



SEMI-ANNUAL
REPORT

2018

U.S. FINANCIALS INCOME FUND


strathbridge
ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2018 semi-annual report containing the management report of fund performance and the unaudited statements for U.S. Financials Income Fund (the “Fund”).

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee (“FOMC”), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (“VIX”), picked up in the first half of 2018, spiking to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

The Fund paid cash distributions of C\$0.25 per Class A unit and US\$0.25 per Class U unit during the six months ended June 30, 2018. The net asset value (“NAV”) per Class A unit decreased from C\$8.51 at December 31, 2017 to C\$7.96 at June 30, 2018 and the NAV per Class U unit decreased from US\$8.67 on December 31, 2017 to US\$8.02 at June 30, 2018. The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2018 was negative 3.5 percent for the Class A units and negative 4.7 percent for the Class U units. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to C\$0.04 per unit as compared to a net realized gain on options of C\$0.04 per unit a year ago. 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 report.



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

The Fund

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

To accomplish its investment objectives, the Fund invests in an actively managed portfolio of U.S. financial issuers selected from the S&P 500 Index that are classified as "Financials" or "Real Estate" 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 alternative 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.

U.S. Financials Income Fund

Management Report of Fund Performance

Management Report of Fund Performance

The semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2018 of U.S. Financials Income Fund (the “Fund”). The unaudited semi-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 using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2018, the Fund paid cash distributions of C\$0.25 per Class A unit and US\$0.25 per Class U unit unchanged from the prior year.

Since the inception of the Fund in February 2016, the Fund has paid total cash distributions of C\$1.68 per Class A unit and US\$1.68 per Class U unit.

Revenue and Expenses

For the six months ended June 30, 2018, the Fund’s total revenue were C\$0.08 per Class A unit and US\$0.08 per Class U unit and total expenses were C\$0.15 per Class A unit and US\$0.15 per Class U unit as compared to total revenue of C\$0.09 per Class A unit and US\$0.09 per Class U unit and total expenses of C\$0.13 per Class A unit and US\$0.13 per Class U unit in the prior year. The Fund had a net realized and unrealized loss of C\$0.23 per Class A unit and US\$0.28 per Class U unit during the period as compared to a net realized and unrealized gain of C\$0.20 per Class A unit and US\$0.36 per Class U unit over the same period last year.

Net Asset Value

The net asset value per Class A unit of the Fund decreased 6.5 percent from C\$8.51 at December 31, 2017 to C\$7.96 at June 30, 2018. The net asset value per Class U unit of the Fund decreased 7.5 percent from US\$8.67 at December 31, 2017 to US\$8.02 at June 30, 2018. The total net asset value of the Fund decreased C\$1.02 million from C\$16.16 million at December 31, 2017 to C\$15.14 million at June 30, 2018, reflecting a decrease in net assets attributable to holders of Class A and Class U units of C\$0.53 million, Class U redemptions of C\$0.02 and cash distributions of C\$0.47 million during the period.

Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2018.

Management Report of Fund Performance

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.

U.S. Financials Income Fund

Management Report of Fund Performance

Financial Highlights

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

This information for the period ended June 30, 2018 is derived from the Fund's unaudited semi-annual financial statements

	Six months ended June 30, 2018			
	Class A		Class U	
NET ASSETS PER UNIT				
Net Assets, beginning of period ⁽¹⁾	C\$	8.51	US\$	8.67
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue		0.08		0.08
Total expenses		(0.15)		(0.15)
Realized gain (loss) for the period		0.25		0.38
Unrealized gain (loss) for the period		(0.48)		(0.66)
Total Increase (Decrease) from Operations ⁽²⁾		(0.30)		(0.35)
DISTRIBUTIONS				
Non-taxable distributions		(0.25)		(0.25)
Total Distributions ⁽⁵⁾		(0.25)		(0.25)
Net Assets, end of period ⁽¹⁾	C\$	7.96	US\$	8.02

(1) Net Assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized 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.

