Top 10 Split Trust

Annual Report 2016

strathbridge
ASSET MANAGEMENT

Letter to Securityholders

We are pleased to present the 2016 annual report containing the management report of fund performance and the audited financial statements for Top 10 Split Trust (the "Fund").

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

For the year ended December 31, 2016, the Fund's annual total return per Combined Unit and per Capital Unit, including reinvestment of distributions, was 16.4 percent and 54.1 percent respectively. The Fund paid cash distributions of $0.25 per Capital Unit and $0.78 per Preferred Security during the year. The net asset value per Combined Unit increased 9.1 percent from $15.85 at December 31, 2015 to $17.30 at December 31, 2016. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to $0.21 per Combined Unit in 2016 as compared to a net realized gain on options of $0.22 per Combined Unit in 2015. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all securityholders for their continued support and encourage securityholders 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 split share trust designed to provide Capital Unit holders with the benefit of any capital appreciation in the value of the portfolio combined with tax-efficient quarterly distributions and to provide holders of the Preferred Securities with fixed cumulative preferential quarterly distributions. These securities are listed on the Toronto Stock Exchange under the ticker symbols TXT.UN for the Capital Units and TXT.PR.A for the Preferred Securities. A Combined Unit of the Fund consists of one Capital Unit and one Preferred Security.

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, 2016 of Top 10 Split 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 for Capital Units are to:

(1) provide holders of Capital Units, upon redemption, with the benefit of any capital appreciation in the market price of the securities in the Financial Portfolio, and

(2) pay quarterly distributions to holders of Capital Units in an amount targeted to be 7.5 percent per annum of the net asset value (the ''NAV'') of the Capital Units; and

the Fund's investment objectives for Preferred Securities are to:

(1) pay holders of Preferred Securities fixed quarterly cash interest payments equal to 6.25 percent per annum on the $12.50 principal amount of a Preferred Security, and

(2) repay the principal amount of $12.50 per Preferred Security on the termination date of the Fund on March 31, 2021.

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.

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

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

Risk

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

Results of Operations

Distributions

For the year ended December 31, 2016, cash distributions of $0.25 per Capital Unit were paid compared to $0.32 per Capital Unit in 2015. Interest payments of $0.78 per Preferred Security remained unchanged from the prior year.

Since the reorganization of the Fund in November 2005 when the Fund adopted new objectives and a new investment strategy as the Top 10 Split Trust, the Fund paid cash distributions of $4.95 per Capital Unit and interest of $8.65 per Preferred Security.

Revenue and Expenses

For the year ended December 31, 2016, total revenue was $0.63 per Unit unchanged from the prior year. Total expenses for 2016 were $0.39 per Unit compared to $0.37 per Unit in 2015. The increase in per Unit expense was largely attributable to higher custodian and legal fees incurred in the current year. The Fund had a net realized and unrealized gain of $2.15 per Unit in 2016 as compared to a net realized and unrealized loss of $1.11 per Unit a year ago.

Net Asset Value

The net asset value per Combined Unit of the Fund increased 9.1 percent from $15.85 at December 31, 2015 to $17.30 at December 31, 2016. The aggregate net asset value of the Fund decreased $1.29 million from $21.13 million at December 31, 2015 to $19.84 million at December 31, 2016, reflecting distributions to Capital Unitholders of $0.31 million, special and annual redemptions of $2.97 million, partially offset by an increase in net assets attributable to holders of Capital Units of $1.99 million.

Recent Developments

On January 14, 2016, the Fund announced that pursuant to the Fund's trust agreement, the term of the Fund was being extended automatically for an additional five year period beyond the March 31, 2016 termination date to March 31, 2021. The automatic extension was approved by securityholders of the Fund at a meeting held on March 21, 2011. In connection with the automatic extension of the term, holders of Capital Units and Preferred Securities had a special retraction right to permit holders of such securities to retract such securities on March 31, 2016 on the terms on which such securities would have been redeemed had the term of the Fund not been extended. Pursuant to such special retraction right granted to securityholders, 125,696 Preferred Securities and 137,494 Capital Units were surrendered for retraction. Each security tendered was repaid at a retraction price of $12.50 per Preferred Security or $3.00 per Capital Unit.

