
S Split Corp.

Semi-Annual Report 2020

Letter to Shareholders

We are pleased to present the 2020 semi-annual report containing the management report of fund performance and the unaudited financial statements for S Split Corp. (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.

Cash distributions of \$0.26 per share were paid to Preferred shareholders during the six months ended June 30, 2020. The net asset value per Unit of the Fund decreased from \$16.24 at December 31, 2019 to \$12.02 at June 30, 2020. The Fund’s total return per Unit, including reinvestment of distributions, was negative 24.5 percent for the period. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.17 per Unit during the period compared to a net realized gain on options of \$0.15 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 shareholders for their continued support and encourage shareholders to review the detailed information contained within the semi-annual report.



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

The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with fixed cumulative preferential monthly distributions of 5.25 percent per annum and the Class A shareholders with regular monthly distributions of 6.0 percent per annum on the net asset value of the Fund and return the original issue price of both classes on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols SBN.PR.A for the Preferred shares and SBN for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share.

To accomplish its objectives, the Fund invests in common shares of The Bank of Nova Scotia and may also invest up to 10 percent of its net assets to purchase call options in respect of securities in which the Fund is permitted to invest.

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

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

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 S Split Corp. (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, cash distributions of \$0.26 per share were paid to Preferred shareholders unchanged from the prior year and no cash distributions were paid to Class A shareholders compared to \$0.10 per share in the prior year.

Since the inception of the Fund on May 17, 2007, the Fund has paid total cash distributions of \$6.89 per Preferred share and \$6.29 per Class A share.

Revenue and Expenses

For the six months ended June 30, 2020, the Fund’s total revenue per Unit was \$0.40 up from \$0.37 from the same period last year. Total expenses per Unit were \$0.25 compared to \$0.29 in the previous year. The Fund had a net realized and unrealized loss of \$4.10 per Unit in the first half of 2020 as compared to a net realized and unrealized gain of \$0.61 per Unit a year earlier.

Net Asset Value

The net asset value per Unit of the Fund decreased 26.0 percent from \$16.24 December 31, 2019 to \$12.02 at June 30, 2020. The aggregate net asset value of the Fund decreased \$3.75 million, from \$14.45 million at December 31, 2019 to \$10.70 million at June 30, 2020, reflecting an operating loss of \$3.52 million and cash distributions of \$0.23 million to Preferred shareholders.

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 April 26, 2007.

Strathbridge is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Strathbridge dated April 26, 2007. 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.

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 for the past five years.

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
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 16.24
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.40
Total expenses	(0.25)
Realized gain (loss) for the period	(0.99)
Unrealized gain (loss) for the period	(3.11)
Total Increase (Decrease) from Operations⁽²⁾	(3.95)
DISTRIBUTIONS	
Preferred Share	
From net investment income	(0.10)
Non-taxable distributions	(0.16)
Total Preferred Share Distributions	(0.26)
Class A Share	
Non-taxable distributions	-
Total Distributions⁽³⁾	(0.26)
Net Assets, end of period⁽¹⁾	\$ 12.02

(1) All per Unit figures presented are derived from the Fund's unaudited financial statements for the six months ended June 30, 2020 and the annual audited financial statements for the years ended December 31. Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

	Six months ended June 30, 2020
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 10.70
Net Asset Value (\$millions)	\$ 1.80
Number of Units outstanding	889,802
Management expense ratio ⁽¹⁾	3.63% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	21.66% ⁽⁴⁾
Trading expense ratio ⁽³⁾	0.10% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 12.02
Closing market price – Preferred	\$ 9.50 ⁽⁶⁾
Closing market price – Class A	\$ 2.19 ⁽⁷⁾

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, including Preferred share distributions, is 7.48%, 6.44%, 6.18%, 5.85%, 6.25% and 5.85% for 2020, 2019, 2018, 2017, 2016 and 2015 respectively. The MER for 2015 includes fund extension recovery and special resolution expense. The MER for 2015 excluding fund extension recovery and special resolution expense is 2.92%.

