



SEMI-ANNUAL  
REPORT

2018

WORLD FINANCIAL SPLIT CORP.

  
strathbridge  
ASSET MANAGEMENT

## Letter to Shareholders

We are pleased to present the 2018 semi-annual report containing the management report of fund performance and the unaudited financial statements for World Financial Split Corp. (the "Fund").

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee ("FOMC"), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index ("VIX"), picked up in the first half of 2018, spiking up to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

During the six months ended June 30, 2018, the Fund paid cash distributions of \$0.26 per Preferred share though no distributions were paid on the Class A shares in accordance with the terms of the prospectus as the net asset value per Unit was less than \$15.00. The Fund's total return per Unit, including reinvestment of distributions, was negative 5.5 percent for the period. The net asset value decreased 7.3 percent from \$14.85 per Unit at December 31, 2017 to \$13.77 per Unit at June 30, 2018. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

We thank all shareholders for their continued support and encourage shareholders to review the detailed information contained within the semi-annual report.



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

## The Fund

The Fund is a split share corporation designed to provide Preferred shareholders with fixed cumulative preferential quarterly distributions and the Class A shareholders with attractive quarterly distributions and the return of the original issue price on the termination date of the Fund. The shares are listed on the Toronto Stock Exchange under the ticker symbols WFS.PR.A for the Preferred shares and WFS for the Class A shares. A Unit of the Fund consists of one Preferred share and one Class A share.

To accomplish its objectives, the Fund invests in a portfolio which includes common equity securities selected from the ten largest financial services or real estate companies by market capitalization in each of Canada, the United States and the Rest of the World (the "Portfolio Universe"). The issuers of securities in the Portfolio Universe, other than Canadian issuers, must have a minimum credit rating of "A" from Standard & Poor's Rating Services or a comparable rating from an equivalent rating agency. In addition, up to 25 percent of the net asset value of the Fund may be invested in common equity securities of financial services or real estate companies not included in the Portfolio Universe as long as such companies have a market capitalization at the time of investment of at least US\$10 billion and for non-Canadian issuers, a minimum credit rating of "A-" from Standard & Poor's Rating Services or a comparable rating from an equivalent rating agency. The Fund may also invest in public investment funds including exchange-traded funds or 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.

# World Financial Split Corp.

## 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, 2018 of World Financial Split Corp. (the “Fund”). The unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, P.O. Box 113, Toronto, Ontario, M5H 3T9, by email at [info@strathbridge.com](mailto:info@strathbridge.com), or by visiting our website at [www.strathbridge.com](http://www.strathbridge.com). You can also request semi-annual or annual reports at no cost by using one of the above methods.

### Results of Operations

#### Distributions

For the six months ended June 30, 2018, cash distributions paid to Preferred shareholders were \$0.26 per share, unchanged from the prior year. Distributions to Class A shareholders remained suspended in accordance with the terms of the prospectus which states: “No distribution will be paid to the Class A shares if: (i) the distributions payable on the Preferred shares are in arrears, or (ii) after the payment of the distribution by the Fund, the net asset value per Unit would be less than \$15.00”.

Since the inception of the Fund in February 2004, the Fund has paid total cash distributions of \$7.54 per Preferred share and \$5.54 per Class A share.

#### Revenue and Expenses

The Fund’s total revenue was \$0.18 per Unit for the six months ended June 30, 2018, down \$0.04 per Unit from last year. Total expenses were \$0.21 per Unit, up \$0.02 per Unit from a year ago. The Fund had a net realized and unrealized loss of \$0.79 per Unit in the first half of 2018 as compared to a net realized and unrealized gain of \$0.48 per Unit a year earlier.

#### Net Asset Value

The net asset value decreased 7.3 percent from \$14.85 per Unit at December 31, 2017 to \$13.77 per Unit at June 30, 2018. The aggregate net asset value of the Fund decreased \$14.2 million, from \$30.6 million at December 31, 2017 to \$16.4 million at June 30, 2018, reflecting an operating loss of \$1.7 million, annual concurrent (both Class A and Preferred shares) redemptions of \$12.0 million and Preferred share distributions of \$0.5 million.

