
U.S. Financials Income Fund

Semi-Annual Report 2020

U.S. Financials Income Fund

Letter to Unitholders

We are pleased to present the 2020 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 exhibited significant volatility in the first half of 2020 as economies and businesses were gripped by the COVID-19 (Coronavirus) pandemic. After reaching all-time highs in the third week of February, both the S&P/TSX Composite Index and the S&P 500 Index declined 37.4 percent and 33.8 percent respectively to the low reached on March 23rd as new cases and fatalities rose exponentially. However, since then, equity markets have staged a historic comeback, even as new cases and fatalities continued to increase, with both markets rising over 39 percent from the low. Central banks and governments around the world have responded with unprecedented monetary and fiscal policies to prop up economies and keep funding markets open. The total return of the S&P/TSX Composite Index for the semi-annual period ending June 30, 2020 was negative 7.5 percent and negative 3.1 percent for the S&P 500 Index.

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, 2020. The net asset value (“NAV”) per Class A unit decreased from C\$7.51 at December 31, 2019 to C\$5.62 at June 30, 2020 and the NAV per Class U unit decreased from US\$7.83 on December 31, 2019 to US\$5.77 at June 30, 2020. The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2020 was negative 21.8 percent for the Class A units and negative 23.0 percent for the Class U units. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to C\$0.43 per unit as compared to a net realized gain on options of C\$0.17 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 and real estate issuers selected from the S&P 500 Index 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

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2020 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 by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 2020, 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 2015, the Fund has paid total cash distributions of C\$2.68 per Class A unit and US\$2.68 per Class U unit.

Revenue and Expenses

For the six months ended June 30, 2020, the Fund’s total revenue were C\$0.07 per Class A unit and US\$0.07 per Class U unit and total expenses were C\$0.19 per Class A unit and US\$0.20 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\$0.19 per Class A unit and US\$0.19 per Class U unit in the prior year. The Fund had a net realized and unrealized loss of C\$1.53 per Class A unit and US\$1.64 per Class U unit during the period as compared to a net realized and unrealized gain of C\$0.61 per Class A unit and US\$0.85 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 25.2 percent from C\$7.51 at December 31, 2019 to C\$5.62 at June 30, 2020. The net asset value per Class U unit of the Fund decreased 26.3 percent from US\$7.83 at December 31, 2019 to US\$5.77 at June 30, 2020. The total net asset value of the Fund decreased C\$1.7 million from C\$7.0 million at December 31, 2019 to C\$5.3 million at June 30, 2020, reflecting a decrease in net assets attributable to holders of Class A and Class U units of C\$1.5 million and cash distributions of C\$0.2 million during the period.

Management Report of Fund Performance

Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2020.

Related Party Transactions

Strathbridge Asset Management Inc. (“Strathbridge”), as the Investment Manager of the Fund, manages the 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.

Information for the period ended June 30, 2020 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2020		2019	
	Class A	Class U	Class A	Class U
NET ASSETS PER UNIT				
Net Assets, beginning of period⁽¹⁾	C\$ 7.51	US\$ 7.83	C\$ 7.16	US\$ 7.19
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue	0.07	0.07	0.17	0.18
Total expenses	(0.19)	(0.20)	(0.35)	(0.37)
Realized gains (losses) for the period	(0.80)	(0.64)	0.58	0.55
Unrealized gains (losses) for the period	(0.73)	(1.00)	0.44	0.80
Total Increase (Decrease) from Operations⁽²⁾	(1.65)	(1.77)	0.84	1.16
DISTRIBUTIONS				
Non-taxable distributions	(0.25)	(0.25)	(0.50)	(0.50)
Total Distributions⁽⁵⁾	(0.25)	(0.25)	(0.50)	(0.50)
Net Assets, end of period⁽¹⁾	C\$ 5.62	US\$ 5.77	C\$ 7.51	US\$ 7.83

