

**Semi-Annual Report 2013**

**Low Volatility U.S. Equity Income Fund**



  
**strathbridge**  
ASSET MANAGEMENT

## Low Volatility U.S. Equity Income Fund

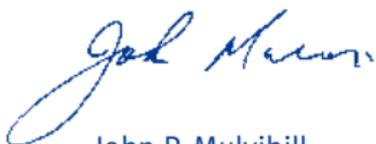
### Letter to Unitholders

We are pleased to present the 2013 semi-annual report containing the management report of fund performance and the unaudited financial statements for Low Volatility U.S. Equity Income Fund.

On March 13, 2013, the Fund completed its initial public offering of 2,050,000 units for gross proceeds of \$20.5 million. Subsequently, on March 28, 2013, the Fund completed the issuance of an additional 85,000 units pursuant to the exercise of the over-allotment option granted to the Fund's agents. Altogether, the Fund raised gross proceeds of \$21.3 million. The Fund's units are traded on the Toronto Stock Exchange under the ticker symbol LVU.UN.

For the semi-annual period ended June 30, 2013, the Fund paid cash distributions of \$0.12 per unit while the net asset value per unit increased from \$9.32 per unit at March 13, 2013 to \$9.53 per unit at June 30, 2013. This resulted in a total return, including reinvestment of distributions, of 3.4 percent. 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 more detailed information contained within the semi-annual report.



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

### The Fund

The Fund is a closed-end investment trust designed to maximize risk adjusted returns for unitholders and to pay unitholders monthly cash distributions in an amount targeted to be 5.0 percent per annum on the net asset value per unit. The units are listed on the Toronto Stock Exchange under the ticker symbol LVU.UN. To accomplish its objectives, the Fund invests in a conservative portfolio consisting of large capitalization equity securities selected from the S&P 100 Index with a beta of less than 1.0, combined with selective covered call option writing designed to enhance portfolio income and mitigate downside risk. Beta is a financial term used as a measure of a security's or a portfolio's return in relation to the market. A beta of less than 1.0 indicates that the price of a security will generally vary to a lesser extent than the movement of the market and a beta of greater than 1.0 indicates that the price of a security will generally vary to a greater extent than the movement of the market.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio 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.

# Low Volatility U.S. Equity Income Fund

## Management Report of Fund Performance

### Management Report of Fund Performance

This first semi-annual management report of fund performance contains the financial highlights for the period ended June 30, 2013 of Low Volatility U.S. Equity 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, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.strathbridge.com](http://www.strathbridge.com).

### Results of Operations

#### Distributions

For the period from March 13, 2013 to June 30, 2013, cash distributions of \$0.12 per unit were paid to the unitholders of the Fund.

#### Revenue and Expenses

For the period from March 13, 2013 to June 30, 2013, the Fund’s total revenue was \$0.05 per unit while total expenses per unit amounted to \$0.09 per unit. The Fund had a net realized and unrealized gain of \$0.35 per unit during this period.

#### Net Asset Value

The net asset value per unit of the Fund increased 2.3 percent from \$9.32 per unit at March 13, 2013 to \$9.53 per unit at June 30, 2013. The total net asset value of the Fund gained \$0.4 million from the initial net proceeds of \$19.9 million to \$20.3 million at June 30, 2013, reflecting a net increase in net assets from operations of \$0.7 million, partially offset by cash distributions of \$0.3 million.

### Recent Developments

On March 13, 2013, the Fund completed its initial public offering of 2,050,000 units for gross proceeds of \$20.5 million. Subsequently, on March 28, 2013, the Fund completed the issuance of an additional 85,000 units pursuant to the exercise of the over-allotment option granted to the Fund’s agents. Altogether, the Fund raised gross proceeds of \$21.3 million. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol LVU.UN.

### Management Report of Fund Performance

On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 213,485 units representing approximately 10 percent of the Fund's public float of 2,134,850 units as at April 25, 2013. The Fund may purchase up to 42,700 units in any 30-day period which is 2 percent of the 2,135,000 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the TSX or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, nil units had been purchased by the Fund.

### Future Accounting Policy Changes

Strathbridge Asset Management Inc. ("Strathbridge"), as the Manager of the Fund, has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2013 financial statements and the preparation of the 2014 financial statements in accordance with IFRS with comparatives. The Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the year ending December 31, 2014.

