



SEMI-ANNUAL
REPORT

2015

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 2015 semi-annual report containing the management report of fund performance and the unaudited financial statements for Low Volatility U.S. Equity Income Fund (the “Fund”).

Global equity markets posted very different returns for the first half of 2015 as macro-economic concerns continued to take center stage. The reasons are varied, but include, continued concerns about Greece’s potential exit from the Eurozone and the meteoric rise and fall of the Chinese stock market, a question of when the U.S. Federal Reserve will start raising rates, and an announcement by the European Central Bank in January that it would inject up to 1.1 trillion Euros in an effort to increase liquidity and fuel economic growth. In Canada, a negative 0.6 percent Gross Domestic Product for the first quarter, a lackluster recovery in the price of oil, and sluggish commodity prices in general have all weighed on investor sentiment. Meanwhile, the Bank of Canada surprised the market in January by cutting the overnight lending rate by 25 basis points to 0.75 percent which negatively impacted the Canadian dollar as it declined 7 percent in the first half of 2015, ending the period at \$0.80 per U.S. dollar. In the U.S., the economy has improved in the second quarter after showing weakness in the first quarter due to harsh winter conditions and port congestion in the West Coast. Both housing and employment numbers continue to show a strengthening economy with the National Association of Home Builders Index reaching its highest level since November 2005 and U.S. unemployment rate declining to its lowest level since April 2008. Market volatility suggests investors are calm or even complacent in the face of the concerns mentioned above.

During the six months ended June 30, 2015, the Fund paid cash distributions of \$0.31 per unit. The net asset value per unit decreased from \$11.33 at December 31, 2014 to \$10.94 at June 30, 2015. The total return of the Fund, including reinvestment of distributions, was negative 0.8 percent for the period. The net realized loss on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.03 per unit compared to a net realized gain on options of \$0.04 per unit a year ago. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

On January 2, 2015, Strathbridge Asset Management Inc. (the “Manager”) announced that unitholders had approved a proposal to change the investment restrictions and investment strategy of the Fund. Please refer to the Recent Developments section for details of the proposal.

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 5.5 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 at least 75 percent of the value of the Fund in securities of an issuer included in the S&P 100 Index that has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 on the date the Investment Universe is established or reconstituted. In addition, up to 25 percent of the value of the Fund may be invested in securities of other issuers included in the S&P 100 Index. The Fund may also invest in 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. 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 semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2015 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, by email at info@strathbridge.com or by visiting our website at www.strathbridge.com.

Results of Operations

Distributions

For the six months ended June 30, 2015, cash distributions of \$0.31 per unit were paid to unitholders.

Since the inception of the Fund in March 2013, the Fund has paid total cash distributions of \$1.70 per unit including special distributions totalling \$0.45 per unit.

Revenue and Expenses

For the six months ended June 30, 2015, the Fund's total revenue was \$0.14 per unit compared to \$0.15 per unit in the prior year. Overall expenses decreased \$0.12 million or 29.6 percent compared to a year ago. However, total expenses per unit increased by \$0.03 per unit to \$0.21 per unit mainly due to a decreased number of units outstanding during the period. The Fund had a net realized and unrealized loss of \$0.01 per unit in the first half of 2015 as compared to a net realized and unrealized gain of \$0.48 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund decreased 3.4 percent from \$11.33 at December 31, 2014 to \$10.94 at June 30, 2015. The total net asset value of the Fund decreased \$0.5 million, from \$14.6 million at December 31, 2014 to \$14.1 million at June 30, 2015, reflecting a decrease in net assets attributable to equity holders of \$0.4 million and cash distributions of \$0.1 million.

Recent Developments

On November 12, 2014, the Board of Advisors approved a proposal to: (i) change the investment restrictions of the Fund so that (a) at least 75 percent (previously 100 percent) of the value of the Fund's securities is invested in securities of an issuer included in the S&P 100 Index that has a trailing 12 month Beta relative to the S&P 100 Index of less than 1.0 on the date the Investment Universe is established or reconstituted; and (b) no more than 25 percent (currently no basket) of the value of the Fund is invested in securities of other issuers included in the S&P 100 Index as well as to permit the Fund to invest in 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 in accordance with applicable laws; to enable the Fund to 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; (ii) enable the Manager to invest the Fund's portfolio entirely in cash or cash equivalents, denominated in Canadian or U.S. dollars, in its discretion; and (iii)

Management Report of Fund Performance

change the Fund's investment strategy to permit the Manager to hedge foreign currency exposure in its discretion when considered appropriate. A joint management information circular was mailed to unitholders of record on November 21, 2014 and a special meeting of unitholders of the Fund was held on December 23, 2014 to consider and vote upon the proposal. On January 2, 2015, the Manager announced that the proposal was approved by the unitholders to change the investment restrictions and investment strategy of the Fund.

