U.S. Financials Income Fund

Annual Report 2015

Letter to Unitholders

We are pleased to present the 2015 annual report containing the management report of fund performance and the audited statements for U.S. Financials Income Fund (the "Fund").

After rising for three consecutive years from 2012 to 2014, many Global equity markets declined in 2015 with the S&P/TSX Composite Index in Canada generating one of the worst returns, down 8.3 percent. The year started off well for Canadian stocks but, after peaking in mid-April, all sectors except Health Care were in decline in the first half of the year due to negative Gross Domestic Product for the first two quarters of 2015 as well as the significant decline in energy prices. Equity markets continued to weaken over the summer culminating in a flash crash on August 24, when the Dow Jones Industrial Average dropped over 1,000 points intraday due to concerns surrounding global growth as well as the effects from the devaluation of the Chinese yuan. Equities did bounce back in October pushing many markets back into positive territory for the year only to end the year with a whimper as markets digested the U.S. Federal Reserve's overnight rate increase for the first time since 2006. For 2015, the S&P 500 Index generated a return of 1.4 percent, outperforming its Canadian counterpart for the fifth year in a row.

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 ("TSX") under the ticker symbol USF.UN and closed on December 31, 2015 at C$8.07. 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$0.43 per Class A unit and US$0.43 per Class U unit during the period ended December 31, 2015. The net asset value ("NAV") per Class A unit decreased 9.4 percent from C$9.33 at February 24, 2015 to C$8.45 at December 31, 2015 and the NAV per Class U unit decreased 11.4 percent from US$9.33 on February 24, 2015 to US$8.27 at December 31, 2015. The total return of the Fund, including reinvestment of distributions, for the period ended December 31, 2015 was negative 4.8 percent for the Class A units and negative 6.9 percent for the Class U units. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to C$0.12 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 detailed information contained within the annual report.

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

The Fund

The Fund is a closed-end investment trust designed to provide quarterly cash distributions and to maximize total return through capital appreciation and distributions. The Class A units are listed on the TSX 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 may include U.S. publicly listed alterative asset management issuers which have a market capitalization of at least US$5 billion at the time of purchase. The Fund may also 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.

TABLE OF CONTENTS

Management Report of Fund Performance

The management report of fund performance contains the financial highlights for the period ended December 31, 2015 of U.S. Financials Income Fund (the "Fund"). The audited 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 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 may include U.S. publicly listed alterative asset management issuers which have a market capitalization of at least US$5 billion at the time of purchase. The Fund may also 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.

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 or on SEDAR at www.sedar.com. There were no changes to the Fund over the period that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the period ended December 31, 2015, the Fund paid cash distributions of C$0.43 per Class A unit and US$0.43 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 December 31, 2015, the Fund's total revenue were C$0.18 per Class A unit and US$0.16 per Class U unit and total expenses were C$0.23 per Class A unit and US$0.22 per Class U unit. The Fund had a net realized and unrealized loss of C$0.44 per Class A unit and a net realized and unrealized loss of US$0.62 per Class U unit during the period.

Net Asset Value

The net asset value per Class A unit of the Fund decreased 9.4 percent from C$9.33 at inception on February 24, 2015 to C$8.45 at December 31, 2015. The net asset value per Class U unit of the Fund decreased 11.4 percent from US$9.33 at February 24, 2015 to US$8.27 at December 31, 2015. The total net asset value of the Fund decreased C$1.5 million from C$34.7 million at February 24, 2015 to C$33.2 million at December 31, 2015, primarily reflecting a decrease in net assets attributable to holders of Class A and Class U units of C$1.6 million and total cash distributions of C$1.7 million during the period, partially offset by the net proceeds from the over-allotment option on Class A units of C$1.6 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 C$37.2 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 March 31, 2015 and was prorated to reflect the period from the closing date of February 24, 2015 to March 31, 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 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. Korthals, Michael M. Koerner and Robert G. Bertram.