On March 23, 2016, the Fund announced a partial redemption of its Preferred Securities in order to maintain an equal number of Preferred Securities and Capital Units outstanding. The Fund redeemed an aggregate of 11,798 Preferred Securities on a pro rata basis from all securityholders of record of Preferred Securities on March 31, 2016, representing approximately 0.9 percent of the 1,332,821 issued and outstanding Preferred Securities. Each Preferred Security retracted pursuant to the partial redemption was redeemed at $12.50, being the principal amount per Preferred Security.

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 January 22, 1997 and amended as of November 30, 2005.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated January 22, 1997 and amended as of November 30, 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.

As a result of the adoption of International Financial Reporting Standards ("IFRS"), for December 31, 2016, 2015, 2014 and 2013, the net assets per Combined Unit presented in the financial statements and the net asset value per Combined Unit calculated weekly are both valued at closing prices. For the year ended December 31, 2012, the net assets per Combined Unit presented in the financial statements differs from the net asset value per Combined Unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended December 31	**2016**	2015	2014	2013	2012
NET ASSETS PER COMBINED UNIT					
Net Assets, beginning of year[(1)]	**$ 15.85**	$ 17.80	$ 17.52	$ 14.55	$ 13.77
INCREASE (DECREASE) FROM OPERATIONS					
Total revenue	**0.63**	0.63	0.62	0.61	0.64
Total expenses	**(0.39)**	(0.37)	(0.39)	(0.35)	(0.31)
Realized gain (loss) for the period	**0.23**	0.63	2.62	0.84	(1.16)
Unrealized gain (loss) for the period	**1.92**	(1.74)	(1.37)	2.93	2.47
Total Increase (Decrease) from Operations[(2)]	**2.39**	(0.85)	1.48	4.03	1.64
DISTRIBUTIONS					
From net investment income - Preferred Security	**(0.78)**	(0.78)	(0.78)	(0.78)	(0.78)
Non-taxable distributions - Capital Unit	**(0.25)**	(0.32)	(0.41)	(0.28)	(0.11)
Total Annual Distributions[(3)]	**(1.03)**	(1.10)	(1.19)	(1.06)	(0.89)
Net Assets, end of year[(1)]	**$ 17.30**	$ 15.85	$ 17.80	$ 17.52	$ 14.53

(1) All per Combined Unit figures presented in 2016, 2015, 2014 and 2013 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited financial statements for the years ended December 31, 2016, 2015 and 2014. Net assets per Combined Unit for the year ended December 31, 2012 were derived from the Fund's audited annual financial statements that were prepared in accordance with Canadian generally accepted accounting principles. Net assets per Combined Unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices for the years beginning on or after January 1, 2013 and for 2012 at bid prices) and the aggregate value of the liabilities, excluding the Preferred Security liability, divided by the number of Units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses 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 securityholders are based on the number of securities outstanding on the record date for each distribution.

Financial Highlights

Years ended December 31	2016	2015	2014	2013	2012
RATIOS/SUPPLEMENTAL DATA					
Net Asset Value, excluding the Preferred Security liability ($millions)(1)	**$ 19.84**	$ 21.13	$ 24.51	$ 25.34	$ 22.22
Net Asset Value ($millions)(1)	**$ 5.50**	4.47	7.30	$ 7.26	$ 3.13
Number of Units outstanding(1)	**1,146,869**	1,332,821	1,376,799	1,446,599	1,526,948
Management expense ratio(2)	**2.32%**	2.12%	2.14%	2.11%	2.12%
Portfolio turnover rate(3)	**145.80%**	95.02%	93.84%	63.41%	73.48%
Trading expense ratio(4)	**0.14%**	0.09%	0.08%	0.08%	0.08%
Net Asset Value per Combined Unit(5)	**$ 17.30**	$ 15.85	$ 17.80	$ 17.52	$ 14.55
Closing market price - Preferred Security	**$ 12.60**	$ 12.46	$ 12.80	$ 12.68	$ 12.64
Closing market price - Capital Unit	**$ 4.19**	$ 3.50	$ 4.79	$ 4.42	$ 1.98

(1) This information is provided as at December 31. One Combined Unit consists of one Capital Unit and one Preferred Security.

(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 and 2014 includes the special resolution expense. The MER for 2015 and 2014 excluding the special resolution expense is 2.10% and 2.08% respectively. The MER, including Preferred Security interest payments, is 7.29%, 6.79%, 6.54%, 7.04%, 7.66% and 7.33% for 2016, 2015, 2014, 2013 and 2012 respectively.

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

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

(5) Net Asset Value per Combined Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Preferred Security liability, divided by the number of Units then outstanding.

