ANNUAL REPORT 2011

Canadian Utilities & Telecom Income Fund

strathbridge ASSET MANAGEMENT

Letter to Unitholders

We are pleased to present the 2011 annual report containing the management report of fund performance and the audited financial statements for Canadian Utilities & Telecom Income Fund.

During the fiscal year ended 2011, the Fund earned an annual total return of 18.8 percent. Distributions of $0.84 per unit were paid during the year. The net asset value ("NAV") increased from $11.23 per unit as at December 31, 2010 to $12.42 per unit as at December 31, 2011, primarily as a result of an increase in the market value of portfolio shares which are viewed as defensive investments and high dividend yielding stocks in a low interest rate environment. The increase in the NAV of the Fund was also attributable to the Strathbridge Selective Overwriting strategy (see "The Fund") which generated net realized gain on options of $0.09 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 maximize total returns for unitholders including both long-term appreciation in net asset value ("NAV") per unit and to pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the NAV of the Fund. The units are listed on the Toronto Stock Exchange ("TSX") under the ticker symbol UTE.UN. To accomplish its objectives, the Fund invests in a portfolio principally consisting of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the TSX. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

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, 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.

The SSO strategy is a quantitative, technical based methodology that identifies appropriate times to write and/or close out option positions compared to continuously writing and rolling options every thirty days. This proprietary process has been developed over many years through various market cycles. The Manager believes the primary benefit to investors is to maximize the total return of the particular portfolio while reducing the level of volatility of the portfolio, thereby increasing the risk-adjusted return.

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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, 2011 of Canadian Utilities & Telecom Income Fund (the “Fund”). The annual financial statements of the Fund are attached.

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

Investment Objectives and Strategies

The Fund’s investment objectives are to:

(1) pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the net asset value (‘‘NAV’’) of the Fund, and;

(2) preserve and enhance the Fund’s NAV while reducing portfolio volatility.

The Fund achieves its investment objectives by investing in a portfolio consisting principally of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the Toronto Stock Exchange. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

The Fund may also invest up to 20 percent of its NAV in equity securities of other Utilities and Telecommunication Services issuers listed on a North American stock exchange, subject to a minimum market capitalization of $250 million and a minimum distribution yield of 2 percent per annum.

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, 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.

Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s prospectus, 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, 2011, cash distributions of $0.84 per unit were paid to unitholders, which included an initial distribution of $0.10 covering the period from the closing of the initial public offering on December 17, 2010 to January 31, 2011.

Revenue and Expenses

For the year ended December 31, 2011, the Fund's total revenue was $0.55 per unit while total expenses equalled $0.26 per unit. The Fund had a net realized and unrealized gain of $1.72 per unit during the same period.

Net Asset Value

The net asset value per unit of the Fund increased 10.6 percent from $11.23 per unit at December 31, 2010 to $12.42 per unit at December 31, 2011. The total net asset value of the Fund gained $7.8 million from $55.0 million at December 31, 2010 to $62.8 million at December 31, 2011, primarily reflecting a general advance in the price of the portfolio securities during the year and the exercise of the over-allotment associated with the initial public offering.

During the year ended December 31, 2011, the annual total return of the Fund was 18.8 percent reflecting an increase in market value of the shares held within the portfolio. The S&P/TSX Capped Utilities Index (the "Utilities Index") total return during the same period was 6.5 percent while the S&P/TSX Capped Telecommunication Services Index (the "Telecommunications Index") was up 24.9 percent. As a result of the Fund being limited to a specific universe of stocks and utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The Utilities and the Telecommunications Indices are 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 7, 2011, the Fund announced the completion of the issuance of an additional 160,000 units pursuant to the exercise of the over-allotment granted to the Fund's agents in the December 17, 2010 initial public offering, bringing the total gross proceeds to $60.7 million.

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

Future Accounting Policy Changes

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

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

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

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

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

Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated November 26, 2010.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated November 26, 2010. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

Strathbridge is paid the fees described under the Management Fees section of this report.