Financial Highlights

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

	Period ended December 31, 2015[3]			
	Class A		Class U	
THE FUND'S NET ASSETS PER UNIT				
Net Assets, beginning of period[1]	C$	**9.33**[4]	US$	**9.33**[4]
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue		**0.18**		**0.16**
Total expenses		**(0.23)**		**(0.22)**
Realized gain (loss) for the period		**(0.70)**		**(0.11)**
Unrealized gain (loss) for the period		**0.26**		**(0.51)**
Total Increase (Decrease) from Operations[2]		**(0.49)**		**(0.68)**
DISTRIBUTIONS				
Non-taxable distributions		**(0.43)**		**(0.43)**
Total Distributions[5]		**(0.43)**		**(0.43)**
Net Assets, end of period[1]	C$	**8.45**	US$	**8.27**

(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 December 31, 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.

Financial Highlights

		Period ended December 31, 2015[6] Class A		Class U
RATIOS/SUPPLEMENTAL DATA				
Net Asset Value ($millions)	C$	29.07	US$	3.00
Number of units outstanding		3,439,188		363,300
Management expense ratio[1]		2.68%[4]		2.50%[4]
Portfolio turnover rate[2]		255.32%		255.32%
Trading expense ratio[3]		0.39%[4]		0.34%[4]
Net Asset Value per unit[5]	C$	8.45	US$	8.27
Closing market price	C$	8.07		

(1) The management expense ratio (“MER”) is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees, divided by the average net asset value. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER for 2015, excluding withholding taxes, is 2.36% for Class A and 2.22% 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 December 31, 2015.

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

After rising for three consecutive years from 2012 to 2014, many Global equity markets declined in 2015 with the S&P/TSX Composite Index in Canada generating one of the worst returns, down 8.3 percent. The year started off well for Canadian stocks but, after peaking in mid-April, all sectors except Health Care were in decline in the first half of the year due to negative Gross Domestic Product for the first two quarters of 2015 as well as the significant decline in energy prices. Equity markets continued to weaken over the summer culminating in a flash crash on August 24, when the Dow Jones Industrial Average dropped over 1,000 points intraday due to concerns surrounding global growth as well as the effects from the devaluation of the Chinese yuan. Equities did bounce back in October pushing many markets back into positive territory for the year only to end the year with a whimper as markets digested the U.S. Federal Reserve's overnight rate increase for the first time since 2006. The Bank of Canada surprised the market in 2015 by cutting the overnight lending rate by 25 basis points twice, to end the year at 0.5 percent. This negatively impacted the Canadian dollar as it declined 16 percent in 2015 to end the year at US$0.72 per Canadian dollar, its lowest level since 2003. For 2015, the S&P 500 Index generated a return of 1.4 percent, outperforming its Canadian counterpart for the fifth year in a row. The Canadian economy was negatively impacted by weaker commodity prices in 2015 as West Texas Intermediate ("WTI") Cushing Crude Oil spot prices declined 30.5 percent to end the year at US$37.13 per barrel while Copper prices were down 26.0 percent and Gold Bullion dropped 10.4 percent to end the year at US$1,062 per troy ounce.

For the period ended December 31, 2015, the net asset value per Class A unit was C$8.45 and the net asset value per Class U unit was US$8.27. 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 inception on February 24, 2015. The Fund's Class A units listed on the TSX as USF.UN, closed on December 31, 2015 at C$8.07, which represents a 4.5 percent discount to the net asset value of the Class A unit. The Fund's Class U units are not listed on any exchange.

The total annual return, including reinvestment of distributions, from the inception date on February 24, 2015 to December 31, 2015 was negative 4.8 percent for the Class A units and negative 6.9 percent for the Class U units. This compares to a total return of negative 0.8 percent for the S&P 500 Financials Index and a total return of negative 5.6 percent for the 45 companies that make up the Fund's investment universe on an equal-weighted basis. The best performing stocks within the portfolio were Public Storage and The Progressive Corporation which were up 28.8 percent and 19.5 percent respectively. The laggards in the Fund were Prudential Financial, Inc. and Morgan Stanley which had total returns of negative 16.2 percent and negative 14.9 percent respectively while being held in the portfolio.