(1) All per unit figures are derived from the Fund's unaudited financial statements for the six months ended June 30, 2020 and audited financial statements for the periods ended December 31. Net assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), less expenses and is calculated based on the weighted average number of units outstanding during the 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, 2020		2019	
	Class A	Class U	Class A	Class U
RATIOS/SUPPLEMENTAL DATA				
Net Asset Value (\$millions)	C\$ 4.87	US\$ 0.30	C\$ 6.41	US\$ 0.48
Number of units outstanding	867,073	51,350	853,202	61,350
Management expense ratio ⁽¹⁾	5.54%⁽⁴⁾	5.59%⁽⁴⁾	4.38%	4.45%
Portfolio turnover rate ⁽²⁾	118.48%	118.48%	224.99%	224.99%
Trading expense ratio ⁽³⁾	0.50%⁽⁴⁾	0.50%⁽⁴⁾	0.35%	0.35%
Net Asset Value per unit ⁽⁵⁾	C\$ 5.62	US\$ 5.77	C\$ 7.51	US\$ 7.83
Closing market price	C\$ 5.17		C\$ 7.36	

(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 2020, 2019, 2018, 2017, 2016 and 2015 and for Class A units, excluding withholding taxes, is 5.22%, 4.07%, 2.88%, 2.49%, 2.22% and 2.36% respectively. The MER for 2020, 2019, 2018, 2017, 2016, and 2015 for Class U units, excluding withholding taxes, is 5.28%, 4.15%, 2.93%, 2.47%, 2.17% and 2.22% respectively.

Management Report of Fund Performance

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

		Periods ended December 31													
		2018		2017		2016		2015 ⁽³⁾							
		Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U						
C\$	8.51	US\$	8.67	C\$	8.32	US\$	8.28	C\$	8.45	US\$	8.27	C\$	9.33 ⁽⁴⁾	US\$	9.33 ⁽⁴⁾
	0.17		0.18		0.23		0.23		0.15		0.15		0.18		0.16
	(0.28)		(0.29)		(0.26)		(0.26)		(0.22)		(0.22)		(0.23)		(0.22)
	0.34		0.60		1.30		0.96		(0.66)		(0.78)		(0.70)		(0.11)
	(0.91)		(1.32)		(0.59)		(0.16)		0.52		0.75		0.26		(0.51)
	(0.68)		(0.83)		0.68		0.77		(0.21)		(0.10)		(0.49)		(0.68)
	(0.50)		(0.50)		(0.50)		(0.50)		(0.50)		(0.50)		(0.43)		(0.43)
	(0.50)		(0.50)		(0.50)		(0.50)		(0.50)		(0.50)		(0.43)		(0.43)
C\$	7.16	US\$	7.19	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 agent 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													
		2018		2017		2016		2015 ⁽⁶⁾							
		Class A	Class U	Class A	Class U	Class A	Class U	Class A	Class U						
C\$	7.12	US\$	0.52	C\$	15.07	US\$	0.87	C\$	15.76	US\$	1.52	C\$	29.07	US\$	3.00
	994,887		72,900		1,771,006		100,500		1,893,833		183,400		3,439,188		363,300
	3.14%		3.20%		2.78%		2.76%		2.48%		2.44%		2.68% ⁽⁴⁾		2.50% ⁽⁴⁾
	179.80%		179.80%		270.74%		270.74%		314.12%		314.12%		255.32%		255.32%
	0.31%		0.32%		0.36%		0.35%		0.41%		0.41%		0.39% ⁽⁴⁾		0.34% ⁽⁴⁾
C\$	7.16	US\$	7.19	C\$	8.51	US\$	8.67	C\$	8.32	US\$	8.28	C\$	8.45	US\$	8.27
C\$	6.81			C\$	8.39			C\$	8.08			C\$	8.07		

(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.