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value, excluding the Preferred Security liability, 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 and interest payments made by the Fund during these periods shown were reinvested in securities of the Fund,

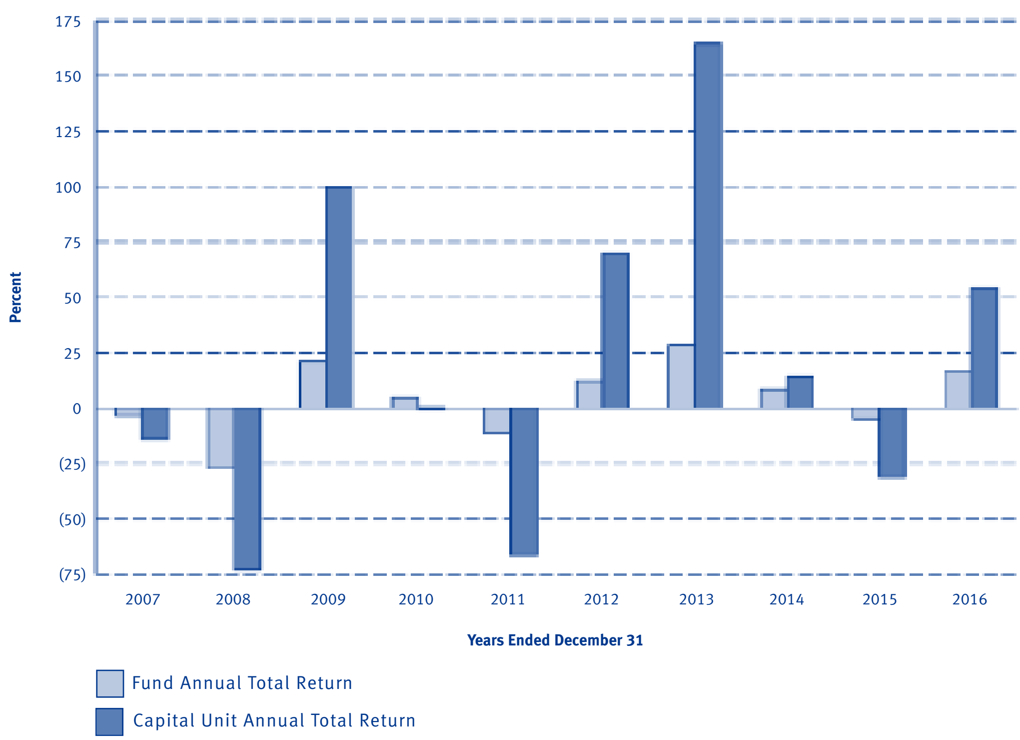
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and

(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 the fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2016 as compared to the performance of the S&P/TSX Capped Financials Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Top 10 Split Trust	**16.38 %**	6.37 %	11.67 %	3.23 %
Top 10 Split Trust - Preferred Security	**6.40 %**	6.40 %	6.40 %	6.40 %
Top 10 Split Trust - Capital Unit	**54.14 %**	6.52 %	40.25 %	(1.52)%
S&P/TSX Capped Financials Index[(1)]	**24.15 %**	10.67 %	15.02 %	6.91 %

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

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

Portfolio Manager Report

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

For the year ended December 31, 2016, the annual return per Combined Unit and per Capital Unit, including reinvestment of distributions, was 16.4 percent and 54.1 percent respectively. In comparison, the S&P/TSX Capped Financials Index return was 24.2 percent and the S&P/TSX Composite Index return was 21.1 percent. The Capital Unit achieved its investment objective of providing quarterly distributions in an amount targeted to be 7.5 percent of the NAV. The Preferred Security also achieved its investment objective of providing fixed quarterly cash interest payments equal to 6.25 percent on the $12.50 principal amount. In aggregate, the Fund paid cash distributions of $0.25368 per Capital Unit and $0.78124 per Preferred Security during the year. While the NAV per Preferred Security remained unchanged at $12.50, the NAV per Capital Unit increased from $3.35 at the end of 2015 to $4.80 at the end of 2016.

For the fiscal year 2016, the holdings in the portfolio had a median return of 26.5 percent. The bank holdings outperformed the insurance holdings by 13.2 percent with an average return of 31.8 percent on the bank portion and 18.6 percent on the insurance portion. The National Bank of Canada led the Fund with an annual return of 41.8 percent and Great-West Lifeco Inc. lagged with a return of 6.0 percent.