## Management Report of Fund Performance

**Recent Developments**

On May 28, 2018, World Financial Split Share Corp. announced the automatic extension of the maturity date of the Class A and Preferred shares of the Fund for an additional seven year period beyond June 30, 2018 to June 30, 2025 as provided for in its articles of incorporation. The term extension allows holders of Class A shares to continue to receive ongoing leveraged exposure to a high-quality portfolio consisting principally of common equity securities selected from the ten largest (by market capitalization) Financial Services companies in each of Canada, the United States and the Rest of the World. Holders of the Preferred shares are expected to continue to benefit from fixed cumulative preferential quarterly distributions in the amount of \$0.13125 (\$0.525 per annum) per Preferred share representing a yield of 5.25 percent on the original issue price of \$10.00. Pursuant to the special retraction right granted to shareholders in connection with the extension of the Fund, 444,251 Preferred shares and 872,864 Class A shares were surrendered for retraction. In order to maintain an equal number of Preferred shares and Class A shares, the Fund redeemed 428,613 Preferred shares on a pro rata basis from all holders of record of Preferred shares on July 11, 2018. Each Preferred share redeemed pursuant to the partial redemption will be redeemed at a price equal to \$10.00, being the original issue price per Preferred share, plus declared and unpaid distributions thereon (the "Repayment Price"). The Repayment Price was paid to holders whose Preferred shares were redeemed by the Fund on July 13, 2018.

**Related Party Transactions**

Strathbridge Asset Management Inc. ("Strathbridge"), as the Investment Manager of the Fund, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and Strathbridge dated January 27, 2004 and amended as of November 6, 2009.

Strathbridge is the Manager of the Fund pursuant to a Management Agreement made between the Fund and Strathbridge dated January 27, 2004. 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.

# World Financial Split Corp.

## Management Report of Fund Performance

### Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

Information for the period ended June 30, 2018 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2018
<b>NET ASSETS PER UNIT</b>	
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>\$ 14.85</b>
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.18
Total expenses	(0.21)
Realized gain (loss) for the period	0.26
Unrealized gain (loss) for the period	(1.05)
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>(0.82)</b>
DISTRIBUTIONS	
<b>Preferred Share</b>	
Non-taxable distributions	(0.26)
<b>Total Distributions<sup>(3)</sup></b>	<b>(0.26)</b>
<b>Net Assets, end of period<sup>(1)</sup></b>	<b>\$ 13.77</b>

(1) All per Unit figures are derived from the Fund's unaudited financial statements for the six months ended June 30, 2018 and the annual audited financial statements for the years ended December 31. Net assets per Unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

	Six months ended June 30, 2018
<b>RATIOS/SUPPLEMENTAL DATA</b>	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 16.36
Net Asset Value (\$millions)	\$ 4.48
Number of Units outstanding	1,187,743
Management expense ratio <sup>(1)</sup>	2.38% <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>	97.74%
Trading expense ratio <sup>(3)</sup>	0.51% <sup>(4)</sup>
Net Asset Value per Unit <sup>(5)</sup>	\$ 13.77
Closing market price - Preferred	\$ 9.95
Closing market price - Class A	\$ 3.60

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including harmonized sales tax and withholding taxes but excluding transaction fees and Preferred share distributions, divided by the average net asset value, excluding the Redeemable Preferred Share liability. Generally, the MER increases when the Fund becomes smaller in size due to redemptions. The MER, including Preferred share distributions, is 5.97%, 6.00%, 6.44%, 5.91%, 6.19% and 6.36%, for 2018, 2017, 2016, 2015, 2014 and 2013 respectively. The MER for 2018, 2017, 2016, 2015, 2014 and 2013, excluding withholding taxes, is 2.20%, 2.07%, 2.09%, 2.01%, 2.06% and 2.01% respectively. The MER for 2015 and 2014 includes the special resolution expense. The MER for 2015 and 2014 excluding the special resolution expense is 2.18% and 2.14% respectively.

## Management Report of Fund Performance

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

		Years ended December 31							
		2017	2016	2015	2014	2013			
\$	13.74	\$	13.37	\$	13.92	\$	12.94	\$	11.02
	0.49		0.37		0.36		0.33		0.28
	(0.38)		(0.34)		(0.37)		(0.33)		(0.32)
	2.20		(0.63)		1.25		1.64		2.24
	(0.69)		1.43		(1.20)		(0.17)		0.18
	1.62		0.83		0.04		1.47		2.38
	(0.53)		(0.53)		(0.53)		(0.53)		(0.53)
	(0.53)		(0.53)		(0.53)		(0.53)		(0.53)
\$	14.85	\$	13.74	\$	13.37	\$	13.92	\$	12.94

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

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

		Years ended December 31							
		2017	2016	2015	2014	2013			
\$	30.60	\$	28.92	\$	29.24	\$	32.78	\$	32.78
\$	9.99	\$	7.87	\$	7.37	\$	9.24	\$	7.46
	2,060,607		2,105,115		2,186,907		2,354,556		2,532,599
	2.29%		2.27%		2.19%		2.20%		2.14%
	259.88%		307.48%		259.37%		245.31%		240.89%
	0.39%		0.43%		0.46%		0.32%		0.55%
\$	14.85	\$	13.74	\$	13.37	\$	13.92	\$	12.94
\$	10.23	\$	10.00	\$	9.90	\$	9.85	\$	9.76
\$	4.30	\$	3.76	\$	3.05	\$	3.45	\$	2.70

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

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per Unit is the difference between the aggregate value of the assets including the valuation of securities at closing prices and the aggregate value of the liabilities, excluding the Redeemable Preferred Share liability, divided by the number of Units then outstanding.

Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 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.

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

Past Performance

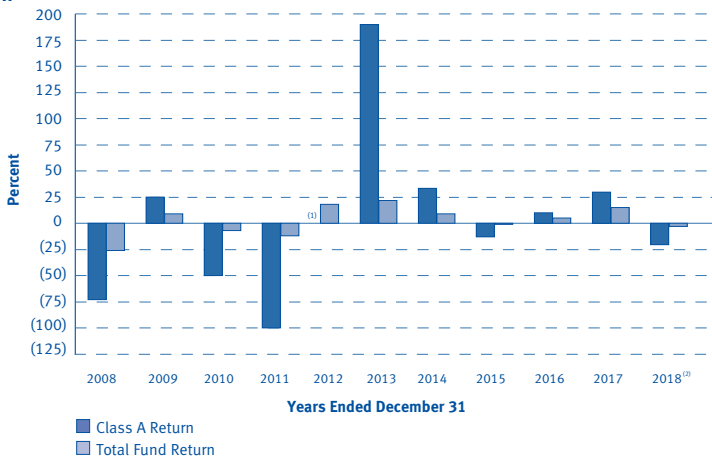
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in Units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund’s total return varied from year to year for each of the past ten years and for the six months ended June 30, 2018. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year or June 30, 2018 for the six months ended.

Total Return



(1) The Class A annual return was infinite as the net asset value per Class A share increased from nil at December 31, 2011 to \$1.02 at December 31, 2012.

(2) For the six months ended June 30, 2018.



## Portfolio Manager Report

Stock markets around the world were mixed in the first half of 2018 as investors balanced the positive impact of tax reform in the United States on earnings versus the potential consequences of a global trade war, desynchronized central banks policies as well as valuation concerns as we enter the 10th year since most markets bottomed in the early part of 2009. For the first six months of 2018, the S&P 500 Index and S&P/TSX Composite Index advanced 2.6 percent and 2.0 percent, respectively, while global markets were generally in the red with the MSCI EAFE Index down 2.4 percent and the MSCI Emerging Markets Index off 6.6 percent, as concerns surrounding trade and tariffs weighed them down. The Federal Reserve Open Market Committee (“FOMC”), which seems to be on the most aggressive path of tightening, raised the overnight interest rate twice so far in 2018, to now sit at 2.0 percent. The short-end of the yield curve in the United States has reacted to the tighter FOMC policy with 2-year yields rising to 2.53 percent from 1.88 percent at the end of 2017. Curiously, long-term interest rates have not moved as rapidly, ending the second quarter at 2.86 percent. This dynamic has caused the yield curve to flatten to its lowest point since 2007 and sits just 30 basis points from being inverted, a condition often associated with an imminent recession. Oil prices resumed their ascent in the first half of 2018 with the Bloomberg WTI Cushing Crude Oil Spot price rising to US\$74.15 per barrel on June 29, 2018, up 22.7 percent from US\$60.42 at the end of 2017. Meanwhile, other commodities did not fare as well with Copper prices off 9.1 percent, Gold down 3.8 percent and Natural Gas off 16 percent year-to-date. Volatility, as measured by the Chicago Board Options Exchange Volatility Index (“VIX”), picked up in the first half of 2018, spiking to over 50 in early February, after touching all-time lows in November 2017. Given the uncertainty surrounding the global political landscape, trade war rhetoric, NAFTA renegotiations, along with the Federal Reserve continuing to shift monetary policy to one that is less accommodating, we remain cautiously optimistic on global stock markets with the view that volatility is likely to remain elevated compared to the low levels witnessed over the past few years.

For the six months ended June 29, 2018, the net asset value (“NAV”) of the Fund was \$13.77 per Unit compared to \$14.85 per Unit at December 29, 2017. Preferred shareholders received cash distributions of \$0.26 per share during the period, while the distribution for the Class A share remains suspended in accordance with the terms of the prospectus as the net asset value per Unit was less than \$15.00. The Fund’s Preferred shares, listed on the Toronto Stock Exchange as WFS.PR.A, closed on June 29, 2018 at \$9.95 per share, while the Class A shares, listed as WFS, closed at a bid price of \$3.55 per share. When combined, the closing prices represent a 2.0 percent discount to the NAV per Unit.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 29, 2018 was negative 5.5 percent per Unit. This compares to the total return for the MSCI World/Finance Index, in Canadian dollar terms, of negative 5.8 percent. The best performing stock within the portfolio was derivative exchange provider CME Group Inc., up 21.3 percent during the period on increased derivative trading. At the other end of the spectrum, Banco Santander, S.A. was the worst performing stock in the portfolio, down 16.2 percent.

