ANNUAL REPORT 2011

Gold Participation and Income Fund

strathbridge
ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2011 annual report containing the management report of fund performance and the audited financial statements for Gold Participation and Income Fund.

During the 2011 fiscal year, the Fund paid total distributions of $0.85 per unit. Gold bullion, which increased for the eleventh consecutive year, reached an all-time high of US$1,921 on September 6, 2011 and settled back to close at US$1,564 on December 31, 2011. However, the total return of the S&P/TSX Global Gold Index was negative 13.6 percent during the year as gold equities did not keep pace with bullion performance. This divergence in performance is due to investor preference for gold exchange traded funds which has resulted in the valuations of gold equities contracting to relatively attractive levels. The Fund's annual total return, including reinvestment of distributions, for the year ended December 31, 2011 was negative 5.7 percent. The net asset value decreased from $13.57 per unit at December 31, 2010 to $11.40 per unit at December 31, 2011 mainly due to a decline in value of gold equities. However, the decline in the net asset value during the year was mitigated by the Strathbridge Selective Overwriting strategy (see "The Fund") which generated net realized gain on options of $0.30 per unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

The Fund issued warrants to each unitholder of record at the close of business on April 22, 2011. All unitholders as of the record date received one warrant for each unit held. Each warrant entitled its holder to acquire one unit upon payment of the subscription price of $13.02 on or before September 15, 2011. On September 15, 2011, 1.05 million units of the Gold Participation and Income Fund were issued pursuant to the exercise of warrants for total gross proceeds of $13.6 million.

We thank all unitholders for their continued support and encourage unitholders to review the more detailed information contained within the annual report.

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

The Fund

The Fund is a closed-end investment trust designed to provide investors with Canadian dollar exposure to the long-term performance of gold bullion and gold equity securities, while providing monthly distributions. The units are listed on the Toronto Stock Exchange under the ticker symbol GPF.UN. To accomplish its objectives the Fund invests its net assets in the Gold sector with up to 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion and the balance in a portfolio of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world's leading gold companies.

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 continuously writing 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.

TABLE OF CONTENTS

Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2011 of Gold Participation and Income Fund (the “Fund”). The annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or 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, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can request semi-annual or annual reports at no cost by using one of the above methods.

Investment Objectives and Strategies

The Fund’s investment objectives are to:

(1) maximize total returns for unitholders including both long-term appreciation in net asset value (‘‘NAV’’) per unit and distributions, and;

(2) pay unitholders monthly distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

The Fund is designed to provide investors with Canadian dollar exposure to the long-term performance of gold bullion and gold equity securities, while providing monthly distributions.

The Fund achieves its objectives by investing its net assets in the Gold sector with up to 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion, and the balance in a portfolio of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world’s leading gold companies.

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.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2011 annual information form, which is available on the Fund’s website at www.strathbridge.com or on SEDAR at www.sedar.com. A change to the Fund in 2011 that materially affected the risks associated with an investment in the securities of the Fund is set out below.

Warrants

The issuance of warrants to unitholders of record on April 22, 2011 resulted in a risk of dilution to such unitholders prior to the expiry of the warrants on September 15, 2011. The value of a unit decreased when (i) the NAV per unit exceeded $12.82 (being the subscription price payable on the exercise of a warrant less the warrant exercise fee) and (ii) one or more warrants were exercised. To maintain the unitholder’s pro rata interest in the assets of the Fund, the unitholder would be required to exercise one or more warrants in such circumstances. Failure to do so would result in a loss of value from the dilution of pro rata interest in the assets of the Fund.

Results of Operations

Distributions

For the year ended December 31, 2011, cash distributions of $0.85 per unit were paid to unitholders compared to $1.53 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total distributions of $3.10 per unit, including special year-end distributions of $0.15 in cash and $0.97 in units of the Fund.

Revenue and Expenses

For the year ended December 31, 2011, the Fund's total revenue was $0.04 per unit compared to $0.03 per unit a year ago. Lower revenue in 2010 was attributable to a net loss on foreign exchange translation of short-term investments. Total expenses in 2011 were $0.38 per unit, up from $0.32 per unit in 2010, mainly due to the non-recurring costs associated with the warrant offering in April 2011. The Fund had a net realized and unrealized loss of $2.05 per unit in 2011 as compared to a net realized and unrealized gain of $3.14 per unit in the prior year.

Net Asset Value

The net asset value per unit of the Fund decreased 16.0 percent, from $13.57 per unit at December 31, 2010 to $11.40 per unit at December 31, 2011, mainly attributable to lower trading price of gold equities and lower cash distributions during the year. The total net asset value of the Fund decreased $11.1 million from $43.8 million at December 31, 2010 to $32.7 million at December 31, 2011, primarily reflecting the annual redemption of $17.0 million, net of proceeds of $13.5 million from the exercise of warrants, and a decrease in net assets from operations of $5.5 million.

During the year ended December 31, 2011, the annual total return of the Fund was negative 5.7 percent reflecting the decrease in value of the securities held within the portfolio. The S&P/TSX Global Gold Index total return was negative 13.6 percent, while the SPDR Gold Trust had a total return of 12.0 percent in Canadian dollar terms during the same period. As a result of the Fund utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The total return for the S&P/TSX Global Gold Index which comprises at least 50 percent of the Fund is calculated without the deduction of management fees and fund expenses, whereas the performance of the Fund is calculated after deducting such fees and expenses.