Management Report of Fund Performance

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

		Years Ended December 31							
		2019	2018	2017	2016	2015			
\$	15.76	\$	19.35	\$	18.64	\$	15.34	\$	18.78
	0.57		0.74		0.72		0.65		0.91
	(0.55)		(0.58)		(0.60)		(0.54)		(0.50)
	0.99		0.33		1.21		1.23		0.62
	0.23		(3.10)		0.45		2.69		(3.49)
	1.24		(2.61)		1.78		4.03		(2.46)
	(0.23)		(0.17)		(0.14)		(0.15)		(0.53)
	(0.30)		(0.36)		(0.39)		(0.38)		-
	(0.53)		(0.53)		(0.53)		(0.53)		(0.53)
	(0.21)		(0.45)		(0.54)		(0.26)		(0.43)
	(0.74)		(0.98)		(1.07)		(0.79)		(0.96)
\$	16.24	\$	15.76	\$	19.35	\$	18.64	\$	15.34

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

(3) Distributions to shareholders are based on the number of shares outstanding on the record date for each distribution.

		Years Ended December 31							
		2019	2018	2017	2016	2015			
\$	14.45	\$	15.23	\$	18.94	\$	19.12	\$	17.48
\$	5.55	\$	5.57	\$	9.15	\$	8.86	\$	6.08
	889,802		965,993		978,753		1,025,576		1,139,931
	3.26%		3.23%		3.11%		3.13%		2.85%
	40.20%		0.00%		23.23%		77.97%		24.16%
	0.08%		0.04%		0.03%		0.08%		0.02%
\$	16.24	\$	15.76	\$	19.35	\$	18.64	\$	15.34
\$	10.75	\$	10.15	\$	10.55	\$	10.70	\$	10.10
\$	5.31	\$	5.00	\$	8.25	\$	6.87	\$	4.67

(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, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

(6) The last date with an executed trade was June 30, 2020.

(7) The last date with an executed trade was June 26, 2020.

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.55 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.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Management Agreement calculated monthly as 1/12 of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Management Agreement include providing or arranging for required administrative services to the Fund.

Past Performance

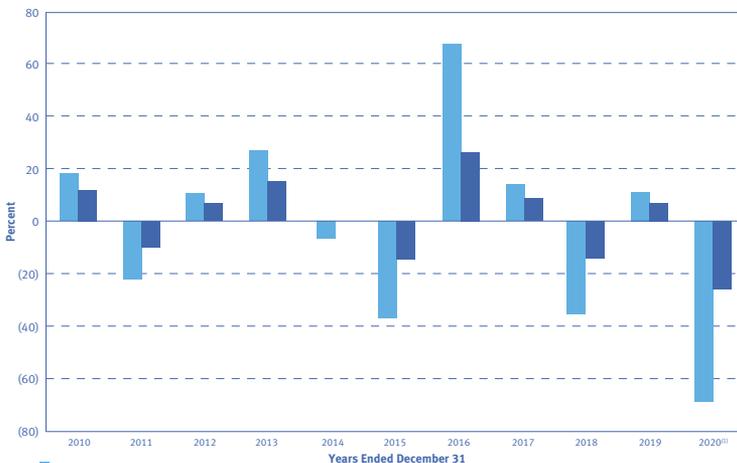
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in 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 in each of the past ten 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 in each year 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 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 Bank of Nova Scotia (“BNS”) reported adjusted earnings of \$1.04 per share which beat the consensus estimate of \$0.96 per share. The current quarterly reported earnings are down 39.0 percent year over year reflecting a challenging period for various reasons. The bank announced that it would exit the metals business which had dwindled away from being a core operation in recent years; and took a \$0.17 charge to earnings in doing so. International operations were most adversely impacted this period, largely due to the COVID-19 pandemic. Given the relatively high international exposure for BNS compared to other Canadian banks, any negative impacts from the pandemic may persist at BNS longer than its competitors.

The price performance of the BNS shares reflected its weaker earnings and comparatively high impact to the pandemic as the only bank down in the second quarter and second weakest of the big six banks in terms of total return for the first six months at negative 23.4 percent. Only the Bank of Montreal was weaker over the same period. BNS closed on June 30, 2020 at \$56.18, down \$17.17 from \$73.35 on December 31, 2019. Dividends of \$0.90 were paid to shareholders in each of the first and second quarters compared to \$0.90 and \$0.87 in the previous two quarters.

The net asset value (“NAV”) per Unit of the Fund at June 30, 2020 was \$12.02 compared to \$16.24 on December 31, 2019. The Fund’s Class A and Preferred Shares, which are listed on the Toronto Stock Exchange as SBN and SBN.PR.A, were last traded at \$2.19 and \$9.50 respectively. When combined, the prices represent a \$0.60 discount to the NAV per Unit. No cash distributions were paid to the Class A shareholders and \$0.26 per share were paid to the Preferred shareholders during the first six months of 2020.

