement by the European Central Bank in January that it would inject up to 1.1 trillion Euros in an effort to increase liquidity and fuel economic growth. In Canada, a negative 0.6 percent Gross Domestic Product for the first quarter, a lackluster recovery in the price of oil, and sluggish commodity prices in general have all weighed on investor sentiment. Meanwhile, the Bank of Canada surprised the market in January by cutting the overnight lending rate by 25 basis points to 0.75 percent which negatively impacted the Canadian dollar as it declined 7 percent in the first half of 2015, ending the period at \$0.80 per U.S. dollar. In the U.S., the economy has improved in the second quarter after showing weakness in the first quarter due to harsh winter conditions and port congestion in the West Coast. Both housing and employment numbers continue to show a strengthening economy with the National Association of Home Builders Index reaching its highest level since November 2005 and U.S. unemployment rate declining to its lowest level since April 2008. Market volatility suggests investors are calm or even complacent in the face of the concerns mentioned above.

For the period ended June 30, 2015, the net asset value per Class A unit was C\$9.11 and the net asset value per Class U unit was US\$9.24. This compares to C\$9.33 per Class A unit (net of agents' fees and issue costs of C\$0.67) and US\$9.33 per Class U unit (net of agents' fees and issue costs of US\$0.67) at February 24, 2015, the inception date of the Fund. Unitholders received cash distributions of C\$0.175 per Class A unit and US\$0.175 per Class U unit during the period. The Fund's Class A units listed on the TSX as USF.UN closed on June 30, 2015 at C\$9.03, which represents a 0.9 percent discount to the Class A net asset value. The Fund's Class U units are not listed on any exchange.

The total return of the Fund, including reinvestment of distributions, from the inception date on February 24, 2015 to June 30, 2015 was negative 0.5 percent per Class A unit and positive 1.0 percent per Class U unit. The total return for the S&P 500 Financials Index over the same period was 1.6 percent, while the equal-weighted total return of the 45 companies that make up the Fund's investment universe was 0.9



Management Report of Fund Performance

percent. The best performing stock within the portfolio was E\*TRADE Financial Corporation, up 13.3 percent during the period with most of the advance coming after the company reported better than expected fourth quarter earnings on January 23, 2015. Meanwhile, Boston Properties, Inc. lagged the group, down 11.6 percent on concerns that the U.S. Federal Reserve would soon begin raising rates in 2015, particularly putting downward pressure on the real estate investment trust sector.

Volatility levels for companies within the portfolio remained at the low end of their historical range for most of the period. The covered call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting (“SSO”) strategy. The Fund ended June 30, 2015 with approximately 3 percent of the portfolio subject to covered calls. During the period, the net realized gain on options attributable to the SSO strategy was C\$0.06 per unit. The Fund’s portfolio ended the period with a cash position of 3.2 percent. The U.S. dollar exposure of the Class A units was actively hedged back into Canadian dollars throughout the period and ended June with about 80 percent of the U.S. dollar exposure hedged.

Summary of Investment Portfolio

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

Asset Mix  
June 30, 2015

	% of Net Asset Value
Diversified Financials	31.4%
Insurance	29.9%
Banks	27.1%
Exchange-Traded Funds	5.2%
Cash	3.2%
Other Assets (Liabilities)	3.2%
	100.0 %

# U.S. Financials Income Fund

## Management Report of Fund Performance

### Top 25 Holdings

June 30, 2015

	% of Net Asset Value
Morgan Stanley	6.2%
Citigroup Inc.	6.0%
Bank of America Corporation	6.0%
JPMorgan Chase & Co.	5.5%
The Goldman Sachs Group, Inc.	5.3%
Northern Trust Corporation	5.2%
SPDR S&P Region	5.2%
American International Group, Inc.	5.1%
Wells Fargo & Company	4.1%
State Street Corporation	4.0%
Metlife Inc.	3.7%
Prudential Financial, Inc.	3.5%
The Progressive Corporation	3.5%
The PNC Financial Services Group, Inc.	3.4%
E*TRADE Financial Corporation	3.2%
Cash	3.2%
Marsh & McLennan Companies, Inc.	3.2%
The Charles Schwab Corporation	3.1%
Unum Group	3.0%
Aon PLC	2.9%
Torchmark Corporation	2.6%
Lincoln National Corporation	2.5%
Capital One Financial Corporation	2.2%
SunTrust Banks, Inc.	2.1%
The Bank of New York Mellon Corporation	2.1%

