

Annual Report 2012

Gold Participation and Income Fund

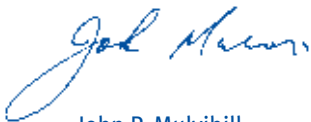


Letter to Unitholders

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

The price of gold started the year at US\$1,565 and closed at US\$1,675 on December 31, 2012. Gold bullion reached a high for the year at US\$1,796 in early October before falling back on the uncertainties surrounding the U.S. presidential election and the looming “Fiscal Cliff” negotiations. The S&P/TSX Global Gold Index total return for the year ended December 31, 2012 was negative 14.7 percent as compared to the Fund’s annual total return, including reinvestment of distributions, of negative 8.0 percent. The Fund paid total cash distributions of \$0.71 per unit during the 2012 fiscal year, contributing to the overall decline in the net asset value (“NAV”) from \$11.40 per unit at December 31, 2011 to \$9.82 per unit at December 31, 2012. The decline in NAV, however, was mitigated by the Strathbridge Selective Overwriting strategy (see “The Fund”) which generated a net realized gain on options of \$0.35 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 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. The Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. 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.

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Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2012 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 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, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at www.strathbridge.com. You can also request semi-annual or annual reports at no cost by using one of the above methods.

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 cash 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.

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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.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2012 annual information form, which is available on the Fund’s website at www.strathbridge.com or on SEDAR at www.sedar.com. There were no changes to the Fund over the year that materially affected the risks associated with an investment in the securities of the Fund.

Results of Operations

Distributions

For the year ended December 31, 2012, cash distributions of \$0.71 per unit were paid to unitholders compared to \$0.85 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total distributions of \$3.81 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, 2012, the Fund's total revenue was \$0.05 per unit compared to \$0.04 per unit a year ago. Total expenses in 2012 were \$0.29 per unit, down from \$0.38 per unit a year ago which included non-recurring costs of \$0.06 per unit associated with the warrant offering in April 2011. The Fund had a net realized and unrealized gain of \$0.05 per unit in 2012 as compared to a net realized and unrealized loss of \$2.05 per unit in the prior year.

Net Asset Value

The net asset value per unit of the Fund decreased 13.9 percent from \$11.40 per unit at December 31, 2011 to \$9.82 per unit at December 31, 2012, mainly attributable to a net decrease from operations and cash distributions in the year. During the same period, the total net asset value of the Fund decreased \$17.0 million from \$32.7 million at December 31, 2011 to \$15.7 million at December 31, 2012, reflecting the annual redemption of \$15.5 million, cash distributions of \$1.2 million and a net decrease in net assets from operations of \$0.3 million.

For the year ended December 31, 2012, the annual total return of the Fund was negative 8.0 percent. The S&P/TSX Global Gold Index total return was negative 14.7 percent, while the SPDR Gold Trust had a total return of 4.3 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

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 December 31, 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 first annual financial statements in accordance with IFRS, with comparative information, for the year ending December 31, 2014.

As at December 31, 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, 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.

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

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”) requires all publicly offered investment funds to establish an IRC to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. The Chief Compliance Officer, designated by the Manager, is in charge of facilitating the fulfillment of these obligations.

The IRC will prepare, for each financial year, a report to securityholders that describes the IRC and its activities during such financial year and includes, if known, a description of each instance when the Manager acted in a conflict of interest matter for which the IRC did not give a positive recommendation or for which a condition, imposed by the IRC, was not met in its recommendation or approval. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

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	2012	2011	2010	2009 ⁽⁴⁾
THE FUND'S NET ASSETS PER UNIT				
Net Assets, beginning of period (based on bid prices) ⁽¹⁾	\$ 11.40	\$ 13.56	\$ 12.14	\$ 11.19 ⁽⁵⁾
INCREASE (DECREASE) FROM OPERATIONS				
Total revenue	0.05	0.04	0.03	0.03
Total expenses	(0.29)	(0.38)	(0.32)	(0.15)
Realized gain (loss) for the period	0.02	(0.53)	2.19	0.83
Unrealized gain (loss) for the period	0.03	(1.52)	0.95	0.54
Total Increase (Decrease) from Operations⁽²⁾	(0.19)	(2.39)	2.85	1.25
DISTRIBUTIONS				
From net investment income	(0.67)	(0.18)	(0.58)	(0.10)
From capital gains	-	-	(0.95)	(0.63)
Non-taxable distributions	(0.04)	(0.67)	-	-
Total Annual Distributions⁽³⁾	(0.71)	(0.85)	(1.53)	(0.73)
Net Assets, as at December 31 (based on bid prices) ⁽¹⁾	\$ 9.80	\$ 11.40	\$ 13.56	\$ 12.14

