

SEMI-ANNUAL REPORT 2012

Gold Participation and Income Fund




strathbridge
ASSET MANAGEMENT

Gold Participation and Income Fund

Letter to Unitholders

We are pleased to present the 2012 semi-annual report containing the management report of fund performance and the unaudited financial statements for Gold Participation and Income Fund.

During the six months ended June 30, 2012, the Fund paid cash distributions of \$0.37 per unit. Though gold prices reached a high of US\$1,791 on February 29, 2012, the price of gold closed on June 30, 2012 at US\$1,597. The Fund's total return, including reinvestment of distributions, for the six month period ended June 30, 2012 was negative 7.5 percent compared to the S&P/TSX Global Gold Index total return of negative 14.9 percent during the same period. The net asset value decreased from \$11.40 per unit at December 31, 2011 to \$10.21 per unit at June 30, 2012 amid continued weakness in the price of gold equities. The decline in the net asset value, however, was mitigated by the Strathbridge Selective Overwriting strategy (see "The Fund") which generated a net realized gain on options of \$0.24 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.

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



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

The Fund

The Fund is a closed-end investment trust designed to 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 writing continuously and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

Gold Participation and Income Fund

Management Report of Fund Performance

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2012 of Gold Participation and Income Fund (the “Fund”). The unaudited semi-annual financial statements of the Fund are attached.

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

Results of Operations

Distributions

For the six months ended June 30, 2012, cash distributions of \$0.37 per unit were paid to unitholders compared to \$0.42 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total distributions of \$3.47 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 six months ended June 30, 2012, the Fund’s total revenue was \$0.03 per unit compared to \$0.02 per unit last year. Total expenses were \$0.15 per unit in the first six months of 2012, down from \$0.23 per unit in 2011, largely attributable to the non-recurring costs associated with the warrant offering in April 2011. The Fund had a net realized and unrealized gain of \$0.01 per unit in the first half of 2012 as compared to a net realized and unrealized loss of \$1.12 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund decreased 10.4 percent, from \$11.40 per unit at December 31, 2011 to \$10.21 per unit at June 30, 2012, mainly due to a decline in value of gold equities. The total net asset value of the Fund decreased \$16.4 million from \$32.7 million at December 31, 2011 to \$16.3 million at June 30, 2012, primarily reflecting the annual redemption of \$15.5 million and cash distributions of \$0.7 million.

Gold Participation and Income Fund

Management Report of Fund Performance

During the six months ended June 30, 2012, the total return of the Fund was negative 7.5 percent amid continued weakness in the price of gold equities. The S&P/TSX Global Gold Index total return during the same period was negative 14.9 percent, while the SPDR Gold Trust had a total return of 2.3 percent in Canadian dollar terms. 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

On January 19, 2012, the Fund announced it had 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 Toronto Stock Exchange 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 June 30, 2012, nil units had been purchased by the Fund.

Future Accounting Policy Changes

Strathbridge Asset Management Inc., as the Manager of the Fund, 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 2012 financial statements and the preparation of the 2013 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.

Gold Participation and Income Fund

Management Report of Fund Performance

As at June 30, 2012, 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

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”).

Strathbridge, as the Investment Manager of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated July 27, 2009, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund.

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.

During the period, no recommendations or approvals were required to be sought from the Independent Review Committee (“IRC”) concerning related party transactions.

Gold Participation and Income Fund

Management Report of Fund Performance

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. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

Gold Participation and Income Fund

Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance from its inception on August 7, 2009.

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

Information for the period ended June 30, 2012 is derived from the Fund's unaudited semi-annual financial statements.

	Six months ended June 30, 2012
NET ASSETS PER UNIT	
Net Assets, beginning of period (based on bid prices) ⁽¹⁾	\$ 11.40
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.03
Total expenses	(0.15)
Realized gain (loss) for the period	0.07
Unrealized gain (loss) for the period	(0.06)
Total Increase (Decrease) from Operations ⁽²⁾	(0.11)
DISTRIBUTIONS	
From net investment income	(0.37)
From capital gains	-
Non-taxable Distributions	-
Total Distributions ⁽³⁾	(0.37)
Net Assets, end of period (based on bid prices) ⁽¹⁾	\$ 10.19

(1) Net Assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, 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.