The insurance holdings raised their dividends by an average of 8.3 percent in 2016. Leading this increase was Manulife Financial Corporation with a year-on-year rise of 11.3 percent which compares favourably with the bank holding year-on-year increase of 6.5 percent. The outlier to the upside on bank distributions was Canadian Imperial Bank of Commerce with an increase of 9.5 percent.

The reported per share earnings for the bank holdings increased by 5.2 percent in 2016 as compared to 2015. Full year financial reporting to December 31, 2016 for the Fund's insurance holdings was not available at the time of this report. For the previous four quarters leading up to September 30, 2016, the average year-on-year change in per share earnings was 1.5 percent.

The average call writing exposure over the year was 7.9 percent, up from 5.3 percent a year ago. At times, there were no overwritten positions and the largest exposure was 28.7 percent of the portfolio in the first quarter of 2016. The average overwritten call positions were 14.4 percent in the first quarter and for the remainder of the year the call positions averaged between 3.6 percent and 7.8 percent. The Fund held no put option positions throughout the year. The net realized gain on options attributable to Strathbridge Selective Overwriting ("SSO") strategy amounted to $0.21 per unit. The average cash position was 6.8 percent for the year.

Summary of Investment Portfolio

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

Asset Mix

December 31, 2016

	% OF NET ASSET VALUE*
Financials	100.7 %
Cash	3.5 %
Other Assets (Liabilities)	(4.2)%
	100.0 %

*The Net Asset Value excludes the Preferred Security liability.

Portfolio Holdings

December 31, 2016

	% OF NET ASSET VALUE*
Sun Life Financial Inc.	13.1 %
National Bank of Canada	12.6 %
Manulife Financial Corporation	12.0 %
Bank of Montreal	11.8 %
The Bank of Nova Scotia	10.6 %
Industrial Alliance Insurance and Financial Services Inc.	9.2 %
The Toronto-Dominion Bank	8.5 %
Royal Bank of Canada	8.5 %
Canadian Imperial Bank of Commerce	8.1 %
Great-West Lifeco Inc.	6.3 %
Cash	3.5 %

*The Net Asset Value excludes the Preferred Security liability.

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Top 10 Split 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 6, 2017

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Securityholders of Top 10 Split Trust

We have audited the accompanying financial statements of Top 10 Split Trust, which comprise the statements of financial position as at December 31, 2016 and December 31, 2015, and the statements of comprehensive income, statements of changes in net assets attributable to holders of Capital Units and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Top 10 Split Trust as at December 31, 2016 and December 31, 2015 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants
Licensed Public Accountants
March 6, 2017
Toronto, Ontario

Statements of Financial Position

As at December 31

	Note	2016	2015
ASSETS			
Financial assets at fair value through profit or loss	3,6	**$ 19,972,679**	$ 21,375,455
Dividends receivable		**64,562**	58,561
Cash		**698,364**	470,781
TOTAL ASSETS		**20,735,605**	21,904,797
LIABILITIES			
Redemptions payable		**838,100**	697,104
Accrued liabilities		**42,604**	49,043
Accrued management fees	9	**19,287**	20,414
Preferred securities		**14,335,863**	16,660,263
Derivative liabilities	3,6	**–**	11,457
TOTAL LIABILITIES		**15,235,854**	17,438,281
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS		**$ 5,499,751**	$ 4,466,516
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS PER CAPITAL UNIT		**$ 4.7954**	$ 3.3512

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

For the years ended December 31

	Note	2016	2015
INCOME			
Dividend income		**$ 772,754**	$ 869,548
Interest income		**2,745**	1,548
Net realized gain on investments at fair value through profit or loss	7	**19,302**	561,597
Net realized gain on options at fair value through profit or loss	7	**260,865**	306,076
Net change in unrealized gain/loss on investments at fair value through profit or loss	7	**2,369,248**	(2,396,850)
TOTAL INCOME/(LOSS), NET		**3,424,914**	(658,081)
EXPENSES			
Management fees	9	**215,073**	252,678
Service fees		**16,148**	20,515
Administrative and other expenses		**64,545**	69,121
Transaction fees	10	**26,796**	21,096
Custodian fees		**37,813**	29,003
Audit fees		**32,100**	31,513
Advisory board fees	9	**19,500**	18,900
Independent review committee fees	9	**6,898**	6,918
Legal fees		**11,311**	3,266
Securityholder reporting costs		**12,491**	15,390
Harmonized sales tax		**33,844**	36,278
Subtotal Expenses		**476,519**	504,678
Special resolution expense	1	**–**	3,411
TOTAL EXPENSES		**476,519**	508,089
OPERATING PROFIT/(LOSS)		**2,948,395**	(1,166,170)
Preferred security interest		**(960,691)**	(1,075,610)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS	11	**$ 1,987,704**	$ (2,241,780)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS PER CAPITAL UNIT	11	**$ 1.6104**	$ (1.6284)

