

ANNUAL REPORT 2011

## Core Canadian Dividend Trust



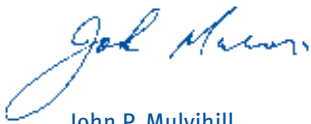
  
**strathbridge**  
ASSET MANAGEMENT

## 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 Core Canadian Dividend Trust.

During the fiscal year ended 2011, the annual total return of the Fund was negative 2.9 percent. Distributions of \$0.47 per unit were paid in 2011 and the net asset value decreased from \$7.63 per unit as at December 31, 2010 to \$6.94 per unit as at December 31, 2011 largely reflecting the cash distributions during the year. However, the decline in the net asset value during the year was mitigated by the Strathbridge Selective Overwriting strategy (see “The Fund”) which generated net realized gain on options of \$0.28 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.

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## The Fund

The Fund is a closed-end investment trust designed to provide unitholders with a stable stream of monthly distributions targeted to be 6.5 percent per annum on the net asset value (“NAV”) of the Fund and to preserve and grow the NAV. The units are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbol CDD.UN. To accomplish its objectives the Fund invests in a blue chip portfolio consisting of fifteen high quality, large capitalization, and dividend paying Canadian companies across multiple industry sectors that have an excellent long-term track record of dividend growth and share price appreciation. The Fund will generally invest not less than 4 percent and not more than 10 percent of the NAV in each security comprising the Core Canadian Dividend Portfolio, as well as, up to 15 percent in other securities listed on the TSX.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

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

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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 Core Canadian Dividend Trust (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](http://www.strathbridge.com). You can request semi-annual or annual reports at no cost by using one of the above methods.

## Investment Objectives and Strategies

The Fund’s investment objectives are to:

- (1) provide unitholders with a stable stream of monthly distributions targeted to be 6.5 percent per annum on the net asset value (“NAV”) of the Fund, and;
- (2) preserve and grow the NAV.

The Fund invests in a blue chip portfolio consisting of fifteen high quality, large capitalization, and dividend paying Canadian companies across multiple industry sectors that have an excellent long-term track record of dividend growth and share price appreciation. The Fund will generally invest not less than 4 percent and not more than 10 percent of the NAV in each security comprising the Core Canadian Dividend Portfolio, as well as, up to 15 percent in other securities listed on the Toronto Stock Exchange.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the Portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

## Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2011 annual information form, which is available on the Fund’s website at [www.strathbridge.com](http://www.strathbridge.com) or on SEDAR at [www.sedar.com](http://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 \$0.47 per unit were paid to unitholders compared to \$0.48 per unit a year ago.

Since the inception of the Fund in November 2006, the Fund has paid total cash distributions of \$2.58 per unit.

### Revenue and Expenses

The Fund's total revenue was \$0.27 per unit for the year ended December 31, 2011, up from \$0.26 per unit in the prior year, reflecting higher dividend income earned on a per average-unit basis. Overall expenses over the same period decreased from \$0.5 million in 2010 to \$0.4 million in 2011, primarily attributable to lower average net asset value and portfolio turnover partially offset by the unfavorable impact of the harmonized sales tax in Ontario. However, total expenses per unit increased by \$0.01 due to a decreased number of units outstanding during the year. The Fund had a net realized and unrealized loss of \$0.24 per unit in 2011 as compared to a net realized and unrealized gain of \$0.67 per unit in 2010.

### Net Asset Value

The net asset value per unit of the Fund decreased 9.0 percent from \$7.63 per unit at December 31, 2010 to \$6.94 per unit at December 31, 2011 largely as a result of cash distributions during the year. The total net asset value of the Fund decreased \$3.0 million, from \$14.0 million at December 31, 2010 to \$11.0 million at December 31, 2011, primarily reflecting cash distributions of \$0.9 million and annual redemptions in December of \$1.7 million.

During the year ended December 31, 2011, the annual total return of the Fund was negative 2.9 percent due to a decline in value of the securities in the portfolio. The S&P/TSX 60 Index total return during the same period was negative 9.1 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 a market index may not be appropriate. The S&P/TSX 60 Index 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 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 October 27, 2006.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated October 27, 2006. 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”). 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 for the past five years. 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.

Years ended December 31

	2011	2010	2009	2008	2007
<b>THE FUND'S NET ASSETS PER UNIT</b>					
<b>Net Assets, beginning of period</b> (based on bid prices) <sup>(1)</sup> \$	<b>7.61</b>	\$ 7.39	\$ 6.38	\$ 8.77	\$ 9.66
<b>INCREASE (DECREASE) FROM OPERATIONS</b>					
Total revenue	<b>0.27</b>	0.26	0.23	0.27	0.29
Total expenses	<b>(0.23)</b>	(0.22)	(0.24)	(0.18)	(0.19)
Realized gain (loss) for the period	<b>0.41</b>	0.20	(1.15)	(0.57)	0.28
Unrealized gain (loss) for the period	<b>(0.65)</b>	0.47	2.60	(1.38)	(0.66)
<b>Total Increase (Decrease) from Operations</b> <sup>(2)</sup>	<b>(0.20)</b>	0.71	1.44	(1.86)	(0.28)
<b>DISTRIBUTIONS</b>					
Non-taxable distributions	<b>(0.47)</b>	(0.48)	(0.43)	(0.53)	(0.62)
<b>Total Annual Distributions</b> <sup>(3)</sup>	<b>(0.47)</b>	(0.48)	(0.43)	(0.53)	(0.62)
<b>Net Assets, as at December 31</b> (based on bid prices) <sup>(1)</sup> \$	<b>6.94</b>	\$ 7.61	\$ 7.39	\$ 6.38	\$ 8.77

(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 year. 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 year.