(1) Net Assets per unit is the difference between the aggregate value of the assets including the valuation of securities at bid prices and the aggregate value of the liabilities 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 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	2012	2011	2010	2009 ⁽⁷⁾
RATIOS/SUPPLEMENTAL DATA				
Net Asset Value (\$millions) ⁽¹⁾	\$ 15.71	\$ 32.73	\$ 43.78	\$ 28.57
Number of units outstanding ⁽¹⁾	1,599,034	2,870,624	3,226,994	2,350,100
Management expense ratio ⁽²⁾	2.17%	2.86%	1.95%	1.98% ⁽⁵⁾
Portfolio turnover rate ⁽³⁾	136.49%	212.19%	212.02%	78.35%
Trading expense ratio ⁽⁴⁾	0.49%	0.48%	0.52%	1.08% ⁽⁵⁾
Net Asset Value per unit ⁽⁶⁾	\$ 9.82	\$ 11.40	\$ 13.57	\$ 12.16
Closing market price	\$ 9.78	\$ 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 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 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 including the valuation of securities at closing prices and the aggregate value of the liabilities 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.

Past Performance

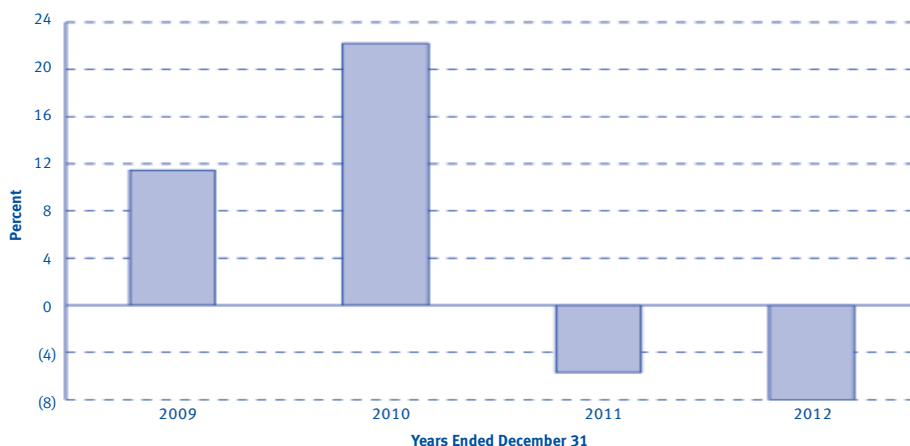
The following chart sets out the Fund’s year-by-year past performance. It is important to note that the:

- (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 four 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, 2012 as compared to the performance of the S&P/TSX Global Gold Index.

(In Canadian Dollars)	One Year	Three Years	Since Inception ⁽¹⁾
Gold Participation and Income Fund	(7.99)%	1.97 %	5.03 %
S&P/TSX Global Gold Index ⁽²⁾	(14.69)%	(2.26)%	0.04 %

(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

The Canadian economy grew at a relatively modest pace in 2012 as compared to the prior year in the face of some headwinds. The European sovereign debt crisis, declining growth in China, hurricane Sandy and the Fiscal Cliff budgetary problems all led to concerns of a further slowdown in global growth. Full year Gross Domestic Product (GDP) in Canada expanded 1.8 percent, which is the smallest growth since the economic downturn in 2009. Unemployment in Canada improved, ending the year at 7.1 percent down from 7.5 percent a year ago. The housing market initially looked firm but softened after tighter mortgage rules were introduced in July 2012. Small signs of economic improvement were not enough to stimulate change to the easy monetary policy at the Bank of Canada. The key lending rate has remained unchanged at 1.0 percent since September 2010. The Canadian dollar maintained its position above the U.S. dollar for much of 2012 but closed the year below par.