Recent Developments

The Fund issued warrants to each unitholder of record at the close of business on April 22, 2011. All unitholders as of the record date received one warrant for each unit held. Each warrant entitled its holder to acquire one unit upon payment of the subscription price of $13.02 on or before September 15, 2011. On September 15, 2011, 1.05 million units of the Gold Participation and Income Fund were issued pursuant to the exercise of warrants for total gross proceeds of $13.6 million.

On October 3, 2011, Mulvihill Capital Management Inc. ("MCM"), the Manager and Investment Manager of the Fund, announced a name change to Strathbridge Asset Management Inc. ("Strathbridge") reflecting a revitalized focus and commitment to the closed-end fund business.

Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2011 financial statements and the preparation of the 2012 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2014.

As at December 31, 2011, some anticipated changes to financial reporting include:

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

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

Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the Fund's 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 MCM dated July 27, 2009.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated July 27, 2009. 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.

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 independent review committee ("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. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

On March 2, 2011, the Manager presented to the IRC a proposal of the Fund to issue warrants to unitholders to subscribe for additional units of the Fund. The exercise of warrants by holders would provide the Fund with additional capital and was also expected to increase trading liquidity and to reduce the management expense ratio of the Fund. The IRC reviewed the proposal and approved the warrant offering as it achieved a fair and reasonable result for the Fund.

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 August 7, 2009. This information is derived from the Fund's audited annual financial statements.

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

Periods ended December 31		2011		2010		2009[4]
THE FUND'S NET ASSETS PER UNIT						
Net Assets, beginning of period (based on bid prices)[1]	**$**	**13.56**	$	12.14	$	11.19[5]
INCREASE (DECREASE) FROM OPERATIONS						
Total revenue		**0.04**		0.03		0.03
Total expenses		**(0.38)**		(0.32)		(0.15)
Realized gain (loss) for the period		**(0.53)**		2.19		0.83
Unrealized gain (loss) for the period		**(1.52)**		0.95		0.54
Total Increase (Decrease) from Operations[2]		**(2.39)**		2.85		1.25
DISTRIBUTIONS						
From net investment income		**(0.18)**		(0.58)		(0.10)
From capital gains		**–**		(0.95)		(0.63)
Non-taxable distributions		**(0.67)**		–		–
Total Annual Distributions[3]		**(0.85)**		(1.53)		(0.73)
Net Assets, as at December 31 (based on bid prices)[1]	**$**	**11.40**	$	13.56	$	12.14

(1) Net assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices 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), net of withholding tax and foreign exchange 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.
(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. For 2010, distributions of $0.98 were paid in cash and distributions of $0.55 were paid in units. For December 21, 2009, distributions of $0.31 were paid in cash and distributions of $0.42 were paid in units. Immediately following the distribution of units, the issued and outstanding capital of the Fund was consolidated such that the number of issued and outstanding units of the Fund did not change due to the distribution.
(4) For the period from inception on August 7, 2009 to December 31, 2009.
(5) Initial issue price, net of agent fees and initial issue costs.

Periods ended December 31		2011		2010		2009[7]
RATIOS/SUPPLEMENTAL DATA						
Net Asset Value ($millions)[1]	**$**	**32.73**	$	43.78	$	28.57
Number of units outstanding[1]		**2,870,624**		3,226,994		2,350,100
Management expense ratio[2]		**2.86%**		1.95%		1.98%[5]
Portfolio turnover rate[3]		**212.19%**		212.02%		78.35%
Trading expense ratio[4]		**0.48%**		0.52%		1.08%[5]
Net Asset Value per unit[6]	**$**	**11.40**	$	13.57	$	12.16
Closing market price	**$**	**11.15**	$	14.20	$	10.46

(1) This information is provided as at December 31.
(2) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees, charged to the Fund divided by the average net asset value. The MER for 2011 includes warrant offering costs and warrant exercise fees. The MER for 2011 excluding warrant offering costs and warrant exercise fees is 2.00%. In August 2009, the Fund realized issuance costs of $1,903,500 in connection with its issuance of 2,350,000 units and 2,350,000 warrants. The MER for 2009 including the issuance costs is 8.79%.
(3) 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.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) Annualized.
(6) Net asset value per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.
(7) For the period from inception on August 7, 2009 to December 31, 2009.

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 0.70 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 Trust 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 Trust Agreement include providing or arranging for required administrative services to the Fund.

Mulvihill Fund Services Inc. (the predecessor Manager or "Mulvihill") amalgamated with Mulvihill Capital Management Inc. (the predecessor Investment Manager or "MCM") on September 1, 2010. As successor, MCM became the Manager as well as the Investment Manager of the Fund. On October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. ("Strathbridge").