Independent Review Committee

National Instrument 81-107 - Independent Review Committee for Investment Funds ("NI 81-107") requires all publicly offered investment funds to establish an independent review committee ("IRC") to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions. Members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

We confirm the Fund did not rely on any approvals or recommendations of the IRC concerning related party transactions during the year.

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 December 17, 2010. 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 daily, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for daily net asset value purposes.

Periods ended December 31

	2011	2010[4]
THE FUND'S NET ASSETS PER UNIT		
Net Assets, beginning of period (based on bid prices)[1]	**$ 11.23**	$ 11.25[5]
INCREASE (DECREASE) FROM OPERATIONS		
Total revenue	**0.55**	0.01
Total expenses	**(0.26)**	(0.01)
Realized gain (loss) for the period	**0.20**	–
Unrealized gain (loss) for the period	**1.52**	(0.01)
Total Increase (Decrease) from Operations[2]	**2.01**	(0.01)
DISTRIBUTIONS		
From net investment income	**(0.06)**	–
Non-taxable Distributions	**(0.78)**	–
Total Annual Distributions[3]	**(0.84)**	–
Net Assets, as at December 31 (based on bid prices)[1]	**$ 12.40**	$ 11.23

(1) Net assets per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities on that date and including the valuation of securities at bid prices divided by the number of units then outstanding.
(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), 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.
(4) For the period from inception on December 17, 2010 to December 31, 2010.
(5) Initial issue price, net of agent fees and initial issue costs.

Periods ended December 31

	2011	2010[7]
RATIOS/SUPPLEMENTAL DATA		
Net Asset Value ($millions)[1]	**$ 62.83**	$ 55.04
Number of units outstanding[1]	**5,060,000**	4,900,000
Management expense ratio[2]	**1.96%**	2.46%[5]
Portfolio turnover rate[3]	**168.08%**	0.31%
Trading expense ratio[4]	**0.32%**	0.30%[5]
Net Asset Value per unit[6]	**$ 12.42**	$ 11.23
Closing market price	**$ 12.00**	$ 11.94

(1) This information is provided as at December 31.
(2) The management expense ratio is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees, charged to the Fund divided by the average net asset value.
(3) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities. The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.
(4) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.
(5) Annualized.
(6) Net asset value per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities and including the valuation of securities at closing prices divided by the number of units then outstanding.
(7) For the period from inception on December 17, 2010 to December 31, 2010.

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 1.00 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the 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.

On October 3, 2011, Mulvihill Capital Management Inc. (the predecessor Manager and Investment Manager or "MCM") announced a name change to Strathbridge Asset Management Inc. ("Strathbridge").

Past Performance

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

(1) information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,

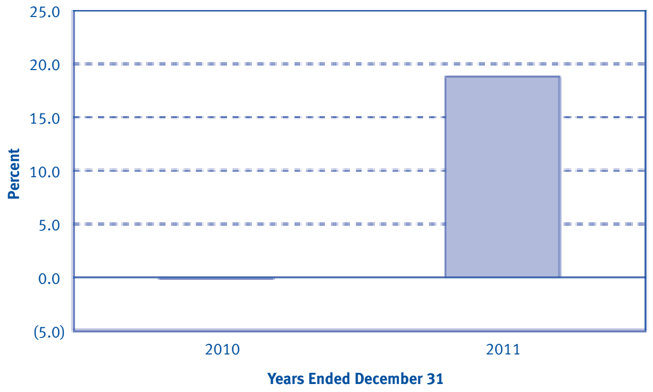
(2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and;

(3) past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied for the period since inception and for the year ended December 31, 2011. The chart also shows, in percentage terms, how much an investment made on January 1, 2011 or the date of inception in 2010 would have increased or decreased by the end of the fiscal year.