The year 2012 was dominated by coverage of the pending U.S. presidential election, even in Canada. U.S. growth was weak in the first half of the year but picked up in the third quarter and beat consensus estimates. The Federal Reserve extended Operation Twist in June 2012 which morphed into quantitative easing by the end of the year with an intention to stay the course as long as the unemployment rate was above 6.5 percent. European sovereign debt concerns came to the forefront in the middle of the year and it took an implicit guarantee from the President of the European Central Bank ("ECB"), Mario Draghi, to gradually stabilize the Global financial markets. Continued easy monetary policy from central banks helped buoy markets into the year end.

Gold prices started the year at US\$1,565 and rose quickly through the end of February before moving lower over the next few months as the deflationary concerns about European sovereigns came to the forefront. Following the implicit guarantee by the President of the ECB during a speech in July, gold bullion finally reached a high for the year at US\$1,796 in early October, before falling back on the uncertainties surrounding the U.S. election and the looming "Fiscal Cliff" negotiations, and closed the year at US\$1,675.

Central banks around the world continue to follow unconventional and easy monetary policies. The rationale for these policies include lowering borrowing costs and supporting financial markets. In the wider context, it is expected that investors will continue to look at gold as an alternative to currency debasement as well as a medium term inflation hedge. On the fiscal front, governments seem to be reluctant to deal with ballooning deficits for fear of pushing economies into recession and prefer to have the value of their currencies inflated away over time with the help of central banks. Gold bullion had a positive year and the SPDR Gold Trust, the world's largest physically backed gold exchange traded fund ("ETF"), had a comparable return of 4.3 percent in Canadian dollar terms. In comparison, gold equities suffered a negative performance during the year with the S&P/TSX Global Gold Index having a total return of negative 14.7 percent. The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2012 was negative 8.0 percent. We continue to see an outperformance of gold bullion versus gold equities except for brief respites like the third quarter of 2012. The underlying reason for this divergence continues to be investors' preference for direct investment in gold bullion (and thereby gold ETFs) which helps eliminate any operational, political and financial risk present with holding individual stocks. The negative bias toward stocks has and will lead to attractive valuation levels for gold equities. These compelling valuations are reinforced by the ability of gold producers to generate very high cash flow at current spot prices of gold, as evidenced by the fact that various producers have initiated or raised their dividends in the last two years with room for further increases. Going forward, gold producers will likely maintain their focus on margin expansion by containing costs and growing reserves through capital expenditures or acquisitions.

During the year, the allocation of the SPDR Gold Trust had fluctuated between 37 percent and 50 percent of the net assets in the Fund with the remaining balance invested in gold equities while holding a small portion in cash. The monthly distributions were generated using a mix of option writing premiums and cash dividends earned. For most of 2012, volatility in gold equities remained at moderate levels but with brief spikes driven mainly by macroeconomic news, for instance, during May and June with debt concerns of Greece and Spain making headlines and in early November with uncertainty of the U.S. election being the main factor. 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 call option positions on approximately 5 percent of the Fund. The Fund also had some protective put positions on approximately 7 percent of the Fund. During 2012, the net realized gain on options attributable to the SSO strategy was \$0.35 per unit.

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

Asset Mix

December 31, 2012

	% OF NET ASSET VALUE
United States	54.8 %
Canada	42.3 %
Cash	3.7 %
Other Assets (Liabilities)	(0.8)%
	100.0 %