	Six months ended June 30, 2012
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value (\$millions)	\$ 16.32
Number of units outstanding	1,599,034
Management expense ratio ⁽¹⁾	2.23% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	65.40%
Trading expense ratio ⁽³⁾	0.48% ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	\$ 10.21
Closing market price	\$ 9.71

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, 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 these issuance costs is 8.79%.

(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.

Gold Participation and Income Fund

Management Report of Fund Performance

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⁾
	\$	13.56	\$ 12.14	\$ 11.19 ⁽⁵⁾
		0.04	0.03	0.03
		(0.38)	(0.32)	(0.15)
		(0.53)	2.19	0.83
		(1.52)	0.95	0.54
		(2.39)	2.85	1.25
		(0.18)	(0.58)	(0.10)
		–	(0.95)	(0.63)
		(0.67)	–	–
		(0.85)	(1.53)	(0.73)
	\$	11.40	\$ 13.56	\$ 12.14

(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 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
	\$	32.73	\$ 43.78	\$ 28.57
		2,870,624	3,226,994	2,350,100
		2.86%	1.95%	1.98% ⁽⁴⁾
		212.19%	212.02%	78.35%
		0.48%	0.52%	1.08% ⁽⁴⁾
	\$	11.40	\$ 13.57	\$ 12.16
	\$	11.15	\$ 14.20	\$ 10.46

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 and the aggregate value of the liabilities, including the valuation of securities at closing prices, divided by the number of units then outstanding.

Gold Participation and Income Fund

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 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 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.

Past Performance

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

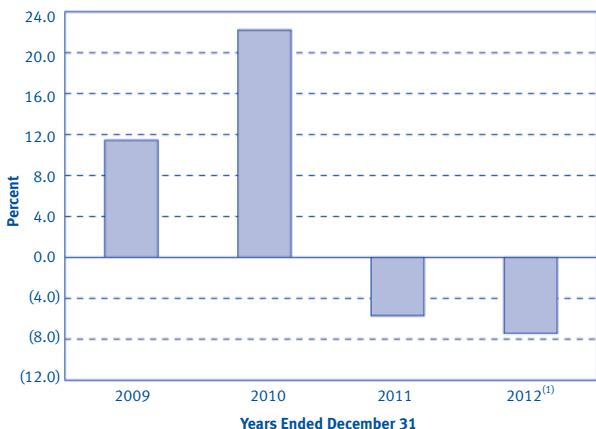
- (1) the information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in units of the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the 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 three years and for the six month period ended June 30, 2012. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception in 2009 would have increased or decreased by the end of the fiscal year or June 30, 2012 for the six months then ended.

Management Report of Fund Performance

Annual Total Return



⁽¹⁾ For the six months ended June 30, 2012.

Portfolio Manager Report

Gold prices were buoyant during the first two months of the year rising from US\$1,564 and reaching a high of US\$1,791 on February 29, 2012 before declining, initially on a lack of further monetary stimulus from the Federal Reserve and then on the appreciation of the U.S. dollar due to investor concerns about Europe struggling to stem the debt crisis. Gold had a low of US\$1,527 on May 16, 2012 before rebounding marginally to close at US\$1,597 on June 29, 2012. The possibility of a sovereign breakaway from the European Union hangs like a deflationary blanket over Europe and the rest of the World. The headline news on the uncertainty of Greece staying in the European Union, the rise of Spanish and Italian Sovereign Governments bond yields as well as concerns about the Spanish banking system led to a stronger U.S. dollar and making most commodities, including gold and crude oil priced in U.S. dollar, weaker.

