



SEMI-ANNUAL
REPORT

2016

U.S. FINANCIALS INCOME FUND


strathbridge
ASSET MANAGEMENT

U.S. Financials Income Fund

Letter to Unitholders

We are pleased to present the 2016 semi-annual report containing the management report of fund performance and the unaudited statements for U.S. Financials Income Fund (the “Fund”).

Stock market performance in the first half of 2016 can be characterized by significant weakness to start off the year due to stagnant economic growth and increasingly ineffective monetary policy which led to a lack of investor confidence. However, after most stock markets hit new lows in early February, they staged a meaningful recovery which continued through the second quarter of 2016. Oil prices which declined over 30 percent to a low of US\$26.21 on February 11, 2016 have maintained a steady uptrend since, topping US\$50 per barrel by mid-June and brought much of the energy complex along with it. Soft commodities were also generally higher during the first six months of 2016. The main commodity story, however, was gold. It is the best performing asset class so far in 2016, up over 24 percent. One might expect to see elevated volatility as investors often flock to gold in times of crisis; however, this was not the case. Interest rates remain low and have even gone into negative levels in some regions, notably Europe and Japan. Surprisingly, stock markets have been calm allowing the VIX (“CBOE Volatility Index”) to drift lower through much of the period. The first half of 2016 was punctuated with “Brexit”. The word was coined to describe Great Britain’s exit from the European Union (“EU”). A referendum was held on June 23 and the people voted 52-48 percent to leave the EU in a surprise upset. The news roiled global markets immediately following the event but North American markets have since fully recovered. The longer term impacts on the region and the world are not yet known.

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, 2016. The net asset value (“NAV”) per Class A unit decreased 14.3 percent from C\$8.45 at December 31, 2015 to C\$7.24 at June 30, 2016 and the NAV per Class U unit decreased 12.9 percent from US\$8.27 on December 31, 2015 to US\$7.20 at June 30, 2016. The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2016 was negative 11.5 percent for the Class A units and negative 10.0 percent for the Class U units. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to C\$0.13 per unit as compared to a net realized gain on options of C\$0.06 for the period from February 24, 2015, the inception of the Fund, to June 30, 2015. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all 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" 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 interim management report of fund performance contains the financial highlights for the six months ended June 30, 2016 of U.S. Financials Income Fund (the "Fund"). The unaudited 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.

Investment Objectives and Strategies

The Fund's investment objectives are to:

- (1) provide unitholders with quarterly cash distributions; and
- (2) maximize total return through capital appreciation and distributions.

To achieve its investment objectives, the Fund will invest in an actively managed portfolio of U.S. financial issuers selected from the S&P 500 Index that are classified as "Financials" by Standard & Poor's Global Industry Classification Standard and which have a market capitalization of at least US\$10 billion and a credit rating issued by Standard & Poor's Rating Services of at least A- at the time of purchase. The portfolio will also 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 invest up to 25 percent of the net asset value in other U.S. financial or alternative asset management issuers that do not meet the rating or market capitalization requirements noted above, public investment funds including exchange-traded funds and other Strathbridge funds (provided that no more than 15 percent of the net asset value of the Fund may be invested in securities of other Strathbridge funds) that provide exposure to such securities.

The Manager will select the constituent issuers to be included in the Portfolio utilizing its proprietary quantitative model supplemented by fundamental analysis including, among other things, its view as to (i) the sustainability of the dividends on the securities held in the Portfolio, (ii) the potential for price appreciation, and (iii) the attractiveness of the shares for generating premiums from writing covered call options including liquidity and volatility considerations.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting ("SSO"), to enhance the income generated by the portfolio and to reduce volatility. The Fund strategically writes covered call options from time to time, in respect of all or a portion of the securities in its portfolio. In addition, the Fund may write cash covered put options and may invest up to 10 percent of net assets to purchase call options both in respect of securities in which the Fund is permitted to invest.