Annual Total Return



Annual Compound Returns

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

(In Canadian Dollars)	One Year	Since Inception[(1)]
Canadian Utilities & Telecom Income Fund	**18.79%**	17.85%
S&P/TSX Capped Utilities Index[(2)]	**6.47%**	5.92%
S&P/TSX Capped Telecommunication Services Index[(3)]	**24.91%**	22.68%

(1) From date of inception on December 17, 2010.
(2) The S&P/TSX Capped Utilities Index is a cap-weighted sector index whose equity weights are capped at 25 percent. The index constituents are derived from a subset stock pool of the S&P/TSX Composit Index whose sector classification is based on the Global Industry Classification Standard ("GICS").
(3) The S&P/TSX Capped Telecommunication Services Index is a cap-weighted sector index whose equity weights are capped at 25 percent. The index constituents are derived from a subset stock pool of the S&P/TSX Composite Index whose sector classification is based on the GICS.

The equity performance benchmarks shown here provide 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 these indices; rather, its objectives are to pay out monthly 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

2011 was a very tumultuous year for stock markets as numerous geopolitical events occurred that provided headwinds to Global economies. With the horrendous tsunami and near major nuclear catastrophe in Japan in March; pro-democracy uprising in the Arab world; Standard & Poor's downgrade of the U.S. Government debt in August; continued concern regarding European sovereign default risk, 2011 was a year in which many external and macroeconomic events affected the markets. The S&P/TSX Composite Total Return Index was down 8.7 percent during 2011; however, both the Telecommunications Services and Utilities sectors outperformed the broader market during the year due to their high dividend yields and perceived status as defensive investments. The Canadian economy meanwhile has remained relatively strong with employment and housing conditions much stronger than most developed countries and the government enjoying a much stronger fiscal position. The Bank of Canada remained on hold during the period due to slower than expected growth and a relatively stable Canadian dollar which decreased by 2.3 percent relative to the U.S. dollar.

The total return for the S&P/TSX Capped Utilities Index for 2011 was 6.5 percent, led by Brookfield Renewable Power Fund, which was up 27.8 percent to November 30th, the effective date of the announced merger with Brookfield Renewable Power Inc., making the combined company one of the largest renewable power companies in the world. The total return for the S&P/TSX Capped Telecommunication Services Index for 2011 was 24.9 percent, led by TELUS Corporation and BCE Inc., which increased 32.2 percent and 26.8 percent respectively. Both sectors significantly outperformed the broader S&P/TSX Composite Index during the year, which declined 8.7 percent, as both sectors generate high free cash flow and pay high and growing dividends in a low interest rate environment. Investor sentiment turned more bearish in May and continued into September as concerns regarding the European sovereign debt crisis and the implications of the downgrade in the U.S. Government debt started to take hold. As a consequence, investors moved money out of higher growth sectors into more defensive sectors.

The annual total return of the Fund, including reinvestment of distributions, for the year ended December 31, 2011 was 18.8 percent. The Fund was led by the strong performance of the Energy Infrastructure stocks such as AltaGas Ltd., Keyera Corp., and Pembina Pipeline Corporation, which increased 54.3 percent, 48.9 percent, and 46.3 percent respectively during the period. The Fund also benefitted from its holdings in Brookfield Renewable Power Inc. and TELUS Corporation during the year.

Stocks within the Canadian Utilities & Telecom Income Fund universe continue to be characterized by more predictable cash flows and by high and growing dividends. Notable examples of companies with dividend increases in 2011 are Enbridge Inc., which increased its dividend by 15.3 percent in 2011, and BCE Inc., which increased its dividend by 10.1 percent in 2011. The Fund maintained its invested position during the majority of the year and ended 2011 with a cash position of 3 percent compared to 75 percent at the end of 2010 which was high as the Fund closed its initial public offering on December 17, 2010 and trading liquidity was low at year-end.