As at June 30, 2013, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles ("Canadian GAAP") where investment fund accounting was based upon guidance in AcG-18,
- Implementation of cash flow statements,
- Presentation of comparative information, and
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

Based on the Manager's current understanding and analysis of IFRS to the accounting policies under Canadian GAAP, the Manager does not anticipate the transition to IFRS will have a material impact on the Fund's net assets per unit, systems and processes, and it is expected that it will mainly result in additional note disclosure in the financial statements.

# Low Volatility U.S. Equity Income Fund

## Management Report of Fund Performance

### Related Party Transactions

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 February 26, 2013.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated February 26, 2013. 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.

## Management Report of Fund Performance

### 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.

# Low Volatility U.S. Equity 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 March 13, 2013.

Information for the period ended June 30, 2013 is derived from the Fund's unaudited semi-annual financial statements.

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#### NET ASSETS PER UNIT

**Net Assets, beginning of period** (based on bid prices)<sup>(1)</sup>

INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gain (loss) for the period

Unrealized gain (loss) for the period

**Total Increase (Decrease) from Operations**<sup>(2)</sup>

DISTRIBUTIONS

Non-taxable distributions

**Total Distributions**<sup>(3)</sup>

**Net Assets, end of period** (based on bid prices)<sup>(1)</sup>

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(1) Net assets per unit is the difference between the aggregate value of the assets including the valuation of securities at bid 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 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

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#### RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)

Number of units outstanding

Management expense ratio<sup>(1)</sup>

Portfolio turnover rate<sup>(2)</sup>

Trading expense ratio<sup>(3)</sup>

Net Asset Value per unit<sup>(5)</sup>

Closing market price

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(1) The management expense ratio is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, divided by the average net asset value.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

## Management Report of Fund Performance

The net assets per unit presented in the financial statements differs from the net asset value per unit calculated daily, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for daily net asset value purposes.

**Period ended  
June 30, 2013<sup>(4)</sup>**

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\$	<b>9.33<sup>(5)</sup></b>
	<b>0.05</b>
	<b>(0.09)</b>
	<b>(0.03)</b>
	<b>0.38</b>
	<hr/>
	<b>0.31</b>
	<b>(0.12)</b>
	<hr/>
	<b>(0.12)</b>
\$	<b>9.52</b>

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ending net assets as calculations are based on the weighted average number of units outstanding during the period.

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

(4) For the period from inception on March 13, 2013 to June 30, 2013.

(5) Initial issue price, net of agent fees and initial issue costs.

**Period ended  
June 30, 2013<sup>(6)</sup>**

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\$	<b>20.34</b>
	<b>2,135,000</b>
	<b>2.57%<sup>(4)</sup></b>
	<b>93.36%</b>
	<b>0.46%<sup>(4)</sup></b>
\$	<b>9.53</b>
\$	<b>9.02</b>

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(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 March 13, 2013 to June 30, 2013.

# Low Volatility U.S. Equity 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 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

### Year-By-Year Returns

The Fund has been operational for less than one year. No year-by-year returns have been calculated.

### Portfolio Manager Report

Most Global equity markets trended higher in the first half of 2013 as economic data out of the United States and other parts of the world continued to improve while Central Banks maintained a bias to keep monetary policy accommodative. Market concerns surrounding the Fiscal Cliff in the U.S. quickly dissipated after a last minute deal was reached at the end of 2012 allowing the market to focus on better economic data and improving company fundamentals for the first half of 2013.

Since the inception date of March 13, 2013, the total return of the Fund, including reinvestment of distributions, was 3.4 percent as compared to 3.9 percent for the S&P 100 Index during the same period. The best performing stocks within the portfolio universe were: The Boeing Company and Lockheed Martin Corporation up 22.3 and 21.3 percent respectively. Both stocks rebounded strongly after concerns dissipated that Washington would drastically cut defense spending after the resolution of the Fiscal Cliff at the end of 2012. At the other end of the spectrum, FedEx Corporation was the laggard within the portfolio, down 7.5 percent during the period on weaker than expected earnings due to declining margins at its International FedEx Express business.