Volatility levels for Global Financial Services companies was generally higher in the first half of 2018, spiking in February before drifting back toward historically low levels. The Fund ended June 30, 2018 with 15.3 percent of the Fund subject to covered calls. The Fund maintained an average cash position of 7.7 percent during the period but ended with a cash position of 66.9 percent in order to finance the special retraction privilege provided to investors. 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 hedge.

# World Financial Split Corp.

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

### Asset Mix

June 30, 2018

	% of Net Asset Value <sup>*</sup>
Cash and Short-Term Investments	66.9 %
Canada	50.5 %
United States	40.6 %
International	12.3 %
Other Assets (Liabilities)	(70.3)%
	100.0 %

<sup>\*</sup>The Net Asset Value excludes the Redeemable Preferred share liability.

### Portfolio Holdings

June 30, 2018

	% of Net Asset Value <sup>*</sup>
Cash and Short-Term Investments	66.9 %
The Toronto-Dominion Bank	9.2 %
Brookfield Asset Management Inc.	9.1 %
Fairfax Financial Holdings Limited	9.0 %
National Bank of Canada	8.7 %
Bank of Montreal	7.5 %
Sun Life Financial Inc.	7.0 %
JPMorgan Chase & Co.	6.9 %
BlackRock, Inc.	6.8 %
The Bank of New York Mellon Corporation	6.8 %
The Charles Schwab Corporation	6.6 %
HSBC Holdings plc	5.3 %
Bank of America Corporation	5.1 %
The PNC Financial Services Group, Inc.	4.7 %
Prudential PLC ADR	4.6 %
Aflac Incorporated	3.7 %
Mitsubishi UFJ Financial Group, Inc.	2.4 %

<sup>\*</sup>The Net Asset Value excludes the Redeemable Preferred share liability.

### Forward-Looking Statements

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

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

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

## Management's Responsibility for Financial Reporting

The accompanying condensed financial statements of World Financial Split Corp. (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Directors (the "Board").

The condensed financial statements have been prepared by management in accordance with International Financial Reporting Standards and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the condensed financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2017.

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

The Audit Committee meets periodically with management and the independent auditor to discuss internal controls, the financial reporting process, various auditing and financial reporting matters, and to review the annual report, the financial statements and the independent auditor's report. Deloitte LLP, the Fund's independent auditor, has full and unrestricted access to the Audit Committee and the Board.



John P. Mulvihill  
Director  
Strathbridge Asset Management Inc.



John D. Germain  
Director  
Strathbridge Asset Management Inc.

August 9, 2018

**Notice to Shareholders**

The accompanying unaudited Condensed Financial Statements for the six months ended June 30, 2018 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, 2018 (Unaudited) and December 31, 2017 (Audited)

	Note	June 30, 2018	Dec. 31, 2017
<b>ASSETS</b>			
Financial assets at fair value through profit or loss	2	\$ 16,910,199	\$ 28,995,689
Short-term investments	2	4,993,613	–
Derivative assets	2	60,230	528,113
Dividends receivable		55,814	66,075
Due from brokers - investments		584,881	68,458
Cash		5,953,441	1,039,223
<b>TOTAL ASSETS</b>		<b>28,558,178</b>	<b>30,697,558</b>
<b>LIABILITIES</b>			
Redemptions payable		12,023,440	–
Derivative liabilities	2	106,345	21,300
Accrued liabilities		41,991	50,578
Accrued management fees	4	25,695	27,931
Redeemable Preferred shares		11,877,430	20,606,070
Class J shares		100	100
<b>TOTAL LIABILITIES</b>		<b>24,075,001</b>	<b>20,705,979</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>		<b>\$ 4,483,177</b>	<b>\$ 9,991,579</b>
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>		<b>\$ 3.7745</b>	<b>\$ 4.8489</b>

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

Condensed Financial Statements

Statements of Comprehensive Income

Six months ended June 30 (Unaudited)