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

Management Report of Fund Performance

Results of Operations

Distributions

For the six months ended June 30, 2016, the Fund paid cash distributions of C\$0.25 per Class A unit and US\$0.25 per Class U unit compared to C\$0.175 per Class A unit and US\$0.175 per Class U unit for the period from February 24, 2015, the inception of the Fund, to June 30, 2015.

Since the inception of the Fund in February 2015, the Fund has paid total cash distributions of C\$0.675 per Class A unit and US\$0.675 per Class U unit.

Distributions to Class A unitholders are denominated in Canadian dollars while distributions to Class U unitholders are U.S. dollar denominated.

Revenue and Expenses

For the six months ended June 30, 2016, 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\$0.12 per Class A unit and US\$0.12 per Class U unit as compared to total revenue of C\$0.06 per Class A unit and US\$0.05 per Class U unit and total expenses of C\$0.10 per Class A unit and US\$0.09 per Class U unit for the period ended June 30, 2015. The Fund had a net realized and unrealized loss of C\$0.93 per Class A unit and net realized and unrealized loss of US\$0.79 per Class U unit during the period as compared to a net realized and unrealized loss of C\$0.01 per Class A unit and net realized and unrealized gain of US\$0.13 per Class U unit over the period from February 24, 2015 to June 30, 2015.

Net Asset Value

The net asset value per Class A unit of the Fund decreased 14.3 percent from C\$8.45 at December 31, 2015 to C\$7.24 at June 30, 2016. The net asset value per Class U unit of the Fund decreased 12.9 percent from US\$8.27 at December 31, 2015 to US\$7.20 at June 30, 2016. The total net asset value of the Fund decreased C\$4.98 million from C\$33.24 million at December 31, 2015 to C\$28.26 million at June 30, 2016, primarily reflecting a decrease in net assets attributable to holders of Class A and Class U units of C\$3.99 million, and cash distributions of C\$0.98 million during the period.

Recent Developments

There were no recent developments pertaining to the Fund during the semi-annual period ending June 30, 2016.

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.

U.S. Financials Income Fund

Management Report of Fund Performance

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 from its inception on February 24, 2015.

This information for the period ended June 30, 2016 is derived from the Fund's unaudited interim financial statements

The information for the period ended December 31, 2015 is derived from the Fund's audited annual financial statements.

	Six months ended June 30, 2016				Period ended December 31, 2015 ⁽³⁾			
	Class A		Class U		Class A		Class U	
NET ASSETS PER UNIT								
Net Assets, beginning of period⁽¹⁾	C\$	8.45	US\$	8.27	C\$	9.33⁽⁴⁾	US\$	9.33⁽⁴⁾
INCREASE (DECREASE) FROM OPERATIONS								
Total revenue		0.08		0.08		0.18		0.16
Total expenses		(0.12)		(0.12)		(0.23)		(0.22)
Realized gain (loss) for the period		(0.67)		(0.98)		(0.70)		(0.11)
Unrealized gain (loss) for the period		(0.26)		0.19		0.26		(0.51)
Total Increase (Decrease) from Operations⁽²⁾		(0.97)		(0.83)		(0.49)		(0.68)
DISTRIBUTIONS								
Non-taxable distributions		(0.25)		(0.25)		(0.43)		(0.43)
Total Distributions⁽⁵⁾		(0.25)		(0.25)		(0.43)		(0.43)
Net Assets, end of the period⁽¹⁾	C\$	7.24	US\$	7.20	C\$	8.45	US\$	8.27

(1) Net Assets per unit is the difference between the aggregate value of the assets (including the valuation of securities at closing prices) and the aggregate value of the liabilities, divided by the number of units then outstanding.

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

(3) For the period from inception on February 24, 2015 to December 31, 2015.

(4) Initial issue price, net of agents' fees and issue costs.

(5) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution.