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,

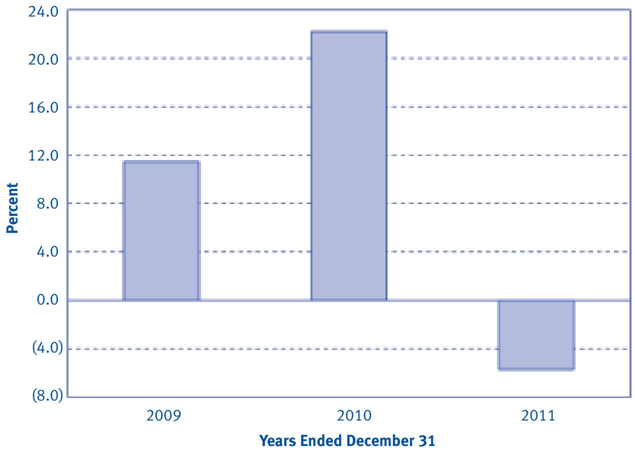
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and;

(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 annual total return varied from year to year for each of the past three years. The chart also shows, in percentage terms, how much an investment made on January 1 in each year or the date of inception in 2009 would have increased or decreased by the end of the fiscal year.

Annual Total Return



Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2011 as compared to the performance of the S&P/TSX Global Gold Index.

(In Canadian Dollars)	One Year	Since Inception(1)
Gold Participation and Income Fund	**(5.70)%**	10.98 %
S&P/TSX Global Gold Index(2)	**(13.60)%**	6.89 %

(1) From inception of the Fund on August 7, 2009.
(2) S&P/TSX Global Gold Index is a dynamic international benchmark tracking the world's leading gold companies.

The equity performance benchmark shown here provides an approximate indication of how the Fund's returns compare to a public market index for similar securities. It is important to note that the Fund is not managed in order to match or exceed this index; rather, its objectives are to pay out quarterly dividends and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to enhance the income generated by the portfolio and reduce volatility.

The Manager believes that in a flat or downward trending market, a portfolio that is subject to covered call option writing will generally provide higher relative returns and lower volatility than one on which no options are written. However, in a rising market, the use of options may have the effect of limiting or reducing the total returns of the Fund since the premiums associated with writing covered call options may be outweighed by the foregone opportunity of remaining fully invested in the securities comprising the portfolio.

Portfolio Manager Report

Gold prices started the year at US$1,421 and rose gradually during the first half of the year mainly due to U.S. dollar weakness. During the second half of the year, gold rose sharply in July and August on debt concerns surrounding Eurozone countries and Standard & Poor's downgrade of the U.S. Government AAA credit rating on August 5, 2011. Gold bullion reached a new high of US$1,921 on September 6th, the same day the Swiss National Bank announced its intentions to stop the Swiss Franc from rising against the Euro. Gold gave back most of its gains towards the end of September as fears of a Global recession caused the U.S. dollar to rally briefly until mid-November. It ended the year at US$1,564 as turmoil in Europe weighed heavily on gold.

Easy monetary policy, ballooning deficits along with U.S. dollar weakness were the fundamental drivers of the price of gold in the first half of the year; however, in the latter half of the year, U.S. dollar strength due to concerns stemming from the deflationary impact of a possible sovereign debt default as well as a marked slowdown due to austerity measures being implemented globally led to gold giving back some gains at the end of the year. Gold equities, on the other hand, suffered a negative performance during the year with the S&P/TSX Global Gold Index having a total return of negative 13.6 percent while in comparison, the SPDR Gold Trust had a total return of 12.0 percent in Canadian dollar terms. The annual total return of the Fund, including reinvestment of distributions, for the year was negative 5.7 percent. One of the reasons for this performance divergence has been investors' preference for bullion (and thereby gold exchange traded funds) and this has resulted in valuations of gold equities contracting to relatively attractive levels. These compelling valuations are reinforced by the ability of gold producers to generate very high cash flow at current spot prices of gold and various producers initiated or increased their dividends in the last year with room for further increases in the year ahead. Alternatively, companies used their cash flow to fund acquisitions and some of the large acquisitions in 2011 included Barrick Gold Corporation acquiring Equinox Minerals Ltd., Newmont Mining Corporation acquiring Frontier Gold Inc. and more recently, the takeover of European Goldfields Ltd. by Eldorado Gold Corporation. Gold producers will continue to focus on margin expansion and reserve growth through capital expenditures or acquisitions.

The allocation of the SPDR Gold Trust has fluctuated between 37 percent and 50 percent of the net assets in the Fund with the balance invested in gold equities while holding a small cash balance. The distributions were generated using a mix of option writing premiums and cash dividends earned. Volatility was at moderate levels during the first half of the year but in the second half of the year, the Standard & Poor's downgrade of the U.S. Government debt and sovereign debt concerns in Europe led volatility to elevated levels that peaked in October before a slight moderation toward the end of the year. The Fund selectively wrote covered calls on a portion of the portfolio if the Manager perceived the stock had a flat to downward bias over the short-term. The Fund ended the year with option positions on approximately 12 percent of the Fund. During 2011, the net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy was $0.30 per unit.

The U.S dollar exposure in the Fund is fully hedged back to Canadian dollars.