Statements of Changes in Net Assets Attributable to Holders of Capital Units

For the years ended December 31

	2016	2015
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS, BEGINNING OF YEAR	**$ 4,466,516**	$ 7,297,366
Increase/(Decrease) in Net Assets Attributable to Holders of Capital Units	**1,987,704**	(2,241,780)
Capital Unit Transactions		
Value for Capital Units redeemed, excluding Preferred Securities	**(645,490)**	(147,379)
Distributions		
Non-taxable distributions	**(308,979)**	(441,691)
Changes in Net Assets Attributable to Holders of Capital Units during the Year	**1,033,235**	(2,830,850)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS, END OF YEAR	**$ 5,499,751**	$ 4,466,516

Statements of Cash Flows

For the years ended December 31

	2016	2015
CASH, BEGINNING OF YEAR	**$ 470,781**	$ 218,118
Cash Flows Provided by (Used In) Operating Activities		
Operating Profit/(Loss)	**2,948,395**	(1,166,170)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized gain on investments at fair value through profit or loss	**(19,302)**	(561,597)
Net realized gain on options at fair value through profit or loss	**(260,865)**	(306,076)
Net change in unrealized gain/loss on investments at fair value through profit or loss	**(2,369,248)**	2,396,850
(Increase)/decrease in dividends receivable and due from brokers - investments	**(6,001)**	1,221,331
Decrease in accrued liabilities and accrued management fees	**(7,566)**	(25,573)
Purchase of investment securities	**(26,456,074)**	(20,848,153)
Proceeds from disposition of investment securities	**30,496,808**	22,301,806
	1,377,752	4,178,588
Cash Flows Used In Financing Activities		
Capital Unit redemptions	**(560,494)**	(369,954)
Preferred Security redemptions	**(2,268,400)**	(872,500)
Capital Unit distributions	**(308,979)**	(441,691)
Preferred Security - interest	**(960,691)**	(1,075,610)
	(4,098,564)	(2,759,755)
Net Increase in Cash during the Year	**227,583**	252,663
CASH, END OF YEAR	**$ 698,364**	$ 470,781
Dividends received	**$ 766,753**	$ 858,902
Interest received	**$ 2,745**	$ 1,548

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at December 31, 2016

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Capital Units and Preferred Securities
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	24,300	$ 2,172,666	$ 2,346,651	
Canadian Imperial Bank of Commerce	14,600	1,491,715	1,599,576	
Great-West Lifeco Inc.	35,320	1,211,157	1,242,204	
Industrial Alliance Insurance and Financial Services Inc.	34,300	1,509,876	1,831,277	
Manulife Financial Corporation	99,500	2,044,203	2,379,045	
National Bank of Canada	45,960	2,211,290	2,506,199	
Royal Bank of Canada	18,500	1,427,251	1,681,095	
Sun Life Financial Inc.	50,400	2,186,865	2,598,120	
The Bank of Nova Scotia	28,000	1,839,527	2,093,280	
The Toronto-Dominion Bank	25,600	1,424,551	1,695,232	
Total Financials		17,519,101	19,972,679	100.7 %
Total Canadian Common Shares		$ 17,519,101	$ 19,972,679	100.7 %
Adjustment for transaction fees		(8,663)		
TOTAL INVESTMENTS		$ 17,510,438	$ 19,972,679	100.7 %
OTHER NET LIABILITIES			(137,065)	(0.7)%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CAPITAL UNITS AND PREFERRED SECURITIES			$ 19,835,614	100.0 %

1. Fund Information

Top 10 Split Trust (the “Fund”) was originally established as a closed-end investment trust under the laws of the Province of Ontario on January 22, 1997 under the name First Premium U.S. Income Trust (“FPU”) which began operations on February 4, 1997. On November 21, 2005, unitholders of FPU approved a proposal 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 Split Trust to better reflect its new investment strategy and split trust capital structure. 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 split share trust designed to provide Capital Unit holders with the benefit of any capital appreciation in the value of the portfolio combined with tax-efficient quarterly distributions and to provide holders of the Preferred Securities with fixed cumulative preferential quarterly distributions. These securities are listed on the Toronto Stock Exchange under the ticker symbols TXT.UN for the Capital Units and TXT.PR.A for the Preferred Securities. A Combined Unit of the Fund consists of one Capital Unit and one Preferred Security.