Due to the relatively low level of volatility in companies within the portfolio, the Strathbridge Selective Overwriting ("SSO") activity was limited to select holdings as the lower volatility did not compensate the Fund enough to justify this activity. The Fund ended June 30, 2013 with approximately 29 percent of the portfolio subject to covered calls. The Fund also invested the money raised from the initial public offering fairly quickly and ended the period with a cash position of 6 percent of the net asset value.

# Low Volatility U.S. Equity Income Fund

## Management Report of Fund Performance

The Manager remains positive on companies within the Low Volatility U.S. Equity Income Fund universe due to their leverage to an improving U.S. economy, strong corporate balance sheets and earnings as well as continued attractive valuations on both an absolute and relative basis. The Fund is expected to benefit from these factors while at same time providing superior diversification and reduced volatility.

### 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](http://www.strathbridge.com).

### Asset Mix

June 30, 2013

	<b>% of Net Asset Value</b>
Consumer Discretionary	27 %
Health Care	20 %
Consumer Staples	18 %
Industrials	17 %
Information Technology	9 %
Cash	6 %
Financials	6 %
Telecommunication Services	2 %
Other Assets (Liabilities)	(5)%
	<hr/> 100 %

# Low Volatility U.S. Equity Income Fund

## Management Report of Fund Performance

### Portfolio Holdings

June 30, 2013

	% of Net Asset Value
The Boeing Company	6%
Cash	6%
The Walt Disney Company	6%
The Home Depot, Inc.	6%
Berkshire Hathaway Inc. - Class B	6%
Johnson & Johnson	5%
CVS Caremark Corporation	5%
PepsiCo, Inc.	5%
Visa Inc.	5%
Costco Wholesale Corporation	5%
Starbucks Corporation	5%
UnitedHealth Group Inc.	5%
Lockheed Martin Corporation	4%
Nike Inc. - Class B	4%
Google Inc. - Class A	4%
Raytheon Company	4%
Gilead Sciences, Inc.	4%
Bristol-Myers Squibb Company	4%
Lowe's Companies, Inc.	3%
3M Company	3%
Walgreen Co.	3%
Time Warner Inc.	3%
Amgen Inc.	2%
Verizon Communications Inc.	2%

### Forward-Looking Statements

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

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

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

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Low Volatility U.S. Equity 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 financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles 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 those of other Strathbridge Funds financial statements.

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

The Board meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting issues, 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 6, 2013

## Low Volatility U.S. Equity Income Fund

### Notice to Unitholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

# Low Volatility U.S. Equity Income Fund

## Financial Statements

### Statement of Net Assets

As at June 30, 2013 (Unaudited)

	2013
<hr/>	
ASSETS	
Investments at fair value (cost - \$18,759,847)	\$ 19,565,328
Cash	1,170,683
Dividends receivable	5,698
Due from brokers - investments	400,506
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TOTAL ASSETS	21,142,215
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LIABILITIES	
Due to brokers - investments	545,834
Issue expenses payable	208,994
Accrued liabilities	47,542
Accrued management fees	15,095
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TOTAL LIABILITIES	817,465
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NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 20,324,750
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Number of Units Outstanding	2,135,000
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Net Assets per Unit (Note 4)	\$ 9.5198
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# Low Volatility U.S. Equity Income Fund

## Financial Statements

### Statement of Financial Operations

For the period from March 13, 2013, the inception of the Fund, to June 30, 2013 (Unaudited)

2013

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#### REVENUE

Dividends	\$	121,570
Interest		3,898
Withholding taxes		(18,240)
<b>TOTAL REVENUE</b>		<b>107,228</b>

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#### EXPENSES

Management fees		60,179
Service fees		24,193
Administrative and other expenses		22,854
Transaction fees (Note 5)		27,935
Custodian fees		19,379
Audit fees		9,828
Advisory board fees		4,707
Independent review committee fees		1,968
Legal fees		1,647
Unitholder reporting costs		286
Harmonized sales tax		10,715
<b>TOTAL EXPENSES</b>		<b>183,691</b>

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<b>Net Investment Loss</b>		<b>(76,463)</b>
Net loss on sale of investments		(15,382)
Net loss on sale of derivatives		(50,201)
<b>Net Loss on Sale of Investments</b>		<b>(65,583)</b>
Unrealized appreciation/ depreciation of investments		814,121
<b>Net Gain on Investments</b>		<b>748,538</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$</b>	<b>672,075</b>