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

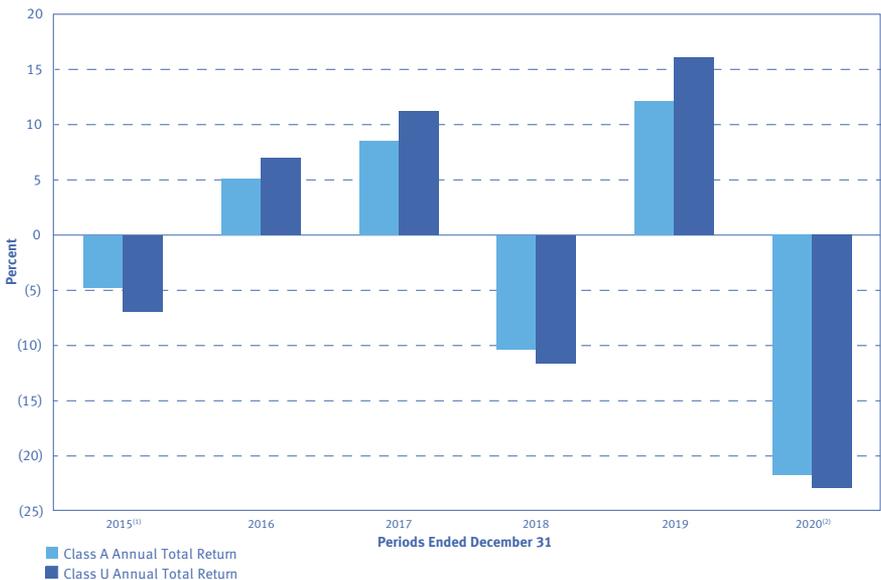
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (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 each of the past five years and for the six months ended June 30, 2020. 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 or June 30, 2020 for the six months ended.

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, 2020.

Management Report of Fund Performance

Portfolio Manager Report

Stock markets around the world exhibited significant volatility in the first half of 2020 as economies and businesses were gripped by the COVID-19 (Coronavirus) pandemic. After reaching all-time highs in the third week of February, both the S&P/TSX Composite Index and the S&P 500 Index declined 37.4 percent and 33.8 percent respectively to the low reached on March 23rd as new cases and fatalities rose exponentially. However, since then, equity markets have staged a historic comeback, even as new cases and fatalities continued to increase, with both markets rising over 39 percent from the low. Central banks and governments around the world have responded with unprecedented monetary and fiscal policies to prop up economies and keep funding markets open. The total return of the S&P/TSX Composite Index for the semi-annual period ending June 30, 2020 was negative 7.5 percent and negative 3.1 percent for the S&P 500 Index.

The Financials, Real Estate, and Listed Private Equity companies each underperformed the broader market considerably during the period with a total return of negative 23.7 percent, negative 8.5 percent and negative 16.2 percent respectively. Concerns surrounding deteriorating credit and higher loan loss provisions for both individuals and corporations due to the economic impact that COVID-19 has delivered globally has weighed on the U.S. Financials share price performance, along with potentially lower wealth management earnings and net interest margins. On Thursday June 25, 2020, the Federal Reserve announced the results from both the Dodd-Frank Act Stress Tests (“DFAST”) and the Comprehensive Capital Analysis and Review (“CCAR”). Although the majority of the banks came through the DFAST stronger than expected, they were formally suspended from share repurchases and restricted from increasing their dividends under the CCAR.

For the six months ended June 30, 2020, the net asset value (“NAV”) per Class A unit was C\$5.62 and the NAV per Class U unit was US\$5.77 as compared to C\$7.51 per Class A unit and US\$7.83 per Class U unit at December 31, 2019. 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 30, 2020 at C\$5.17, which represents a 8.0 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, 2020 was negative 21.8 percent per Class A unit and negative 23.0 percent per Class U unit. The best performing stock within the portfolio was Apollo Global Management, Inc., up 38.8 percent, while, Bank of America Corporation was the worst performing holding during the period, down 41.5 percent while held within the Fund.

Volatility for U.S. Financial Services companies increased significantly in March as markets sold off but declined for the rest of the period as markets have recovered significantly from the lows. However, volatility remains elevated relative to levels experienced over the past few years. As a result, the covered call writing activity was higher in the first quarter with an average of 27.5 percent of the portfolio written which then declined to 18.7 percent in the second quarter. The Fund ended June 30, 2020 with 43.7 percent of the portfolio subject to covered calls and a cash position of 5.9 percent. 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 hedged.