Portfolio Holdings

December 31, 2012

	% OF NET ASSET VALUE
SPDR Gold Trust	48.8 %
Yamana Gold Inc.	7.0 %
Franco-Nevada Corporation	6.0 %
Kinross Gold Corporation	5.0 %
Barrick Gold Corporation	4.9 %
Goldcorp Inc.	4.6 %
Cash	3.7 %
Agnico-Eagle Mines Limited	3.7 %
Newmont Mining Corporation	3.1 %
Royal Gold, Inc.	2.9 %
Eldorado Gold Corporation	2.6 %
New Gold Inc.	1.5 %
Argonaut Gold Inc.	1.3 %
NGEx Resources Inc.	1.1 %
Torex Gold Resources Inc.	1.1 %
Keegan Resources Inc.	1.0 %
AuRico Gold Inc.	1.0 %
Golden Star Resources Ltd.	1.0 %
Nevsun Resources Ltd.	0.5 %

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 LLP, the Fund's independent auditor, has full and unrestricted access to the Board.



John P. Mulvihill
Director
Strathbridge Asset Management Inc.
March 5, 2013



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, 2012, the statements of net assets as at December 31, 2012 and 2011, 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, 2012 and 2011, and the results of its operations and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

Deloitte LLP

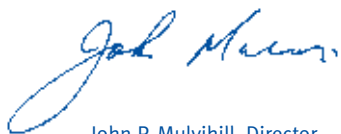
Chartered Professional Accountants
Chartered Accountants
Licensed Public Accountants
March 5, 2013
Toronto, Ontario

Statements of Net Assets

As at December 31

	2012	2011
ASSETS		
Investments at fair value (cost - \$14,779,400; 2011 - \$30,755,945)	\$ 15,155,890	\$ 31,073,584
Short-term investments at fair value (cost - nil; 2011 - \$797,792)	-	797,792
Cash	580,739	920,222
Dividends receivable	5,045	7,935
Accrued interest	-	792
TOTAL ASSETS	15,741,674	32,800,325
LIABILITIES		
Accrued liabilities	67,702	87,938
TOTAL LIABILITIES	67,702	87,938
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 15,673,972	\$ 32,712,387
Number of Units Outstanding (Note 5)	1,599,034	2,870,624
Net Assets per Unit (Note 4)	\$ 9.8022	\$ 11.3956

On behalf of the Manager,
Strathbridge Asset Management Inc.



John P. Mulvihill, Director



John D. Germain, Director

Statements of Financial Operations

Years ended December 31

	2012	2011
REVENUE		
Dividends	\$ 96,409	\$ 88,650
Interest, net of foreign exchange	1,333	8,954
Withholding taxes	(4,005)	(2,254)
TOTAL REVENUE	93,737	95,350
EXPENSES (Note 6)		
Management fees	147,998	236,029
Service fees	66,992	114,311
Administrative and other expenses	68,244	72,053
Transaction fees (Note 9)	93,125	142,352
Custodian fees	35,259	37,336
Audit fees	26,824	26,750
Advisory board fees	19,945	19,631
Independent review committee fees	7,976	7,787
Legal fees	3,495	25,803
Unitholder reporting costs	11,995	17,154
Harmonized sales tax	25,330	39,284
Subtotal Expenses	507,183	738,490
Warrant offering costs (Note 5)	-	128,776
TOTAL EXPENSES	507,183	867,266
Net Investment Loss	(413,446)	(771,916)
Net realized loss on sale of investments	(1,243,160)	(1,975,755)
Net realized gain on sale of derivatives	1,281,447	761,962
Net Gain (Loss) on Sale of Investments	38,287	(1,213,793)
Net change in unrealized appreciation/depreciation of investments	59,162	(3,494,933)
Net Gain (Loss) on Investments	97,449	(4,708,726)
NET DECREASE IN NET ASSETS FROM OPERATIONS	\$ (315,997)	\$ (5,480,642)
NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the year of 1,755,377; 2011 - 2,306,480)	\$ (0.1800)	\$ (2.3762)