	Note	2018	2017
<b>INCOME</b>			
Dividend income		\$ 370,296	\$ 453,663
Interest income		9,331	691
Net realized gain on investments at fair value through profit or loss		855,106	2,740,162
Net realized gain on options at fair value through profit or loss		2,511	99,461
Net realized loss on forward exchange contracts at fair value through profit or loss		(318,963)	(365,388)
Net change in unrealized gain/loss on investments at fair value through profit or loss		(2,154,891)	(1,463,378)
<b>TOTAL INCOME/(LOSS), NET</b>		<b>(1,236,610)</b>	1,465,211
<b>EXPENSES</b>			
Management fees	4	162,717	158,926
Service fees		17,273	15,665
Administrative and other expenses		60,755	60,461
Transaction fees	5	76,450	50,219
Custodian fees		24,956	19,657
Audit fees		18,389	18,040
Director fees	4	10,200	10,200
Independent review committee fees	4	3,750	3,750
Legal fees		1,333	2,124
Shareholder reporting costs		9,532	10,435
Harmonized sales tax		23,679	22,061
Withholding taxes		27,049	32,893
<b>TOTAL EXPENSES</b>		<b>436,083</b>	404,431
<b>OPERATING PROFIT/(LOSS)</b>		<b>(1,672,693)</b>	1,060,780
Preferred share distributions		(540,909)	(552,593)
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES</b>	6	<b>\$ (2,213,602)</b>	\$ 508,187
<b>INCREASE/(DECREASE) IN NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES PER CLASS A SHARE</b>	6	<b>\$ (1.0768)</b>	\$ 0.2414

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

## Condensed Financial Statements

## Statements of Changes in Net Assets Attributable to Holders of Class A Shares

Six months ended June 30 (Unaudited)

	2018	2017
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES,		
BEGINNING OF YEAR	\$ 9,991,579	\$ 7,873,384
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	(2,213,602)	508,187
Class A Share Transactions		
Value for Class A shares redeemed	(3,294,800)	(177,235)
Changes in Net Assets Attributable to Holders of Class A Shares during the Period	(5,508,402)	330,952
NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES, END OF PERIOD	\$ 4,483,177	\$ 8,204,336

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

## Statements of Cash Flows

Six months ended June 30 (Unaudited)

	2018	2017
CASH, BEGINNING OF YEAR	\$ 1,039,223	\$ 1,226,739
Cash Flows Provided by (Used In) Operating Activities		
Operating Profit/(Loss)	(1,672,693)	1,060,780
Adjustments to Reconcile Net Cash Provided by (Used In) Operating Activities		
Net realized gain on investments at fair value through profit or loss	(855,106)	(2,740,162)
Net realized gain on options at fair value through profit or loss	(2,511)	(99,461)
Net realized loss on forward exchange contracts at fair value through profit or loss	318,963	365,388
Net change in unrealized gain/loss on investments at fair value through profit or loss	2,154,891	1,463,378
Net change in unrealized gain/loss on foreign cash	(30,876)	(12,544)
Increase in dividends receivable and due from brokers - investments	(506,162)	(1,539,251)
Increase/(decrease) in accrued management fees, accrued liabilities and due to brokers - investments	(10,823)	1,016,789
Purchase of investment securities	(27,430,576)	(38,367,937)
Proceeds from disposition of investment securities	38,483,633	38,924,525
	12,121,433	(989,275)
Cash Flows Used In Financing Activities		
Preferred share distributions	(540,909)	(552,593)
Net Increase/(Decrease) in Cash during the Period	9,907,831	(481,088)
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 10,947,054	\$ 745,651
Cash and Cash Equivalents are comprised of:		
Cash	\$ 5,953,441	\$ 745,661
Short-Term Investments	4,993,613	-
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 10,947,054	\$ 745,661
Dividends received, net of withholding taxes	\$ 353,508	\$ 408,737
Interest received	\$ 9,118	\$ 691

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

Schedule of Investments

As at June 30, 2018 (Unaudited)