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, 2020

	% of Net Asset Value
Diversified Financials	38.7 %
Alternative Asset Management	20.5 %
Banks	18.1 %
Insurance	18.0 %
Cash	5.9 %
Other Assets/(Liabilities)	(1.2)%
	100.0 %

Portfolio Holdings

June 30, 2020

	% of Net Asset Value
Morgan Stanley	7.5 %
Apollo Global Management, Inc.	7.4 %
The Blackstone Group Inc.	7.1 %
BlackRock, Inc.	7.0 %
MarketAxess Holdings Inc.	6.5 %
The Allstate Corporation	6.0 %
KKR & Co. Inc.	6.0 %
Cash	5.9 %
Intercontinental Exchange, Inc.	5.7 %
Bank of America Corporation	5.5 %
Aon Public Limited Company	5.0 %
The Progressive Corporation	4.9 %
First Republic Bank	4.9 %
The Charles Schwab Corporation	4.5 %
The PNC Financial Services Group, Inc.	4.4 %
Citigroup Inc.	3.3 %
CME Group Inc.	2.9 %
Northern Trust Corporation	2.7 %
MetLife, Inc.	2.1 %
Cboe Global Markets, Inc.	1.9 %

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of U.S. Financials Income Fund (the "Fund") and all the information in this semi-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 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 semi-annual report is consistent with the condensed 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, 2019.

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 10, 2020

U.S. Financials Income Fund

Notice to Unitholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2020 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, 2020 (Unaudited) and December 31, 2019 (Audited)
(In Canadian dollars unless otherwise noted)

	Note	June 30, 2020		Dec. 31, 2019
ASSETS				
Financial assets at fair value through profit or loss	2	\$ 5,027,877		\$ 7,011,788
Derivative assets	2	14,085		50,375
Dividends receivable		2,554		4,599
Cash		307,864		90,393
TOTAL ASSETS		5,352,380		7,157,155
LIABILITIES				
Derivative liabilities	2	47,750		73,894
Accrued liabilities		24,855		42,208
Accrued management fees	4	5,944		7,781
TOTAL LIABILITIES		78,549		123,883
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS				
		\$ 5,273,831		\$ 7,033,272
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS				
		\$ 4,870,196		\$ 6,410,530
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS				
	(US\$296,353)	\$ 403,635	(US\$524,508)	\$ 622,742
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT				
		\$ 5.6168		\$ 7.5135
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT				
	(US\$5.7712)	\$ 7.8605	(US\$7.1949)	\$ 10.1506

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	2020	2019
INCOME			
Dividend income		\$ 64,163	\$ 89,470
Interest income		1,022	10,350
Net realized gain/(loss) on investments at fair value through profit or loss		(997,121)	91,399
Net realized gain on options at fair value through profit or loss		404,950	183,768
Net realized gain/(loss) on forward exchange contracts at fair value through profit or loss		(145,613)	21,043
Net change in unrealized gain/loss on investments at fair value through profit or loss		(673,536)	366,179
TOTAL INCOME/(LOSS), NET		(1,346,135)	762,209
EXPENSES			
Management fees	4	36,086	49,799
Administrative and other expenses		50,353	48,869
Transaction fees	5	14,701	17,565
Custodian fees		21,500	28,307
Audit fees		14,218	13,983
Advisory board fees	4	10,200	9,600
Independent review committee fees	4	4,167	3,750
Legal fees		1,250	1,344
Unitholder reporting costs		5,388	6,374
Harmonized sales tax		11,629	12,052
Withholding taxes		9,407	11,793
TOTAL EXPENSES		178,899	203,436
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS	6	\$ (1,525,034)	\$ 558,773
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT	6	\$ (1.6500)	\$ 0.5203
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT	6	\$ (1.9036)	\$ 0.5592

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)