	Six months ended June 30, 2018			
	Class A		Class U	
RATIOS/SUPPLEMENTAL DATA				
Net Asset Value (\$millions)	C\$	14.19	US\$	0.72
Number of units outstanding		1,781,756		90,000
Management expense ratio ⁽¹⁾		3.21% ⁽⁴⁾		3.18% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾		73.22%		73.22%
Trading expense ratio ⁽³⁾		0.24% ⁽⁴⁾		0.24% ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	C\$	7.96	US\$	8.02
Closing market price	C\$	7.81		

(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 2018, 2017, 2016 and 2015, for Class A units, excluding withholding taxes, is 3.00%, 2.49%, 2.22% and 2.36% respectively. The MER for 2018, 2017, 2016, and 2015 for Class U units, excluding withholding taxes, is 2.96%, 2.47%, 2.17% and 2.22% respectively.

(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.

Management Report of Fund Performance

The information for the periods ended December 31 is derived from the Fund's audited annual financial statements.

Periods ended December 31											
2017				2016				2015 ⁽³⁾			
Class A		Class U		Class A		Class U		Class A		Class U	
C\$	8.32	US\$	8.28	C\$	8.45	US\$	8.27	C\$	9.33 ⁽⁴⁾	US\$	9.33 ⁽⁴⁾
	0.23		0.23		0.15		0.15		0.18		0.16
	(0.26)		(0.26)		(0.22)		(0.22)		(0.23)		(0.22)
	1.30		0.96		(0.66)		(0.78)		(0.70)		(0.11)
	(0.59)		(0.16)		0.52		0.75		0.26		(0.51)
	0.68		0.77		(0.21)		(0.10)		(0.49)		(0.68)
	(0.50)		(0.50)		(0.50)		(0.50)		(0.43)		(0.43)
	(0.50)		(0.50)		(0.50)		(0.50)		(0.43)		(0.43)
C\$	8.51	US\$	8.67	C\$	8.32	US\$	8.28	C\$	8.45	US\$	8.27

(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.

Periods ended December 31											
2017				2016				2015 ⁽⁶⁾			
Class A		Class U		Class A		Class U		Class A		Class U	
C\$	15.07	US\$	0.87	C\$	15.76	US\$	1.52	C\$	29.07	US\$	3.00
1,771,006		100,500		1,893,833		183,400		3,439,188		363,300	
2.78%		2.76%		2.48%		2.44%		2.68% ⁽⁴⁾		2.50% ⁽⁴⁾	
270.74%		270.74%		314.12%		314.12%		255.32%		255.32%	
0.36%		0.35%		0.41%		0.41%		0.39% ⁽⁴⁾		0.34% ⁽⁴⁾	
C\$	8.51	US\$	8.67	C\$	8.32	US\$	8.28	C\$	8.45	US\$	8.27
C\$	8.39			C\$	8.08			C\$	8.07		

(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.

U.S. Financials Income Fund

Management Report of Fund Performance

Management Fees

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

Past Performance

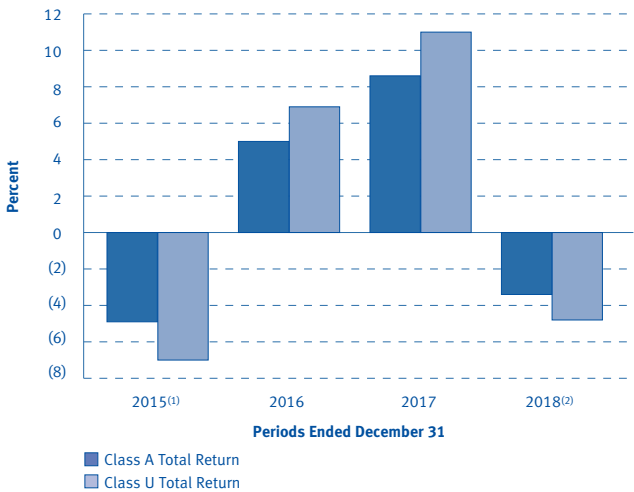
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

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

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for the past three years and for the six months ended June 30, 2018. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception on February 24, 2015 would have increased or decreased by the end of the fiscal year.