The stimulative policies in the aftermath of the financial crisis continue with quantitative easing in the U.S. morphing into Operation Twist. In Europe, the European Central Bank has launched long-term refinancing operations to help the banks with liquidity and thereby trying to reduce sovereign yields which were threatening to stay at unsustainable levels that would make debt payments very difficult. All of these stimulative measures by global central banks will make gold the primary vehicle of choice by investors to hedge away any signs of inflation.

Gold Participation and Income Fund

Management Report of Fund Performance

Gold equities had negative performance during the first half of the year with the S&P/TSX Global Gold Index having a total return of negative 14.9 percent. The continued outperformance of gold bullion versus gold equities has resulted in a preference for gold exchange traded funds leaving gold equities attractively valued. This compelling valuation is reinforced by stronger cash flows due to elevated gold prices and attractive dividend yields above two percent in companies like Newmont Mining Corporation, Barrick Gold Corporation and Agnico-Eagle Mines Limited. The S&P/TSX Global Gold Index began the year with 67 constituents and ended the second quarter of 2012 with 59 members. Going forward, companies will continue to focus on reserve growth through capital expenditures or acquisitions.

During the six month period, the allocation to the SPDR Gold Trust was approximately 50 percent of the net assets in the Fund with the balance invested in gold equities while holding a small cash balance. Volatility remained at elevated levels versus the rest of the market and was sufficient to maintain option writing programs. The Fund selectively wrote covered calls on a portion of the portfolio when the Manager perceived the stock had a flat to downward bias over the short term. The Fund ended the period with covered-call positions on approximately 22 percent of the portfolio, below the 25 percent limit. During the first half of 2012, the net realized gain on options attributable to the Strathbridge Selective Overwriting (“SSO”) strategy was \$0.24 per unit.

The return of the Fund, including reinvestment of distributions, for the first half of the year was negative 7.5 percent, compared to the S&P/TSX Global Gold Index which had a total return of negative 14.9 percent and the SPDR Gold Trust which had a total return of 2.3 percent in Canadian dollar terms.

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

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.

Gold Participation and Income Fund

Management Report of Fund Performance

Asset Mix

June 30, 2012

	% of Net Asset Value
United States	59 %
Canada	29 %
Cash	6 %
International	7 %
Other Assets (Liabilities)	(1)%
	100 %

Portfolio Holdings

June 30, 2012

	% of Net Asset Value
SPDR Gold Trust	50 %
Barrick Gold Corporation	9 %
Cash	6 %
Newmont Mining Corporation	5 %
Yamana Gold Inc.	5 %
Goldcorp Inc.	5 %
Royal Gold, Inc.	4 %
Agnico-Eagle Mines Limited	4 %
Franco-Nevada Corporation	4 %
AngloGold Ashanti Limited ADR	3 %
Rangold Resources Limited ADR	2 %
Compania de Minas Buenaventura SAA ADR	2 %
Alamos Gold Inc.	2 %
Aurizon Mines Ltd.	0 %

Forward-Looking Statements

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

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

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

Gold Participation and Income Fund

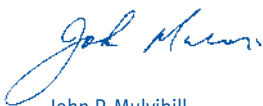
Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with 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 semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2011.

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.



John D. Germain

Director

Strathbridge Asset Management Inc.

August 7, 2012

Notice to Unitholders

The Fund's independent auditor has not performed a review of these Semi-Annual Financial Statements in accordance with standards established by the Canadian Institute of Chartered Accountants.