Statements of Changes in Net Assets

Years ended December 31

	2012	2011
NET ASSETS, BEGINNING OF YEAR	\$ 32,712,387	\$ 43,757,553
Net Decrease in Net Assets from Operations	(315,997)	(5,480,642)
Unit Transactions (Note 5)		
Value for units redeemed	(15,510,982)	(16,967,400)
Proceeds from units issued, net of warrant exercise fees	-	13,501,343
Normal course issuer bid purchases	-	(156,805)
	(15,510,982)	(3,622,862)
Distributions to Unitholders (Note 7)		
From net investment income	(1,150,736)	(390,504)
Non-taxable distributions	(60,700)	(1,551,158)
	(1,211,436)	(1,941,662)
Changes in Net Assets during the Year	(17,038,415)	(11,045,166)
NET ASSETS, END OF YEAR	\$ 15,673,972	\$ 32,712,387

Statements of Net Gain (Loss) on Sale of Investments

Years ended December 31

	2012	2011
Proceeds from Sale of Investments	\$ 40,277,047	\$ 66,525,221
Cost of Investments Sold		
Cost of investments, beginning of year	30,755,945	39,479,622
Cost of investments purchased	24,262,215	59,015,337
	55,018,160	98,494,959
Cost of Investments, End of Year	(14,779,400)	(30,755,945)
	40,238,760	67,739,014
NET GAIN (LOSS) ON SALE OF INVESTMENTS	\$ 38,287	\$ (1,213,793)

Statement of Investments

As at December 31, 2012

	Number of Shares	Average Cost	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Materials				
Agnico-Eagle Mines Limited	11,000	\$ 527,093	\$ 572,220	
Argonaut Gold Inc.	21,000	223,615	198,870	
AuRico Gold Inc.	19,000	153,856	154,090	
Barrick Gold Corporation	21,900	1,031,996	760,149	
Eldorado Gold Corporation	31,900	451,211	407,363	
Franco-Nevada Corporation	16,500	738,212	936,210	
Goldcorp Inc.	19,800	862,856	720,324	
Golden Star Resources Ltd.	82,500	171,351	146,025	
Keegan Resources Inc.	40,500	159,800	158,760	
Kinross Gold Corporation	82,100	831,155	790,623	
Nevsun Resources Ltd.	18,000	85,719	75,960	
New Gold Inc.	21,600	223,106	236,736	
NGEx Resources Inc.	53,100	158,705	176,823	
Torex Gold Resources Inc.	81,400	167,587	177,452	
Yamana Gold Inc.	64,100	1,119,627	1,092,905	
Total Materials		6,905,889	6,604,510	42.1%
Total Canadian Common Shares		\$ 6,905,889	\$ 6,604,510	42.1%
United States Common Shares				
Materials				
Newmont Mining Corporation	10,600	\$ 617,586	\$ 490,147	
Royal Gold, Inc.	5,700	426,878	461,473	
Total Materials		1,044,464	951,620	6.1%
Total United States Common Shares		\$ 1,044,464	\$ 951,620	6.1%
Exchange Traded Funds				
SPDR Gold Trust	47,500	\$ 6,798,698	\$ 7,662,847	48.9%
Total Exchange Traded Funds		\$ 6,798,698	\$ 7,662,847	48.9%
Forward Exchange Contracts				
Sold USD \$2,870,000, Bought CAD \$2,804,306 @ 1.02343 - January 16, 2013			\$ (54,312)	
Sold USD \$2,200,000, Bought CAD \$2,167,000 @ 1.01523 - February 13, 2013			(25,546)	
Bought USD \$780,000, Sold CAD \$775,164 @ 1.00624 - February 13, 2013			2,204	
Sold USD \$1,130,000, Bought CAD \$1,122,994 @ 1.00624 - February 13, 2013			(3,193)	
Sold USD \$250,000, Bought CAD \$248,550 @ 1.00583 - March 6, 2013			(714)	
Sold USD \$1,850,000, Bought CAD \$1,857,215 @ 0.99612 - March 13, 2013			12,324	
Sold USD \$1,350,000, Bought CAD \$1,334,475 @ 1.01163 - April 17, 2013			(12,837)	
Total Forward Exchange Contracts			\$ (82,074)	(0.5)%