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

December 31, 2011

	% OF NET ASSET VALUE
United States	54 %
Canada	26 %
International	16 %
Cash and Short-Term Investments	5 %
Other Assets (Liabilities)	(1)%
	100 %

Portfolio Holdings

December 31, 2011

	% OF NET ASSET VALUE
SPDR Gold Trust	46 %
Barrick Gold Corporation	7 %
AngloGold Ashanti Limited ADR	6 %
Goldcorp Inc.	5 %
Cash and Short-Term Investments	5 %
Harmony Gold Mining Company Limited ADR	5 %
Royal Gold, Inc.	4 %
Gold Fields Limited ADR	4 %
Yamana Gold Inc.	3 %
Newmont Mining Corporation	3 %
Franco-Nevada Corporation	3 %
Randgold Resources Ltd. ADR	2 %
Alacer Gold Corp.	2 %
NovaGold Resources Imc.	2 %
IAMGOLD Corporation	2 %
Argonaut Gold Inc.	1 %
Centerra Gold Inc.	1 %

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

The accompanying financial statements of Gold Participation and Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this 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.

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

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

John P. Mulvihill
Director
Strathbridge Asset Management Inc.
February 27, 2012

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Gold Participation and Income Fund

We have audited the accompanying financial statements of Gold Participation and Income Fund, which comprise the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010, and the statements of financial operations, changes in net assets, and net gain (loss) on sale of investments for years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Gold Participation and Income Fund as at December 31, 2011 and 2010, and the results of its operations and its changes in the net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
February 27, 2012
Toronto, Ontario

Statements of Net Assets

As at December 31

	2011	2010
ASSETS		
Investments at fair value (cost - $30,755,945; 2010 - $39,479,622)	**$ 31,073,584**	$ 43,320,344
Short-term investments at fair value (cost - $797,792; 2010 - nil)	**797,792**	–
Cash	**920,222**	1,032,843
Accrued interest	**792**	–
Dividends receivable	**7,935**	3,234
TOTAL ASSETS	**32,800,325**	44,356,421
LIABILITIES		
Accrued liabilities	**87,938**	114,819
Distributions payable	**–**	484,049
TOTAL LIABILITIES	**87,938**	598,868
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 32,712,387**	$ 43,757,553
Number of Units Outstanding (Note 5)	**2,870,624**	3,226,994
Net Assets per Unit (Note 4)	**$ 11.3956**	$ 13.5598

On Behalf of the Manager,
Strathbridge Asset Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statements of Financial Operations

Years ended December 31

		2011		2010
REVENUE				
Dividends	$	**88,650**	$	102,029
Interest, net of foreign exchange		**8,954**		(22,127)
Withholding taxes		**(2,254)**		(4,212)
TOTAL REVENUE		**95,350**		75,690
EXPENSES (Note 6)				
Management fees		**236,029**		283,181
Service fees		**114,311**		146,521
Administrative and other expenses		**72,053**		66,950
Transaction fees (Note 9)		**142,352**		180,629
Custodian fees		**37,336**		31,740
Audit fees		**26,750**		26,026
Advisory board fees		**19,631**		22,464
Independent review committee fees		**7,787**		6,811
Legal fees		**25,803**		39,251
Unitholder reporting costs		**17,154**		20,139
Federal and provincial sales taxes		**39,284**		36,514
Subtotal Expenses		**738,490**		860,226
Warrant offering costs (Note 5)		**128,776**		–
TOTAL EXPENSES		**867,266**		860,226
Net Investment Loss		**(771,916)**		(784,536)
Net gain (loss) on sale of investments		**(1,975,755)**		5,122,031
Net gain on sale of derivatives		**761,962**		763,668
Net Gain (Loss) on Sale of Investments		**(1,213,793)**		5,885,699
Net change in unrealized appreciation/depreciation of investments		**(3,494,933)**		2,548,162
Net Gain (Loss) on Investments		**(4,708,726)**		8,433,861
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$	**(5,480,642)**	$	7,649,325
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the year of 2,306,480; 2010 - 2,690,919)	$	**(2.3762)**	$	2.8426

Statements of Changes in Net Assets

Years ended December 31

	2011	2010
NET ASSETS, BEGINNING OF YEAR	**$ 43,757,553**	$ 28,519,220
Net Increase (Decrease) in Net Assets from Operations	**(5,480,642)**	7,649,325
Unit Transactions (Note 5)		
Proceeds from units issued, net of warrant exercise fees	**13,501,343**	10,452,029
Normal course issuer bid purchases	**(156,805)**	(119,108)
Value for units redeemed	**(16,967,400)**	–
Proceeds from reinvestment of distributions	**–**	1,766,780
	(3,622,862)	12,099,701
Distributions to Unitholders (Note 7)		
From net investment income	**(390,504)**	(1,540,554)
From net realized gain on sale of investments	**–**	(2,970,139)
Non-taxable distributions	**(1,551,158)**	–
	(1,941,662)	(4,510,693)
Changes in Net Assets during the Year	**(11,045,166)**	15,238,333
NET ASSETS, END OF YEAR	**$ 32,712,387**	$ 43,757,553

Statements of Net Gain (Loss) on Sale of Investments

Years ended December 31

	2011	2010
Proceeds from Sale of Investments	**$ 66,525,221**	$ 70,431,814
Cost of Investments Sold		
Cost of investments, beginning of year	**39,479,622**	26,149,549
Cost of investments purchased	**59,015,337**	77,876,188
	98,494,959	104,025,737
Cost of Investments, End of Year	**(30,755,945)**	(39,479,622)
	67,739,014	64,546,115
NET GAIN (LOSS) ON SALE OF INVESTMENTS	**$ (1,213,793)**	$ 5,885,699