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
<b>SHORT-TERM INVESTMENTS</b>				
<b>Bankers' Acceptances</b>				
The Bank of Nova Scotia, 1.55% - July 20, 2018	5,000,000	\$ 4,993,400	\$ 4,993,613	30.5%
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b>\$ 4,993,400</b>	<b>\$ 4,993,613</b>	<b>30.5%</b>
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Financials</b>				
Bank of Montreal	12,100	\$ 1,199,508	\$ 1,229,602	
Brookfield Asset Management Inc.	28,100	1,440,544	1,498,573	
Fairfax Financial Holdings Limited	2,000	1,381,768	1,473,320	
National Bank of Canada	22,500	1,345,290	1,420,200	
Sun Life Financial Inc.	21,600	1,149,720	1,141,128	
The Toronto-Dominion Bank	19,700	1,498,895	1,498,973	
<b>Total Financials</b>		<b>8,015,725</b>	<b>8,261,796</b>	<b>50.5%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 8,015,725</b>	<b>\$ 8,261,796</b>	<b>50.5%</b>
<b>Non-North American Common Shares</b>				
<b>Financials</b>				
HSBC Holdings plc	14,000	\$ 850,507	\$ 868,140	
Mitsubishi UFJ Financial Group, Inc.	52,900	463,985	393,166	
Prudential PLC ADR	12,400	760,930	745,436	
<b>Total Financials</b>		<b>2,075,422</b>	<b>2,006,742</b>	<b>12.3%</b>
<b>Total Non-North American Common Shares</b>		<b>\$ 2,075,422</b>	<b>\$ 2,006,742</b>	<b>12.3%</b>
<b>United States Common Shares</b>				
<b>Financials</b>				
Aflac Incorporated	10,600	\$ 612,826	\$ 599,858	
Bank of America Corporation	22,700	893,630	841,769	
BlackRock, Inc.	1,700	1,035,318	1,115,980	
JPMorgan Chase & Co.	8,300	1,050,348	1,137,674	
The Bank of New York Mellon Corporation	15,600	1,130,261	1,106,693	
The Charles Schwab Corporation	16,000	913,363	1,075,506	
The PNC Financial Services Group, Inc.	4,300	759,166	764,181	
<b>Total Financials</b>		<b>6,394,912</b>	<b>6,641,661</b>	<b>40.6%</b>
<b>Total United States Common Shares</b>		<b>\$ 6,394,912</b>	<b>\$ 6,641,661</b>	<b>40.6%</b>



## Schedule of Investments

As at June 30, 2018 (Unaudited)

	Number of Contracts	Average Cost/ (Proceeds)	Fair Value	% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares
<b>Forward Exchange Contracts</b>				
Sold USD \$3,565,000, Bought CAD \$4,587,367 @ 0.77713 - July 18, 2018			\$ (100,579)	
Sold USD \$1,570,000, Bought CAD \$2,086,797 @ 0.75235 - August 15, 2018			23,150	
<b>Total Forward Exchange Contracts</b>			\$ (77,429)	(0.5)%
<b>Options</b>				
<b>Purchased Put Options</b> (100 shares per contract)				
National Bank of Canada - August 2018 @ \$65	515	\$ 59,225	\$ 37,080	0.2 %
<b>Written Covered Call Options</b> (100 shares per contract)				
Aflac Incorporated - July 2018 @ \$46	(78)	(6,211)	(616)	
Bank of America Corporation - July 2018 @ \$30	(129)	(9,547)	(2,800)	
HSBC Holdings plc - July 2018 @ \$50	(79)	(3,023)	(367)	
Manulife Financial Corporation - July 2017 @ \$23	(67)	(13,655)	(1,983)	
<b>Total Written Covered Call Options</b>		(32,436)	(5,766)	0.0 %
<b>Total Options</b>		\$ 26,789	\$ 31,314	0.2 %
Adjustment for transaction fees		(10,194)		
<b>TOTAL INVESTMENTS</b>		\$ 16,502,654	\$ 16,864,084	103.1 %
<b>OTHER NET LIABILITIES</b>			(5,497,090)	(33.6)%
<b>NET ASSETS ATTRIBUTABLE TO HOLDERS OF CLASS A SHARES AND REDEEMABLE PREFERRED SHARES</b>			\$ 16,366,607	100.0%

## Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

### 1. Basis of Presentation

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The condensed semi-annual financial statements for World Financial Split Share Corp. (the “Fund”) have been prepared in compliance with International Financial Reporting Standards (“IFRS”), specifically the International Accounting Standard (“IAS”) 34 Interim Financial Reporting. However, not all disclosures required by IFRS for annual financial statements have been presented and, accordingly, these condensed semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2017.

These condensed semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2017 with the exception of the adoption of IFRS 9: Financial Instruments (“IFRS 9”).

#### Standards, Amendments and Interpretations Effective for the Current Year

The Fund has adopted IFRS 9 for the first time for the period beginning on January 1, 2018.

The adoption of IFRS 9 has been applied retrospectively by the Fund. IFRS 9 requires assets to be carried at amortized cost or fair value, with changes in fair value recognized in profit and loss or other comprehensive income, based on the entity’s business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Upon adoption of IFRS 9, the Fund’s financial assets and liabilities previously classified as at fair value through profit or loss (“FVTPL”) and amortized cost under IAS 39 “Financial Instruments: Recognition and Measurement”, continued to be classified at FVTPL and amortized cost.

#### Financial Assets and Financial Liabilities at Fair Value Through Profit or Loss

##### (a) Classification

##### Financial Assets

The Fund classifies its investments in equity securities based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

These financial assets are managed and their performance is evaluated on a fair value basis. The Fund also manages these financial assets with the objective of realizing cash flows through sales. Further, an option to irrevocably designate any equity securities at fair value through other comprehensive income (“FVOCI”) has not been taken.