Gold Participation and Income Fund

Financial Statements

Statements of Net Assets

As at June 30, 2012 (Unaudited) and December 31, 2011 (Audited)

	2012	2011
ASSETS		
Investments at fair value (cost - \$15,130,021; 2011- \$30,755,945)	\$ 15,327,570	\$ 31,073,584
Short-term investments (cost - nil; 2011- \$797,792)	–	797,792
Cash	1,028,037	920,222
Accrued interest	–	792
Dividends receivable	2,854	7,935
TOTAL ASSETS	16,358,461	32,800,325
LIABILITIES		
Accrued liabilities	52,935	87,938
TOTAL LIABILITIES	52,935	87,938
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 16,305,526	\$ 32,712,387
Number of Units Outstanding	1,599,034	2,870,624
Net Assets per Unit (Note 3)	\$ 10.1971	\$ 11.3956

Gold Participation and Income Fund

Financial Statements

Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2012	2011
REVENUE		
Dividends	\$ 50,107	\$ 33,648
Interest	1,332	3,205
Withholding taxes	(2,252)	(840)
TOTAL REVENUE	49,187	36,013
EXPENSES		
Management fees	80,987	105,465
Service fees	33,730	45,302
Administrative and other expenses	53,568	57,441
Transaction fees (Note 4)	52,138	67,020
Custodian fees	19,420	15,246
Audit fees	13,339	13,141
Advisory board fees	10,445	10,445
Independent review committee fees	4,041	3,851
Legal fees	2,734	23,767
Unitholder reporting costs	8,142	8,910
Harmonized sales tax	14,448	19,396
Subtotal Expenses	292,992	369,984
Warrant offering costs	-	120,000
TOTAL EXPENSES	292,992	489,984
Net Investment Loss	(243,805)	(453,971)
Net loss on sale of investments	(723,589)	(932,264)
Net gain on sale of derivatives	861,483	1,244,736
Net Gain on Sale of Investments	137,894	312,472
Net change in unrealized appreciation/ depreciation of investments	(122,139)	(2,739,104)
Net Gain (Loss) on Investments	15,755	(2,426,632)
NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (228,050)	\$(2,880,603)
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT - BASIC (based on the weighted average number of units outstanding during the period of 1,913,438; 2011 - 2,172,555)	\$ (0.1192)	\$ (1.3259)
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT - DILUTED	n/a	\$ (1.3259)

Gold Participation and Income Fund

Financial Statements

Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2012	2011
NET ASSETS, BEGINNING OF PERIOD	\$ 32,712,387	\$ 43,757,553
Net Decrease in Net Assets from Operations	(228,050)	(2,880,603)
Unit Transactions		
Value for units redeemed	(15,510,982)	(16,967,400)
Normal course issuer bid purchases	-	(156,805)
	(15,510,982)	(17,124,205)
Distributions to Unitholders		
From net investment income	(667,829)	(195,252)
Non-taxable distributions	-	(679,759)
	(667,829)	(875,011)
Changes in Net Assets during the Period	(16,406,861)	(20,879,819)
NET ASSETS, END OF PERIOD	\$ 16,305,526	\$ 22,877,734

Statements of Net Gain on Sale of Investments

Six months ended June 30 (Unaudited)

	2012	2011
Proceeds from Sale of Investments	\$ 28,556,987	\$ 39,438,547
Cost of Investments Sold		
Cost of investments, beginning of period	30,755,945	39,479,622
Cost of investments purchased	12,793,169	20,603,328
	43,549,114	60,082,950
Cost of Investments, End of Period	(15,130,021)	(20,956,875)
	28,419,093	39,126,075
NET GAIN ON SALE OF INVESTMENTS	\$ 137,894	\$ 312,472