Volatility levels for companies within the portfolio continued to remain at the lower end of their historical range. The covered call writing activity was opportunistic over the period while taking advantage of signals generated by the Strathbridge Selective Overwriting ("SSO") strategy. During the period, the net realized gain on options attributable to the SSO strategy was C$0.12 per unit. The Fund ended 2015 with 5.2 percent of the portfolio subject to covered calls as well as a cash position of 8.1 percent. The U.S. dollar exposure of the Class A units was actively hedged back into Canadian dollars throughout the period and ended December with approximately 50 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.

Asset Mix

December 31, 2015

	% OF NET ASSET VALUE
Insurance	27.4 %
Diversified Financials	26.5 %
Banks	22.5 %
Real Estate	16.9 %
Cash	8.1 %
Exchange-Traded Funds	3.0 %
Other Assets (Liabilities)	(4.4)%
	100.0 %

Top 25 Holdings

December 31, 2015

	% OF NET ASSET VALUE
Cash	8.1 %
Bank of America Corporation	5.1 %
Citigroup Inc.	5.0 %
Wells Fargo & Company	4.3 %
The Bank of New York Mellon Corporation	4.2 %
Boston Properties, Inc.	4.2 %
Intercontinental Exchange, Inc.	4.1 %
The Allstate Corporation	4.0 %
Lincoln National Corporation	3.9 %
Northern Trust Corporation	3.7 %
CME Group Inc.	3.3 %
Assurant Inc.	3.3 %
Morgan Stanley	3.3 %
The Travelers Companies, Inc.	3.3 %
JPMorgan Chase & Co.	3.2 %
The Charles Schwab Corporation	3.1 %
The Macerich Company	3.1 %
The Progressive Corporation	3.0 %
SPDR S&P Regional Banking ETF	3.0 %
American International Group, Inc.	2.8 %
Public Storage	2.7 %
Loews Corporation	2.5 %
U.S. Bancorp	2.5 %
BB & T Corporation	2.4 %
E*Trade Financial Corporation	2.4 %

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 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 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	John D. Germain
Director	Director
Strathbridge Asset Management Inc.	Strathbridge Asset Management Inc.
March 7, 2016	

To the Unitholders of U.S. Financials Income Fund

We have audited the accompanying financial statements of U.S. Financials Income Fund, which comprise the statement of financial position as at December 31, 2015, and the statement of comprehensive income, statement of changes in net assets attributable to holders of Class A and Class U units and statement of cash flows for the period from February 24, 2015 to December 31, 2015, 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 audit. We conducted our audit 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 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 U.S. Financials Income Fund as at December 31, 2015 and its financial performance, changes in its net assets attributable to holders of Class A and Class U units and its cash flows for the period from February 24, 2015 to December 31, 2015 in accordance with International Financial Reporting Standards.

Deloitte LLP

Chartered Professional Accountants,
Licensed Public Accountants
March 7, 2016
Toronto, Ontario

Statement of Financial Position

As at December 31, 2015
(In Canadian dollars unless otherwise noted)

	Note		2015
ASSETS			
Financial assets at fair value through profit or loss	3,6		$ 32,008,286
Dividends receivable			83,538
Cash			2,700,779
TOTAL ASSETS			34,792,603
LIABILITIES			
Due to brokers - investments			994,442
Derivative liabilities	3,6		472,588
Accrued liabilities			50,307
Accrued management fees	9		35,636
TOTAL LIABILITIES			1,552,973
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS			$ 33,239,630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS			$ 29,067,733
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS		(US$3,003,307)	$ 4,171,897
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT			$ 8.4519
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT		(US$8.2667)	$ 11.4833

On behalf of the Manager,
Strathbridge Asset Management Inc.