The Manager remains positive on both the Utilities and Telecommunication Services sectors due to their ability to generate strong free cash flows as well as their track record of paying high and growing dividends over time. Due to the current low interest rate environment, the dividend yields relative to the bond yields provide attractive valuations for both the Utilities and Telecommunication Services shares.

Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly portfolio summary, which includes the percentage of net asset value for each holding, and a monthly portfolio list are available on our website at www.strathbridge.com.

Asset Mix

December 31, 2011

	% OF NET ASSET VALUE
Utilities	70%
Telecommunication Services	27%
Cash and Short-Term Investments	3%
	100%

Portfolio Holdings

December 31, 2011

	% OF NET ASSET VALUE
Provident Energy Ltd.	7%
Enbridge Inc.	7%
TELUS Corporation	6%
Rogers Communications Inc. - Class B	6%
Keyera Corp.	6%
AltaGas Ltd.	6%
BCE Inc.	6%
Northland Power Inc.	6%
Pembina Pipeline Corporation	6%
Veresen Inc.	6%
TransCanada Corp.	6%
Inter Pipeline Fund L.P.	6%
Canadian Utilities Ltd.	6%
Fortis Inc.	5%
Bell Aliant Inc.	5%
Manitoba Telecom Services Inc.	4%
Cash and Short-Term Investments	3%
Algonquin Power & Utilities Corp.	2%
Exelon Corporation	1%

Forward-Looking Statements

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

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

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

Management's Responsibility for Financial Reporting

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

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements.

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

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

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

John D. Germain
Director
Strathbridge Asset Management Inc.

To the Unitholders of Canadian Utilities & Telecom Income Fund

We have audited the accompanying financial statements of Canadian Utilities & Telecom Income Fund, which comprise the statement of investments as at December 31, 2011, the statement of net assets as at December 31, 2011 and 2010 and the statement of financial operations, changes in net assets, and net gain (loss) on sale of investments for the year ended December 31, 2011 and for the period from December 17, 2010, the inception of the Fund, to December 31, 2010, 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 Canadian Utilities & Telecom Income Fund as at December 31, 2011 and 2010 and the results of its operations and its changes in the net assets for the year or period referred to above in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

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

Statements of Net Assets

As at December 31

	2011	2010
ASSETS		
Investments at fair value (cost $52,995,623; 2010 - $13,623,781)	**$ 60,602,252**	$ 13,557,089
Short-term investments at fair value (cost $1,546,691; 2010 - $42,009,750)	**1,546,691**	42,009,750
Cash	**489,808**	79,431
Accrued interest	**510**	10,626
Dividends receivable	**338,218**	29,728
TOTAL ASSETS	**62,977,479**	55,686,624
LIABILITIES		
Accrued liabilities	**88,333**	30,772
Issue expenses payable (Note 5)	**78,959**	600,000
Accrued management fees	**55,539**	24,909
TOTAL LIABILITIES	**222,831**	655,681
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	**$ 62,754,648**	$ 55,030,943
Number of Units Outstanding (Note 5)	**5,060,000**	4,900,000
Net Assets per Unit (Note 4)	**$ 12.4021**	$ 11.2308

On Behalf of the Manager,
Strathbridge Asset Management Inc.

John P. Mulvihill, Director

John D. Germain, Director

The notes are an integral part of the Financial Statements.

Statements of Financial Operations

For the year ended December 31, 2011 and for the period from December 17, 2010, the inception of the Fund, to December 31, 2010