Total Return



(1) For the period from February 24, 2015, the inception of the Fund, to December 31, 2015.
(2) For the six months ended June 30, 2018.

Management Report of Fund Performance

Portfolio Manager Report

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee ("FOMC"), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index ("VIX"), picked up in the first half of 2018, spiking to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

For the six months ended June 30, 2018, the net asset value ("NAV") per Class A unit was C\$7.96 and the NAV per Class U unit was US\$8.02 as compared to C\$8.51 per Class A unit and US\$8.67 per Class U unit at December 31, 2017. Unitholders received cash distributions of C\$0.25 per Class A unit and US\$0.25 per Class U unit during the period. The Fund's Class A units listed on the Toronto Stock Exchange as USF.UN closed on June 29, 2018 at C\$7.81, which represents a 1.9 percent discount to the Class A unit NAV. The Fund's Class U units are not listed on any exchange.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2017 was negative 3.5 percent per Class A unit and negative 4.7 percent per Class U unit. The best performing stock within the portfolio was investment firm KKR & Co. Inc., up 19.8 percent, due to better than expected first quarter earnings as well as announcing plans to convert to a Corporation from a Limited Partnership. Meanwhile, Affiliated Managers Group, Inc. was the worst performing holding stock during the period, down 12.1 percent on weaker than expected fund flows.

Volatility for U.S. Financial Services companies share prices was generally higher in the first half of 2018, spiking in February before drifting back toward historically low levels. The call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting ("SSO") strategy. The Fund ended June 30, 2018 with 15.3 percent of the Fund subject to covered calls. The net realized gain on options attributable to the SSO strategy was C\$0.04 per unit for the first six months of 2018. The Fund maintained a relatively low average cash position during the period of 6.8 percent compared to 3.7 percent at the end of 2017. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 50 percent of the U.S. dollar exposure hedge.

U.S. Financials Income Fund

Management Report of Fund Performance

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

June 30, 2018

	% of Net Asset Value
Diversified Financials	39.9 %
Cash	14.6 %
Banks	12.3 %
Exchange-Traded Funds	11.9 %
Insurance	9.3 %
Alternative Asset Management	8.4 %
Real Estate	4.3 %
Other Assets (Liabilities)	(0.7)%
	100.0 %

Portfolio Holdings

June 30, 2018

	% of Net Asset Value
Cash	14.6 %
KKR & Co. Inc.	5.9 %
JPMorgan Chase & Co.	5.6 %
The Charles Schwab Corporation	5.5 %
Northern Trust Corporation	5.3 %
SPDR S&P Regional Banking ETF	5.2 %
Morgan Stanley	5.2 %
Aon PLC	5.0 %
The Bank of New York Mellon Corporation	4.7 %
Bank of America Corporation	4.7 %
State Street Corporation	4.4 %
Lazard Ltd	4.4 %
Prologis, Inc.	4.3 %
Aflac Incorporated	4.3 %
BlackRock, Inc.	4.1 %
iShares U.S. Broker-Dealers & Securities Exchanges ETF	4.0 %
American Express Company	3.2 %
CME Group Inc.	3.1 %
Financial Select Sector SPDR ETF	2.7 %
The Carlyle Group L.P.	2.5 %
The PNC Financial Services Group, Inc.	2.0 %

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 condensed financial statements of U.S. Financials Income Fund (the "Fund") and all the information in this report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

The condensed 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 annual financial statements for the year ended December 31, 2017.

The Manager is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded and that accounting systems provide timely, accurate and reliable financial information.

The Board meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill
Director
Strathbridge Asset Management Inc.



John D. Germain
Director
Strathbridge Asset Management Inc.

August 9, 2018

Notice to Unitholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2018 have been prepared by management and have not been reviewed by the independent auditor of the Fund.