### 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 U.S. Financials Income Fund (the "Fund") and all the information in this 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 report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the financial statements.

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 matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill  
Director  
Strathbridge Asset Management Inc.



John D. Germain  
Director  
Strathbridge Asset Management Inc.

August 7, 2015

# U.S. Financials Income Fund

## Notice to Unitholders

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

**Statements of Financial Position**

As at June 30, 2015 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Note	2015
<b>ASSETS</b>		
Financial assets at fair value through profit or loss	3,7	<b>\$ 33,235,012</b>
Dividends receivable		<b>12,775</b>
Derivative assets		<b>77,957</b>
Due from brokers - investments		<b>1,628,803</b>
Cash		<b>1,136,198</b>
<b>TOTAL ASSETS</b>		<b>36,090,745</b>
<b>LIABILITIES</b>		
Derivative liabilities		<b>313,662</b>
Issue expenses payable		<b>212,186</b>
Accrued management fees	9	<b>39,661</b>
Accrued liabilities		<b>35,443</b>
<b>TOTAL LIABILITIES</b>		<b>600,952</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS</b>		<b>\$ 35,489,793</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS</b>		<b>\$ 30,959,975</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS</b>	<b>(US\$3,628,339)</b>	<b>\$ 4,529,818</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT</b>		<b>\$ 9.1055</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT</b>	<b>(US\$9.2418)</b>	<b>\$ 11.5380</b>

The notes are an integral part of the Financial Statements.

# U.S. Financials Income Fund

## Financial Statements

### Statement of Comprehensive Income

For the period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)  
(In Canadian dollars unless otherwise noted)

	Note	2015
<b>INCOME</b>		
Dividend income		\$ 225,590
Interest Income		4,025
Net realized loss on investments at fair value through profit or loss	7	(1,109,751)
Net realized gain on options at fair value through profit or loss	7	228,088
Net realized gain on forward exchange contracts at fair value through profit or loss	7	12,178
Net unrealized gain on investments at fair value through profit or loss	7	882,343
<b>TOTAL INCOME</b>		<b>242,473</b>
<b>EXPENSES</b>		
Management fees	9	157,840
Administrative and other expenses		55,867
Transaction fees	10	59,567
Custodian fees		35,214
Audit fees		8,103
Advisory board fees	9	6,126
Independent review committee fees	9	2,408
Unitholder reporting costs		576
Harmonized sales tax		27,995
Withholding taxes	3	32,575
<b>TOTAL EXPENSES</b>		<b>386,271</b>
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS</b>	11	<b>\$ (143,798)</b>
<b>DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT</b>	11	<b>\$ (0.0441)</b>
<b>INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT</b>	11	<b>\$ 0.0122</b>

The notes are an integral part of the Financial Statements.

**Statement of Changes in Net Assets Attributable to Holders of Class A and Class U Units**

For the period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Note	2015
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, BEGINNING OF PERIOD</b>		
Class A		\$ -
Class U		-
		<hr/>
		-
<b>Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units</b>		
Class A		(148,708)
Class U		4,910
		<hr/>
		(143,798)
<b>Unit Transactions</b>		
<b>Proceeds from units issued, net of issue costs</b>		
Class A		31,471,875
Class U		4,842,053
		<hr/>
		36,313,928
<b>Conversions</b>		
Class A		230,578
Class U		(230,578)
		<hr/>
		-
<b>Distributions</b>		
Class A		(593,770)
Class U		(86,567)
		<hr/>
		(680,337)
<b>Changes in Net Assets Attributable to Holders of Class A and Class U Units</b>		
Class A		30,959,975
Class U		4,529,818
		<hr/>
		35,489,793
<hr/>		
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, END OF PERIOD</b>		
Class A		\$ 30,959,975
Class U		4,529,818
		<hr/>
		\$ 35,489,793

The notes are an integral part of the Financial Statements.