On January 2, 2015, the Manager announced securityholder approval of a proposal to change the investment restrictions and the investment strategy of the Fund. During 2015, costs of $3,411 were incurred in relation to this special resolution.

On January 14, 2016, the Fund announced that pursuant to the Fund’s trust agreement, the term of the Fund was being extended automatically for an additional five year period beyond the March 31, 2016 termination date to March 31, 2021. The automatic extension was approved by securityholders of the Fund at a meeting held on March 21, 2011. In connection with the automatic extension of the term, holders of Capital Units and Preferred Securities had a special retraction right to permit holders of such securities to retract such securities on March 31, 2016 on the terms on which such securities would have been redeemed had the term of the Fund not been extended. Pursuant to such special retraction right granted to securityholders, 125,696 Preferred Securities and 137,494 Capital Units were surrendered for retraction. Each security tendered was repaid at a retraction price of $12.50 per Preferred Security or $3.00 per Capital Unit.

On March 23, 2016, the Fund announced a partial redemption of its Preferred Securities in order to maintain an equal number of Preferred Securities and Capital Units outstanding. The Fund redeemed an aggregate of 11,798 Preferred Securities on a pro rata basis from all securityholders of record of Preferred Securities on March 31, 2016, representing approximately 0.9 percent of the 1,332,821 issued and outstanding Preferred Securities. Each Preferred Security retracted pursuant to the partial redemption was redeemed at $12.50, being the principal amount per Preferred Security.

In accordance with the new investment mandate, 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 6, 2017.

2. Basis of Presentation

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

3. Summary of Significant Accounting Policies

Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the “functional currency”). 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.

Financial Instruments

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

Fair Value Measurement

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

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

Investment Transactions and Income

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

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

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

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

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

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

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

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

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

Dividend income is recorded on the ex-dividend date.

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

Short-Term Investments

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

Capital Units

IAS 32, Financial Instruments: Presentation requires that the Capital 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 Capital Units do not meet all the definition of IAS 32 paragraph to be classified as equity.

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

The increase/(decrease) in net assets attributable to holders of Capital Units per Capital Unit is calculated by dividing the increase/(decrease) in net assets attributable to holders of Capital Units by the weighted average number of Capital Units outstanding during the year. 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, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to Capital Unit holders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to Capital Unit holders 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 1 Disclosure Initiative

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

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

4. Critical Accounting Estimates and Judgments

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

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

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

5. Capital Disclosures

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

6. Risks Associated with Financial Instruments

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which the Fund invests. The most important risks include credit risk, liquidity risk, market risk (including interest rate risk and price risk), concentration risk and capital risk management.

Credit Risk

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

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102. During the years ended December 31, 2016 and 2015, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

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

Liquidity Risk

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

Cash is required to fund redemptions. Unitholders must surrender Capital Units at least 10 business days prior to the last day of the month and receive payment on or before 10 calendar days following the month end valuation date. Therefore the Fund has a maximum of 20 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

As at December 31, 2016	Financial Liabilities On Demand	‹ 3 months	Total
Redemptions payable	$ –	$ 838,100	$ 838,100
Accrued liabilities	–	42,604	42,604
Accrued management fees	–	19,287	19,287
Preferred securities	14,335,863	–	14,335,863
	$ 14,335,863	$ 899,991	$ 15,235,854

As at December 31, 2015	Financial Liabilities On Demand	‹ 3 months	Total
Redemptions payable	$ –	$ 697,104	$ 697,104
Accrued liabilities	–	49,043	49,043
Accrued management fees	–	20,414	20,414
Derivative liabilities	–	11,457	11,457
Preferred securities	16,660,263	–	16,660,263
	$ 16,660,263	$ 778,018	$ 17,438,281

The Preferred Securities are direct unsecured debt obligations issued by the Fund that will mature on March 31, 2021. As at such date, the Fund will repay the principal amount of $12.50 per Preferred Security on termination of the Fund.