International Financial Reporting Standards Accounting Policies

The Fund has adopted International Financial Reporting Standards ("IFRS") accounting policies for the year beginning January 1, 2014 as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). Note 5 to the annual financial statements for the year ended December 31, 2014 discloses the impact of the transition to IFRS on the Fund's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used in the Fund's financial statements for the period ended December 31, 2013 prepared under Canadian GAAP.

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 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.

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, 2015 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2015 ⁽⁴⁾
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 11.33
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.14
Total expenses	(0.21)
Realized gain (loss) for the period	1.00
Unrealized gain (loss) for the period	(1.01)
Total Increase (Decrease) from Operations⁽²⁾	(0.08)
DISTRIBUTIONS	
From capital gains	(0.31)
Non-taxable distributions	-
Total Distributions⁽³⁾	(0.31)
Net Assets, end of period⁽¹⁾	\$ 10.94

(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 gain (loss), less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

	Six months ended June 30, 2015 ⁽⁶⁾
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value (\$millions)	\$ 14.11
Number of units outstanding	1,289,533
Management expense ratio ⁽¹⁾	3.42% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	200.75%
Trading expense ratio ⁽³⁾	0.40% ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	\$ 10.94
Closing market price	\$ 10.82

(1) The management expense ratio is the sum of all fees and expenses for the stated period, including federal and provincial 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 2015, 2014 and 2013, excluding withholding taxes, is 3.05%, 2.73%, and 2.54% respectively. The MER for 2014 includes the special resolution expense. The MER for 2014 excluding the special resolution expense is 3.06%.

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

Management Report of Fund Performance

The information for December 31, 2014 and 2013 is derived from the Fund's audited annual financial statements.

As a result of the adoption of IFRS, for June 30, 2015, December 31, 2014 and 2013, the net assets per unit presented in the financial statements and the net asset value per unit calculated weekly are both valued at closing prices.

	Periods ended December 31 2014	2013 ⁽⁴⁾
\$	10.97	\$ 9.33 ⁽⁵⁾
	0.28	0.16
	(0.38)	(0.25)
	1.92	0.61
	(0.58)	1.51
	1.24	2.03
	(0.67)	(0.23)
	(0.35)	(0.14)
	(1.02)	(0.37)
\$	11.33	\$ 10.97

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. All distributions were paid in cash.

(4) For the period from inception on March 13, 2013 to December 31, 2013.

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

	Periods ended December 31 2014	2013 ⁽⁴⁾
\$	14.62	\$ 23.43
	1,289,533	2,135,000
	3.10%	2.82% ⁽⁴⁾
	473.12%	223.06%
	0.35%	0.33% ⁽⁴⁾
	11.33	\$ 10.97
\$	11.00	\$ 10.45

(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 December 31, 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.

Past Performance

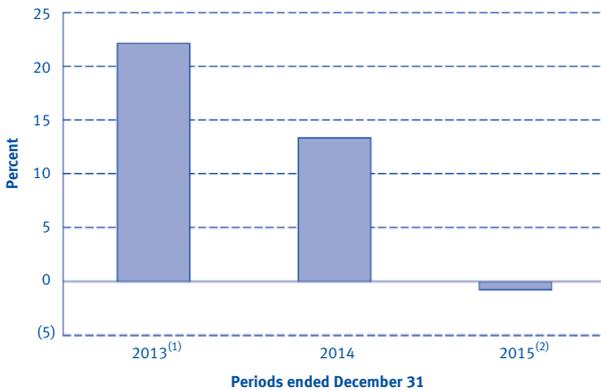
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

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

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for the past two years and for the six months ended June 30, 2015. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception on March 13, 2013 would have increased or decreased by the end of the fiscal year or June 30, 2015 for the six months ended.

Annual Total Return



⁽¹⁾ For the period from March 13, 2013, the inception of the Fund, to December 31, 2013.