## U.S. Financials Income Fund

### Financial Statements

#### Statement of Cash Flows

For the period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)  
(In Canadian dollars unless otherwise noted)

	Note	2015
CASH, BEGINNING OF PERIOD		\$ -
<b>Cash Flows Provided by (Used In) Operating Activities</b>		
Decrease in Net Assets Attributable to Holders of Class and Class U Units		(143,798)
<b>Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities</b>		
Purchase of investment securities		(66,740,540)
Proceeds from disposition of investment securities		33,742,039
Net realized loss on investments at fair value through profit or loss		1,109,751
Net realized gain on options at fair value through profit or loss		(228,088)
Net realized gain on forward exchange contracts at fair value through profit or loss		(12,178)
Net unrealized gain on investments at fair value through profit or loss		(882,343)
Net unrealized loss on cash		12,052
Increase in due from brokers - investments and dividends receivable		(1,641,578)
Increase in issue expenses payable, accrued management fees and accrued liabilities		287,290
		<b>(34,353,595)</b>
<b>Cash Flows Provided by (Used in) Financing Activities</b>		
Class A unit distributions		(593,770)
Class U unit distributions		(86,567)
Proceeds from issue of Class A units, net of issue costs		31,471,875
Proceeds from issue of Class U units, net of issue costs		4,842,053
		<b>35,633,591</b>
<b>Net Increase in Cash During the Period</b>		<b>1,136,198</b>
CASH, END OF PERIOD		\$ 1,136,198
Dividends received		\$ 212,815
Interest received		\$ 4,025

The notes are an integral part of the Financial Statements.



## Schedule of Investments

As at June 30, 2015 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Number of Shares	Average Costs	Fair Value	% of Net Assets Attributable to Holders of Class A and Class U Units
<b>INVESTMENTS</b>				
<b>United States Common Shares</b>				
<b>Banks</b>				
Bank of America Corporation	100,400	\$ 2,034,695	\$ 2,133,371	
Citigroup Inc.	31,000	2,096,397	2,137,905	
JPMorgan Chase & Co.	23,100	1,824,315	1,954,152	
SunTrust Banks, Inc.	14,000	739,990	751,920	
The PNC Financial Services Group, Inc.	10,200	1,204,827	1,218,030	
Wells Fargo & Company	20,500	1,427,830	1,439,369	
<b>Total Banks</b>		9,328,054	9,634,747	27.2 %
<b>Diversified Financials</b>				
Capital One Financial Corporation	7,200	718,526	790,751	
E*TRADE Financial Corporation	30,400	1,010,918	1,136,693	
Morgan Stanley	45,600	2,088,776	2,208,298	
Northern Trust Corporation	19,400	1,770,990	1,851,863	
State Street Corporation	14,800	1,401,494	1,422,739	
The Bank of New York Mellon Corporation	14,100	740,206	738,681	
The Charles Schwab Corporation	27,400	1,055,602	1,116,880	
The Goldman Sachs Group, Inc.	7,200	1,759,652	1,876,787	
<b>Total Diversified Financials</b>		10,546,164	11,142,692	31.4 %
<b>Insurance</b>				
American International Group, Inc.	23,400	1,655,650	1,806,000	
Aon PLC	8,300	1,058,092	1,032,902	
Lincoln National Corporation	11,800	874,699	872,415	
Marsh & McLennan Companies, Inc.	15,800	1,142,545	1,118,441	
Metlife Inc.	18,900	1,307,994	1,321,129	
Prudential Financial, Inc.	11,500	1,282,469	1,256,545	
The Progressive Corporation	35,400	1,226,294	1,229,955	
Torchmark Corporation	12,700	873,786	923,100	
Unum Group	23,900	1,081,946	1,066,711	
<b>Total Insurance</b>		10,503,475	10,627,198	29.9 %
<b>Total United States Common Shares</b>		\$ 30,377,693	\$ 31,404,637	88.5 %
<b>Exchange-Traded Funds</b>				
SPDR S&P Region	33,200	\$ 1,776,520	\$ 1,830,375	5.1 %
<b>Total Exchange-Traded Funds</b>		\$ 1,776,520	\$ 1,830,375	5.1 %