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2011

	Par Value/ Number of Shares	Average Cost	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 1.10% - February 29, 2012	800,000	$ 797,792	$ 797,792	
Accrued Interest			792	
SHORT-TERM INVESTMENTS		$ 797,792	$ 798,584	2.5%
INVESTMENTS				
Canadian Common Shares				
Materials				
Alacer Gold Corp.	62,800	$ 702,966	$ 657,516	
Argonaut Gold Inc.	34,000	241,439	234,940	
Barrick Gold Corporation	50,300	2,487,956	2,320,339	
Centerra Gold Inc.	10,600	239,818	190,058	
Franco-Nevada Corporation	25,000	1,013,252	969,500	
Goldcorp Inc.	40,000	1,955,420	1,804,400	
IAMGOLD Corporation	33,500	742,179	541,025	
NovaGold Resources Imc.	64,400	708,612	555,772	
Yamana Gold Inc.	72,100	1,006,935	1,080,058	
Total Materials		9,098,577	8,353,608	25.5%
Total Canadian Common Shares		$ 9,098,577	$ 8,353,608	25.5%
Non-North American Common Shares				
Materials				
AngloGold Ashanti Limited ADR	43,000	$ 1,988,034	$ 1,859,095	
Gold Fields Limited ADR	78,600	1,325,886	1,222,122	
Harmony Gold Mining Company Limited ADR	132,000	1,750,419	1,561,828	
Randgold Resources Ltd. ADR	6,700	741,967	695,938	
Total Materials		5,806,306	5,338,983	16.3%
Total Non-North American Common Shares		$ 5,806,306	$ 5,338,983	16.3%
United States Common Shares				
Materials				
Newmont Mining Corporation	17,500	$ 1,132,934	$ 1,068,981	
Royal Gold, Inc.	18,300	1,431,893	1,256,485	
Total Materials		2,564,827	2,325,466	7.1%
Total United States Common Shares		$ 2,564,827	$ 2,325,466	7.1%
Exchange Traded Funds				
SPDR Gold Trust	98,100	$ 13,499,981	$ 15,180,288	46.4%
Total Exchange Traded Funds		$ 13,499,981	$ 15,180,288	46.4%

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2011

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
Forward Exchange Contracts				
Bought USD $1,600,000, Sold CAD $1,630,512 @ 0.98129 - January 4, 2012			$ (1,128)	
Sold USD $500,000, Bought CAD $508,300 @ 0.98367 - January 4, 2012			(882)	
Sold USD $5,400,000, Bought CAD $5,490,882 @ 0.98345 - January 4, 2012			(8,285)	
Sold USD $800,000, Bought CAD $827,532 @ 0.96673 - January 18, 2012			12,571	
Sold USD $6,900,000, Bought CAD $6,971,070 @ 0.98981 - January 18, 2012			(57,818)	
Sold USD $3,900,000, Bought CAD $4,078,659 @ 0.95620 - March 14, 2012			100,438	
Sold USD $6,900,000, Bought CAD $7,006,260 @ 0.98483 - April 18, 2012			(36,307)	
Total Forward Exchange Contracts			$ 8,589	0.0 %
Options				
Written Covered Call Options (100 shares per contract)				
Alacer Gold Corp. - January 2012 @ $11	(314)	$ (11,307)	$ (6,280)	
AngloGold Ashanti Limited ADR - January 2012 @ $43	(320)	(69,944)	(46,174)	
Gold Fields Limited ADR - January 2012 @ $15	(580)	(43,714)	(31,102)	
Harmony Gold Mining Company Limited ADR - January 2012 @ $12	(500)	(38,548)	(14,435)	
Randgold Resources Ltd. ADR - January 2012 @ $100	(34)	(15,161)	(16,099)	
Yamana Gold Inc. - January 2012 @ $15	(360)	(16,560)	(19,260)	
Total Written Covered Call Options		(195,234)	(133,350)	(0.4)%
Total Options		$ (195,234)	$ (133,350)	(0.4)%
Adjustment for transaction fees		(18,512)		
TOTAL INVESTMENTS		$ 30,755,945	$ 31,073,584	94.9 %
OTHER NET ASSETS			840,219	2.6 %
TOTAL NET ASSETS			$ 32,712,387	100.0 %

The notes are an integral part of the Financial Statements.

1. Establishment of the Fund

Gold Participation and Income Fund (the "Fund") is a closed-end investment trust established under the laws of the Province of Ontario on July 27, 2009. The Fund began operations on August 7, 2009.

On September 1, 2010, Mulvihill Capital Management Inc. ("MCM") amalgamated with Mulvihill Fund Services Inc. As successor, MCM became the Manager as well as the Investment Manager of the Fund. On October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. ("Strathbridge"). RBC Dexia Investor Services Trust is the Custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund's investment objectives are to:

(i) maximize total returns for unitholders including both long-term appreciation in net asset value ("NAV") per unit and distributions, and;

(ii) pay unitholders monthly distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

The Fund is designed to provide investors with Canadian dollar exposure to the long-term performance of gold bullion and gold equity securities, while providing monthly distributions.

The Fund achieves its objectives by investing its net assets in the Gold sector with up to 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion, and the balance in a portfolio (the "Managed Gold Portfolio") of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world's leading gold companies.

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.

3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported period. Primary estimates include valuation of investments. While management believes that the estimates used in preparing its financial statements are reasonable and prudent, actual results could differ from these estimates.