⁽²⁾ For the six months ended June 30, 2015.

Portfolio Manager Report

Global equity markets posted very different returns for the first half of 2015 as macro-economic concerns continued to take center stage. The reasons are varied, but include, continued concerns about Greece's potential exit from the Eurozone and the meteoric rise and fall of the Chinese stock market, a question of when the U.S. Federal Reserve will start raising rates, and an announcement by the European Central Bank in January that it would inject up to 1.1 trillion Euros in an effort to increase liquidity and fuel economic growth. In Canada, a negative 0.6 percent Gross Domestic Product for the first quarter, a lackluster recovery in the price of oil, and sluggish commodity prices in general have all weighed on investor sentiment. Meanwhile, the Bank of Canada surprised the market in January by cutting the overnight lending rate by 25 basis points to 0.75 percent which negatively impacted the Canadian dollar as it declined 7 percent in the first half of 2015, ending the period at \$0.80 per U.S. dollar. In the U.S., the economy has improved in the second quarter after showing weakness in the first quarter due to harsh winter conditions and port congestion in the West Coast. Both housing and employment numbers continue to show a strengthening economy with the National Association of Home Builders Index reaching its highest level since November 2005 and U.S. unemployment rate declining to its lowest level since April 2008. Market volatility suggests investors are calm or even complacent in the face of the concerns mentioned above.

As at June 30, 2015, the net asset value ("NAV") per unit of the Fund was \$10.94 compared to \$11.33 at December 31, 2014. Unitholders received regular cash distributions of \$0.31 per unit during the period. The Fund's units, listed on the Toronto Stock Exchange as LVU.UN, closed on June 30, 2015 at \$10.82 per unit, which represents a 1.1 percent discount to the NAV.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2015 was negative 0.8 percent as compared to 1.1 percent for the S&P 100 Index. The best performing stock within the portfolio was Starbucks Corporation, up 31.6 percent over the same period. The stock rallied considerably during the period on better than expected sales and earnings results as its cafes attracted more visitors and sold more food offerings, such as baked goods and breakfast sandwiches. At the other end of the spectrum, National Oilwell Varco, Inc., which the Fund had no exposure to, was the laggard, down 24.9 percent due to weak earnings on lower crude oil prices.

Volatility levels for U.S equities remained at the lower end of their historical range for most of the period. The covered call writing activity was opportunistic over the period and the Fund ended June 30, 2015 with 8.2 percent of the portfolio subject to covered calls. During the period, the net realized loss on options attributable to the SSO strategy was \$0.03 per unit. The Fund maintained a high invested position during the majority of the period and ended with a cash position of 2.9 percent compared to 1.4 percent at the end of 2014. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 80 percent of the U.S. dollar exposure hedged.

Low Volatility U.S. Equity 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, 2015

	% of Net Asset Value
Information Technology	18.3%
Financials	18.3%
Health Care	17.6%
Consumer Discretionary	16.5%
Consumer Staples	10.0%
Industrials	6.9%
Telecommunication Services	4.2%
Materials	3.0%
Cash	2.9%
Other Assets (Liabilities)	2.3%
	100.0%

Management Report of Fund Performance

Portfolio Holdings

June 30, 2015

	% of Net Asset Value
eBay Inc.	6.8%
Mondelez International, Inc.	5.9%
Apple Inc.	5.9%
Pfizer Inc.	5.4%
Starbucks Corporation	5.2%
Time Warner Inc.	5.2%
Wells Fargo & Company	5.2%
United Parcel Service, Inc.	4.9%
Abbott Laboratories	4.7%
Eli Lilly and Company	4.3%
AT&T Inc.	4.2%
CVS Health Corporation	4.1%
JPMorgan Chase & Co.	3.8%
NIKE, Inc.	3.7%
The Goldman Sachs Group, Inc.	3.3%
Gilead Sciences, Inc.	3.2%
MasterCard Incorporated	3.1%
Bank of America Corporation	3.0%
U.S. Bancorp	3.0%
The Dow Chemical Company	3.0%
Cash	2.9%
Cisco Systems, Inc.	2.5%
McDonalds Corporation	2.4%
General Dynamics Corporation	2.0%

Forward-Looking Statements

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

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

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

Low Volatility U.S. Equity Income Fund

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 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 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, 2014.