John P. Mulvihill, Director

Robert W. Korthals, Director

Statement of Comprehensive Income

For the period from February 24, 2015, the inception of the Fund, to December 31, 2015
(In Canadian dollars unless otherwise noted)

	Note	2015
INCOME		
Dividend income		$ 690,808
Interest Income		4,025
Net realized loss on investments at fair value through profit or loss	7	(929,433)
Net realized gain on options at fair value through profit or loss	7	467,026
Net realized loss on forward exchange contracts at fair value through profit or loss	7	(1,966,822)
Net unrealized gain on investments at fair value through profit or loss	7	1,035,955
TOTAL LOSS, NET		(698,441)
EXPENSES		
Management fees	9	369,918
Administrative and other expenses		85,707
Transaction fees	10	114,382
Custodian fees		65,409
Audit fees		45,482
Advisory board fees	9	15,426
Independent review committee fees	9	5,817
Legal fees		29,844
Unitholder reporting costs		13,615
Harmonized sales tax		61,618
Withholding taxes	3	94,709
TOTAL EXPENSES		901,927
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS	11	$ (1,600,368)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT	11	$ (0.4955)
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT	11	$ 0.2157

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 December 31, 2015
(In Canadian dollars unless otherwise noted)

	2015
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, BEGINNING OF PERIOD	
Class A	$ –
Class U	–
	–
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units	
Class A	(1,684,136)
Class U	83,768
	(1,600,368)
Unit Transactions	
Proceeds from units issued, net of issue costs	
Class A	31,636,856
Class U	4,865,917
	36,502,773
Conversions	
Class A	563,882
Class U	(563,882)
	–
Distributions	
Class A	
Non-taxable distributions	(1,448,869)
Class U	
Non-taxable distributions	(213,906)
	(1,662,775)
Changes in Net Assets Attributable to Holders of Class A and Class U Units during the Period	
Class A	29,067,733
Class U	4,171,897
	33,239,630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, END OF PERIOD	
Class A	$ 29,067,733
Class U	4,171,897
	$ 33,239,630

Statement of Cash Flows

For the period from February 24, 2015, the inception of the Fund, to December 31, 2015
(In Canadian dollars unless otherwise noted)

		2015
CASH, BEGINNING OF PERIOD	$	–
Cash Flows Provided by (Used In) Operating Activities		
Decrease in Net Assets Attributable to Holders of Class and Class U Units		**(1,600,368)**
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized loss on investments at fair value through profit or loss		929,433
Net realized gain on options at fair value through profit or loss		(467,026)
Net realized loss on forward exchange contracts at fair value through profit or loss		1,966,822
Net unrealized gain on investments at fair value through profit or loss		(1,035,955)
Net unrealized gain on foreign cash		10,184
Increase in dividends receivable		(83,538)
Increase in due to brokers - investments, accrued liabilities and accrued management fees		1,080,385
Purchase of investment securities		(121,711,680)
Proceeds from disposition of investment securities		88,772,524
		(30,538,851)
Cash Flows Provided by (Used in) Financing Activities		
Proceeds from issue of Class A units, net of issue costs		31,636,856
Proceeds from issue of Class U units, net of issue costs		4,865,917
Class A unit distributions		(1,448,869)
Class U unit distributions		(213,906)
		34,839,998
Net Increase in Cash during the Period		2,700,779
CASH, END OF PERIOD	$	2,700,779

Dividends received, net of withholding taxes	$	512,561
Interest received	$	4,025

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at December 31, 2015
(In Canadian dollars unless otherwise noted)