Statement of Investments

As at December 31, 2012

	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 - February 2013 @ \$19	603	\$ 72,963	\$ 39,686	0.2 %
Written Covered Call Options (100 shares per contract)				
Agnico-Eagle Mines Limited - January 2013 @ \$54	(55)	(9,086)	(3,740)	
Kinross Gold Corporation - January 2013 @ \$10	(280)	(13,580)	(5,666)	
Newmont Mining Corporation - January 2013 @ \$45	(53)	(7,420)	(11,293)	
Total Written Covered Call Options		(30,086)	(20,699)	(0.1)%
Total Options		\$ 42,877	\$ 18,987	0.1 %
Adjustment for transaction fees		(12,528)		
TOTAL INVESTMENTS		\$ 14,779,400	\$ 15,155,890	96.7 %
OTHER NET ASSETS			518,082	3.3 %
TOTAL NET ASSETS			\$ 15,673,972	100.0 %

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.

Strathbridge Asset Management Inc. (“Strathbridge”) is the Manager as well as the Investment Manager of the Fund. On October 3, 2011, Mulvihill Capital Management Inc. announced a name change to Strathbridge. RBC Investor Services Trust is the Custodian 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 cash 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. The Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. 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.

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 made by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported periods. 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 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:

	2012	2011
Net Asset Value per unit (for pricing purposes)	\$ 9.8223	\$11.4022
Difference	(0.0201)	(0.0066)
Net Assets per unit (for financial statement purposes)	\$ 9.8022	\$11.3956

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.

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.

Unit transactions during the year are as follows:

	2012	2011
Units outstanding, beginning of year	2,870,624	3,226,994
Units issued upon exercise of warrants	-	1,046,870
Units redeemed	(1,271,590)	(1,390,440)
Units purchased for cancellation	-	(12,800)
Units outstanding, end of year	1,599,034	2,870,624

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 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 normal course issuer remained in effect until December 9, 2011 and at such time 12,800 units had been purchased by the Fund.

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. During the year, nil units had been purchased by the Fund.

Warrants

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 2011, 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 2011, warrant exercise fees paid amounted to \$128,904 and were charged to unitholders' equity.

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 2012 or 2011.

Capital losses of approximately \$4.5M (2011 - \$2.3M) are available for utilization against realized gains on sale of investments and can be carried forward indefinitely.

Issue costs of approximately \$0.5M (2011 - \$1.1M) remain undeducted for tax purposes as at year-end.

9. Transaction Fees

Total transaction fees for the year ended December 31, 2012 in connection with portfolio transactions were \$93,125 (2011 - \$142,352). Of this amount \$34,120 (2011 - \$39,980) 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, 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	\$ 6,604,510	\$ -	\$ -	\$ 6,604,510
United States Common Shares	951,620	-	-	951,620
Exchange-Traded Funds	7,662,847	-	-	7,662,847
Forward Exchange Contracts	-	(82,074)	-	(82,074)
Options	(15,033)	34,020	-	18,987
Total Investments	\$ 15,203,944	\$ (48,054)	\$ -	\$ 15,155,890

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 2012 and 2011.

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 97 percent (2011 - 95 percent) of the Fund's net assets held at December 31, 2012 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2012, the net assets of the Fund would have increased or

decreased by \$1.5M (2011 - \$3.1M) respectively or 9.7 percent (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.

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 55 percent (2011 - 70 percent) of the Fund's net assets held at December 31, 2012 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, 2012 and 2011, 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 were authorized for trading with the Fund during the year based on Standard & Poor's credit ratings as of December 31, 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-2
Royal Bank of Canada	AA-	A-1+
The Bank of Nova Scotia	A+	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

The Fund held no short-term investments at December 31, 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.

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 first annual statements, with comparative information, for the year ending December 31, 2014.

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. Koerner¹
Corporate Director

Robert W. Korthals¹
Corporate Director

Robert G. Bertram¹
Corporate Director

¹Independent Review Committee Member

Information

Independent Auditor:
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Brookfield Place
181 Bay Street, Suite 1400
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M5J 2V1

Transfer Agent:
Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1

Units Listed:
Toronto Stock Exchange
trading under
GPF.UN

Custodian:
RBC Investor Services Trust
RBC Centre
155 Wellington Street West, 2nd Floor
Toronto, Ontario
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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
Low Volatility U.S. Equity 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.

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