Gold Participation and Income Fund

Financial Statements

Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Materials				
Agnico-Eagle Mines Limited	15,700	\$ 645,900	\$ 646,683	
Alamos Gold Inc.	19,400	378,593	307,878	
Aurizon Mines Ltd.	16,200	85,958	74,034	
Barrick Gold Corporation	38,000	1,790,678	1,454,640	
Franco-Nevada Corporation	13,100	568,672	601,945	
Goldcorp Inc.	20,500	996,707	784,535	
Yamana Gold Inc.	50,900	793,685	798,112	
Total Materials		5,260,193	4,667,827	28.6 %
Total Canadian Common Shares		\$ 5,260,193	\$ 4,667,827	28.6 %
Non-North American Common Shares				
Materials				
AngloGold Ashanti Limited ADR	13,000	\$ 469,545	\$ 454,971	
Compania de Minas Buenaventura SAA ADR	8,100	330,408	313,374	
Rangold Resources Limited ADR	3,500	334,574	321,127	
Total Materials		1,134,527	1,089,472	6.7 %
Total Non-North American Common Shares		\$ 1,134,527	\$ 1,089,472	6.7 %
United States Common Shares				
Materials				
Newmont Mining Corporation	17,100	\$ 1,005,280	\$ 845,308	
Royal Gold, Inc.	8,400	619,243	671,113	
Total Materials		1,624,523	1,516,421	9.3 %
Total United States Common Shares		\$ 1,624,523	\$ 1,516,421	9.3 %
Exchange-Traded Funds				
SPDR Gold Trust	51,800	\$ 7,128,430	\$ 8,192,038	50.2 %
Total Exchange-Traded Funds		\$ 7,128,430	\$ 8,192,038	50.2 %
Forward Exchange Contracts				
Bought USD \$300,000, Sold CAD \$308,358 @ 0.97290 - July 18, 2012			\$ (2,390)	
Sold USD \$900,000, Bought CAD \$892,845 @ 1.00801 - July 18, 2012			(25,029)	
Sold USD \$500,000, Bought CAD \$515,750 @ 0.96946 - July 18, 2012			5,801	
Sold USD \$2,600,000, Bought CAD \$2,578,264 @ 1.00843 - August 15, 2012			(75,004)	
Sold USD \$100,000, Bought CAD \$102,696 @ 0.97375 - August 15, 2012			640	
Sold USD \$220,000, Bought CAD \$226,024 @ 0.97335 - September 12, 2012			1,357	
Sold USD \$4,200,000, Bought CAD \$4,245,906 @ 0.98919 - September 12, 2012			(42,951)	
Sold USD \$2,600,000, Bought CAD \$2,679,352 @ 0.97038 - October 17, 2012			22,171	
Total Forward Exchange Contracts			\$ (115,405)	(0.7)%

Gold Participation and Income Fund

Financial Statements

Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
Options				
Purchased Put Options (100 shares per contract)				
iShares S&P/TSX Global Gold Index				
- September 2012 @ \$18	380	\$ 35,150	\$ 35,493	
SPDR Gold Trust - August 2012 @ \$151	25	13,081	5,811	
SPDR Gold Trust - August 2012 @ \$152	25	14,334	6,652	
SPDR Gold Trust - August 2012 @ \$154	25	13,900	8,538	
SPDR Gold Trust - August 2012 @ \$155	25	14,237	9,812	
SPDR Gold Trust - September 2012 @ \$152	52	31,084	21,205	
Total Purchased Put Options		121,786	87,511	0.5 %
Written Covered Call Options (100 shares per contract)				
AngloGold Ashanti Limited ADR				
- July 2012 @ \$34	(85)	(12,700)	(10,832)	
AngloGold Ashanti Limited ADR				
- July 2012 @ \$37	(45)	(6,855)	(918)	
Alamos Gold Inc.				
- July 2012 @ \$18	(194)	(18,236)	(2,910)	
Aurizon Mines Ltd.				
- July 2012 @ \$5	(162)	(5,019)	(2,592)	
Barrick Gold Corporation				
- July 2012 @ \$37	(190)	(27,170)	(47,691)	
Compania de Minas Buenaventura SAA ADR - July 2012 @ \$40				
	(81)	(7,392)	(3,716)	
Goldcorp Inc.				
- July 2012 @ \$40	(153)	(21,091)	(8,874)	
Goldcorp Inc.				
- August 2012 @ \$38	(52)	(8,736)	(11,388)	
Newmont Mining Corporation				
- July 2012 @ \$49	(85)	(13,014)	(10,312)	
Randgold Resources Limited ADR				
- July 2012 @ \$90	(35)	(11,144)	(11,061)	
Total Written Covered Call Options		(131,357)	(110,294)	(0.6)%
Total Options		\$ (9,571)	\$ (22,783)	(0.1)%
Adjustment for transaction fees		(8,081)		
TOTAL INVESTMENTS		\$ 15,130,021	\$ 15,327,570	94.0 %
OTHER NET ASSETS			977,956	6.0 %
TOTAL NET ASSETS			\$ 16,305,526	100.0 %