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 Capital 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 attributable to holders of Capital Units per Capital 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 101 percent (2015 - 101 percent) of the Fund's net assets attributable to holders of Capital Units, excluding the Preferred Security liability, held at December 31, 2016 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at December 31, 2016, the net assets attributable to holders of Capital Units, excluding the Preferred Security liability, would have increased or decreased by $1.0 million (2015 - $1.1 million) respectively or 5.0 percent (2015 - 5.1 percent) of the net assets attributable to holders of Capital Units, excluding the Preferred Security liability, with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

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

Concentration Risk

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

	Dec. 31, 2016	Dec. 31, 2015
Financials	100.0%	100.0%

Capital Risk Management

Capital Units surrendered for retraction (either alone or together with a Preferred Security) at least ten business days prior to the last day of a month (a "Valuation Date") will be retracted on such Valuation date and such securityholder will receive payment on or before the tenth business day following such Valuation Date. A holder who concurrently redeems a Capital Unit with a Preferred Security (a "Combined Unit") for retraction on a monthly Valuation Date (other than December) will be entitled to receive an amount equal to 95 percent of the lesser of (i) the net asset value ("NAV") of a Combined Unit (the "Combined Value") less $0.50 and (ii) the Combined Unit Market Price (as defined below). A holder retracting a Capital Unit alone on a monthly Valuation date (other than December) will receive a retraction price per Capital Unit equal to 95 percent of the lesser of (i) the Combined Value less the aggregate cost to purchase a Preferred Security in the market and $0.50; and (ii) the Capital Unit Market Price (as defined below).

The "Combined Unit Market Price" means the sum of the Capital Unit Market Price and the Preferred Security Market Price.

The "Capital Unit Market Price" means the weighted average trading price of the Capital Units, on the stock exchange on which the Capital Units are listed, for the 10 trading days immediately preceding the applicable valuation date.

The "Preferred Security Market Price" means the weighted average trading price of the Preferred Securities, on the stock exchange on which the Preferred Securities are listed, for the 10 trading days immediately preceding the applicable valuation date.

A holder who surrenders a Capital Unit for retraction in December (a "Special Annual Retraction") will receive an amount equal to the Combined Value minus the price paid for one Preferred Security in the market. A holder of Capital Units who surrenders one Capital Unit and one Preferred Security under a Special Annual Retraction will receive an amount equal to the Combined Value.

Fair Value Measurement

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

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

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

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

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur. The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at December 31, 2016 and 2015.

As at December 31, 2016	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 19,972,679	$ –	$ –	$ 19,972,679

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Canadian Common Shares	$ 21,375,455	$ –	$ –	$ 21,375,455
Options	–	(11,457)	–	(11,457)
	$ 21,375,455	$ (11,457)	$ –	$ 21,363,998

The carrying values of cash, dividends receivable, due from brokers - investments, accrued liabilities, accrued management fees, redemptions payable, Preferred Securities, and the Fund's obligation for net assets attributable to holders of capital 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 2016 and 2015.

7. Financial Instruments by Category

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

As at December 31, 2016	Financial Instruments at FVTPL Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 19,972,679	$ –	$ –	$ 19,972,679
Dividends receivable	–	–	64,562	64,562
Cash	–	–	698,364	698,364
	$ 19,972,679	$ –	$ 762,926	$ 20,735,605
Liabilities				
Redemptions payable	$ –	$ –	$ 838,100	$ 838,100
Accrued liabilities	–	–	42,604	42,604
Accrued management fees	–	–	19,287	19,287
Preferred securities	–	–	14,335,863	14,335,863
	$ –	$ –	$ 15,235,854	$ 15,235,854

As at December 31, 2015	Financial Instruments at FVTPL Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	Total
Assets				
Non-derivative financial assets	$ 21,375,455	$ –	$ –	$ 21,375,455
Dividends receivable	–	–	58,561	58,561
Cash	–	–	470,781	470,781
	$ 21,375,455	$ –	$ 529,342	$ 21,904,797
Liabilities				
Redemptions payable	$ –	$ –	$ 697,104	$ 697,104
Accrued liabilities	–	–	49,043	49,043
Accrued management fees	–	–	20,414	20,414
Derivative liabilities	–	11,457	–	11,457
Preferred securities	–	–	16,660,263	16,660,263
	$ –	$ 11,457	$ 17,426,824	$ 17,438,281

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

	Dec. 31, 2016	Dec. 31, 2015
Net Realized Gain on Financial Instruments at FVTPL		
Designated at Inception	$ 19,302	$ 561,597
Held for Trading	260,865	306,076
	280,167	867,673
Net Change in Unrealized Gain/Loss on Financial Instruments at FVTPL		
Designated at Inception	2,365,759	(2,393,361)
Held for Trading	3,489	(3,489)
	2,369,248	(2,396,850)
Net Gain/(Loss) on Financial Instruments at FVTPL	$ 2,649,415	$ (1,529,177)

8. Capital Units and Preferred Securities

The Fund is authorized to issue an unlimited number of Capital Units and Preferred Securities. The Preferred Securities are direct unsecured debt obligations issued by the Fund that will mature on March 31, 2021. At such date, the Fund will repay the principal amount of $12.50 per Preferred Security on termination of the Fund.

