
World Financial Split Corp.

Semi-Annual Report 2020

World Financial Split Corp.

Management Report of Fund Performance

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This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2020 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, 2020, 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 \$8.59 per Preferred share and \$5.54 per Class A share.

Revenue and Expenses

The Fund’s total revenue was \$0.16 per Unit for the six months ended June 30, 2020, down from \$0.20 per Unit from last year. Total expenses were \$0.21 per Unit, down from \$0.23 per Unit from a year ago. The Fund had a net realized and unrealized loss of \$2.78 per Unit in the first half of 2020 as compared to a net realized and unrealized gain of \$0.50 per Unit a year earlier.

Net Asset Value

The net asset value decreased 22.9 percent from \$13.50 per Unit at December 31, 2019 to \$10.41 per Unit at June 30, 2020. The aggregate net asset value of the Fund decreased \$4.55 million, from \$15.08 million at December 31, 2019 to \$10.53 million at June 30, 2020, reflecting an operating loss of \$3.16 million, Preferred share distributions of \$0.29 million and annual (both Class A and Preferred shares) redemptions of \$1.10 million.

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Recent Developments

There were no recent developments pertaining to the Fund during the six months ended June 30, 2020.

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, 2020 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2020
NET ASSETS PER UNIT	
Net Assets, beginning of period⁽¹⁾	\$ 13.50
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.16
Total expenses	(0.21)
Realized gain (loss) for the period	(1.01)
Unrealized gain (loss) for the period	(1.77)
Total Increase (Decrease) from Operations⁽²⁾	(2.83)
DISTRIBUTIONS	
Preferred Share	
Non-taxable distributions	(0.26)
Total Distributions⁽³⁾	(0.26)
Net Assets, end of period⁽¹⁾	\$ 10.41

(1) All per Unit figures are derived from the Fund's unaudited financial statements for the six months ended June 30, 2020 and 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, 2020
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value, excluding the Redeemable Preferred Share liability (\$millions)	\$ 10.53
Net Asset Value (\$millions)	\$ 0.41
Number of Units outstanding	1,011,787
Management expense ratio ⁽¹⁾	3.15% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	94.38%
Trading expense ratio ⁽³⁾	0.42% ⁽⁴⁾
Net Asset Value per Unit ⁽⁵⁾	\$ 10.41
Closing market price – Preferred	\$ 8.50 ⁽⁶⁾
Closing market price – Class A	\$ 1.70 ⁽⁷⁾

(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 7.67%, 6.79%, 5.98%, 6.00%, 6.44% and 5.91% for 2020, 2019, 2018, 2017, 2016 and 2015, respectively. The MER for 2020, 2019, 2018, 2017, 2016 and 2015, excluding withholding taxes, is 2.98%, 2.65%, 2.21%, 2.07%, 2.09% and 2.01% respectively. The MER for 2015 includes the special resolution expense. The MER for 2015 excluding the special resolution expense is 2.18%.

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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							
		2019	2018	2017	2016	2015			
\$	12.72	\$	14.85	\$	13.74	\$	13.37	\$	13.92
	0.37		0.37		0.49		0.37		0.36
	(0.42)		(0.41)		(0.38)		(0.34)		(0.37)
	0.22		0.20		2.20		(0.63)		1.25
	1.14		(1.75)		(0.69)		1.43		(1.20)
	1.31		(1.59)		1.62		0.83		0.04
	(0.53)		(0.53)		(0.53)		(0.53)		(0.53)
\$	(0.53)	\$	(0.53)	\$	(0.53)	\$	(0.53)	\$	(0.53)
\$	13.50	\$	12.72	\$	14.85	\$	13.74	\$	13.37

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), 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							
		2019	2018	2017	2016	2015			
\$	15.08	\$	15.10	\$	30.60	\$	28.92	\$	29.24
\$	3.91	\$	3.23	\$	9.99	\$	7.87	\$	7.37
	1,117,014		1,187,743		2,060,607		2,105,115		2,186,907
	2.81%		2.38%		2.29%		2.27%		2.19%
	201.05%		213.51%		259.88%		307.48%		259.37%
	0.41%		0.44%		0.39%		0.43%		0.46%
\$	13.50	\$	12.72	\$	14.85	\$	13.74	\$	13.37
\$	10.05	\$	9.58	\$	10.23	\$	10.00	\$	9.90
\$	3.08	\$	2.07	\$	4.30	\$	3.76	\$	3.05

(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.

(6) The last date with an executed trade was June 24, 2020.

(7) The last date with an executed trade was June 12, 2020.