Consequently, these financial assets are mandatorily measured at FVTPL

##### Held for Trading

Financial assets or financial liabilities held for trading are those acquired or incurred principally for the purpose of selling or repurchasing in the near future or on initial recognition on initial recognition they are a part of a portfolio of identified financial instruments that the Fund manages together and has a recent actual pattern of short term profit-taking.

All derivatives are included in this category and mandatorily measured at FVTPL.

The Fund does not apply general hedge accounting to any of its derivatives positions.

## Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

## Financial Assets and Financial Liabilities at Amortized Cost

The financial assets and liabilities measured at amortized cost include cash, dividends receivable, due from brokers - investments, due to brokers - investments, accrued liabilities, accrued management fees, redemptions payable, Redeemable Preferred shares and the Fund's obligation for net assets attributable to holders of Class A shares.

IFRS 9 replaced the incurred loss model in IAS 39 with the expected credit loss model ("ECL"), as the new impairment model for financial assets carried at amortized cost. The Fund's financial assets measured at amortized cost consist of receivables with no financing component and which have maturities of less than 12 months, as such, it has chosen to apply the simplified ECL approach, whereby any loss allowance is recognized based on the lifetime ECLs. Given the short-term nature of the receivables and high credit quality, this amendment has not had a material impact on the financial statements and these receivables are not considered impaired.

These condensed financial statements were approved by the Board of Directors on August 9, 2018.

## 2. Risks Associated with Financial Instruments

The various types of risks associated with its investment strategies, financial instruments and markets in which the Fund invests remain unchanged from the prior year and are described in Note 6 of the audited financial statements for the year ended December 31, 2017.

## Credit Risk

The Fund measures credit risk and lifetime ECLs related to the receivables using historical analysis and forward-looking information in determining the ECL.

During the periods ended June 30, 2018 and December 31, 2017, the counterparties to the Fund's derivative financial instruments had a credit rating of A-1 or higher from Standard & Poor's Ratings Services.

The analysis below summarizes the credit quality of the Fund's short-term investments as at June 30, 2018 and December 31, 2017.

Credit Rating	Percentage of Short-Term Investments	
	June 30, 2018	Dec 31, 2017
A-1	100.0%	-

## Liquidity Risk

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

	As at June 30, 2018 Financial Liabilities		
	On Demand	< 3 months	Total
Redemptions payable	\$ -	\$ 12,023,440	\$ 12,023,440
Derivative liabilities	-	106,345	106,345
Accrued liabilities	-	41,991	41,991
Accrued management fees	-	25,695	25,695
Redeemable Preferred shares	11,877,430	-	11,877,430
Class J shares	100	-	100
Class A shares	4,483,177	-	4,483,177
	\$ 16,360,707	\$ 12,197,471	\$ 28,558,178

Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

	As at December 31, 2017		
	On Demand	Financial Liabilities < 3 months	
Accrued liabilities	\$ -	\$ 50,578	\$ 50,578
Accrued management fees	-	27,931	27,931
Derivative liabilities	-	21,300	21,300
Redeemable Preferred shares	20,606,070	-	20,606,070
Class J shares	100	-	100
Class A shares	9,991,579	-	9,991,579
	\$ 30,597,749	\$ 99,809	\$ 30,697,558

Market Risk

(a) Currency Risk

The table below indicates the foreign currencies to which the Fund had significant exposure to as at June 30, 2018 and December 31, 2017 in Canadian dollar terms, and the notional amounts of forward exchange contracts. The table also illustrates the potential impact on the net assets attributable to holders of Class A shares and Redeemable Preferred shares 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, 2018 U.S. Currency Exposure					
	Impact on Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares					
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$ (2,299,759)	\$ 8,951,021	\$ 6,651,262	\$ (114,988)	\$ 447,551	\$ 332,563
% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares	(14)%	55%	41%	(1)%	3%	2%

	As at December 31, 2017 U.S. Currency Exposure					
	Impact on Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares					
	Monetary	Non-Monetary	Total	Monetary	Non-Monetary	Total
	\$(21,201,860)	\$ 21,510,834	\$ 308,974	\$(1,060,093)	\$ 1,075,542	\$ 15,449
% of Net Assets Attributable to Holders of Class A Shares and Redeemable Preferred Shares	(69)%	70%	1%	(3)%	4%	1%

(b) Price Risk

Approximately 103 percent (December 31, 2017 - 95 percent) of the Fund's net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, held at June 30, 2018 were publicly traded equities. If equity prices on the exchange increased or decreased by 5 percent as at June 30, 2018, the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, would have increased or decreased by \$0.8 million (December 31, 2017 - \$1.4 million) respectively or 5.2 percent (December 31, 2017 - 4.7 percent) of the net assets attributable to holders of Class A shares, excluding the Redeemable Preferred Share liability, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

## Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

## Concentration Risk

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

	June 30, 2018	Dec. 31, 2017
Canada	48.8%	28.3%
United States	39.3%	45.6%
Rest of World	11.9%	26.1%
	100.0%	100.0%

## Fair Value Measurement

The following table illustrates the classification of the Fund's assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2018 and December 31, 2017.