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 7, 2015

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 Chartered Professional Accountants of Canada.

Low Volatility U.S. Equity Income Fund

Financial Statements

Statements of Financial Position

As at June 30, 2015 (Unaudited) and December 31, 2014 (Audited)

	Note	2015	2014
ASSETS			
Financial assets at fair value through profit or loss		\$ 13,371,050	\$ 14,687,563
Dividends receivable		14,159	11,265
Derivative assets		34,284	22,494
Due from brokers - investments		820,883	–
Cash		405,649	200,648
TOTAL ASSETS		14,646,025	14,921,970
LIABILITIES			
Due to brokers - investments		331,066	–
Derivative liabilities		151,902	224,111
Accrued liabilities		44,859	68,328
Accrued management fees	5	11,737	13,274
TOTAL LIABILITIES		539,564	305,713
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS		\$ 14,106,461	\$ 14,616,257
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT		\$ 10.9392	\$ 11.3345

The notes are an integral part of the Financial Statements.

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2015	2014
INCOME			
Dividend income		\$ 178,332	\$ 311,183
Net realized gain on investments at fair value through profit or loss	3	2,715,948	3,452,704
Net realized gain/(loss) on options at fair value through profit or loss	3	(28,345)	91,945
Net realized loss on forward exchange contracts at fair value through profit or loss	3	(1,402,649)	(622,637)
Net change in unrealized gain/loss on investments at fair value through profit or loss	3	(1,298,205)	(1,906,302)
TOTAL INCOME		165,081	1,326,893
EXPENSES			
Management fees	5	70,526	114,020
Service fees		28,863	46,519
Administrative and other expenses		41,431	46,099
Transaction fees	6	28,962	46,047
Custodian fees		30,281	30,774
Audit fees		14,505	10,612
Advisory board fees	5	9,600	12,000
Independent review committee fees	5	3,509	3,491
Legal fees		3,005	10,204
Unitholder reporting costs		6,790	6,203
Harmonized sales tax		12,154	20,148
Withholding taxes		26,811	46,677
TOTAL EXPENSES		276,437	392,794
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS	7	\$ (111,356)	\$ 934,099
INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS PER UNIT	7	\$ (0.0864)	\$ 0.4375

The notes are an integral part of the Financial Statements.

Low Volatility U.S. Equity Income Fund

Financial Statements

Statements of Changes in Equity

Six months ended June 30, 2014 (Unaudited)

	Note	Unit Capital	Retained Earnings	Total
BALANCE AT JANUARY 31, 2014		\$ 19,908,875	\$ 3,518,493	\$ 23,427,368
Increase in Net Assets Attributable to Equity Holders		–	2,322,994	2,322,994
Distributions		–	(1,829,656)	(1,829,656)
Value for units redeemed		(7,883,980)	(1,420,469)	(9,304,449)
BALANCE AT DECEMBER 31, 2014		\$ 12,024,895	\$ 2,591,362	\$ 14,616,257
Decrease in Net Assets Attributable to Equity Holders		–	(111,356)	(111,356)
Distributions		–	(398,440)	(398,440)
BALANCE AT JUNE 30, 2015		\$ 12,024,895	\$ 2,081,566	\$ 14,106,461

The notes are an integral part of the Financial Statements.

Statements of Cash Flows

For the six months ended June 30 (Unaudited)

	Note	2015	2014
CASH, BEGINNING OF YEAR		\$ 200,648	\$ 539,756
Cash Flows Provided by (Used In) Operating Activities			
Increase/(Decrease) in Net Assets Attributable to Equity Holders		(111,356)	934,099
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities			
Purchase of investment securities		(28,807,310)	(68,305,655)
Proceeds from disposition of investment securities		30,023,960	69,695,811
Net realized (gain)/loss on investments at fair value through profit or loss		(2,715,948)	(3,452,704)
Net realized (gain)/loss on options at fair value through profit or loss		28,345	(91,945)
Net realized (gain)/loss on forward exchange contracts at fair value through profit or loss		1,402,649	622,637
Net change in unrealized gain/loss on investments at fair value through profit or loss		1,298,205	1,906,302
Net change in unrealized gain/loss on cash		2,613	831
(Increase)/decrease in dividends receivable and due from brokers - investments		(823,777)	(2,937,817)
Increase/(decrease) in accrued liabilities, due to brokers - investments, accrued management fees and issue expenses payable		306,060	2,375,318
		714,797	(187,222)
Cash Flows Provided by (Used In) Financing Activities			
Unit distributions		(398,440)	(1,108,321)
Net Increase/(Decrease) in Cash During the Period		205,001	(361,444)
CASH, END OF PERIOD		\$ 405,649	\$ 178,312
Dividends received		\$ 175,438	\$ 321,179

The notes are an integral part of the Financial Statements.