	2020	2019
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS,		
BEGINNING OF YEAR		
Class A	\$ 6,410,530	\$ 7,120,068
Class U	622,742	716,375
	7,033,272	7,836,443
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units		
Class A	(1,410,552)	519,454
Class U	(114,482)	39,319
	(1,525,034)	558,773
Unit Transactions		
Conversions		
Class A	85,252	99,336
Class U	(85,252)	(99,336)
	-	-
Distributions		
Class A		
Non-taxable distributions	(215,034)	(250,790)
Class U		
Non-taxable distributions	(19,373)	(22,243)
	(234,407)	(273,033)
Changes in Net Assets Attributable to Holders of Class A and Class U Units during the Period		
Class A	(1,540,334)	368,000
Class U	(219,107)	(82,260)
	(1,759,441)	285,740
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS,		
END OF PERIOD		
Class A	\$ 4,870,196	\$ 7,488,068
Class U	403,635	634,115
	\$ 5,273,831	\$ 8,122,183

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)

	2020	2019
CASH, BEGINNING OF YEAR	\$ 90,393	\$ 1,738,789
Cash Flows Provided By (Used In) Operating Activities		
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units	(1,525,034)	558,773
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	997,121	(91,399)
Net realized gain on options at fair value through profit or loss	(404,950)	(183,768)
Net unrealized (gain)/loss on forward exchange contracts at fair value through profit or loss	145,613	(21,043)
Net change in unrealized gain/loss on investments at fair value through profit or loss	673,536	(366,179)
Net change in unrealized gain/loss on foreign cash	(408)	(44,224)
Decrease in dividends receivable	2,045	5,217
Decrease in accrued management fees and accrued liabilities	(19,190)	(17,709)
Purchase of investment securities	(7,021,248)	(9,466,835)
Proceeds from disposition of investment securities	7,604,393	8,540,870
	1,976,912	(1,645,070)
Cash Flows Used In Financing Activities		
Class A unit distributions	(215,034)	(250,790)
Class U unit distributions	(19,373)	(22,243)
	(234,407)	(273,033)
Net Increase/(Decrease) in Cash During the Period	217,471	(1,359,330)
CASH, END OF PERIOD	\$ 307,864	\$ 379,459
Dividends received	\$ 56,801	\$ 82,894
Interest received	\$ 1,022	\$ 10,350

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

Schedule of Investments

As at June 30, 2020 (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	9,000	\$ 329,197	\$ 291,128	
Citigroup Inc.	2,500	227,554	173,996	
First Republic Bank	1,800	271,144	259,847	
The PNC Financial Services Group, Inc.	1,600	277,683	229,275	
Total Banks		1,105,578	954,246	18.1%
Diversified Financials				
BlackRock, Inc.	500	349,219	370,528	
Cboe Global Markets, Inc.	800	113,133	101,639	
CME Group Inc.	700	200,123	154,967	
Intercontinental Exchange, Inc.	2,400	307,660	299,424	
MarketAxess Holdings Inc.	500	341,754	341,129	
Morgan Stanley	6,000	368,954	394,710	
Northern Trust Corporation	1,300	184,928	140,480	
The Charles Schwab Corporation	5,200	310,305	238,962	
Total Diversified Financials		2,176,076	2,041,839	38.7%
Insurance				
Aon Public Limited Company	1,000	269,091	262,323	
MetLife, Inc.	2,200	132,944	109,429	
The Allstate Corporation	2,400	375,518	317,043	
The Progressive Corporation	2,400	261,542	261,865	
Total Insurance		1,039,095	950,660	18.0%
Alternative Asset Management				
Apollo Global Management, Inc.	5,700	303,207	387,551	
KKR & Co. Inc.	7,500	319,076	315,441	
The Blackstone Group Inc.	4,900	373,663	378,140	
Total Alternative Asset Management		995,946	1,081,132	20.5%
Total United States Common Shares		\$ 5,316,695	\$ 5,027,877	95.3%
Forward Exchange Contracts				
Sold USD \$560,000, Bought CAD \$786,940 @ 0.71162 – July 15, 2020			\$ 24,250	
Sold USD \$1,250,000, Bought CAD \$1,692,138 @ 0.73871 – August 19, 2020			(10,165)	
Total Forward Exchange Contracts			\$ 14,085	0.3%