	Six months ended June 30, 2016				Period ended December 31, 2015 ⁽⁶⁾			
	Class A		Class U		Class A		Class U	
RATIOS/SUPPLEMENTAL DATA								
Net Asset Value (\$millions)	C\$	25.56	US\$	2.07	C\$	29.07	US\$	3.00
Number of units outstanding		3,532,907		288,200		3,439,188		363,300
Management expense ratio ⁽¹⁾		2.53%⁽⁴⁾		2.51%⁽⁴⁾		2.68% ⁽⁴⁾		2.50% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾		178.98%		178.98%		255.32%		255.32%
Trading expense ratio ⁽³⁾		0.51%⁽⁴⁾		0.53%⁽⁴⁾		0.39% ⁽⁴⁾		0.34 ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	C\$	7.24	US\$	7.20	C\$	8.45	US\$	8.27
Closing market price	C\$	7.11			C\$	8.07		

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales taxes 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 2016 and 2015, excluding withholding taxes, is 2.24% and 2.36% respectively for Class A and 2.21% and 2.22% for Class U for 2016 and 2015 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.

(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 for the period since inception and for the six months ended June 30, 2016. The chart also shows, in percentage terms, how much an investment made on January 1, 2016 or the date of inception on February 24, 2015 would have increased or decreased by the end of the fiscal year.

Annual 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, 2016.

Portfolio Manager Report

Stock market performance in the first half of 2016 can be characterized by significant weakness to start off the year due to stagnant economic growth and increasingly ineffective monetary policy which led to a lack of investor confidence. However, after most stock markets hit new lows in early February, they staged a meaningful recovery which continued through the second quarter of 2016. Oil prices which declined over 30 percent to a low of US\$26.21 on February 11, 2016 have maintained a steady uptrend since, topping US\$50 per barrel by mid-June and brought much of the energy complex along with it. Soft commodities were also generally higher during the first six months of 2016. The main commodity story, however, was gold. It is the best performing asset class so far in 2016, up over 24 percent. One might expect to see elevated volatility as investors often flock to gold in times of crisis; however, this was not the case. Interest rates remain low and have even gone into negative levels in some regions, notably Europe and Japan. Surprisingly, stock markets have been calm allowing the VIX (“CBOE Volatility Index”) to drift lower through much of the period. The first half of 2016 was punctuated with “Brexit”. The word was coined to describe Great Britain’s exit from the European Union (“EU”). A referendum was held on June 23 and the people voted 52-48 percent to leave the EU in a surprise upset. The news roiled global markets immediately following the event but North American markets have since fully recovered. The longer term impacts on the region and the world are not yet known.

For the six months ended June 30, 2016, the net asset value per Class A unit was C\$7.24 and the net asset value per Class U unit was US\$7.20 as compared to C\$8.45 per Class A unit and US\$8.27 per Class U unit at December 31, 2015. 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, 2016 at C\$7.11, which represents a 1.8 percent discount to the Class A net asset value. 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, 2016 was negative 11.5 percent per Class A unit and negative 10.0 percent per Class U unit. The Fund’s return was partially impacted by the weaker U.S. dollar, which declined 6.2 percent against the Canadian dollar during the period. The best performing stock within the portfolio was Aflac Incorporated, up 21.6 percent as a result of a strengthening Yen which benefitted the translation of their Japanese insurance division’s earnings. Meanwhile, Bank of America Corporation was the worst performing holding during the period, down 29.1 percent due to concerns over weaker capital market revenues and lower net interest margins.