Low Volatility U.S. Equity Income Fund

Financial Statements

Schedule of Investments

As at June 30, 2015 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Equity Holders
INVESTMENTS				
United States Common Shares				
Consumer Discretionary				
McDonalds Corporation	2,800	\$ 334,171	\$ 332,334	
NIKE, Inc.	3,900	505,442	525,947	
Starbucks Corporation	11,000	576,642	736,295	
Time Warner Inc.	6,700	718,583	731,154	
Total Consumer Discretionary		2,134,838	2,325,730	16.5%
Consumer Staples				
CVS Health Corporation	4,400	420,255	576,127	
Mondelez International, Inc.	16,200	757,880	832,055	
Total Consumer Staples		1,178,135	1,408,182	10.0%
Financials				
Bank of America Corporation	20,100	429,709	427,099	
JPMorgan Chase & Co.	6,300	493,371	532,950	
The Goldman Sachs Group, Inc.	1,800	435,869	469,197	
U.S. Bancorp	7,800	431,679	422,627	
Wells Fargo & Company	10,400	703,616	730,216	
Total Financials		2,494,244	2,582,089	18.3%
Health Care				
Abbott Laboratories	10,800	622,539	661,761	
Eli Lilly and Company	5,800	551,618	604,554	
Gilead Sciences, Inc.	3,100	417,755	453,124	
Pfizer Inc.	18,400	716,609	770,237	
Total Health Care		2,308,521	2,489,676	17.6%
Industrials				
General Dynamics Corporation	1,600	285,328	283,030	
United Parcel Service, Inc.	5,700	697,999	689,630	
Total Industrials		983,327	972,660	6.9%
Information Technology				
Apple Inc.	5,300	633,428	829,914	
eBay Inc.	12,800	942,458	962,649	
MasterCard Incorporated	3,800	420,190	443,481	
Cisco Systems, Inc.	10,200	358,902	349,682	
Total Information Technology		2,354,978	2,585,726	18.3%
Materials				
The Dow Chemical Company	6,600	432,176	421,631	3.0%
Telecommunication Services				
AT&T Inc.	13,200	566,246	585,356	4.2%
Total United States Common Shares		\$ 12,452,465	\$ 13,371,050	94.8%

The notes are an integral part of the Financial Statements.

Schedule of Investments

As at June 30, 2015 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Net Assets Attributable to Equity Holders
Forward Exchange Contracts				
Bought USD \$2,200,000, Sold CAD \$2,716,956 @ 0.80973 - August 12, 2015			\$ 31,261	
Sold USD \$2,900,000, Bought CAD \$3,601,887 @ 0.80513 - August 12, 2015			(20,787)	
Sold USD \$2,800,000, Bought CAD \$3,458,812 @ 0.80953 - August 12, 2015			(38,920)	
Sold USD \$2,900,000, Bought CAD \$3,547,512 @ 0.81747 - September 16, 2015			(76,671)	
Sold USD \$2,800,000, Bought CAD \$3,502,408 @ 0.79945 - September 16, 2015			3,023	
Total Forward Exchange Contracts			\$ (102,094)	(0.7)%
Options				
Written Covered Call Options (100 shares per contract)				
eBay Inc. - July 2015 @ \$61	(32)	\$ (5,888)	\$ (6,312)	
Cisco Systems, Inc. - July 2015 @ \$28	(34)	(2,294)	(2,122)	
Pfizer Inc. - July 2015 @ \$34	(61)	(4,532)	(3,427)	
United Parcel Service, Inc. - July 2015 @ \$100	(28)	(3,917)	(1,293)	
U.S. Bancorp - August 2015 @ \$44	(26)	(2,865)	(2,370)	
Total Written Covered Call Options		(19,496)	(15,524)	
Total Options		\$ (19,496)	\$ (15,524)	(0.1)%
Adjustment for transaction fees		(5,348)		
TOTAL INVESTMENTS		\$ 12,427,621	\$ 13,253,432	94.0 %
OTHER NET ASSETS			853,029	6.0 %
NET ASSETS ATTRIBUTABLE TO EQUITY HOLDERS			\$ 14,106,461	100.0 %

The notes are an integral part of the Financial Statements.