	2011	2010
REVENUE		
Dividends	$ 2,663,883	$ 26,952
Interest	129,087	20,853
Withholding taxes	(24,232)	–
TOTAL REVENUE	2,768,738	47,805
EXPENSES (Note 6)		
Management fees	645,465	24,909
Service fees	231,595	9,058
Administrative and other expenses	60,121	–
Transaction fees (Note 9)	183,051	6,802
Custodian fees	53,638	1,350
Audit fees	27,577	15,000
Advisory board fees	20,575	–
Independent review committee fees	7,787	–
Unitholder reporting costs	21,121	–
Federal and provincial sales taxes	69,660	5,364
TOTAL EXPENSES	1,320,590	62,483
Net Investment Income (Loss)	1,448,148	(14,678)
Net gain (loss) on sale of investments	415,544	(687)
Net gain on sale of derivatives	613,148	–
Net Gain (Loss) on Sale of Investments	1,028,692	(687)
Net change in unrealized appreciation/depreciation of investments	7,673,207	(66,692)
Net Gain (Loss) on Investments	8,701,899	(67,379)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	$ 10,150,047	$ (82,057)
NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 5,057,363; 2010 - 4,900,000)	$ 2.0070	$ (0.0167)

Statements of Changes in Net Assets

For the year ended December 31, 2011 and for the period from December 17, 2010, the inception of the Fund, to December 31, 2010

	2011	2010
NET ASSETS, BEGINNING OF PERIOD	$ 55,030,943	$ –
Net Increase (Decrease) in Net Assets from Operations	10,150,047	(82,057)
Unit Transactions (Note 5)		
Proceeds from units issued, net of issue costs	1,819,200	55,113,000
Distributions to Unitholders (Note 7)		
From net investment income	(294,508)	–
Non-taxable distributions	(3,951,034)	–
	(4,245,542)	–
Change in Net Assets during the Period	7,723,705	55,030,943
NET ASSETS, END OF PERIOD	$ 62,754,648	$ 55,030,943

Statements of Net Gain (Loss) on Sale of Investments

For the year ended December 31, 2011 and for the period from December 17, 2010, the inception of the Fund, to December 31, 2010

	2011	2010
Proceeds from Sale of Investments	$ 92,601,173	$ 35,817
Cost of Investments Sold		
Cost of investments, beginning of period	13,623,781	–
Cost of investments purchased	130,944,323	13,660,285
	144,568,104	13,660,285
Cost of Investments, End of Period	(52,995,623)	(13,623,781)
	91,572,481	36,504
NET GAIN (LOSS) ON SALE OF INVESTMENTS	$ 1,028,692	$ (687)

The notes are an integral part of the Financial Statements.

Statement of Investments

As at December 31, 2011

	Par Value/ Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
SHORT-TERM INVESTMENTS				
Bankers' Acceptances				
National Bank of Canada, 1.10% - February 29, 2012	1,550,000	$ 1,546,691	$ 1,546,691	
Accrued Interest			510	
SHORT-TERM INVESTMENTS		$ 1,546,691	$ 1,547,201	2.4%
INVESTMENTS				
Canadian Common Shares				
Telecommunication Services				
BCE Inc.	92,000	$ 3,518,523	$ 3,906,320	
Bell Aliant Inc.	101,400	2,785,600	2,891,928	
Manitoba Telecom Services Inc.	75,500	2,325,573	2,237,065	
Rogers Communications Inc. - Class B	102,000	3,719,859	4,002,480	
TELUS Corporation	70,000	3,513,270	4,027,800	
Total Total Telecommunication Services		15,862,825	17,065,593	27.2%
Utilities				
Algonquin Power & Utilities Corp.	188,000	1,018,725	1,203,200	
AltaGas Ltd.	123,000	2,749,941	3,916,320	
Canadian Utilities Ltd.	57,400	3,318,802	3,531,822	
Enbridge Inc.	106,000	3,438,135	4,037,540	
Fortis Inc.	102,200	3,360,282	3,407,348	
Inter Pipeline Fund L.P.	195,000	2,979,250	3,628,950	
Keyera Corp.	78,700	2,787,139	3,916,112	
Northland Power Inc.	217,000	3,671,860	3,871,280	
Pembina Pipeline Corporation	131,000	3,048,512	3,885,460	
Provident Energy Ltd.	413,000	3,443,839	4,068,050	
TransCanada Corp.	84,000	3,526,798	3,738,000	
Veresen Inc.	245,000	3,245,651	3,746,050	
Total Utilities		36,588,934	42,950,132	68.4%
Total Canadian Common Shares		$ 52,451,759	$ 60,015,725	95.6%
United States Common Shares				
Utilities				
Exelon Corporation	13,500	$ 595,935	$ 596,179	1.0%
Total United States Common Shares		$ 595,935	$ 596,179	1.0%
Forward Exchange Contracts				
Sold USD $580,000, Bought CAD $589,761 @ 0.98345 - January 4, 2012			$ (890)	
Bought USD $500,000, Sold CAD $508,760 @ 0.98278 - January 18, 2012			583	
Sold USD $500,000, Bought CAD $505,150 @ 0.98981- January 18, 2012			(4,190)	
Total Forward Exchange Contracts			$ (4,497)	0.0%
Options				
Written Covered Call Options (100 shares per contract)				
Exelon Corporation - January 2012 @ $44	(135)	$ (6,994)	$ (5,155)	0.0%
Adjustment for transaction fees		(45,077)		
TOTAL INVESTMENTS		$ 52,995,623	$ 60,602,252	96.6%
OTHER NET ASSETS			605,195	1.0%
TOTAL NET ASSETS			$ 62,754,648	100.0%