The notes are an integral part of the Financial Statements.

## U.S. Financials Income Fund

### Financial Statements

#### Schedule of Investments

As at June 30, 2015 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets Attributable to Holders of Class A and Class U Units
<b>Forward Exchange Contracts</b>				
Bought USD \$5,000,000, Sold CAD \$6,174,900 @ 0.80973 - August 12, 2015			\$ 71,048	
Sold USD \$6,300,000, Bought CAD \$7,824,789 @ 0.80513 - August 12, 2015			(45,159)	
Sold USD \$6,400,000, Bought CAD \$7,905,856 @ 0.80953 - August 12, 2015			(88,960)	
Sold USD \$6,500,000, Bought CAD \$7,951,320 @ 0.81747 - September 16, 2015			(171,848)	
Sold USD \$6,400,000, Bought CAD \$8,005,504 @ 0.79945 - September 16, 2015			6,909	
<b>Total Forward Exchange Contracts</b>			\$ (228,010)	(0.6)%
<b>Options</b>				
<b>Written Covered Call Options</b> (100 shares per contract)				
State Street Corporation - July 2015 @ \$80	(74)	\$ (5,652)	\$ (2,541)	
The Progressive Corporation - July 2015 @ \$27	(59)	(2,182)	(5,154)	
<b>Total Written Covered Call Options</b>		(7,834)	(7,695)	0.0 %
<b>Total Options</b>		\$ (7,834)	\$ (7,695)	0.0 %
Adjustment for transaction fees		(17,363)		
<b>TOTAL INVESTMENTS</b>		\$ 32,129,016	\$ 32,999,307	93.0 %
<b>OTHER NET ASSETS</b>			2,490,486	7.0 %
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS</b>			\$ 35,489,793	100.0 %

The notes are an integral part of the Financial Statements.

### 1. Fund Information

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U.S. Financials Income Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario on January 29, 2015. The Fund began operations on February 24, 2015. The address of the Fund’s registered office is 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, 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 quarterly cash distributions and to maximize total return through capital appreciation and distributions. The Class A units are listed on the Toronto Stock Exchange under the ticker symbol USF.UN. From time to time, between 0 percent and 100 percent of the value of the Class A units’ U.S. dollar exposure may be hedged back to the Canadian dollar. The Class U units are denominated in U.S. dollar currency and do not trade on an exchange.

To accomplish its objectives, the Fund invests in an actively managed portfolio of U.S. financial issuers selected from the S&P 500 Index that are classified as “Financials” by Standard & Poor’s Global Industry Classification Standard and which have a market capitalization of at least US\$10 billion and a credit rating issued by Standard & Poor’s Rating Services of at least A- at the time of purchase. The portfolio will also include U.S. publicly listed alternative asset management issuers which have a market capitalization of at least US\$5 billion at the time of purchase. The Fund may invest up to 25 percent of the net asset value in other U.S. financial or alternative asset management issuers that do not meet the rating or market capitalization requirements noted above.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. The Fund strategically writes covered call options from time to time, in respect of all or a portion of the securities in its portfolio. In addition, the Fund may write cash covered put options and may invest up to 10 percent of net assets to purchase call options both in respect of securities in which the Fund is permitted to invest.

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

These financial statements were approved by the Board of Advisors on August 7, 2015.