The COVID-19 pandemic produced dramatic uncertainty in the markets, at least for a short while, which was reflected in volatility levels of most stocks, and certainly all the banks. Implied volatility for BNS reached historic highs of over 90 percent very briefly in March before quickly dropping to more subdued levels. The Fund was overwritten during the first six months with an average of 7.4 percent and ended the period with 31.5 percent overwritten.

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 and Portfolio Holdings

June 30, 2020

	% of Net Asset Value*
Financials – The Bank of Nova Scotia	95.2 %
Cash	5.5 %
Other Assets (Liabilities)	(0.7)%
	100.0 %

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of S Split Corp. (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 Directors (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 Audit Committee 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 Audit Committee and the Board.



John P. Mulvihill
Director
Strathbridge Asset Management Inc.



John D. Germain
Director
Strathbridge Asset Management Inc.

August 10, 2020

Notice to Shareholders

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)

	Note	June 30, 2020	Dec. 31, 2019
ASSETS			
Financial assets at fair value through profit or loss	2	\$ 10,185,434	\$ 14,427,945
Cash		583,761	89,866
TOTAL ASSETS		10,769,195	14,517,811
LIABILITIES			
Derivative liabilities	2	34,998	–
Accrued liabilities		24,698	50,010
Accrued management fees	4	14,486	20,288
Redeemable Preferred shares		8,898,020	8,898,020
Class J shares		100	100
TOTAL LIABILITIES		8,972,302	8,968,418
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES		\$ 1,796,893	\$ 5,549,393
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE		\$ 2.0194	\$ 6.2368

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

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2020	2019
INCOME			
Dividend income		\$ 353,340	\$ 355,047
Interest income		153	3,778
Net realized gain/(loss) on investments at fair value through profit or loss		(1,033,822)	102,921
Net realized gain on options at fair value through profit or loss		151,588	142,079
Net change in unrealized gain/loss on investments at fair value through profit or loss		(2,763,898)	352,223
TOTAL INCOME/(LOSS), NET		(3,292,639)	956,048
EXPENSES			
Management fees	4	98,430	130,252
Service fees		–	9,828
Administrative and other expenses		49,085	54,600
Transaction fees	5	5,817	5,542
Custodian fees		16,486	14,479
Audit fees		15,312	15,059
Director fees	4	10,200	9,600
Independent review committee fees	4	4,167	3,750
Legal fees		1,250	1,302
Shareholder reporting costs		7,336	8,852
Harmonized sales tax		18,205	22,392
TOTAL EXPENSES		226,288	275,656
OPERATING PROFIT/(LOSS)		(3,518,927)	680,392
Preferred share distributions	3	(233,573)	(253,573)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES	6	\$ (3,752,500)	\$ 426,819
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE	6	\$ (4.2172)	\$ 0.4418

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 Shares

Six months ended June 30 (Unaudited)

	2020	2019
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, BEGINNING OF YEAR	\$ 5,549,393	\$ 5,568,399
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	(3,752,500)	426,819
Class A Share Distributions		
Non-taxable distributions	-	(100,222)
Changes in Net Assets Attributable to Holders of Class A Shares during the Period	(3,752,500)	326,597
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 1,796,893	\$ 5,894,996

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

Statements of Cash Flows

Six months ended June 30 (Unaudited)

	2020	2019
CASH, BEGINNING OF YEAR	\$ 89,866	\$ 526,914
Cash Flows Provided By (Used In) Operating Activities		
Operating Profit/(Loss)	(3,518,927)	680,392
Adjustments to Reconcile Net Cash Provided By (Used In) Operating Activities		
Net realized (gain)/loss on investments at fair value through profit or loss	1,033,822	(102,921)
Net realized gain on options at fair value through profit or loss	(151,588)	(142,079)
Net change in unrealized gain/loss of investments at fair value through profit or loss	2,763,898	(352,223)
Decrease in dividends receivable	-	489
Decrease in accrued management fees and accrued liabilities	(31,114)	(18,205)
Purchase of investment securities	(2,559,904)	(702,485)
Proceeds from disposition of investment securities	3,191,281	1,105,997
	4,246,395	(211,427)
Cash Flows Used In Financing Activities		
Preferred share distributions	(233,573)	(253,573)
Class A share distributions	-	(100,222)
	(233,573)	(353,795)
Net Increase in Cash During the Period	493,895	115,170
CASH, END OF PERIOD	\$ 583,761	\$ 642,084
Dividends received	\$ 353,340	\$ 355,536
Interest received	\$ 153	\$ 3,778

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

S Split Corp.