Condensed Financial Statements

Statements of Financial Position

As at June 30, 2018 (Unaudited) and December 31, 2017 (Audited)

(In Canadian dollars unless otherwise noted)

	Note	June 30, 2018	Dec. 31, 2017
ASSETS			
Financial assets at fair value through profit or loss	2	\$ 13,037,126	\$ 15,332,563
Dividends receivable		9,353	25,445
Derivative assets	2	–	286,873
Cash		2,205,212	566,403
TOTAL ASSETS		15,251,691	16,211,284
LIABILITIES			
Derivative liabilities	2	69,011	–
Accrued liabilities		29,688	35,059
Accrued management fees	4	15,655	16,224
TOTAL LIABILITIES		114,354	51,283
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS		\$ 15,137,337	\$ 16,160,001
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS		\$ 14,187,765	\$ 15,068,091
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS	(US\$721,865)	\$ 949,572	(US\$1,518,130)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER UNIT		\$ 7.9628	\$ 8.5082
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER UNIT	(US\$8.0207)	\$ 10.5508	(US\$8.6714)
			\$ 10.8648

The notes are an integral part of the Condensed Financial Statements.

U.S. Financials Income Fund

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Note	2018	2017
INCOME			
Dividend income		\$ 139,608	\$ 192,323
Interest income		4,466	617
Net realized gain on investments at fair value through profit or loss		614,925	1,959,731
Net realized gain on options at fair value through profit or loss		93,600	73,846
Net realized loss on forward exchange contracts at fair value through profit or loss		(213,017)	(266,907)
Net change in unrealized gain/loss on investments at fair value through profit or loss		(885,723)	(1,352,552)
TOTAL INCOME/(LOSS), NET		(246,141)	607,058
EXPENSES			
Management fees	4	100,878	109,360
Administrative and other expenses		60,718	50,451
Transaction fees	5	19,537	24,640
Custodian fees		27,348	22,780
Audit fees		14,214	13,872
Advisory board fees	4	10,200	10,200
Independent review committee fees	4	3,750	3,750
Legal fees		596	1,938
Unitholder reporting costs		6,959	7,721
Harmonized sales tax		18,980	15,548
Withholding taxes		17,359	25,745
TOTAL EXPENSES		280,539	286,005
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS	6	\$ (526,680)	\$ 321,053
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER UNIT	6	\$ (0.2990)	\$ 0.1607
INCREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER UNIT	6	\$ 0.0618	\$ 0.0835

The notes are an integral part of the Condensed Financial Statements.

Condensed Financial Statements

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

Six months ended June 30 (Unaudited)

(In Canadian dollars unless otherwise noted)

	2018	2017
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, BEGINNING OF YEAR		
Class A	\$ 15,068,091	\$ 15,761,744
Class U	1,091,910	2,035,901
	16,160,001	17,797,645
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units		
Class A	(532,359)	306,585
Class U	5,679	14,468
	(526,680)	321,053
Unit Transactions		
Value for Units Redeemed		
Class U	(21,312)	—
Conversions		
Class A	97,472	238,432
Class U	(97,472)	(238,432)
	—	—
Distributions		
Class A		
Non-taxable distributions	(445,439)	(477,304)
Class U		
Non-taxable distributions	(29,233)	(57,359)
	(474,672)	(534,663)
Changes in Net Assets Attributable to Holders of Class A and Class U Units during the Period		
Class A	(880,326)	67,713
Class U	(142,338)	(281,323)
	(1,022,664)	(213,610)
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, END OF PERIOD		
Class A	\$ 14,187,765	\$ 15,829,457
Class U	949,572	1,754,578
	\$ 15,137,337	\$ 17,584,035

The notes are an integral part of the Condensed Financial Statements.

U.S. Financials Income Fund

Condensed Financial Statements

Statements of Cash Flows

Six months ended June 30 (Unaudited)

(In Canadian dollars unless otherwise noted)