### 2. Basis of Presentation

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

All financial numbers contained in the notes to the financial statements are in Canadian dollars unless otherwise noted.

## U.S. Financials Income Fund

### Notes to Financial Statements

June 30, 2015

#### 3. Summary of Significant Accounting Policies

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##### 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 IAS 21, The Effects of Changes in Foreign Exchange Rates, the Manager has determined that the functional currency is U.S. dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund’s presentation currency.

##### Financial Instruments

The financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for assets. Under IAS 39, Financial Instruments: Recognition and Measurement (“IAS 39”), the Fund’s equity investments are designated at fair value through profit or loss (“FVTPL”) and derivative investments are classified as held for trading and measured at FVTPL.

##### Fair Value Measurement

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

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

##### Investment Transactions and Income

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

- (i) Expiration of written options whereby realized gains are equivalent to the premium received,
- (ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option, and
- (iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

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

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

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

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the net change in unrealized gain/loss on investments at fair value through profit or loss. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date.

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

### Foreign Currency Translation

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

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

### Short-Term Investments

Short-term investments are held for investment purposes and consist primarily of money market instruments with original maturities of 90 days or less.

### Class A and Class U Units

IAS 32, Financial Instruments: Presentation (“IAS 32”), requires that the Class A and Class U units (the “units”) (which are puttable instruments) be classified as financial liabilities unless all the criteria outlined in IAS 32 paragraph 16A are met. The Fund’s units do not meet all the criteria outlined in IAS 32 paragraph 16A which would require the units to be classified as equity by exception, and therefore, have been classified as financial liabilities.

### Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units per Unit

The increase/(decrease) in net assets attributable to holders of Class A and Class U units per unit is calculated by dividing the increase/(decrease) in net assets attributable to holders Class A and Class U units by the weighted average number of Class A and Class U units outstanding during the period. Please refer to Note 11 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,

## U.S. Financials Income Fund

### Notes to Financial Statements

June 30, 2015

including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act.

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

The Fund currently incurs withholding taxes imposed by certain foreign countries on investment income. Such foreign income is recorded gross of withholding taxes, and the withholding taxes are shown as a separate line item in the Statement of Comprehensive Income.

#### 4. Critical Accounting Estimates and Judgments

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

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

In classifying and measuring the financial instruments held by the Fund, the Manager has applied the fair value option for financial assets and liabilities under IAS 39. As a result, the Fund's equity investments have been designated at FVTPL at inception and the derivative investments have been classified as held for trading by nature and valued at FVTPL.

The Fund may, from time to time, hold financial instruments that are not quoted in active markets. Fair values of such instruments are determined by using valuation models and techniques generally recognized as standard within the investment industry. These valuation methods use observable data as practicable as possible. Observable market data are readily available and supplied by independent sources actively involved in the relevant market. However, areas such as credit risk (both own and counterparty) and its correlations require the Manager to make estimates. Significant changes in assumptions about these factors could adversely affect the reported fair values of financial instruments. Please refer to Note 6 for a further analysis of risks associated with financial instruments.

#### 5. Capital Disclosures

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IAS 1, Presentation of Financial Statements, requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such noncompliance. The Fund's objectives, policies and processes are described in Note 1, information on the Fund's units is described in Note 8 and the trust indenture does not have any externally imposed capital requirements.

#### 6. Risks Associated with Financial Instruments

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

## Notes to Financial Statements

June 30, 2015

liquidity risk, market risk (including currency risk, interest rate risk and price risk), concentration risk and capital risk management.

### Credit Risk

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

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102. During the period ended June 30, 2015, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor's Ratings Services.