 The notes are an integral part of the Financial Statements.

1. Establishment of the Fund

Canadian Utilities & Telecom Income Fund (the “Fund’) is a closed-end investment trust established under the laws of the Province of Ontario on November 26, 2010. The Fund began operations on December 17, 2010.

Mulvihill Capital Management Inc. (“MCM”) is the Manager and Investment Manager of the Fund. On October 3, 2011, MCM announced a name change to Strathbridge Asset Management Inc. ("Strathbridge"). RBC Dexia Investor Services Trust (the “Trustee”) is the trustee and acts as custodian of the assets of the Fund.

2. Investment Objectives of the Fund

The Fund’s investment objectives are to:

(i) pay unitholders monthly distributions in an amount targeted to be 7.0 percent per annum on the net asset value (“NAV’’) of the Fund, and;

(ii) preserve and enhance the Fund’s NAV while reducing portfolio volatility.

The Fund achieves its investment objectives by investing in a portfolio consisting principally of equity securities of large capitalization (over $1 billion) Utilities and, to a lesser degree, Telecommunication Services issuers listed on the Toronto Stock Exchange. Issuers selected for inclusion in the portfolio must have a minimum distribution yield in excess of 2 percent per annum.

The Fund may also invest up to 20 percent of its NAV in equity securities of other Utilities and Telecommunication Services issuers listed on a North American stock exchange, subject to a minimum market capitalization of $250 million and a minimum distribution yield of 2 percent per annum.

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, 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.

3. Summary of Significant Accounting Policies

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

Financial Instruments – Disclosures

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

The significant accounting policies of the Fund are as follows:

Valuation of Investments

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

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

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

Transaction Fees

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

Investment Transactions and Income

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

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

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

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

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

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

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

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

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

Option premiums received are reflected as deferred credits in investments so long as the options are outstanding. Any difference resulting from revaluation is included in the net 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 net gain (loss) on sale of investments, as appropriate.

4. Net Asset Value

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

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

	2011	2010
Net Asset Value per unit (for pricing purposes)	**$12.4167**	$11.2331
Difference	**(0.0146)**	(0.0023)
Net Assets per unit (for financial statement purposes)	**$12.4021**	$11.2308

5. Unitholders' Equity

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

On December 17, 2010, the Fund issued 4,900,000 units at a price of $12.00 per unit for gross proceeds of $58,800,000. On January 7, 2011, an additional 160,000 units were issued for gross proceeds of $1,819,200. Costs of $3,787,800 were incurred in connection with these offerings and the establishment of the Fund and have been charged to equity. As at December 31, 2011, $78,959 (2010 - $600,000) of these costs remain unpaid.