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#### NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT

(based on the weighted average number  
of units outstanding during the period  
of 2,123,194)

**\$ 0.3165**

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# Low Volatility U.S. Equity Income Fund

## Financial Statements

### Statement of Changes in Net Assets

For the period from March 13, 2013, the inception of the Fund, to June 30, 2013 (Unaudited)

	<b>2013</b>
NET ASSETS, BEGINNING OF PERIOD	\$ -
<b>Net Increase in Net Assets from Operations</b>	<b>672,075</b>
<b>Unit Transactions</b>	
Proceeds from units issued, net of issue costs	19,908,875
<b>Distributions to Unitholders</b>	
Non-taxable distributions	(256,200)
<b>Changes in Net Assets during the Period</b>	<b>20,324,750</b>
NET ASSETS, END OF PERIOD	\$ 20,324,750

### Statement of Net Loss on Sale of Investments

For the period from March 13, 2013, the inception of the Fund, to June 30, 2013 (Unaudited)

	<b>2013</b>
<b>Proceeds from Sale of Investments</b>	<b>\$ 16,724,212</b>
<b>Cost of Investments Sold</b>	
Cost of investments, beginning of period	-
Cost of investments purchased	35,549,642
	35,549,642
<b>Cost of Investments, End of Period</b>	<b>(18,759,847)</b>
	16,789,795
NET LOSS ON SALE OF INVESTMENTS	\$ (65,583)

# Low Volatility U.S. Equity Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets
<b>INVESTMENTS</b>				
<b>United States Common Shares</b>				
<b>Consumer Discretionary</b>				
Lowe's Companies, Inc.	15,800	\$ 668,856	\$ 681,398	
Nike Inc. - Class B	13,100	823,651	879,912	
Starbucks Corporation	14,400	904,484	994,879	
The Home Depot, Inc.	14,000	1,004,709	1,138,273	
The Walt Disney Company	17,200	1,011,608	1,146,413	
Time Warner Inc.	9,300	546,477	567,373	
<b>Total Consumer Discretionary</b>		<b>4,959,785</b>	<b>5,408,248</b>	<b>26.6%</b>
<b>Consumer Staples</b>				
Costco Wholesale Corporation	9,000	1,051,154	1,049,815	
CVS Caremark Corporation	17,600	1,009,727	1,061,299	
PepsiCo, Inc.	12,300	1,011,989	1,061,300	
Walgreen Co.	13,800	622,264	642,751	
<b>Total Consumer Staples</b>		<b>3,695,134</b>	<b>3,815,165</b>	<b>18.8%</b>
<b>Financials</b>				
Berkshire Hathaway Inc. - Class B	9,300	998,098	1,097,269	5.4%
<b>Health Care</b>				
Amgen Inc.	4,200	419,135	436,966	
Bristol-Myers Squibb Company	16,500	774,853	777,906	
Gilead Sciences, Inc	14,800	733,727	799,557	
Johnson & Johnson	11,800	974,298	1,068,823	
UnitedHealth Group Incorporated	14,100	911,248	974,004	
<b>Total Health Care</b>		<b>3,813,261</b>	<b>4,057,256</b>	<b>20.0%</b>
<b>Industrials</b>				
3M Company	5,800	658,197	669,082	
Lockheed Martin Corporation	7,700	792,979	880,466	
Raytheon Company	12,000	751,092	837,041	
The Boeing Company	11,000	972,110	1,187,254	
<b>Total Industrials</b>		<b>3,174,378</b>	<b>3,573,843</b>	<b>17.6%</b>
<b>Information Technology</b>				
Google Inc. - Class A	920	810,508	853,730	
Visa Inc.	5,500	1,008,521	1,059,199	
<b>Total Information Technology</b>		<b>1,819,029</b>	<b>1,912,929</b>	<b>9.4%</b>
<b>Telecommunication Services</b>				
Verizon Communications Inc.	8,200	424,976	435,472	2.1%
<b>Total United States Common Shares</b>		<b>\$ 18,884,661</b>	<b>\$ 20,300,182</b>	<b>99.9%</b>