Volatility levels for U.S. Financial Services companies rose during the period relative to the past few years as Financials were the worst performing sector in the S&P 500 Index. The covered call writing activity was opportunistic over the period with an average of 9.5 percent of the portfolio subject to covered calls. The net realized gain on options was C\$0.13 per unit for the first six months of the 2016. The Fund maintained a slightly higher than average cash position of 10.2 percent over the period due to concerns surrounding weaker earnings and ended with a cash position of 18.8 percent compared to 8.1 percent at the end of 2015. 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, 2016

	% of Net Asset Value
Insurance	28.2 %
Diversified Financials	23.0 %
Cash	18.8 %
Real Estate	17.2 %
Banks	9.0 %
Exchange-Traded Funds	4.2 %
Other Assets (Liabilities)	(0.4)%
	100.0 %

Portfolio Holdings

June 30, 2016

	% of Net Asset Value
Cash	18.8 %
Simon Property Group, Inc.	6.0 %
Loews Corporation	5.4 %
Marsh & McLennan Companies, Inc.	5.3 %
Aon PLC	5.2 %
Intercontinental Exchange, Inc.	5.0 %
Aflac Incorporated	4.9 %
JPMorgan Chase & Co.	4.8 %
The Charles Schwab Corporation	4.2 %
Chubb Limited	4.2 %
SPDR S&P Regional Banking ETF	4.2 %
U.S. Bancorp	4.2 %
Crown Castle International Corp.	4.1 %
Berkshire Hathaway Inc.	4.1 %
Brookfield Property Partners L.P.	3.8 %
The Macerich Company	3.3 %
State Street Corporation	3.2 %
Torchmark Corporation	3.2 %
BlackRock, Inc.	2.4 %
Northern Trust Corporation	2.3 %
The Bank of New York Mellon Corporation	1.8 %

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 period ended December 31, 2015.

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 4, 2016

U.S. Financials Income Fund

Notice to Unitholders

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2016 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, 2016 (Unaudited) and December 31, 2015 (Audited)
(In Canadian dollars unless otherwise noted)

	Note	June 30, 2016	Dec. 31, 2015
ASSETS			
Financial assets at fair value through profit or loss	2	\$ 23,047,582	\$ 32,008,286
Derivative assets	2	119,866	–
Dividends receivable		22,596	83,538
Cash		5,315,666	2,700,779
TOTAL ASSETS		28,505,710	34,792,603
LIABILITIES			
Derivative liabilities	2	181,687	472,588
Accrued liabilities		37,438	50,307
Accrued management fees	5	30,030	35,636
Due to brokers - investments		–	994,442
TOTAL LIABILITIES		249,155	1,552,973
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS			
		\$ 28,256,555	\$ 33,239,630
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS			
		\$ 25,562,281	\$ 29,067,733
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS			
	(US\$2,075,591)	\$ 2,694,274	(US\$3,003,307) \$ 4,171,897
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT			
		\$ 7.2355	\$ 8.4519
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT			
	(US\$7.1984)	\$ 9.3486	(US\$8.2667) \$ 11.4833

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

U.S. Financials Income Fund

Condensed Financial Statements

Statement of Comprehensive Income

For the six months ended June 30, 2016 and the period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)
(In Canadian dollars unless otherwise noted)

	Note	2016	2015
INCOME			
Dividend income		\$ 313,313	\$ 225,590
Interest Income		–	4,025
Net realized loss on investments at fair value through profit or loss	3	(4,311,916)	(1,109,751)
Net realized gain on options at fair value through profit or loss	3	531,901	228,088
Net realized gain on forward exchange contracts at fair value through profit or loss	3	995,121	12,178
Net change in unrealized gain on investments at fair value through profit or loss	3	(1,059,866)	882,343
TOTAL INCOME/(LOSS), NET		(3,531,447)	242,473
EXPENSES			
Management fees	5	192,187	157,840
Administrative and other expenses		55,175	55,867
Transaction fees	6	77,424	59,567
Custodian fees		31,638	35,214
Audit fees		11,704	8,103
Advisory board fees	5	10,200	6,126
Independent review committee fees	5	3,410	2,408
Legal fees		2,156	–
Unitholder reporting costs		6,457	576
Harmonized sales tax		25,765	27,995
Withholding taxes		44,429	32,575
TOTAL EXPENSES		460,545	386,271
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS	7	\$ (3,991,992)	\$ (143,798)
DECREASE IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A UNITS PER CLASS A UNIT	7	\$ (0.9676)	\$ (0.0441)
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS U UNITS PER CLASS U UNIT	7	\$ (1.8522)	\$ 0.0122