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 June 2012 or any year thereafter (the "June Redemption Date") will be redeemed on such June 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 June 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 shall be the preceding business day. Unitholders will receive payment for the units on or before the 15th day following such Redemption Date (the "Redemption Payment Date").

Commencing in 2012, unitholders whose units are redeemed on a June Redemption Date will be entitled to receive a redemption price per unit equal to the NAV per unit determined as of such date, less costs. Costs may include 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 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:

	2011	2010
Units outstanding, beginning of period	**4,900,000**	–
Units issued	**160,000**	4,900,000
Units outstanding, end of period	**5,060,000**	4,900,000

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 1.00 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.

7. Distributions

The Fund intends to pay monthly cash distributions on the last day of each month in an amount targeted to be 7.0 percent per annum on the NAV 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").

8. Income Taxes

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

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

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

Accumulated non-capital losses of approximately $0.1M (2010 - $0.1M) are available for utilization against net investment income and expire in 2030.

Issue costs of approximately $3.0M (2010 - $3.7M) remain undeducted for tax purposes at year-end.

9. Transaction Fees

Total transaction fees paid for the year ended December 31, 2011 in connection with portfolio transactions were $183,051 (2010 - $6,802). Of this amount $47,689 (2010 - nil) was directed for payment of 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, receivables and payables. In accordance with CICA Handbook Section 3862, "Financial Instruments - Disclosures" the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund's investments. The hierarchy of inputs is summarized below:

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

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

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	$ –	$1,547,201	$ –	$ 1,547,201
Canadian Common Shares	60,015,725	–	–	$ 60,015,725
United States Common Shares	596,179	–	–	$ 596,179
Forward Exchange Contracts	–	(4,497)	–	$ (4,497)
Options	(5,155)	–	–	$ (5,155)
Total Investments	$ 60,606,749	$ 1,542,704	$ –	$ 62,149,453

The following is a summary of the inputs used as of December 31, 2010 in valuing the Fund's investments 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	$ –	$ 42,020,376	$ –	$ 42,020,376
Canadian Common Shares	13,557,089	–	–	$ 13,557,089
Total Investments	$ 13,557,089	$ 42,020,376	$ –	$ 55,577,465

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

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

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

Concentration Risk

The Fund was created to invest in the securities of Utilities and Telecommunication Services related issuers and is not expected to have significant exposure to any other investments or assets. The Fund's holdings are concentrated in Utilities and Telecommunication Services 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 (2010 - 23 percent) of the Fund's net assets held at December 31, 2011 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2011, the net assets of the Fund would have increased or decreased by $6.1M (2010 - $1.2M) respectively or 9.7 percent (2010 - 2.3 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 2 percent (2010 - nil) of the Fund's net assets held at December 31, 2011 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At December 31, 2011, the Fund had no currency risk as a result of its investment in foreign currency contracts.

Credit Risk

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

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

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

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

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

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

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 following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	59%
Term Deposit	A-1+	41%
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 initial statements on a comparative basis for the semi-annual period ending June 30, 2014.

13. Subsequent Event

On January 19, 2012, the Fund filed a Notice of Intention to make a normal course issuer bid to purchase up to 505,900 units representing approximately 10 percent of the Fund's public float of 5,059,000 units as of January 10, 2012. The Fund may purchase up to 101,200 units in any 30-day period which is 2 percent of the 5,060,000 units issued and outstanding as at January 10, 2012. The units may be purchased for cancellation from January 23, 2012 to January 22, 2013 through the facilities of the TSX or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at February 27, 2012, nil units had been purchased by the Fund.

Board of Advisors

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

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

Michael M. Koerner[1]
Corporate Director

Robert W. Korthals[1]
Corporate Director

Robert G. Bertram[1]
Corporate Director

[1] *Independent Review Committee Member*

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

Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

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

SPLIT SHARES

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

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust

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