	Number of Shares/ (Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class A and Class U Units
INVESTMENTS				
Exchange-Traded Funds				
SPDR S&P Regional Banking ETF	17,100	$ 966,808	$ 995,751	3.0 %
Total Exchange-Traded Funds		$ 966,808	$ 995,751	3.0 %
United States Common Shares				
Banks				
Bank of America Corporation	73,046	$ 1,523,576	$ 1,707,711	
BB & T Corporation	15,200	787,407	798,333	
Citigroup Inc.	23,400	1,611,220	1,682,132	
JPMorgan Chase & Co.	11,500	957,511	1,054,807	
U.S. Bancorp	13,800	836,899	817,967	
Wells Fargo & Company	18,800	1,315,235	1,419,617	
Total Banks		7,031,848	7,480,567	22.5 %
Diversified Financials				
CME Group Inc.	8,800	1,124,002	1,107,503	
E*Trade Financial Corporation	19,300	791,475	794,638	
Intercontinental Exchange, Inc.	3,800	1,229,146	1,352,690	
Morgan Stanley	24,800	1,157,398	1,095,845	
M&T Bank Corporation	4,700	781,623	791,157	
Northern Trust Corporation	12,366	1,192,353	1,238,335	
The Bank of New York Mellon Corporation	24,500	1,395,245	1,402,839	
The Charles Schwab Corporation	22,500	987,918	1,029,220	
Total Diversified Financials		8,659,160	8,812,227	26.5 %
Insurance				
American International Group, Inc.	10,700	808,826	921,084	
Assurant Inc.	9,800	999,934	1,096,406	
Lincoln National Corporation	18,600	1,321,790	1,298,582	
Loews Corporation	15,878	850,041	846,956	
Nasdaq, Inc.	9,700	750,253	783,799	
Prudential Financial, Inc.	6,600	754,524	746,372	
The Allstate Corporation	15,500	1,267,513	1,336,864	
The Progressive Corporation	22,700	847,215	1,002,737	
The Travelers Companies, Inc.	6,900	996,642	1,081,740	
Total Insurance		8,596,738	9,114,540	27.4 %
Real Estate				
Boston Properties, Inc	7,900	1,334,100	1,399,611	
CBRE Group, Inc.	16,200	789,766	778,169	
Crown Castle International Corp.	6,300	762,778	756,553	
Public Storage	2,600	704,311	894,609	
Simon Property Group, Inc.	2,800	756,059	756,271	
The Macerich Company	9,100	957,834	1,019,988	
Total Real Estate		5,304,848	5,605,201	16.9 %
Total United States Common Shares		$ 29,592,594	$ 31,012,535	93.3 %
Forward Exchange Contracts				
Sold USD $3,650,000, Bought CAD $4,741,441 @ 0.76981 - January 13, 2016			$ (328,523)	
Sold USD $7,150,000, Bought CAD $9,844,370 @ 0.72630 - February 17, 2016			(86,470)	
Total Forward Exchange Contracts			$ (414,993)	(1.2)%
Options				
Written Covered Call Options (100 shares per contract)				
Bank of America Corporation - January 2016 @ $17	(183)	$ (12,535)	$ (9,151)	
Boston Properties, Inc. - January 2016 @ $124	(38)	(9,499)	(26,921)	
E*Trade Financial Corporation - January 2016 @ $29	(64)	(8,754)	(11,646)	
The Travelers Companies, Inc. - January 2016 @ $110	(18)	(5,716)	(9,877)	
Total Options		$ (36,504)	$ (57,595)	(0.2)%
Adjustment for transaction fees		(12,971)		
TOTAL INVESTMENTS		$ 30,509,927	$ 31,535,698	94.9 %
OTHER NET ASSETS			1,703,932	5.1 %
NET ASSETS ATTRIBUTABLE TO CLASS A AND CLASS U UNITS			$ 33,239,630	100.0 %

1. Fund Information

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, 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 may include U.S. publicly listed alterative asset management issuers which have a market capitalization of at least US$5 billion at the time of purchase. The Fund may also 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 March 7, 2016.

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.

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

3. Summary of Significant Accounting Policies

Functional and Presentation Currency

Items included in the financial statements of the Fund are measured in the currency of the primary economic environment in which the Fund operates (the "functional currency"). Despite investments and related income being primarily in U.S. currency, the Manager has determined that the Canadian dollar is the functional currency as the Fund incurs its expenses, measures its performance and issues and redeems units primarily in Canadian dollars. The financial statements of the Fund are presented in Canadian dollars which is the Fund's presentation currency.

Financial Instruments

The 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 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, 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 presented as an expense line item in the Statement of Comprehensive Income.