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

Condensed Financial Statements

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

For the six months ended June 30, 2016 and period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)
(In Canadian dollars unless otherwise noted)

	2016	2015
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, BEGINNING OF PERIOD		
Class A	\$ 29,067,733	\$ -
Class U	4,171,897	-
	33,239,630	-
Increase/(Decrease) in Net Assets Attributable to Holders of Class A and Class U Units		
Class A	(3,339,663)	(148,708)
Class U	(652,329)	4,910
	(3,991,992)	(143,798)
Unit Transactions		
Proceeds from units issued, net of issue costs		
Class A	-	31,471,875
Class U	-	4,842,053
	-	36,313,928
Conversions		
Class A	697,566	230,578
Class U	(697,566)	(230,578)
	-	-
Value for Units Redeemed		
Class U	(13,809)	-
Distributions		
Class A		
Non-taxable distributions	(863,355)	(593,770)
Class U		
Non-taxable distributions	(113,919)	(86,567)
	(977,274)	(680,337)
Changes in Net Assets Attributable to Holders of Class A and Class U Units		
Class A	(3,505,452)	30,959,975
Class U	(1,477,623)	4,529,818
	(4,983,075)	35,489,793
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS, END OF PERIOD		
Class A	\$ 25,562,281	\$ 30,959,975
Class U	2,694,274	4,529,818
	\$ 28,256,555	\$ 35,489,793

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

U.S. Financials Income Fund

Condensed Financial Statements

Statement of Cash Flows

For the six months ended June 30, 2016 and the period from February 24, 2015, the inception of the Fund, to June 30, 2015 (Unaudited)
(In Canadian dollars unless otherwise noted)

	2016	2015
CASH, BEGINNING OF PERIOD	\$ 2,700,779	\$ –
Cash Flows Provided by (Used In) Operating Activities		
Decrease in Net Assets Attributable to Holders of Class A and Class U Units	(3,991,992)	(143,798)
Adjustments to Reconcile Net Cash Provided by (Used in) Operating Activities		
Net realized loss on investments at fair value through profit or loss	4,311,916	1,109,751
Net realized gain on options at fair value through profit or loss	(531,901)	(228,088)
Net realized gain on forward exchange contracts at fair value through profit or loss	(995,121)	(12,178)
Net change in unrealized gain/(loss) on investments at fair value through profit or loss	1,059,866	(882,343)
Net change in unrealized gain/(loss) on foreign cash	(1,563)	12,052
(Increase)/decrease in dividends receivable and due from brokers - investments	60,942	(1,641,578)
Increase/(decrease) in accrued management fees, accrued liabilities, due to brokers - investments and issue expenses payable	(1,012,917)	287,290
Purchase of investment securities	(54,210,749)	(66,740,540)
Proceeds from disposition of investment securities	58,917,489	33,742,039
	7,597,962	(34,353,595)
Cash Flows Provided by (Used in) Financing Activities		
Class A unit distributions	(863,355)	(593,770)
Class U unit distributions	(113,919)	(86,567)
Class U unit redemptions	(13,809)	–
Proceeds from issue of Class A units, net of issue costs	–	31,471,875
Proceeds from issue of Class U units, net of issue costs	–	4,842,053
	(991,083)	35,633,591
Net Increase in Cash during the Period	2,614,887	1,136,198
CASH, END OF PERIOD	\$ 5,315,666	1,136,198
Dividends received, net of withholding taxes	\$ 246,288	\$ 180,240
Interest received	\$ –	\$ 4,025

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

Schedule of Investments

As at June 30, 2016 (Unaudited)

(In Canadian dollars unless otherwise noted)