Financial Instruments – Disclosures

The Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. See additional note disclosures in Note 11.

The significant accounting policies of the Fund are as follows:

Valuation of Investments

Investments are recorded in the financial statements at their fair value which is determined by the closing bid price for long positions and by the closing ask price for short positions from the recognized stock exchange on which the securities are listed or principally traded. If no bid or ask prices are available, the securities are valued at the closing sale price or the Manager may estimate fair value using appropriate and accepted industry valuation techniques including valuation models. The fair value of an investment, determined using valuation models, requires the use of inputs and assumptions based on observable market data including volatility and other applicable rates or prices. In limited circumstances, the fair value of a security may be determined using valuation techniques that are not supported by observable market data. Over-the-counter options are valued using the Black-Scholes valuation model.

Short-term investments are included in the statement of investments at their cost. This value together with accrued interest approximates fair value at bid price.

The value of a forward exchange contract shall be the gain or loss with respect thereto that would be realized if, on the valuation date, the position in the forward exchange contract, as the case may be, was to be closed out.

Transaction Fees

Transaction fees have been expensed as incurred and included in the transaction fees line in the Statement of Financial Operations. Transaction fees are costs that are directly attributable to portfolio transactions which include fees and commissions paid to brokers and dealers.

Investment Transactions and Income

Investment transactions are accounted for on a trade date basis. Realized gains and losses on the sale of investments and change in unrealized appreciation/depreciation of investments are determined on an average cost basis. Realized gains and losses relating to written options may arise from:

(i) Expiration of written options whereby realized gains are equivalent to the premium received;

(ii) Exercise of written covered call options whereby realized gains or losses are equivalent to the premium received in addition to the realized gain or loss from disposition of the related investments at the exercise price of the option; and

(iii) Closing of written options whereby realized gains or losses are equivalent to the cost of purchasing options to close the positions, net of any premium received.

Realized gains and losses related to options are included in net gain (loss) on sale of derivatives.

Realized gains and losses relating to purchased put options may arise from:

(i) Expiration of purchased put options whereby realized losses are equivalent to the premium paid;

(ii) Exercise of purchased put options whereby realized gains or losses are equivalent to the realized gain or loss from disposition of the related investments at the exercise price of the option less the premium paid; and

(iii) Sale of purchased put options whereby realized gains or losses are equivalent to the sale proceeds, net of any premium paid.

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the change in unrealized appreciation/depreciation of investments. The premiums received on written put options that are exercised are included in the cost of the security purchased.

Dividend income is recorded on the ex-dividend date. Interest income is recorded daily as it is earned.

Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Foreign exchange gains (losses) on short-term investments are reflected as interest income (loss). Realized gains (losses) relating to forward exchange contracts are included in net gain (loss) on sale of derivatives. Other foreign exchange gains (losses) are recorded as realized or unrealized gain (loss) on sale of investments, as appropriate.

4. Net Asset Value

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

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

	2011	2010
Net Asset Value per unit (for pricing purposes)	**$11.4022**	$13.5682
Difference	**(0.0066)**	(0.0084)
Net Assets per unit (for financial statement purposes)	**$11.3956**	$13.5598

5. Unitholders' Equity

The Fund is authorized to issue an unlimited number of transferable, redeemable trust units of one class, each of which represents an equal, undivided interest in the net assets of the Fund.

On August 7, 2009, the Fund issued 2,300,000 Combined Units at a price of $12.00 per Combined Unit for gross proceeds of $27,600,000. On August 26, 2009, an additional 50,000 Combined Units were issued for additional gross proceeds of $600,000 pursuant to the exercise of the over-allotment option granted to the Fund's agents in the initial public offering. The Combined units separated into units and warrants on August 26, 2009 for a total of 2,350,000 units and 2,350,000 warrants issued and outstanding. Costs of $1,903,500 were incurred in connection with these offerings and the establishment of the Fund and were charged to equity.

Each warrant for one unit entitled the unitholder to purchase one unit at a subscription price of $12.00 on November 6, 2009, February 5, 2010, May 7, 2010, or August 6, 2010. During 2010, 886,894 warrants were exercised for total gross proceeds of $10,642,728.

Upon exercise of a warrant, the Fund paid a fee of $0.12 per warrant to RBC Dominion Securities Inc. for and on behalf of the Agents and a fee of $0.18 per warrant to the dealer whose client had exercised the warrant. During the 2010 year, warrant exercise fees paid amounted to $190,699 and were charged to unitholders' equity.

On April 22, 2011, the Fund issued 1,823,754 warrants to unitholders of record at the close of business. All unitholders as of the record date received one warrant for each unit held. Each warrant entitled its holder to acquire one unit upon payment of $13.02 on or before September 15, 2011. Warrants were exercisable commencing April 25, 2011 and the cost of the warrant offering was $128,776. During the year, 1,046,870 warrants were exercised for gross proceeds of $13,630,247.

Upon exercise of a warrant, the Fund paid a fee of $0.20 per warrant subject to a maximum of $2,500 per beneficial subscriber to the dealer whose client had exercised the warrant. During the year, warrant exercise fees paid amounted to $128,904 and were charged to unitholders' equity.