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

### Liquidity Risk

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

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

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

	As at June 30, 2015 Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ -	\$ 313,662	\$ 313,662
Issue expenses payable	-	212,186	212,186
Accrued management fees	-	39,661	39,661
Accrued liabilities	-	35,443	35,443
	\$ -	\$ 600,952	\$ 600,952

### 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

## U.S. Financials Income Fund

### Notes to Financial Statements

June 30, 2015

sensitivity analyses that show how the net assets attributable to holders of Class A and Class U units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

#### (a) Currency Risk

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

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2015 in Canadian dollar terms, and, if any, the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to Class A and Class U units if the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

	As at June 30, 2015 U.S. Currency Exposure			Impact on Net Assets Attributable to Holders of Class A and Class U Units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
% of Net Assets Attributable to Holders of Class A and Class U Units	\$(24,380,670)	\$ 34,856,120	\$ 10,475,450	\$(1,219,034)	\$ 1,742,806	\$ 523,772
	(69)%	98%	29%	(3)%	5%	2%

#### (b) Interest Rate Risk

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

#### (c) Price Risk

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all the companies in the U.S. 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 94 percent of the Fund's net assets attributable to holders of Class A and Class U units held at June 30, 2015 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2015, the



## Notes to Financial Statements

June 30, 2015

net assets attributable to holders of Class A and Class U units would have increased or decreased by \$1.7 million or 4.7 percent of the net assets attributable to holders of Class A and Class U units with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

### Concentration Risk

Concentration risk arises as a result of the concentration of exposures with the same category, whether it is geographical location, product type, industry sector or counterparty type. The following is a summary of the Fund's concentration risk:

	June 30, 2015
Diversified Financials	33.5%
Insurance	32.0%
Banks	29.0%
Exchange-Traded Funds	5.5%
	100.0%

### Capital Risk Management

Units may be surrendered at any time for redemption to Computershare Investor Services, the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date. Units surrendered for redemption on or before an Annual Redemption Deadline will be redeemed on the Annual Redemption Date corresponding to such Annual Redemption Deadline. Units surrendered for redemption on or before a Monthly Redemption Deadline will be redeemed on the Monthly Redemption Date corresponding to such Monthly Redemption Deadline. Unitholders will receive payment for the units on or before the Redemption Payment Date. If a unitholder surrenders units after 5:00 p.m. (Toronto time) on the applicable cut-off date, the units will be redeemed on the following Redemption Date. Redemption proceeds will be payable in Canadian dollars to holders of Class A units and in U.S. dollars to holders of Class U units.

### Fair Value Measurement

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

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

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

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2015.

## U.S. Financials Income Fund

### Notes to Financial Statements

June 30, 2015

	As at June 30, 2015				Total
	Level 1	Level 2	Level 3		
United States Common Shares	\$ 31,404,637	\$ -	\$ -	\$ -	\$ 31,404,637
Exchange-Traded Funds	-	1,830,375	-	-	1,830,375
Forward Exchange Contracts	-	(228,010)	-	-	(228,010)
Options	(2,541)	(5,154)	-	-	(7,695)
	\$ 31,402,096	\$ 1,597,211	\$ -	\$ -	\$ 32,999,307

The carrying values of cash, dividends receivable, due from brokers - investments, issue expenses payable, accrued management fees, accrued liabilities, and the Fund's obligation for net assets attributable to holders of Class A and Class U 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 generally observable and therefore short-term investments are classified as Level 2.

#### (c) Derivative Assets and Liabilities

Derivative assets and liabilities consist of forward exchange contracts and listed and/or over-the-counter option contracts.

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

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

### 7. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2015.

	As at June 30, 2015				Total
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		
	Designated at Inception	Held for Trading			
<b>Assets</b>					
Non-derivative financial assets	\$ 33,235,012	\$ -	\$ -	\$ -	\$ 33,235,012
Derivative assets	-	77,957	-	-	77,957
Dividends receivable	-	-	12,775	-	12,775
Due from brokers - investments	-	-	1,628,803	-	1,628,803
Cash	-	-	1,136,198	-	1,136,198
	\$ 33,235,012	\$ 77,957	\$ 2,777,776	\$ -	\$ 36,090,745

Notes to Financial Statements

June 30, 2015

	As at June 30, 2015		Financial Instruments at Amortized Cost	Total
	Financial Instruments at Designated at Inception	FVTPL Held for Trading		
<b>Liabilities</b>				
Derivative liabilities	\$ -	\$ 313,662	\$ -	\$ 313,662
Issue expenses payable	-	-	212,186	212,186
Accrued management fees	-	-	39,661	39,661
Accrued liabilities	-	-	35,443	35,443
	\$ -	\$ 313,662	\$ 287,290	\$ 600,952

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the period ended June 30, 2015.