	Number of Shares	Average Costs	Fair Value	% of Net Assets Attributable to Holders of Class A and Class U Units
INVESTMENTS				
United States Common Shares				
Banks				
JPMorgan Chase & Co.	16,900	\$ 1,369,015	\$ 1,363,851	
U.S. Bancorp	22,400	1,285,196	1,173,235	
Total Banks		2,654,211	2,537,086	9.0 %
Diversified Financials				
Berkshire Hathaway Inc.	6,100	1,119,772	1,147,038	
BlackRock, Inc.	1,500	669,304	667,266	
Intercontinental Exchange, Inc.	4,300	1,437,516	1,429,387	
Northern Trust Corporation	7,500	655,264	645,390	
State Street Corporation	13,000	1,079,011	910,338	
The Bank of New York Mellon Corporation	10,100	526,175	509,591	
The Charles Schwab Corporation	36,400	1,507,232	1,196,473	
Total Diversified Financials		6,994,274	6,505,483	23.0 %
Insurance				
Aflac Incorporated	14,700	1,204,600	1,377,600	
Aon PLC	10,400	1,410,825	1,475,314	
Chubb Limited	7,000	1,109,755	1,188,273	
Loews Corporation	28,500	1,494,956	1,520,864	
Marsh & McLennan Companies, Inc.	17,000	1,352,138	1,511,455	
Torchmark Corporation	11,200	862,332	899,200	
Total Insurance		7,434,606	7,972,706	28.2 %
Real Estate				
Brookfield Property Partners L.P.	36,825	1,123,411	1,074,142	
Crown Castle International Corp.	8,900	1,127,942	1,172,373	
Simon Property Group, Inc.	5,960	1,586,620	1,678,862	
The Macerich Company	8,400	884,025	931,527	
Total Real Estate		4,721,998	4,856,904	17.2 %
Total United States Common Shares		\$ 21,805,089	\$ 21,872,179	77.4 %
Exchange-Traded Funds				
SPDR S&P Regional Banking ETF	23,600	\$ 1,235,556	\$ 1,175,403	
Total Exchange-Traded Funds		\$ 1,235,556	\$ 1,175,403	4.1 %

U.S. Financials Income Fund

Schedule of Investments

As at June 30, 2016 (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				
Bought USD \$6,124,000, Sold CAD \$8,025,012 @ 0.76311 - July 5, 2016			\$ (71,913)	
Bought USD \$3,900,000, Sold CAD \$5,080,608 @ 0.76762 - July 5, 2016			(15,773)	
Sold USD \$11,500,000, Bought CAD \$15,054,650 @ 0.76388 - July 5, 2016			119,866	
Sold USD \$8,000,000, Bought CAD \$10,322,720 @ 0.77499 - July 20, 2016			(66,047)	
Total Forward Exchange Contracts			\$ (33,867)	(0.1)%
Options				
Written Covered Call Options (100 shares per contract)				
Berkshire Hathaway Inc. - July 2016 @ \$138	(15)	\$ (6,925)	\$ (12,954)	
Simon Property Group, Inc. - August 2016 @ \$210	(11)	(7,754)	(15,000)	
Total Options		\$ (14,679)	\$ (27,954)	(0.1)%
Adjustment for transaction fees		(7,673)		
TOTAL INVESTMENTS		\$ 23,018,293	\$ 22,985,761	81.3 %
OTHER NET ASSETS			5,270,794	18.7 %
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A AND CLASS U UNITS			\$ 28,256,555	100.0 %

Notes to Condensed Financial Statements

June 30, 2016 (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 period ended December 31, 2015.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the period ended December 31, 2015.

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 4, 2016.

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 period and are described in Note 6 of the audited financial statements for the period ended December 31, 2015.

Credit Risk

During the periods ended June 30, 2016 and December 31, 2015, the counterparties to the Fund’s derivative financial instruments had a credit rating of A-1 or higher by Standard & Poor’s Ratings Services.