Low Volatility U.S. Equity Income Fund

Notes to Financial Statements

June 30, 2015

1. Basis of Presentation

The semi-annual financial statements for Low Volatility U.S. Equity Income Fund (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”) as published by 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 semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2014.

These 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, 2014.

These financial statements were approved by the Board of Advisors on August 7, 2015

2. Risks Associated with Financial Instruments

The various types of risks associated with its investment strategies, financial instruments and markets in which it invests by the Fund remain unchanged from the prior year and are described in Note 7 of the audited financial statements for the year ended December 31, 2014.

Credit Risk

During the periods ended June 30, 2015 and December 31, 2014, 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, 2015		
	Financial Liabilities		
	On Demand	< 3 months	Total
Due to brokers - investments	\$ -	\$ 331,066	\$ 331,066
Derivative liabilities	-	151,902	151,902
Accrued liabilities	-	44,859	44,859
Accrued management fees	-	11,737	11,737
	\$ -	\$ 539,564	\$ 539,564

	As at December 31, 2014		
	Financial Liabilities		
	On Demand	< 3 months	Total
Derivative liabilities	\$ -	\$ 224,111	\$ 224,111
Accrued liabilities	-	68,328	68,328
Accrued management fees	-	13,274	13,274
	\$ -	\$ 305,713	\$ 305,713

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2015 and December 31, 2014 in Canadian dollar terms, and the notional amounts of foreign

Notes to Financial Statements

June 30, 2015

exchange forward contracts. The table also illustrates the potential impact on the net assets attributable to equity holders 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, 2015
U.S. Currency Exposure

	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(11,012,626)	\$ 13,845,343	\$ 2,832,717	\$ (550,631)	\$ 692,267	\$ 141,636
% of Net Assets Attributable to Equity Holders	(78)%	98%	20%	(4)%	5%	1%

As at December 31, 2014
U.S. Currency Exposure

	U.S. Currency Exposure			Impact on Net Assets Attributable to Equity Holders		
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(14,795,623)	\$ 14,681,149	\$ (114,474)	\$ (739,781)	\$ 734,057	\$ (5,724)
% of Net Assets Attributable to Equity Holders	(101)%	100%	(1)%	(5)%	5%	0%

(b) Price Risk

Approximately 95 percent (December 31, 2014 - 100 percent) of the Fund's net assets attributable to equity holders held at June 30, 2015 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2015, the net assets attributable to equity holders would have increased or decreased by \$0.7 million (December 31, 2014 - \$0.7 million) respectively or 4.7 percent (December 31, 2014 - 5.0 percent) of the net assets attributable to equity holders 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, 2015	Dec. 31, 2014
Information Technology	19.3%	19.1%
Financials	19.3%	5.1%
Health Care	18.6%	14.7%
Consumer Discretionary	17.4%	13.6%
Consumer Staples	10.5%	20.7%
Industrials	7.3%	20.0%
Telecommunication Services	4.4%	-
Materials	3.2%	-
Utilities	-	6.8%
	100.0%	100.0%

Low Volatility U.S. Equity Income Fund

Notes to Financial Statements

June 30, 2015

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, 2015 and December 31, 2014.

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
United States Common Shares	\$ 13,371,050	\$ -	\$ -	\$ 13,371,050
Forward Exchange Contracts	-	(102,094)	-	(102,094)
Options	(15,524)	-	-	(15,524)
	\$ 13,355,526	\$ (102,094)	\$ -	\$ 13,253,432

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
United States Common Shares	\$ 14,687,563	\$ -	\$ -	\$ 14,687,563
Forward Exchange Contracts	-	(195,203)	-	(195,203)
Options	(6,414)	-	-	(6,414)
	\$ 14,681,149	\$ (195,203)	\$ -	\$ 14,485,946

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2015 and during the year ended December 31, 2014.

3. Financial Instruments by Category

The following tables present the carrying amounts of the Fund's financial instruments by category as at June 30, 2015 and December 31, 2014.