The Fund will endeavour to make quarterly distributions to holders of Capital Units in an amount targeted to be 7.5 percent per annum on the Fund's net asset value and to pay holders of Preferred Securities fixed quarterly cash interest payments of 6.25 percent per annum on the $12.50 principal amount of a Preferred Security.

For the year ended December 31, 2016, cash distributions paid to Capital Unit Holders were $308,979 (2015 - $441,691) representing a payment of $0.25 (2015 - $0.32) per Capital Unit and interest payments paid to Preferred Securities were $960,691 (2015 - $1,075,610) representing $0.78 (2015 - $0.78) per Preferred Security.

During the year ended December 31, 2016, 185,952 (2015 - 43,978) Units were redeemed with a total retraction of $2,969,890 (2015 - $697,104).

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

	Dec. 31, 2016	Dec. 31, 2015
Capital Units outstanding, beginning of year	1,332,821	1,376,799
Capital Units redeemed	(185,952)	(43,978)
Capital Units outstanding, end of year	1,146,869	1,332,821
Preferred Securities outstanding, beginning of year	1,332,821	1,376,799
Preferred Securities redeemed	(185,952)	(43,978)
Preferred Securities outstanding, end of year	1,146,869	1,332,821

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 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, excluding the Preferred Security liability, calculated and payable monthly, plus applicable taxes. The Fund is responsible for all ongoing custodian, manager, legal, accounting and audit fees as well as all other expenses incurred by the Custodian and Manager in the ordinary course of business relating to the Fund's operations. Total management fees for the year ended December 31, 2016 were $215,073 (2015 - $252,678).

(b) Advisory Board Fees

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

(c) Independent Review Committee Fees

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

10. Brokerage Commissions and Soft Dollars

The Manager may select brokerages who charge a commission in soft dollars if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total transaction fees paid during the years ended December 31, 2016 and 2015 is disclosed below:

	Dec. 31, 2016	Dec. 31, 2015
Soft Dollars	$ 13,055	$ 10,539
Percentage of Total Transaction Fees	48.7%	50.0%

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

The increase/(decrease) in net assets attributable to holders of Capital Units per Capital Unit for the years ended December 31, 2016 and 2015 is calculated as follows:

	Dec. 31, 2016	Dec. 31, 2015
Increase/(Decrease) in Net Assets Attributable to Holders of Capital Units	$ 1,987,704	$ (2,241,780)
Weighted Average Number of Capital Units Outstanding during the Year	1,234,264	1,376,679
Increase/(Decrease) in Net Assets Attributable to Holders of Capital Units per Capital Unit	$ 1.6104	$ (1.6284)

12. Income Taxes

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

Accumulated non-capital losses of approximately $8.2 million (2015 - $8.2 million) and capital losses of approximately $69.1 million (2015 - $69.1 million) are available for utilization against net investment income and realized gains on sale of investments, respectively, in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	Amount (in $millions)
2026	$4.7
2028	1.0
2029	1.4
2030	0.8
2032	0.3
Total	$8.2

13. Future Accounting Policy Changes

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

Board of Advisors

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

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

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
Corporate Director

[1] Independent Review Committee Member

Information

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Bay Adelaide Centre, East Tower
22 Adelaide Street West, Suite 200
Toronto, Ontario
M5H 0A9

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

Securities Listed:
Toronto Stock Exchange
trading under
TXT.PR.A/TXT.UN

Custodian:
RBC Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
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Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS
Canadian Utilities & Telecom Income Fund (UTE.UN)
Core Canadian Dividend Trust (CDD.UN)
Low Volatility U.S. Equity Income Fund (LVU.UN)
NDX Growth & Income Fund (NGI.UN)
Top 10 Canadian Financial Trust (TCT.UN)
U.S. Financials Income Fund (USF.UN)

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

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