# Low Volatility U.S. Equity Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets
<b>Forward Exchange Contracts</b>				
Sold USD \$6,000,000, Bought CAD \$6,095,040 @ 0.98441 - July 17, 2013			\$ (237,389)	
Sold USD \$7,800,000, Bought CAD \$8,027,370 @ 0.97168 - August 14, 2013			(210,508)	
Sold USD \$6,200,000, Bought CAD \$6,423,820 @ 0.96516 - September 11, 2013			(128,715)	
<b>Total Forward Exchange Contracts</b>			\$ (576,612)	(2.8)%
<b>Options</b>				
<b>Written Covered Call Options</b> (100 shares per contract)				
3M Company				
- July 2013 @ \$110	(15)	\$ (2,089)	\$ (2,231)	
Amgen Inc.				
- July 2013 @ \$98	(21)	(7,103)	(6,646)	
CVS Caremark Corporation				
- July 2013 @ \$58	(89)	(9,772)	(7,699)	
Gilead Sciences, Inc.				
- July 2013 @ \$50	(48)	(8,246)	(10,988)	
Lowe's Companies, Inc.				
- July 2013 @ \$40	(79)	(8,853)	(11,751)	
Nike Inc. - Class B				
- July 2013 @ \$63	(33)	(4,940)	(6,963)	
PepsiCo, Inc.				
- July 2013 @ \$80	(123)	(16,053)	(30,493)	
The Home Depot, Inc.				
- July 2013 @ \$75	(114)	(20,927)	(33,073)	
The Walt Disney Company				
- July 2013 @ \$63	(86)	(13,183)	(15,060)	
Time Warner Inc.				
- July 2013 @ \$58	(93)	(8,669)	(12,754)	
UnitedHealth Group Incorporated				
- July 2013 @ \$63	(25)	(3,553)	(9,231)	
Verizon Communications Inc.				
- July 2013 @ \$50	(82)	(6,610)	(7,872)	
Walgreen Co.				
- July 2013 @ \$45	(55)	(6,911)	(3,481)	
<b>Total Written Covered Call Options</b>		(116,909)	(158,242)	(0.8)%
<b>Total Options</b>		\$ (116,909)	\$ (158,242)	(0.8)%
Adjustment for transaction costs		(7,905)		
<b>TOTAL INVESTMENTS</b>		\$ 18,759,847	\$ 19,565,328	96.3 %
<b>OTHER NET ASSETS</b>			759,422	3.7 %
<b>TOTAL NET ASSETS</b>			\$ 20,324,750	100.0 %

# Low Volatility U.S. Equity Income Fund

## Notes to Financial Statements

June 30, 2013

### 1. Establishment of the Fund

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Low Volatility U.S. Equity Income Fund (the “Fund”) was established under the laws of the Province of Ontario on February 26, 2013 by a trust agreement made between RBC Investor Services Trust and Strathbridge Asset Management Inc. (“Strathbridge”). The Fund’s authorized capital includes an unlimited number of units.

On March 13, 2013, the Fund completed its initial public offering of 2,050,000 units for gross proceeds of \$20.5 million. Subsequently, on March 28, 2013, the Fund completed the issuance of an additional 85,000 units pursuant to the exercise of the over-allotment option granted to the Fund’s agents. Altogether, the Fund raised gross proceeds of \$21.3 million. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol LVU.UN.

Strathbridge is the Manager as well as the Investment Manager of the Fund. RBC Investor Services Trust is the Custodian of the Fund.

### 2. Basis of Presentation

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The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented.

### 3. Normal Course Issuer Bid

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On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 213,485 units representing approximately 10 percent of the Fund’s public float of 2,134,850 units as at April 25, 2013. The Fund may purchase up to 42,700 units in any 30-day period which is 2 percent of the 2,135,000 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the TSX or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, nil units had been purchased by the Fund.

### 4. Net Asset Value

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The net asset value of the Fund is calculated using the fair value of investments at the close or last trade price. The net assets per unit is calculated using the fair value of investments at the closing bid price. The net assets per unit for financial reporting purposes and net asset value per unit for pricing purposes will not be the same due to the use of different valuation techniques.