Schedule of Investments

As at June 30, 2020 (Unaudited)

	Number of Shares/(Contracts)	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
INVESTMENTS				
Canadian Common Shares				
Financials				
The Bank of Nova Scotia	181,300	\$ 12,117,711	\$ 10,185,434	95.2%
Total Canadian Common Shares		\$ 12,117,711	\$ 10,185,434	95.2%
Options				
Written Covered Call Options				
(100 shares per contract)				
The Bank of Nova Scotia – July 2020 @ \$57	(604)	\$ (39,260)	\$ (34,998)	(0.3)%
Total Options		\$ (39,260)	\$ (34,998)	(0.3)%
Adjustment for transaction fees		(7,040)		
TOTAL INVESTMENTS		\$ 12,071,411	\$ 10,150,436	94.9%
OTHER NET ASSETS			544,577	5.1%
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES			\$ 10,695,013	100.0%

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

1. Basis of Presentation

The condensed semi-annual financial statements for the S Split Corp. (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.

These condensed financial statements were approved by the Board of Directors 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	\$ –	\$ 34,998	\$ 34,998
Accrued liabilities	–	24,698	24,698
Accrued management fees	–	14,486	14,486
Redeemable Preferred shares	8,898,020	–	8,898,020
Class J shares	100	–	100
Class A shares	1,796,893	–	1,796,893
	\$ 10,695,013	\$ 74,182	\$ 10,769,195

	As at December 31, 2019		
	Financial Liabilities		
	On Demand	< 3 months	Total
Accrued liabilities	\$ –	\$ 50,010	\$ 50,010
Accrued management fees	–	20,288	20,288
Redeemable Preferred shares	8,898,020	–	8,898,020
Class J shares	100	–	100
Class A shares	5,549,393	–	5,549,393
	\$ 14,447,513	\$ 70,298	\$ 14,517,811

S Split Corp.

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

Market Risk

(a) Price Risk

Approximately 95 percent (December 31, 2019 – 100 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, 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 shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$0.5 million (December 31, 2019 – \$0.7 million) respectively or 4.8 percent (December 31, 2019 – 5.0 percent) of the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

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

	June 30, 2020	Dec. 31, 2019
Financials	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	
Canadian Common Shares	\$ 10,185,434	\$ –	\$ –	\$ 10,185,434
Options	(34,998)	–	–	(34,998)
	\$ 10,150,436	\$ –	\$ –	\$ 10,150,436

	As at December 31, 2019			Total
	Level 1	Level 2	Level 3	
Canadian Common Shares	\$ 14,427,945	\$ –	\$ –	\$ 14,427,945

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.

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

3. Shares

For the six months ended June 30, 2020, cash distributions paid to Preferred shareholders were \$233,573 (June 30, 2019 – \$253,573) representing a payment of \$0.26 (June 30, 2019 – \$0.26) per Preferred share and cash distributions paid to Class A shareholders were nil (June 30, 2019 – \$100,222) representing a payment of nil (June 30, 2019 – \$0.10) per Class A share.

During the six months ended June 30, 2020 and 2019, nil Preferred shares and Class A shares were redeemed.

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

	June 30, 2020	Dec. 31, 2019
Redeemable Preferred Shares		
Shares outstanding, beginning of year	889,802	965,993
Shares redeemed	–	(76,191)
Shares outstanding, end of period	889,802	889,802
Class A Shares		
Shares outstanding, beginning of year	889,802	965,993
Shares redeemed	–	(76,191)
Shares outstanding, end of period	889,802	889,802
Class J Shares		
Shares outstanding, beginning and end of period	100	100

4. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2020 were \$98,430 (June 30, 2019 – \$130,252) of which \$14,486 (June 30, 2019 – \$21,137) was unpaid.

(b) Director Fees

Total director fees paid to the external members of the Board of Directors 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).

S Split Corp.

Notes to Condensed Financial Statements

June 30, 2020 (Unaudited)

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	\$ 1,292	\$ 1,113
Percentage of Total Transaction Fees	22.2%	20.1%

6. Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share

The increase/(decrease) in net assets attributable to holders of Class A shares per Class A share for the six months ended June 30, 2020 and 2019 is calculated as follows:

	June 30, 2020	June 30, 2019
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	\$ (3,752,500)	\$ 426,819
Weighted Average Number of Class A Shares Outstanding during the Period	889,802	965,993
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ (4.2172)	\$ 0.4418

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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