	As at June 30, 2015			Total
	Financial Instruments at Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	
Assets				
Non-derivative financial assets	\$ 13,371,050	\$ -	\$ -	\$ 13,371,050
Derivative assets	-	34,284	-	34,284
Due from brokers - investments	-	-	820,883	820,883
Dividends receivable	-	-	14,159	14,159
Cash	-	-	405,649	405,649
	\$ 13,371,050	\$ 34,284	\$ 1,240,691	\$ 14,646,025
Liabilities				
Due to brokers - investments	\$ -	\$ -	\$ 331,066	\$ 331,066
Derivative liabilities	-	151,902	-	151,902
Accrued liabilities	-	-	44,859	44,859
Accrued management fees	-	-	11,737	11,737
	\$ -	\$ 151,902	\$ 387,662	\$ 539,564

	As at December 31, 2014			Total
	Financial Instruments at Designated at Inception	Financial Instruments at FVTPL Held for Trading	Financial Instruments at Amortized Cost	
Assets				
Non-derivative financial assets	\$ 14,687,563	\$ -	\$ -	\$ 14,687,563
Derivative assets	-	22,494	-	22,494
Dividends receivable	-	-	11,265	11,265
Cash	-	-	200,648	200,648
	\$ 14,687,563	\$ 22,494	\$ 211,913	\$ 14,921,970
Liabilities				
Derivative liabilities	\$ -	\$ 224,111	\$ -	\$ 224,111
Accrued liabilities	-	-	68,328	68,328
Accrued management fees	-	-	13,274	13,274
	\$ -	\$ 224,111	\$ 81,602	\$ 305,713

Notes to Financial Statements

June 30, 2015

The following table presents the net gain/(loss) on financial instruments at FVTPL by category for the six months ended June 30, 2015 and 2014.

	June 30, 2015	June 30, 2014
Net Realized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	\$ 2,715,948	\$ 3,452,704
Held for Trading	(1,430,994)	(530,692)
	1,284,954	2,922,012
Net Change in Unrealized Gain/(Loss) on Financial Instruments at FVTPL		
Designated at Inception	(1,397,007)	(2,522,728)
Held for Trading	98,802	616,426
	(1,298,205)	(1,906,302)
Net Gain/(Loss) on Financial Instruments at FVTPL	\$ (13,251)	\$ 1,015,710

4. Units

For the six months ended June 30, 2015, cash distributions paid to unitholders were \$398,440 (June 30, 2014 - \$1,108,321) representing a payment of \$0.31 (June 30, 2014 - \$0.52) per unit.

During the six months ended June 30, 2015, nil (June 30, 2014 - nil) units were redeemed with a total retraction value of nil (June 30, 2014 - nil).

During the six months ended June 30, 2015 and year ended December 31, 2014, unit transactions are as follows:

	June 30, 2015	Dec. 31, 2014
Units outstanding, beginning of year	1,289,533	2,135,000
Units redeemed	-	(845,467)
Units outstanding, end of period	1,289,533	1,289,533

5. Related Party Transactions

(a) Management Fees

Total management fees for the six months ended June 30, 2015 were \$70,526 (June 30, 2014 - \$114,020).

(b) Board of Advisors' Remuneration

Total remuneration paid to the external members of the Board of Advisors for the six months ended June 30, 2015 were \$9,600 (June 30, 2014 - \$12,000).

(c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2015 were \$3,509 (June 30, 2014 - \$3,491).

Low Volatility U.S. Equity Income Fund

Notes to Financial Statements

June 30, 2015

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, 2015 and 2014 is disclosed below:

	June 30, 2015	June 30, 2014
Soft Dollars	\$ 10,423	\$ 8,434
Percentage of Total Transaction Fees	36.0%	18.3%

7. Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit

The Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit for the six months ended June 30, 2015 and 2014 is calculated as follows:

	June 30, 2015	June 30, 2014
Increase/(Decrease) in Net Assets Attributable to Equity Holders	\$ (111,356)	\$ 934,099
Weighted Average Number of Units Outstanding during the Period	1,289,533	2,135,000
Increase/(Decrease) in Net Assets Attributable to Equity Holders per Unit	\$ (0.0864)	\$ 0.4375

Investment Funds Managed by Strathbridge Asset Management Inc.

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)
NDX Growth & Income Fund (NGL.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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