Units may be surrendered at any time for redemption to Computershare Investor Services Inc., the Fund's registrar and transfer agent, but will be redeemed only on a Redemption Date (as defined below). Units surrendered for redemption by a unitholder at least twenty business days prior to the last day in January of 2011 or any year thereafter (the "January Redemption Date") will be redeemed on such January Redemption Date. Units surrendered for redemption by a unitholder at least ten business days prior to the last day of any other month (a "Monthly Redemption Date" and, together with the January Redemption Date, a "Redemption Date"), will be redeemed on such Monthly Redemption Date. If a day that would otherwise be a Redemption Date is not a business day, the Redemption Date is the preceding business day. Unitholders will receive payment for the units on or before the fifteenth day following such Redemption Date (the "Redemption Payment Date").

Commencing in 2011, unitholders whose units are redeemed on a January Redemption Date will be entitled to receive a redemption price per unit equal to the NAV per unit determined as of such date. For unitholders whose units are redeemed on any other Redemption Date, the redemption price per unit will be equal to the lesser of:

(i) 95 percent of the Market Price. For such purposes, "Market Price" means the weighted average trading price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) for the ten trading days immediately preceding the applicable Redemption Date, and;

(ii) 100 percent of the Closing Market Price of the units on the applicable Redemption Date, minus an amount equal to the aggregate of all brokerage fees, commissions and other costs incurred by the Fund in connection with such payment, including, but not limited to, costs incurred in liquidating securities held in the Fund's portfolio. For such purposes, the "Closing Market Price" means the closing price of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading) or, if there was no trade on the relevant date, the average of the last bid and the last asking prices of the units on the principal stock exchange on which the units are listed (or, if the units are not listed on any stock exchange, on the principal market on which the units are quoted for trading).

Any unpaid distribution payable on or before the applicable Redemption Date in respect of units tendered for redemption on such Redemption Date will also be paid on the applicable Redemption Payment Date.

On December 8, 2010, the Toronto Stock Exchange ("TSX") renewed a normal course issuer bid filed by the Fund. Under the terms of the normal course issuer bid, the Fund proposed to purchase, if considered advisable, up to a maximum of 318,699 units or 10 percent of its public float as determined in accordance with the rules of the TSX. The Fund could not purchase more than 64,540 of its units (representing approximately 2 percent of the Fund's issued and outstanding units as of November 30, 2010) in any 30-day period under the bid. The purchases would be made in the open through the facilities of the TSX. The normal course issuer remained in effect until December 9, 2011. As at December 9, 2011, 12,800 units (2010 - 10,000) had been purchased by the Fund.

Unit transactions during the year are as follows:

	2011	2010
Units outstanding, beginning of year	**3,226,994**	2,350,100
Units issued upon exercise of warrants	**1,046,870**	886,894
Units redeemed	**(1,390,440)**	–
Units purchased for cancellation	**(12,800)**	(10,000)
Units outstanding, end of year	**2,870,624**	3,226,994

6. Management Fees and Expenses

Strathbridge, as Manager under the terms of the Trust Agreement and as Investment Manager under terms of the Investment Management Agreement, receives fees payable at annual rates of 0.10 percent and 0.70 percent respectively of the Fund's net asset value, calculated and payable monthly, plus applicable taxes.

The Fund is responsible for all ongoing trustee, manager, legal, accounting and audit fees as well as all other expenses incurred by the Trustee and the Manager in the ordinary course of business relating to the Fund's operations. The Fund is also responsible for commissions and other costs of portfolio transactions and any extraordinary expenses of the Fund which may be incurred from time to time.

The Fund pays a service fee equal to 0.40 percent annually of the net asset value of the Fund which it pays to dealers in connection with amounts held by clients of the sales representatives of such dealers, plus applicable taxes. This service fee is payable quarterly.

In addition to the fees and expenses payable by the Fund, the estimated ordinary expenses of SPDR Gold Trust (including the fees of its trustee, custodian and sponsor), in which the Fund invests, are estimated to be 0.40 percent per annum of SPDR Gold Trust's daily net asset value.

7. Distributions

The Fund endeavours to make monthly cash distributions of net income and net realized capital gains to unitholders on the last day of each month at an amount targeted to be 6.5 percent per annum of the net asset value of the Fund.

If after such distributions there would otherwise remain in the Fund additional net investment income or net realized capital gains, the Fund intends to make a special distribution of such portion of the remaining net investment income and net realized capital gains as is necessary to ensure that the Fund is not liable for income tax under the Income Tax Act (Canada) (the "Act").

In December 2010, the Fund announced a special capital gains distribution of $0.6975 per unit, comprised of $0.15 in cash and $0.5475 in units which was paid in January 2011. Immediately following the distribution of units, the issued and outstanding capital of the Fund was consolidated such that the number of issued and outstanding units of the Fund did not change due to the distribution.

8. Income Taxes

The Fund is a "mutual fund trust" as defined in the Act . The Fund is subject to tax in each taxation year under Part I of the Act on the amount of its income for the year, including net realized taxable capital gains, less the portion thereof that it claims in respect of the amount paid or payable to unitholders in the year. Income tax paid by the Fund on any net realized capital gains not paid or payable to unitholders is recoverable by the Fund to the extent and in the circumstances provided in the Act.

Given the investment and distribution policies of the Fund and taking into account expenses, the Fund does not expect to bear any appreciable non-refundable income tax.