	June 30, 2015
<b>Net Realized Gain/(Loss) on Financial Instruments at FVTPL</b>	
Designated at Inception	\$ (1,109,751)
Held for Trading	240,266
	(869,485)
<b>Net Unrealized Gain/(Loss) on Financial Instruments at FVTPL</b>	
Designated at Inception	1,110,214
Held for Trading	(227,871)
	882,343
<b>Net Gain on Financial Instruments at FVTPL</b>	<b>\$ 12,858</b>

### 8. Class A and Class U Units

The Fund's authorized capital includes an unlimited number of Class A units and an unlimited number of Class U units. On January 29, 2015, the Fund issued one Class A unit for \$10.00 cash.

On February 24, 2015, the Fund completed its initial public offering of 3,200,000 Class A units at a price of \$10.00 per unit and 412,600 Class U units at a price of US\$10.00 per unit, for gross proceeds of \$37.2 million. On March 9, 2015, the Fund closed the over-allotment option raising additional gross proceeds of \$1.8 million from the issuance of 175,000 Class A units.

The Fund intends to pay equal quarterly cash distributions on the last business day of March, June, September and December in an amount targeted to be 5.0 percent per annum of the issue price of the Class A and Class U units in their respective currencies. The initial cash distribution was paid on March 31, 2015 and was prorated to reflect the period from the closing date of February 24, 2015 to March 31, 2015.

During the period ended June 30, 2015, the unit transactions are as follows:

	June 30, 2015
<b>Class A Units</b>	
Units outstanding, beginning of period	-
Units issued	3,375,000
Conversions	25,156
Units outstanding, end of period	3,400,156
<b>Class U Units</b>	
Units outstanding, beginning of period	-
Units issued	412,600
Conversions	(20,000)
Units outstanding, end of period	392,600

## U.S. Financials Income Fund

### Notes to Financial Statements

June 30, 2015

#### 9. Related Party Transactions

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

##### (a) Management Fees

Strathbridge, as Investment Manager and Manager under the terms of the Investment Management Agreement and Trust Agreement, receives fees payable at annual rates of 1.25 percent of the Fund's net asset value of the Fund and 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 period ended June 30, 2015 were \$157,840.

##### (b) Board of Advisors' Remuneration

Total remuneration paid to the external members of the Board of Advisors for the period ended June 30, 2015 was \$6,126.

##### (c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the period ended June 30, 2015 was \$2,408.

#### 10. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the period ended June 30, 2015 is disclosed below:

	June 30, 2015
Soft Dollars	\$ 28,939
Percentage of Total Transaction Fees	48.6%

#### 11. Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units per Unit

The Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U units per unit for the period ended June 30, 2015 is calculated as follows:

	June 30, 2015	
	Class A	Class U
Increase/(Decrease) in Net Assets Attributable to Holders of Units	\$ (148,708)	\$ 4,910
Weighted Average Number of Units Outstanding during the Period	3,371,877	400,843
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	\$ (0.0441)	\$ 0.0122

## 12. Future Accounting Policy Changes

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

### Investment Funds Managed by Strathbridge Asset Management Inc.

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

#### SPLIT SHARES

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

#### Head Office

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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](mailto:info@strathbridge.com)

Visit our website at [www.strathbridge.com](http://www.strathbridge.com) for additional information on all Strathbridge Investment Funds.





  
strathbridge  
ASSET MANAGEMENT  
[www.strathbridge.com](http://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](mailto:info@strathbridge.com)