



SEMI-ANNUAL
REPORT

2018

WORLD FINANCIAL SPLIT CORP.


strathbridge
ASSET MANAGEMENT

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, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

Results of Operations

Distributions

For the six months ended June 30, 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.

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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.

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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
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 14.85
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)
Total Increase (Decrease) from Operations⁽²⁾	(0.82)
DISTRIBUTIONS	
Preferred Share	
Non-taxable distributions	(0.26)
Total Distributions⁽³⁾	(0.26)
Net Assets, end of period⁽¹⁾	\$ 13.77

(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
RATIOS/SUPPLEMENTAL DATA	
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 ⁽¹⁾	2.38% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	97.74%
Trading expense ratio ⁽³⁾	0.51% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 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.

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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

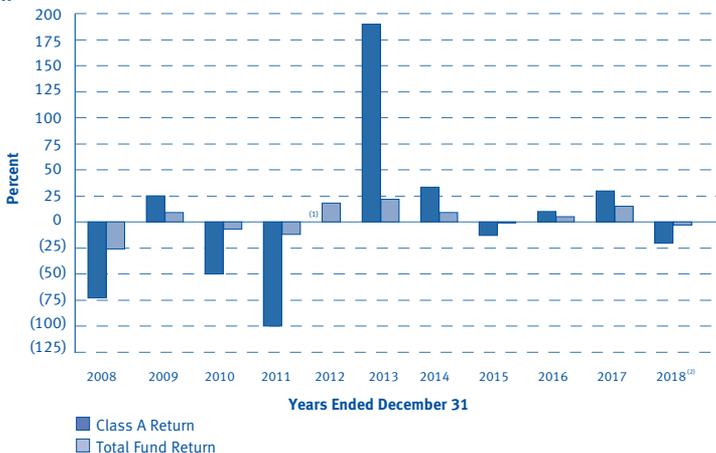
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (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.

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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, 2018

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

^{*}The Net Asset Value excludes the Redeemable Preferred share liability.

Portfolio Holdings

June 30, 2018

	% of Net Asset Value [*]
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 %

^{*}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.