No amount is payable on account of income taxes in 2011 or 2010.

Capital losses of approximately $2.3M (2010 - nil) are available for utilization against realized gains on sale of investments and can be carried forward indefinitely.

Issue costs of approximately $1.0M (2010 - $1.4M) remain undeducted for tax purposes as at year-end.

9. Transaction Fees

Total transaction fees paid for the year ended December 31, 2011 in connection with portfolio transactions were $142,352 (2010 - $180,629). Of this amount $39,980 (2010 - $31,236) was directed to cover payment of research services provided to the Investment Manager.

10. Capital Disclosures

Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535, "Capital Disclosures" requires the disclosure of: (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data and qualitative information about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Fund's objectives, policies and processes are described in Note 2, information on the Fund's unitholders' equity is described in Note 5 and Note 7 and the Fund does not have any externally imposed capital requirements.

11. Financial Instruments and Risk Management

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

(i) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,

(ii) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

(iii) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 2011 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$ 798,584	$ –	$ 798,584
Canadian Common Shares	8,353,608	–	–	$ 8,353,608
Non-North American Common Shares	5,338,983	–	–	$ 5,338,983
United States Common Shares	2,325,466	–	–	$ 2,325,466
Exchange-Traded Funds	15,180,288	–	–	$ 15,180,288
Forward Exchange Contracts	–	8,589	–	$ 8,589
Options	(41,639)	(91,711)	–	$ (133,350)
Total Investments	$ 31,156,706	$ 715,462	$ –	$ 31,872,168

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	$ 21,095,079	$ –	$ –	$ 21,095,079
Non-North American Common Shares	2,190,610	–	–	$ 2,190,610
United States Common Shares	3,581,879	–	–	$ 3,581,879
Exchanged Traded Funds	15,976,716	–	–	$ 15,976,716
Forward Exchange Contracts	–	476,060	–	$ 476,060
Total Investments	$ 42,844,284	$ 476,060	$ –	$ 43,320,344

There were no transfers between Level 1 and Level 2 during 2011 and 2010.

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

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

Concentration Risk

The Fund was created to invest in the securities of gold-related issuers and is not expected to have significant exposure to any other investments or assets. Investors should review carefully the continuous disclosure documentation of SPDR Gold Trust for a discussion of the risk factors that it considers applicable to itself and its shares. The Fund's holdings are concentrated in gold-related securities and they are not diversified.

Other Price Risk

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

Approximately 95 percent (2010 - 98 percent) of the Fund's net assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2011, the net assets of the Fund would have increased or decreased by $3.1M (2010 - $4.3M) respectively or 9.5 percent (2010 - 9.8 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Liquidity Risk

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

Cash is required to fund redemptions. Unitholders must surrender units at least 10 business days prior to the last day of the month and receive payment on or before 15 calendar days following the month end valuation date. Therefore the Fund has a maximum of 21 business days to generate sufficient cash to fund redemptions mitigating liquidity issues.

Interest Rate Risk

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

Currency Risk

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

Assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the prevailing rate of exchange on each valuation date. Purchases and sales of investments, and income derived from investments, are translated at the rate of exchange prevailing on the respective dates of such transactions.

Approximately 70 percent (2010 - 52 percent) of the Fund's net assets held at December 31, 2011 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At December 31, 2011 and 2010, the Fund had no currency risk as a result of its investment in foreign currency contracts.

Credit Risk

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

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

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the year based on Standard & Poor's credit ratings as of December 31, 2011:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A-	A-2
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
US Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A-	A-2
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A	A-1

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the prior year based on Standard & Poor's credit ratings as of December 31, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Canadian Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
US Dollar		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
UBS AG	A+	A-1

The following is the credit rating for short-term investments held by the Fund based on Standard & Poor’s credit ratings as of December 31, 2011:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers’ Acceptances	A-1	100%
Total		100%

The Fund held no short-term investments as of December 31, 2010.

The carrying amount of these investments represents their maximum credit risk exposure, as they will be settled in the short-term.

12. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards (“IFRS”) for the year beginning on January 1, 2011. In January 2011, the Canadian Accounting Standards Board (“AcSB”) approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2014 and will issue its initial statements on a comparative basis for the semi-annual period ending June 30, 2014.

13. Subsequent Event

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 280,382 units representing approximately 10 percent of the Fund’s public float of 2,803,824 units as of January 10, 2012. The Fund may purchase up to 57,412 units in any 30-day period which is 2 percent of the 2,870,624 units issued and outstanding as at January 10, 2012. The units may be purchased for cancellation from January 23, 2012 to January 22, 2013 through the facilities of the TSX or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at February 27, 2012, nil units had been purchased by the Fund.

Board of Advisors

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

John D. Germain
Senior Vice-President & Chief Financial Officer
Strathbridge Asset Management Inc.

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
Corporate Director

[1] *Independent Review Committee Member*

Information

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trading under
GPF.UN

Custodian:
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RBC Centre
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Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

Canadian Utilities & Telecom Income Fund
Core Canadian Dividend Trust
Gold Participation and Income Fund
Premier Canadian Income Fund
Top 10 Canadian Financial Trust

SPLIT SHARES

Premium Income Corporation
S Split Corp.
Top 10 Split Trust
World Financial Split Corp.

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust

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P

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