	2018	2017
CASH, BEGINNING OF YEAR	\$ 566,403	\$ 611,456
Cash Flows Provided by (Used In) Operating Activities		
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units	(526,680)	321,053
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized gain on investments at fair value through profit or loss	(614,925)	(1,959,731)
Net realized gain on options at fair value through profit or loss	(93,600)	(73,846)
Net unrealized loss on forward exchange contracts at fair value through profit or loss	213,017	266,907
Net change in unrealized gain/loss on investments at fair value through profit or loss	885,723	1,352,552
Net change in unrealized gain/loss on foreign cash	(1,952)	(14,008)
(Increase)/decrease in dividends receivable and due from brokers - investments	16,092	(759,923)
Increase/(decrease) in accrued management fees, accrued liabilities, due to brokers - investments and due to brokers - derivatives	(5,940)	1,016,570
Purchase of investment securities	(11,920,244)	(23,386,913)
Proceeds from disposition of investment securities	14,183,302	24,024,492
	2,661,473	466,100
Cash Flows Used in Financing Activities		
Class A unit distributions	(445,439)	(477,304)
Class U unit distributions	(29,233)	(57,359)
Class U unit redemptions	(21,312)	—
	(495,984)	(534,663)
Net Increase in Cash during the Period	1,638,809	252,490
CASH, END OF PERIOD	\$ 2,205,212	\$ 863,946
Dividends received, net of withholding taxes	\$ 138,341	\$ 164,673
Interest received	\$ 4,466	\$ 617

The notes are an integral part of the Condensed Financial Statements.

Schedule of Investments

As at June 30, 2018 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Class A and Class U Units
INVESTMENTS				
United States Common Shares				
Banks				
Bank of America Corporation	19,000	\$ 680,535	\$ 704,565	
JPMorgan Chase & Co.	6,200	770,719	849,829	
The PNC Financial Services Group, Inc.	1,700	294,723	302,118	
Total Banks		1,745,977	1,856,512	12.3%
Diversified Financials				
American Express Company	3,700	439,493	476,980	
BlackRock, Inc.	950	553,521	623,636	
CME Group Inc.	2,200	445,026	474,380	
Lazard Ltd	10,300	690,118	662,685	
Morgan Stanley	12,700	788,636	791,871	
Northern Trust Corporation	5,900	715,978	798,541	
State Street Corporation	5,500	640,044	673,500	
The Bank of New York Mellon Corporation	10,000	723,460	709,419	
The Charles Schwab Corporation	12,400	707,684	833,518	
Total Diversified Financials		5,703,960	6,044,530	39.9%
Insurance				
Aflac Incorporated	11,500	663,967	650,789	
Aon PLC	4,200	761,577	757,845	
Total Insurance		1,425,544	1,408,634	9.3%
Alternative Asset Management				
KKR & Co. Inc.	27,400	721,897	895,672	
The Carlyle Group L.P.	13,300	394,129	372,652	
Total Alternative Asset Management		1,116,026	1,268,324	8.4%
Real Estate				
Prologis, Inc.	7,600	614,603	656,727	4.3%
Total United States Common Shares		\$ 10,606,110	\$ 11,234,727	74.2%
Exchange-Traded Funds				
iShares U.S. Broker-Dealers & Securities Exchanges ETF	7,100	\$ 553,807	\$ 598,765	
SPDR S&P Regional Banking ETF	9,900	798,790	794,396	
Financial Select Sector SPDR ETF	11,700	426,654	409,238	
Total Exchange-Traded Funds		\$ 1,779,251	\$ 1,802,399	11.9%

U.S. Financials Income Fund

Schedule of Investments

As at June 30, 2018 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets Attributable to Holders of Class A and Class U Units
Forward Exchange Contracts				
Sold USD \$2,990,000, Bought CAD \$3,847,469 @ 0.77713 - July 18, 2018		\$	(84,356)	
Sold USD \$2,460,000, Bought CAD \$3,269,758 @ 0.75235 - August 15, 2018			36,273	
Total Forward Exchange Contracts		\$	(48,083)	(0.3)%
Options				
Written Covered Call Options (100 shares per contract)				
Aflac Incorporated - July 2018 @ \$46	(70)	\$ (5,574)	\$ (552)	
Bank of America Corporation - July 2018 @ \$30	(83)	(6,141)	(1,801)	
JPMorgan Chase & Co. - July 2018 @ \$109	(20)	(5,521)	(1,776)	
Northern Trust Corporation - July 2018 @ \$105	(30)	(9,504)	(6,610)	
Prologis, Inc. - July 2018 @ \$65	(38)	(5,847)	(7,998)	
State Street Corporation - July 2018 @ \$100	(27)	(5,491)	(977)	
The Charles Schwab Corporation - July 2018 @ \$56	(41)	(8,356)	(1,214)	
Total Written Covered Call Options		(46,434)	(20,928)	(0.1)%
Total Options		\$ (46,434)	\$ (20,928)	(0.1)%
Adjustment for transaction fees		(6,927)		
TOTAL INVESTMENTS		\$ 12,332,000	\$ 12,968,115	85.7 %
OTHER NET ASSETS			2,169,222	14.3 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS			\$ 15,137,337	100.0 %