# Low Volatility U.S. Equity Income Fund

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The difference between the net asset value per unit for pricing purposes and the net assets per unit reflected in the financial statements is as follows:

	June 30, 2013
Net Asset Value per unit (for pricing purposes)	\$ 9.5265
Difference	(0.0067)
Net Assets per unit (for financial statement purposes)	\$ 9.5198

### 5. Transaction Fees

Total transaction fees for the period ended June 30, 2013 in connection with portfolio transactions were \$27,935. Of this amount \$13,175 was directed to cover payment of research services provided to the Investment Manager.

### 6. Financial Instruments and Risk Management

The Fund's financial instruments consist of cash, investments, receivables and payables. In accordance with CICA Handbook Section 3862, "Financial Instruments - Disclosures" the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

- (i) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,
- (ii) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- (iii) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of June 30, 2013 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
United States Common Shares	\$ 20,300,182	\$ -	\$ -	\$ 20,300,182
Forward Exchange Contracts	-	(576,612)	-	(576,612)
Options	(158,242)	-	-	(158,242)
Total Investments	\$ 20,141,940	\$ (576,612)	\$ -	\$ 19,565,328

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include concentration risk, other price risk, liquidity risk, interest rate risk, currency risk and credit risk.

## Low Volatility U.S. Equity Income Fund

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These risks and related risk management practices employed by the Fund are discussed below:

#### Concentration Risk

The Fund was created to invest in the securities of large capitalization issuers listed in the U.S. and is not expected to have significant exposure to any other investments or assets. The Fund will invest 100 percent of its assets in 20 to 30 equity securities of issuers selected from the S&P 100 Index that have a Beta of less than 1.0. The Fund's holdings are concentrated in large capitalization issuers listed in the U.S. securities and they are not diversified.

#### Other Price Risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or segment. The Fund's most significant exposure to other price risk arises from its investments in equity securities. Net assets per unit varies as the value of the securities in the Fund varies. The Fund has no control over the factors that affect the value of the securities in the Fund, including factors that affect all U.S. large capitalization equities. The Fund's market risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options.

Approximately 100 percent of the Fund's net assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2013, the net assets of the Fund would have increased or decreased by \$2.0M or 10.0 percent respectively of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

#### Liquidity Risk

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

Cash is required to fund redemptions. Unitholders must surrender units at least 10 business days prior to the last day of the month

# Low Volatility U.S. Equity Income Fund

## Notes to Financial Statements

June 30, 2013

and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 21 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of a financial instrument. The financial instruments which potentially expose the Fund to interest rate risk are the short-term fixed income securities. The Fund has minimal sensitivity to change in rates since securities are usually held to maturity and are short-term in nature.

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The portfolio includes securities and options denominated in foreign currencies. The net asset value of the Fund and the value of the dividends and option premiums received by the Fund will be affected by fluctuations in the value of the foreign currencies relative to the Canadian dollar. The Fund uses foreign exchange contracts to actively hedge the majority of its foreign currency exposure.

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions. Approximately 103 percent of the Fund's net assets held at June 30, 2013 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2013, if the Canadian dollar strengthened or weakened by 1 percent in relation to the U.S. currency, the net assets of the Fund would have decreased or increased, by approximately \$5k respectively or 0.0 percent of the net assets with all other factors remaining constant.

### Credit Risk

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

## Low Volatility U.S. Equity Income Fund

### Notes to Financial Statements

June 30, 2013

The credit risk is mitigated by dealing with counterparties that have a credit rating that is not below the level of approved credit ratings as set out in National Instrument 81-102.

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the period based on Standard & Poor's credit ratings as of June 30, 2013:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Bank of Montreal	A-	A-2
Canadian Imperial Bank of Commerce	A+	A-1
Deutsche Bank	A	A-1
National Bank of Canada	A-	A-2
Royal Bank of Canada	AA-	A-1+
The Bank of Nova Scotia	A+	A-1
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A	A-1

### 7. Future Accounting Policy Changes

The Fund will adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2014 and will issue its first annual statements, with comparative information, for the year ending December 31, 2014.

# Low Volatility U.S. Equity Income Fund

## Investment Funds Managed by Strathbridge Asset Management Inc.

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### UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

Gold Participation and Income Fund (GPF.UN)

Low Volatility U.S. Equity Income Fund (LVU.UN)

Premier Canadian Income Fund (PCU.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)

### Head Office

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