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
Short-Term Investments	\$ -	\$ 4,993,613	\$ -	\$ 4,993,613
Canadian Common Shares	8,261,796	-	-	8,261,796
Non-North American Common Shares	2,006,742	-	-	2,006,742
United States Common Shares	6,641,661	-	-	6,641,661
Forward Exchange Contracts	-	(77,429)	-	(77,429)
Options	31,314	-	-	31,314
	\$ 16,941,513	\$ 4,916,184	\$ -	\$ 21,857,697

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Canadian Common Shares	\$ 7,463,555	\$ -	\$ -	\$ 7,463,555
Non-North American Common Shares	7,563,386	-	-	7,563,386
United States Common Shares	13,228,448	-	-	13,228,448
Exchange-Traded Funds	740,300	-	-	740,300
Forward Exchange Contracts	-	412,634	-	412,634
Options	94,179	-	-	94,179
	\$ 29,089,868	\$ 412,634	\$ -	\$ 29,502,502

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, 2018 and during the year ended December 31, 2017.

## 3. Shares

For the six months ended June 30, 2018, cash distributions paid to Preferred shareholders were \$540,909 (June 30, 2017 - \$552,593) representing a payment of \$0.26 (June 30, 2017 - \$0.26) per Preferred share.

During the six months ended June 30, 2018, 872,864 (June 30, 2017 - 44,508) each of Preferred shares and Class A shares were redeemed with a total retraction value of \$12,023,440 (June 30, 2017 - \$622,315).

## World Financial Split Corp.

### Notes to Condensed Financial Statements

June 30, 2018 (Unaudited)

During the six months ended June 30, 2018 and year ended December 31, 2017 share transactions are as follows:

	June 30, 2018	Dec. 31, 2017
<b>Redeemable Preferred Shares</b>		
Shares outstanding, beginning of year	2,060,607	2,105,115
Shares redeemed	(872,864)	(44,508)
Shares outstanding, end of period	1,187,743	2,060,607
<b>Class A Shares</b>		
Shares outstanding, beginning of year	2,060,607	2,105,115
Shares redeemed	(872,864)	(44,508)
Shares outstanding, end of period	1,187,743	2,060,607
<b>Class J Shares</b>		
Shares outstanding, beginning and end of period	100	100

#### 4. Related Party Transactions

##### (a) Management Fees

Total management fees for the six months ended June 30, 2018 were \$162,717 (June 30, 2017 - \$158,926) of which \$25,695 (June 30, 2017 - \$26,644) was unpaid.

##### (b) Director Fees

Total director fees paid to the external members of the Board of Directors for the six months ended June 30, 2018 were \$10,200 (June 30, 2017 - \$10,200).

##### (c) Independent Review Committee Fees

Total remuneration paid to the external members of the Independent Review Committee for the six months ended June 30, 2018 were \$3,750 (June 30, 2017 - \$3,750).

#### 5. Brokerage Commissions and Soft Dollars

The ascertainable soft dollar value received as a percentage of total transaction fees paid during the six months ended June 30, 2018 and 2017 is disclosed below:

	June 30, 2018	June 30, 2017
Soft Dollars	\$ 39,573	\$ 30,087
Percentage of Total Transaction Fees	51.8%	59.9%

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

The increase/(decrease) in net assets attributable to holders of Class A shares per Class A share for the six months ended June 30, 2018 and 2017 is calculated as follows:

	June 30, 2018	June 30, 2017
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares	\$ (2,213,602)	\$ 508,187
Weighted Average Number of Class A Shares Outstanding during the Period	2,055,758	2,104,869
Increase/(Decrease) in Net Assets Attributable to Holders of Class A Shares per Class A Share	\$ (1.0768)	\$ 0.2414

## 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)

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

NDX Growth & Income Fund (NGI.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)

### Head Office

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Strathbridge Asset Management Inc.  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@strathbridge.com](mailto:info@strathbridge.com)

Visit our website at [www.strathbridge.com](http://www.strathbridge.com) for additional  
information on all Strathbridge Investment Funds.



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

Strathbridge Asset Management Inc.  
Investor Relations  
121 King Street West, Suite 2600  
P.O. Box 113  
Toronto, Ontario  
M5H 3T9

Tel: 416-681-3966  
Toll Free: 1-800-725-7172  
Fax: 416-681-3901  
Email: [info@strathbridge.com](mailto:info@strathbridge.com)