Liquidity Risk

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

	As at June 30, 2016 Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ –	\$ 181,687	\$ 181,687
Accrued liabilities	–	37,438	37,438
Accrued management fees	–	30,030	30,030
	\$ –	\$ 249,155	\$ 249,155

	As at December 31, 2015 Financial Liabilities		
	On Demand	< 3 months	Total
Due to brokers - investments	\$ –	\$ 994,442	\$ 994,442
Derivative liabilities	–	472,588	472,588
Accrued liabilities	–	50,307	50,307
Accrued management fees	–	35,636	35,636
	\$ –	\$ 1,552,973	\$ 1,552,973

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2016 and December 31, 2015 in Canadian dollar terms, and, if any, the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to 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, 2016 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
	\$(7,008,857)	\$ 23,019,628	\$ 16,010,771	\$ (350,443)	\$ 1,150,981	\$ 800,538
% of Net Assets Attributable to Holders of Class A and Class U Units	(25)%	81%	56%	(1)%	4%	3%

	As at December 31, 2015 U.S. Currency Exposure			Impact on Net Assets Attributable to Holders of Class A and Class U Units		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(12,885,254)	\$ 31,950,691	\$ 19,065,437	\$ (644,263)	\$ 1,597,535	\$ 953,272
% of Net Assets Attributable to Holders of Class A and Class U Units	(39)%	96%	57%	(2)%	5%	3%

(b) Price Risk

Approximately 82 percent (December 31, 2015 - 96 percent) of the Fund's net assets attributable to holders of Class A and Class U units held at June 30, 2016 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2016, the net assets attributable to holders of Class A and Class U units would have increased or decreased by \$1.2 million (December 31, 2015 - \$1.6 million) or 4.1 percent (December 31, 2015 - 4.8 percent) of the net assets attributable to holders of Class A and Class U units with all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Concentration Risk

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

	June 30, 2016	Dec. 31, 2015
Insurance	34.6%	28.5%
Diversified Financials	28.2%	27.5%
Real Estate	21.1%	17.5%
Banks	11.0%	23.4%
Exchange-Traded Funds	5.1%	3.1%
	100.0%	100.0%

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

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, 2016 and December 31, 2015.

	As at June 30, 2016			Total
	Level 1	Level 2	Level 3	
United States Common Shares	\$ 21,872,179	\$ -	\$ -	\$ 21,872,179
Exchange-Traded Funds	1,175,403	-	-	1,175,403
Forward Exchange Contracts	-	(33,867)	-	(33,867)
Options	(27,954)	-	-	(27,954)
	\$ 23,019,628	\$ (33,867)	\$ -	\$ 22,985,761

	As at December 31, 2015			Total
	Level 1	Level 2	Level 3	
United States Common Shares	\$ 31,012,535	\$ -	\$ -	\$ 31,012,535
Exchange-Traded Funds	995,751	-	-	995,751
Forward Exchange Contracts	-	(414,993)	-	(414,993)
Options	(57,595)	-	-	(57,595)
	\$ 31,950,691	\$ (414,993)	\$ -	\$ 31,535,698

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, 2016 and the period ended December 31, 2015.

3. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2016 and December 31, 2015.

	As at June 30, 2016				
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		Total
	Designated at Inception	Held for Trading			
Assets					
Non-derivative financial assets	\$ 23,047,582	\$ -	\$ -	\$ -	\$ 23,047,582
Derivative assets	-	119,866	-	-	119,866
Dividends receivable	-	-	22,596	-	22,596
Cash	-	-	5,315,666	-	5,315,666
	\$ 23,047,582	\$ 119,866	\$ 5,338,262	\$ -	\$ 28,505,710

	As at June 30, 2016				
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		Total
	Designated at Inception	Held for Trading			
Liabilities					
Derivative liabilities	\$ -	\$ 181,687	\$ -	\$ -	\$ 181,687
Accrued liabilities	-	-	37,438	-	37,438
Accrued management fees	-	-	30,030	-	30,030
	\$ -	\$ 181,687	\$ 67,468	\$ -	\$ 249,155