U.S. Financials Income Fund

Schedule of Investments

As at June 30, 2020 (Unaudited)
(In Canadian dollars unless otherwise noted)

	Number of (Contracts)	(Proceeds)	Fair Value	% of Net Assets Attributable to Class A and Class U Units
Options				
Written Covered Call Options (100 shares per contract)				
Apollo Global Management, Inc. – July 2020 @ \$49	(28)	\$ (6,444)	\$ (11,155)	
Bank of America Corporation – July 2020 @ \$25	(45)	(5,085)	(3,156)	
BlackRock, Inc. – July 2020 @ \$540	(3)	(7,846)	(6,864)	
Choe Global Markets, Inc. – July 2020 @ \$98	(8)	(2,475)	(872)	
Citigroup Inc. – July 2020 @ \$53	(25)	(7,395)	(5,345)	
CME Group Inc. – July 2020 @ \$173	(7)	(2,738)	(858)	
Intercontinental Exchange, Inc. – July 2020 @ \$95	(12)	(4,054)	(1,022)	
Metlife, Inc. – July 2020 @ \$37	(22)	(4,686)	(5,199)	
Morgan Stanley – July 2020 @ \$49	(60)	(13,486)	(2,779)	
The Allstate Corporation – July 2020 @ \$100	(12)	(5,525)	(2,059)	
The Blackstone Group Inc. – July 2020 @ \$58	(25)	(3,857)	(2,469)	
The Charles Schwab Corporation – July 2020 @ \$35	(26)	(3,624)	(2,213)	
The PNC Financial Services Group, Inc. – July 2020 @ \$111	(8)	(4,937)	(163)	
The Progressive Corporation – July 2020 @ \$80	(12)	(2,753)	(3,596)	
Total Written Covered Call Options		(74,905)	(47,750)	(0.9)%
Total Options		\$ (74,905)	\$ (47,750)	(0.9)%
Adjustment for transaction fees		(4,792)		
TOTAL INVESTMENTS		\$ 5,236,998	\$ 4,994,212	94.7 %
OTHER NET ASSETS			279,619	5.3 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS			\$ 5,273,831	100.0 %

Notes to Condensed Financial Statements

June 30, 2020 (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, 2019.

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, 2019.

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 10, 2020.

2. Risks Associated with Financial Instruments

The various types of risks 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, 2019.

Credit Risk

As at June 30, 2020 and December 31, 2019, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor’s Ratings Services.

Liquidity Risk

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

	As at June 30, 2020		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ –	\$ 47,750	\$ 47,750
Accrued liabilities	–	24,855	24,855
Accrued management fees	–	5,944	5,944
Class A units	4,870,196	–	4,870,196
Class U units	403,635	–	403,635
	\$ 5,273,831	\$ 78,549	\$ 5,352,380

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

	As at December 31, 2019		
	Financial Liabilities		Total
	On Demand	< 3 months	
Derivative liabilities	\$ –	\$ 73,894	\$ 73,894
Accrued liabilities	–	42,208	42,208
Accrued management fees	–	7,781	7,781
Class A units	6,410,530	–	6,410,530
Class U units	622,742	–	622,742
	\$ 7,033,272	\$ 123,883	\$ 7,157,155

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2020 and December 31, 2019 in Canadian dollar terms, and 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, 2020					
	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
	\$ (2,119,837)	\$ 4,980,127	\$ 2,860,290	\$ (105,992)	\$ 249,006	\$ 143,014
% of Net Assets Attributable to Holders of Class A and Class U Units	(40)%	94%	54%	(2)%	5%	3%

	As at December 31, 2019					
	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
	\$ (3,212,156)	\$ 6,937,894	\$ 3,725,738	\$ (160,608)	\$ 346,895	\$ 186,287
% of Net Assets Attributable to Holders of Class A and Class U Units	(46)%	99%	53%	(2)%	5%	3%

(b) Price Risk

Approximately 95 percent (December 31, 2019 – 100 percent) of the Fund's net assets attributable to holders of Class A and Class U units held at June 30, 2020 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2020, the net assets attributable to holders of Class A and Class U units would have increased or decreased by \$0.3 million (December 31, 2019 – \$0.4 million) or 4.8 percent (December 31, 2019 – 5.0 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.