Gold Participation and Income Fund

Notes to Financial Statements

June 30, 2012

1. Basis of Presentation

The semi-annual financial statements for the Fund have been prepared in accordance with Canadian generally accepted accounting principles (“GAAP”). However, not all disclosures required by GAAP for annual financial statements have been presented and, accordingly, these semi-annual financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2011.

These semi-annual financial statements follow the same accounting policies and method of application as the most recent audited financial statements for the year ended December 31, 2011.

2. Normal Course Issuer Bid

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 Toronto Stock Exchange 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 June 30, 2012, nil units had been purchased by the Fund.

3. 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:

	June 30, 2012	Dec. 31, 2011
Net Asset Value (for pricing purposes)	\$ 10.2079	\$ 11.4022
Difference	(0.0108)	(0.0066)
Net Assets (for financial statement purposes)	\$ 10.1971	\$ 11.3956

Gold Participation and Income Fund

Notes to Financial Statements

June 30, 2012

4. Transaction Fees

Total transaction fees for the six month period ended June 30, 2012 in connection with portfolio transactions were \$52,138 (June 30, 2011 - \$67,020). Of this amount \$22,137 (June 30, 2011 - \$21,906) was directed to cover payment of research services provided to the Investment Manager.

5. Financial Instruments and Risk Management

The various types of risks associated with financial instruments and the related risk management practices employed by the Fund remain unchanged from the prior year and are described in Note 11 of the annual financial statements for the year ended December 31, 2011.

The following is a summary of the inputs used as of June 30, 2012 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	\$ 4,667,827	\$ -	\$ -	\$ 4,667,827
Non-North American Common Shares	1,089,472	-	-	1,089,472
United States Common Shares	1,516,421	-	-	1,516,421
Exchange-Traded Funds	8,192,038	-	-	8,192,038
Forward Exchange Contracts	-	(115,405)	-	(115,405)
Options	(10,585)	(12,198)	-	(22,783)
Total Investments	\$ 15,455,173	\$ (127,603)	\$ -	\$ 15,327,570

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

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2012 and during the year ended December 31, 2011.

Gold Participation and Income Fund

Notes to Financial Statements

June 30, 2012

Other Price Risk

Approximately 95 percent (December 31, 2011 - 95 percent) of the Fund's net assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2012, the net assets of the Fund would have increased or decreased by \$1.5M (December 31, 2011 - \$3.1M) respectively or 9.5 percent (December 31, 2011 - 9.5 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

Currency Risk

Approximately 61 percent (December 31, 2011 - 70 percent) of the Fund's net assets held at June 30, 2012 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2012 and December 31, 2011, the Fund had no currency risk as a result of its investment in foreign currency contracts.

Credit Risk

The following are the credit ratings for the counterparties to derivative instruments that were authorized for trading with the Fund during the current period based on Standard & Poor's credit ratings as of June 30, 2012:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A-	A-2
Deutsche Bank	A+	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Bank of Nova Scotia	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 were authorized for trading with the Fund during the prior year based on Standard & Poor's credit ratings as of December 31, 2011:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
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+
UBS AG	A+	A-1

Gold Participation and Income Fund

Notes to Financial Statements

June 30, 2012

The Fund held no short-term investments as of June 30, 2012.

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

6. 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, with comparative information, for the semi-annual period ending June 30, 2014.

7. Comparative Figures

Distributions for the six month period ended June 30, 2011 of \$679,759 have been reclassified from net investment income to non-taxable distributions to conform with the presentation in the most recent audited financial statements for the year ended December 31, 2011.

Gold Participation and Income Fund

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

Gold Participation and Income Fund

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