4. Critical Accounting Estimates and Judgments

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

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

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 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 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 it invests. The most important risks include credit risk, liquidity risk, market risk (including currency risk, interest rate risk and price risk), concentration risk and capital risk management.

Credit Risk

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

The Fund is also exposed to counterparty credit risk on derivative financial instruments. The counterparty credit risk for derivative financial instruments is managed by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102. During the period ended December 31, 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 derivative instruments are subject to offsetting, enforceable netting arrangements and similar agreements. The Fund and its counterparty have elected to settle all transactions on a gross basis; however, each party has the option to settle all open contracts on a net basis in the event of default of the other party. All outstanding derivatives have been presented on a gross basis on the Statement of Financial Position as derivative assets or derivative liabilities, as they do not meet the criteria for offsetting in IAS 32 paragraph 42.

Liquidity Risk

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

Cash is required to fund redemptions. Unitholders must surrender units at least 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 December 31, 2015

Financial Liabilities	On Demand	< 3 months	Total
Due to brokers - investments	$ –	$ 994,442	$ 994,442
Derivative liabilities	–	472,588	472,588
Accrued liabilities	–	50,307	50,307
Accrued management fees	–	35,636	35,636
	$ –	$ 1,552,973	$ 1,552,973

Market Risk

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market prices. The following include sensitivity analyses that show how the net assets attributable to holders of Class 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 December 31, 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 December 31, 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
	$(12,885,254)	$ 31,950,691	$ 19,065,437	$ (644,263)	$ 1,597,535	$ 953,272
% of Net Assets Attributable to Holders of Class A and Class U Units	(39)%	96%	57%	(2)%	5%	3%

(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 96 percent of the Fund's net assets attributable to holders of Class A and Class U units held at December 31, 2015 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at December 31, 2015, the net assets attributable to holders of Class A and Class U units would have increased or decreased by $1.6 million or 4.8 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:

	Dec. 31, 2015
Insurance	28.5%
Diversified Financials	27.5%
Banks	23.4%
Real Estate	17.5%
Exchange-Traded Funds	3.1%
	100.0%

Capital Risk Management

Units surrendered for redemption on or before the first business day of September of any year commencing in 2016 (the "Annual Redemption Deadline") will be redeemed on the Annual Redemption Date corresponding to such Annual Redemption Deadline. Units surrendered for redemption at least ten business days prior to a Monthly Redemption Date other than September (the "Monthly Redemption Deadline') will be redeemed on the Monthly Redemption Date corresponding to such Monthly Redemption Deadline.

Commencing in 2016, unitholders whose units are redeemed on an Annual Redemption Date will be entitled to receive a redemption price per unit of a class equal to the net asset value per unit of such class determined as of such date. For unitholders whose Class A units are redeemed on a Monthly Redemption Date, the redemption price per Class A unit (the "Class A Monthly Redemption Price") will be the Canadian dollar amount equal to the lesser of: (i) 95 percent of the Market Price; and (ii) 100 percent of the Closing Market Price of the Class A units on the applicable Redemption Date, and, in either case, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Portfolio.

For such purposes, "Market Price" means the weighted average trading price of the Class A units on the stock exchange on which the Class A units are listed for the ten trading days immediately preceding the applicable Redemption Date, and "Closing Market Price" means the closing price of the Class A units on the stock exchange on which the Class A units are listed or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the Class A units on the stock exchange on which the Class A units are listed. Notwithstanding (i) and (ii) above, the Redemption Price shall not exceed the net asset value of the Fund on the Monthly Redemption Date. For unitholders whose Class U units are redeemed on a Monthly Redemption Date, the Redemption Price per Class U unit will be the U.S. dollar amount calculated as the Class A Monthly Redemption Price (converted to U.S. dollars on the Monthly Redemption Date) multiplied by a fraction, the numerator of which is the net asset value per Class U unit and the denominator of which is the net asset value per Class A unit (converted to U.S. dollars on the Monthly Redemption Date).

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, 2015.