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

Concentration Risk

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

	June 30, 2020	Dec. 31, 2019
Diversified Financials	40.6%	41.1%
Alternative Asset Management	21.5%	10.1%
Banks	19.0%	38.9%
Insurance	18.9%	9.9%
	100.0%	100.0%

Fair Value Measurement

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, 2020 and December 31, 2019.

	As at June 30, 2020				Total
	Level 1	Level 2	Level 3		
United States Common Shares	\$ 5,027,877	\$ –	\$ –	\$ –	\$ 5,027,877
Forward Exchange Contracts	–	14,085	–	–	14,085
Options	(47,750)	–	–	–	(47,750)
	\$ 4,980,127	\$ 14,085	\$ –	\$ –	\$ 4,994,212

	As at December 31, 2019				Total
	Level 1	Level 2	Level 3		
United States Common Shares	\$ 7,011,788	\$ –	\$ –	\$ –	\$ 7,011,788
Forward Exchange Contracts	–	50,375	–	–	50,375
Options	(73,894)	–	–	–	(73,894)
	\$ 6,937,894	\$ 50,375	\$ –	\$ –	\$ 6,988,269

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, 2020 and during the year ended December 31, 2019.

3. Class A and Class U Units

For the six months ended June 30, 2020, cash distributions paid to Class A units were \$215,034 (June 30, 2019 – \$250,790) representing a payment of \$0.25 (June 30, 2019 – \$0.25) per Class A unit and cash distributions to Class U units were US\$14,088 (June 30, 2019 – US\$16,700) representing a payment of US\$0.25 (June 30, 2019 – US\$0.25) per Class U unit.

During the six months end June 30, 2020 and 2019, nil Class A units and Class U units were redeemed.

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

During the six months ended June 30, 2020 and year ended December 31, 2019, unit transactions are as follows:

	June 30, 2020	Dec. 31, 2019
Class A Units		
Units outstanding, beginning of year	853,202	994,887
Conversions from Class U	13,871	15,691
Units redeemed	–	(157,376)
Units outstanding, end of period	867,073	853,202
Class U Units		
Units outstanding, beginning of year	61,350	72,900
Conversions to Class A	(10,000)	(11,550)
Units outstanding, end of period	51,350	61,350

4. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2020 were \$36,086 (June 30, 2019 – \$49,799) of which \$5,944 (June 30, 2019 – \$7,864) 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, 2020 were \$10,200 (June 30, 2019 – \$9,600).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2020 were \$4,167 (June 30, 2019 – \$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, 2020 and 2019 is disclosed below:

	June 30, 2020	June 30, 2019
Soft Dollars	\$ 7,804	\$ 9,320
Percentage of Total Transaction Fees	53.1%	53.1%

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

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, 2020 and 2019 is calculated as follows:

	June 30, 2020		June 30, 2019	
	Class A	Class U	Class A	Class U
Increase/(Decrease) in Net Assets Attributable to Holders of Units	\$ (1,410,552)	\$ (114,482)	\$ 519,454	\$ 39,319
Weighted Average Number of Units Outstanding during the Period	854,879	60,141	998,381	70,318
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	\$ (1.6500)	\$ (1.9036)	\$ 0.5203	\$ 0.5592

Investment Funds Managed by
Strathbridge Asset Management Inc.

MUTUAL FUNDS

Mulvihill Premium Yield Fund

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

Top 10 Canadian Financial Trust (TCT.UN)

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

SPLIT SHARES

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

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

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

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

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