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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

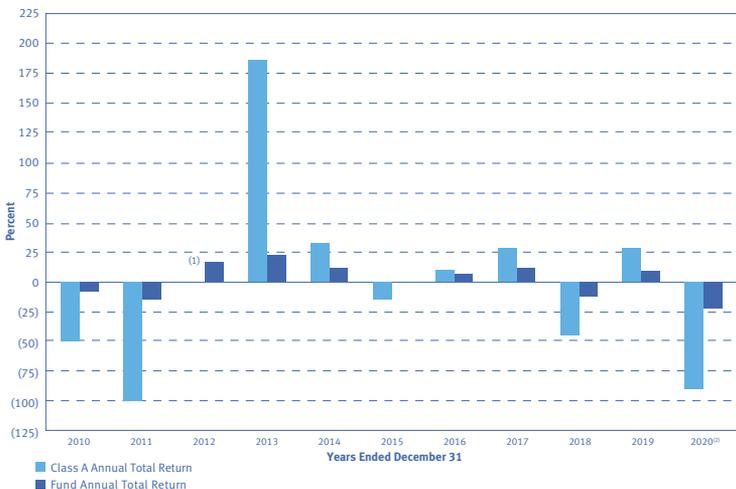
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- 1) information shown assumes that all distributions 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, 2020. 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 the fiscal year or June 30, 2020 for the six months ended.

Total Return



⁽¹⁾The Class A annual total 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, 2020.

Portfolio Manager Report

Stock markets around the world exhibited significant volatility in the first half of 2020 as economies and businesses were gripped by the COVID-19 (Coronavirus) pandemic. After reaching all-time highs in the third week of February, both the S&P/TSX Composite Index and the S&P 500 Index declined 37.4 percent and 33.8 percent respectively to the low reached on March 23rd as new cases and fatalities rose exponentially. However, since then, equity markets have staged a historic comeback, even as new cases and fatalities continued to increase, with both markets rising over 39 percent from the low. Central banks and governments around the world have responded with unprecedented monetary and fiscal policies to prop up economies and keep funding markets open. The total return of the S&P/TSX Composite Index for the semi-annual period ending June 30, 2020 was negative 7.5 percent and negative 3.1 percent for the S&P 500 Index.

The Global Financials companies underperformed the broader market during the period with a total return of negative 24.2 percent compared to a total return of negative 1.0 percent for the S&P Global 100 Index. Concerns surrounding deteriorating credit and higher loan loss provisions for both individuals and corporations due to the economic impact that COVID-19 has delivered globally has weighed on the Global Financials share price performance, along with potentially lower wealth management earnings and net interest margins. The suspension of share repurchases and dividends in some countries has also created a headwind for the group.

For the six months ended June 30, 2020, the net asset value (“NAV”) of the Fund was \$10.41 per Unit compared to \$13.50 per Unit at December 31, 2019. 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 30, 2020 with a mid-price of \$8.57 per share, while the Class A shares, listed as WFS, closed at a mid-price of \$1.80 per share. When combined, the closing prices represent a \$0.04 discount to the NAV per Unit.

The total return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2020 was negative 20.9 percent per Unit. The best performing stock within the portfolio was Blackrock Inc., up 15.2 percent during the period. At the other end of the spectrum, Bank of America Corporation, was the worst performing stock in the portfolio, down 35.9 percent while held in the Fund.

Volatility levels for Global Financial Services companies increased significantly in March as markets sold off but declined for the rest of the period as markets have recovered significantly from the lows. However, volatility remains elevated relative to levels experienced over the past few years. As a result, the covered call writing activity was higher in the first quarter with an average of 24.1 percent of the portfolio written which then declined to 20.6 percent in the second quarter. The Fund ended June 30, 2020 with 29.3 percent of the portfolio subject to covered calls and a cash position of 10.6 percent. The U.S. dollar exposure was actively hedged back into Canadian dollars throughout the period and ended June with approximately 50 percent of the U.S. dollar exposure hedged.

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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, 2020

	% of Net Asset Value*
United States	52.4 %
Canada	40.0 %
Cash	11.7 %
International	9.1 %
Other Assets (Liabilities)	(13.2)%
	100.0 %

*The Net Asset Value excludes the Redeemable Preferred Share liability.

Portfolio Holdings

June 30, 2020

	% of Net Asset Value*
Cash	11.7 %
BlackRock, Inc.	8.8 %
Sun Life Financial Inc.	7.1 %
Bank of America Corporation	6.7 %
Canadian Imperial Bank of Commerce	6.6 %
Intact Financial Corporation	6.1 %
The Charles Schwab Corporation	5.9 %
National Bank of Canada	5.8 %
The PNC Financial Services Group, Inc.	5.2 %
CME Group Inc.	4.8 %
China Life Insurance Company Limited	4.6 %
Aon Public Limited Company	4.5 %
First Republic Bank	4.4 %
The Progressive Corporation	3.8 %
Manulife Financial Corporation	3.8 %
The Allstate Corporation	3.8 %
Brookfield Asset Management Inc.	3.7 %
Royal Bank of Canada	3.6 %
JPMorgan Chase & Co.	3.5 %
U.S. Financials Income Fund	3.3 %
Berkshire Hathaway Inc.	3.2 %
MetLife, Inc.	2.3 %

*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.