U.S. Financials Income Fund

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

	As at December 31, 2015				Total
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		
	Designated at Inception	Held for Trading			
Assets					
Non-derivative financial assets	\$ 32,008,286	\$ -	\$ -	\$ -	\$ 32,008,286
Dividends receivable	-	-	-	83,538	83,538
Cash	-	-	-	2,700,779	2,700,779
	\$ 32,008,286	\$ -	\$ -	\$ 2,784,317	\$ 34,792,603

	As at December 31, 2015				Total
	Financial Instruments at FVTPL		Financial Instruments at Amortized Cost		
	Designated at Inception	Held for Trading			
Liabilities					
Due to brokers - investments	\$ -	\$ -	\$ 994,442	\$ -	\$ 994,442
Derivative liabilities	-	472,588	-	-	472,588
Accrued liabilities	-	-	50,307	-	50,307
Accrued management fees	-	-	35,636	-	35,636
	\$ -	\$ 472,588	\$ 1,080,385	\$ -	\$ 1,552,973

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the six months ended June 30, 2016 and period ended June 30, 2015.

	June 30, 2016	June 30, 2015
Net Realized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	\$ (4,311,916)	\$ (1,109,751)
Held for Trading	1,527,022	240,266
	(2,784,894)	(869,485)
Net Change in Unrealized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	(1,448,808)	1,110,214
Held for Trading	388,942	(227,871)
	(1,059,866)	882,343
Net Gain/(Loss) on Financial Instruments at FVTPL	\$ (3,844,760)	\$ 12,858

4. Class A and Class U Units

For the six months ended June 30, 2016, cash distributions paid to Class A units were \$863,355 (June 30, 2015 - \$593,770) representing a payment of \$0.25 (June 30, 2015 - \$0.18) per Class A unit and cash distributions to Class U units were US\$87,588 (June 30, 2015 - US\$69,705) representing a payment of US\$0.25 (June 30, 2015 - US\$0.18) per Class U unit.

During the six months end June 30, 2016, nil (June 30, 2015 - nil) Class A units and 2,000 (June 30, 2015 - nil) Class U units were redeemed with a retraction value of \$13,809 (June 30, 2015 - nil).

During the six months ended June 30, 2016 and period ended December 31, 2015, the unit transactions are as follows:

Notes to Condensed Financial Statements

June 30, 2016 (Unaudited)

	June 30, 2016	Dec. 31, 2015
Class A Units		
Units outstanding, beginning of period	3,439,188	3,375,000
Conversions	93,719	64,188
Units outstanding, end of period	3,532,907	3,439,188
Class U Units		
Units outstanding, beginning of period	363,300	412,600
Units redeemed	(2,000)	-
Conversions	(73,100)	(49,300)
Units outstanding, end of period	288,200	363,300

5. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2016 were \$192,187 (June 30, 2015 - \$157,840),

(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, 2016 was \$10,200 (June 30, 2015 - \$6,126).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2016 was \$3,410 (June 30, 2015 - \$2,408).

6. 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, 2016 and period ended June 30, 2015 is disclosed below:

	June 30, 2016	June 30, 2015
Soft Dollars	\$ 23,412	\$ 28,939
Percentage of Total Transaction Fees	30.2%	48.6%

7. 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, 2016 and period ended June 30, 2015 is calculated as follows:

	June 30, 2016		June 30, 2015	
	Class A	Class U	Class A	Class U
Increase/(Decrease) in Net Assets Attributable to Holders of Units	\$(3,339,663)	\$ (652,329)	\$ (148,708)	\$ 4,910
Weighted Average Number of Units Outstanding during the Period	3,451,572	352,195	3,371,877	400,843
Increase/(Decrease) in Net Assets Attributable to Holders of Units per Unit	\$ (0.9676)	\$ (1.8522)	\$ (0.0441)	\$ 0.0122

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 (NGL.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)

MUTUAL FUND

U.S. Tactical Allocation Fund

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