As at December 31, 2015	Level 1	Level 2	Level 3	Total
Exchange-Traded Funds	$ –	$ 995,751	$ –	$ 995,751
United States Common Shares	31,012,535	–	–	31,012,535
Forward Exchange Contracts	–	(414,993)	–	(414,993)
Options	(57,595)	–	–	(57,595)
	$ 30,954,940	$ 580,758	$ –	$ 31,535,698

The carrying values of cash, dividends receivable, due to brokers - investments, 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.

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 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, 2015.

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	$ 32,008,286	$ –	$ –	$ 32,008,286
Dividends receivable	–	–	83,538	83,538
Cash	–	–	2,700,779	2,700,779
	$ 32,008,286	$ –	$ 2,784,317	$ 34,792,603

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
Liabilities				
Due to brokers - investments	$ –	$ –	$ 994,442	$ 994,442
Derivative liabilities	–	472,588	–	472,588
Accrued liabilities	–	–	50,307	50,307
Accrued management fees	–	–	35,636	35,636
	$ –	$ 472,588	$ 1,080,385	$ 1,552,973

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

	Dec. 31, 2015
Net Realized Loss on Financial Instruments at FVTPL	
Designated at Inception	$ (929,433)
Held for Trading	(1,499,796)
	(2,429,229)
Net Unrealized Gain/(Loss) on Financial Instruments at FVTPL	
Designated at Inception	1,472,039
Held for Trading	(436,084)
	1,035,955
Net Loss on Financial Instruments at FVTPL	$ (1,393,274)

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.

For the period ended December 31, 2015, cash distributions paid to Class A units were $1,448,869 representing a payment of $0.43 per Class A unit and cash distributions to Class U units were US$164,030 representing a payment of US$0.43 per Class U unit.

During the period ended December 31, 2015, nil Class A and Class U units were redeemed.

During the period ended December 31, 2015, the unit transactions are as follows:

	Dec. 31, 2015
Class A Units	
Units issued	3,375,000
Conversions	64,188
Units outstanding, end of period	3,439,188
Class U Units	
Units issued	412,600
Conversions	(49,300)
Units outstanding, end of period	363,300

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 December 31, 2015 were $369,918.

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the period ended December 31, 2015 was $15,426.

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the period ended December 31, 2015 was $5,817.

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 December 31, 2015 is disclosed below:

	Dec. 31, 2015
Soft Dollars	$ 41,411
Percentage of Total Transaction Fees	36.2%

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 December 31, 2015 is calculated as follows:

	Dec. 31, 2015	
	Class A	Class U
Increase/(Decrease) in Net Assets Attributable to Holders of Units	$ (1,684,136)	$ 83,768
Weighted Average Number of Units Outstanding during the Period	3,398,595	388,420
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	$ (0.4955)	$ 0.2157

12. Income Taxes

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

Accumulated non-capital losses of approximately $0.6 million and accumulated capital losses of approximately $2.3 million are available for utilization against realized gains on sale of investments in future years. The non-capital losses expire in 2035. The capital losses can be carried forward indefinitely.

Issue costs of approximately $2.0 million remain undeducted for tax purposes at year-end.

13. Future Accounting Policy Changes

IFRS 9: Financial Instruments ("IFRS 9"), which will 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 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.

In December 2014, Disclosure Initiative was issued, which amends IAS 1. The amendments are designed to encourage entities to use professional judgment to determine what information to disclose in the financial statements and accompanying notes by clarifying the guidance on materiality, presentation, and note structure. These amendments are effective for annual periods beginning on or after January 1, 2016. The Fund will amend disclosures, if required, in the financial statements for the semi-annual period ended June 30, 2016 and for the year ended December 31, 2016.

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[1,2]
Corporate Director

Robert W. Korthals[1,2]
Corporate Director

Robert G. Bertram[1,2]
Corporate Director

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

Information

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

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

Shares Listed:
Toronto Stock Exchange
trading under
USF.UN

Custodian:
RBC Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario
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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)

MUTUAL FUND
U.S. Tactical Allocation Fund

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