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

1. Basis of Presentation

The condensed semi-annual financial statements for U.S. Financials Income Fund (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”), specifically the International Accounting Standard (“IAS”) 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2017.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2017 with the exception of the adoption of IFRS 9: Financial Instruments (“IFRS 9”).

Standards, Amendments and Interpretations Effective for the Current Year

The Fund has adopted IFRS 9 for the first time for the period beginning on January 1, 2018.

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

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

Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss**(a) Classification****Financial Assets**

The Fund classifies its investments in equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL.

Held for Trading

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and liabilities measured at amortized cost include cash, dividends receivable, due from brokers - investments, due to brokers - investments, accrued liabilities, accrued management fees, redemptions payable and the Fund's obligation for net assets attributable to holders of Class A and Class U units.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. The Fund's financial assets measured at amortized cost consist of receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the receivables and high credit quality, this amendment has not had a material impact on the financial statements and these receivables are not considered impaired.

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

These condensed financial statements were approved by the Board of Advisors on August 9, 2018.

2. Risks Associated with Financial Instruments

The various types of risks that are associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended December 31, 2017.

Credit Risk

The Fund measures credit risk and lifetime ECLs related to the receivables using historical analysis and forward-looking information in determining the ECL.

During the periods ended June 30, 2018 and December 31, 2017, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor's Ratings Services.

Liquidity Risk

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

	As at June 30, 2018		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ -	\$ 69,011	\$ 69,011
Accrued liabilities	-	29,688	29,688
Accrued management fees	-	15,655	15,655
Class A units	14,187,765	-	14,187,765
Class U units	949,572	-	949,572
	\$ 15,137,337	\$ 114,354	\$ 15,251,691

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

	As at December 31, 2017		
	Financial Liabilities		
	On Demand	< 3 months	Total
Accrued liabilities	\$ –	\$ 35,059	\$ 35,059
Accrued management fees	–	16,224	16,224
Class A units	15,068,091	–	15,068,091
Class U units	1,091,910	–	1,091,910
	\$ 16,160,001	\$ 51,283	\$ 16,211,284

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2018 and December 31, 2017 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 holders of Class A and Class U units if the Canadian dollar had strengthened or weakened by 5 percent in relation to each of the other currencies, with all other variables held constant.

As at June 30, 2018 U.S. Currency Exposure						
	Monetary	Non-Monetary	Total	Impact on Net Assets Attributable to Holders of Class A and Class U Units		
	\$ (5,010,364)	\$ 11,213,799	\$ 6,203,435	\$ (250,518)	\$ 560,690	\$ 310,172
% of Net Assets Attributable to Holders of Class A and Class U Units	(33%)	74%	41%	(2%)	4%	2%

As at December 31, 2017 U.S. Currency Exposure						
	Monetary	Non-Monetary	Total	Impact on Net Assets Attributable to Holders of Class A and Class U Units		
	\$ (14,517,747)	\$ 15,332,563	\$ 814,816	\$ (725,887)	\$ 766,628	\$ 40,741
% of Net Assets Attributable to Holders of Class A and Class U Units	(90)%	95%	5%	(4)%	5%	1%

(b) Price Risk

Approximately 86 percent (December 31, 2017 - 95 percent) of the Fund's net assets attributable to holders of Class A and Class U units held at June 30, 2018 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2018, the net assets attributable to holders of Class A and Class U units would have increased or decreased by \$0.7 million (December 31, 2017 - \$0.8 million) or 4.3 percent (December 31, 2017 - 4.7 percent) of the net assets attributable to holders of Class A and Class U units with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

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

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

	June 30, 2018	Dec. 31, 2017
Diversified Financials	46.4%	54.0%
Banks	14.3%	27.1%
Exchange-Traded Funds	13.8%	3.7%
Insurance	10.8%	15.2%
Alternative Asset Management	9.7%	–
Real Estate	5.0%	–
	100.0%	100.0%

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2018 and December 31, 2017.

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
United States Common Shares	\$ 11,234,727	\$ –	\$ –	\$ 11,234,727
Exchange-Traded Funds	1,802,399	–	–	1,802,399
Forward Exchange Contracts	–	(48,083)	–	(48,083)
Options	(20,928)	–	–	(20,928)
	\$ 13,016,198	\$ (48,083)	\$ –	\$ 12,968,115

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
United States Common Shares	\$ 14,766,302	\$ –	\$ –	\$ 14,766,302
Exchange-Traded Funds	566,261	–	–	566,261
Forward Exchange Contracts	–	286,873	–	286,873
	\$ 15,332,563	\$ 286,873	\$ –	\$ 15,619,436

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 the six months ended June 30, 2018 and the year ended December 31, 2017.

3. Class A and Class U Units

For the six months ended June 30, 2018, cash distributions paid to Class A units were \$445,439 (June 30, 2017 - \$477,304) representing a payment of \$0.25 (June 30, 2017 - \$0.25) per Class A unit and cash distributions to Class U units were US\$22,500 (June 30, 2017 - US\$42,987) representing a payment of US\$0.25 (June 30, 2017 - US\$0.25) per Class U unit.

During the six months end June 30, 2018, nil (June 30, 2017 - nil) Class A units and 8,500 (June 30, 2017 - nil) Class U units were redeemed with a retraction value of US\$16,322 (June 30, 2017 - nil).

During the six months ended June 30, 2018 and year ended December 31, 2017, the unit transactions are as follows:

	June 30, 2018	Dec. 31, 2017
Class A Units		
Units outstanding, beginning of year	1,771,006	1,893,833
Conversions from Class U	10,750	65,111
Units redeemed	–	(187,938)
Units outstanding, end of period	1,781,756	1,771,006
Class U Units		
Units outstanding, beginning of year	100,500	183,400
Conversions to Class A	(2,000)	(49,900)
Units redeemed	(8,500)	(33,000)
Units outstanding, end of period	90,000	100,500

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

4. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2018 were \$100,878 (June 30, 2017 - \$109,360) of which \$15,655 (June 30, 2017 - \$18,000) was unpaid.

(b) Advisory Board Fees

Total advisory board fees paid to the external members of the Board of Advisors for the six months ended June 30, 2018 was \$10,200 (June 30, 2017 - \$10,200).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2018 was \$3,750 (June 30, 2017 - \$3,750).

5. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2018 and 2017 is disclosed below:

	June 30, 2018	June 30, 2017
Soft Dollars	\$ 7,581	\$ 11,220
Percentage of Total Transaction Fees	38.8%	45.5%

6. 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 six months ended June 30, 2018 and 2017 is calculated as follows:

	June 30, 2018		June 30, 2017	
	Class A	Class U	Class A	Class U
Increase/(Decrease) in Net Assets Attributable to Holders of Units	\$ (532,359)	\$ 5,679	\$ 306,585	\$ 14,468
Weighted Average Number of Units Outstanding during the Period	1,780,331	91,939	1,907,483	173,233
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	\$ (0.2990)	\$ 0.0618	\$ 0.1607	\$ 0.0835

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)

U.S. Financials Income Fund (USF.UN)

Top 10 Canadian Financial Trust (TCT.UN)

SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)

S Split Corp. (SBN.PR.A/SBN)

Top 10 Split Trust (TXT.PR.A/TXT.UN)

World Financial Split Corp. (WFS.PR.A/WFS)

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