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution and were paid in cash.

Years ended December 31

	2011	2010	2009	2008	2007
<b>RATIOS/SUPPLEMENTAL DATA</b>					
<b>Net Asset Value</b> (\$millions) <sup>(1)</sup>	<b>\$ 11.03</b>	\$ 13.96	\$ 17.29	\$ 18.84	\$ 37.33
<b>Number of units outstanding</b> <sup>(1)</sup>	<b>1,588,084</b>	1,831,294	2,335,451	2,949,146	4,248,271
<b>Management expense ratio</b> (\$millions) <sup>(2)</sup>	<b>3.00%</b>	2.64%	3.21%	2.08%	1.95%
<b>Portfolio turnover rate</b> <sup>(3)</sup>	<b>122.69%</b>	164.67%	117.23%	75.04%	59.91%
<b>Trading expense ratio</b> <sup>(4)</sup>	<b>0.23%</b>	0.35%	0.36%	0.15%	0.10%
<b>Net Asset Value per unit</b> <sup>(5)</sup>	<b>\$ 6.94</b>	\$ 7.63	\$ 7.40	\$ 6.39	\$ 8.79
<b>Closing market price</b>	<b>\$ 6.32</b>	\$ 7.15	\$ 6.98	\$ 5.25	\$ 8.05

(1) This information is provided as at December 31.

(2) The management expense ratio ("MER") is the sum of all fees and expenses, including federal and provincial sales taxes but excluding transaction fees, charged to the Fund divided by the average net asset value. The MER for 2010 includes the warrant exercise fees. The MER for 2010 excluding the warrant exercise fees is 2.63%. The MER for 2009 includes the warrant offering costs. The MER for 2009 excluding the warrant offering costs is 2.42%.

(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 year.

(5) 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.

## 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.

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



## Past Performance

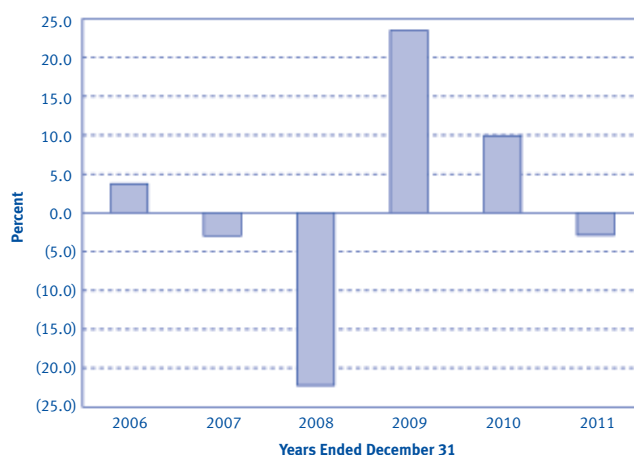
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

- (1) information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in units of the Fund,
- (2) information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and;
- (3) past performance of the Fund does not necessarily indicate how it will perform in the future.

## Year-By-Year Returns

The following bar chart illustrates how the Fund's annual total return varied from year to year for each of the past six 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 2006 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 60 Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Since Inception <sup>(1)</sup>
Core Canadian Dividend Trust	<b>(2.85)%</b>	9.68 %	(0.09)%	0.63 %
S&P/TSX 60 Index <sup>(2)</sup>	<b>(9.08)%</b>	10.95 %	0.88 %	2.02 %

(1) From date of inception on October 27, 2006

(2) The S&P/TSX 60 Index is a capitalization-weighted index based on 60 highly capitalized stocks for which options are listed.

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 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

The economic recovery which started in mid-2009 continued through most of 2011; however, the pace of growth reached a plateau toward the end of 2010 and has not accelerated since that time. Frustratingly slow growth combined with dramatic geopolitical events made 2011 a difficult year for many investors. This lethargic growth and general uncertainty produced by both natural disasters and man-made debt crises forced the Bank of Canada to leave its key rate unchanged at 1.0 percent for the entire year and signalled a continued easy monetary policy into 2013. Quantitative easing in the U.S. and commodity-price inflation globally took the Canadian dollar above US\$1.00 for much of the year.

This Fund invests primarily in a universe of fifteen specified stocks, with under and/or over weight allocations holding between 4 percent and 10 percent in each security. The year started slightly overweight Energy and Utility names and essentially continued this posture throughout the year. Utility related stocks were relatively good performers on the Toronto Stock Exchange ("TSX"); however, the Energy group was down 13 percent for the year. The best performers were Enbridge Inc. and BCE Inc. up 38.8 percent and 26.0 percent respectively. Teck Resources Limited is one of the core holdings and has been a good contributor to the Fund's performance in recent years; however, it was the worst performer in 2011 at negative 40.7 percent.

For the year ended December 31, 2011, the net asset value of the Fund was \$6.94 per unit compared to the net asset value of \$7.63 per unit at December 31, 2010 and distributions of \$0.47 per unit were paid during the year. The Fund's units, listed on the TSX as CDD.UN, closed on December 31, 2011 at \$6.32 per unit, which represents an 8.9 percent discount to the net asset value.

Volatility on the TSX as measured by the S&P/TSX 60 VIX Index ("VIXC") started the year fairly quiet and stayed in a 5 point range between 15 and 20 percent until mid-summer. By August political gridlock had taken over Washington D.C., the pro-democracy uprising in the Arab world continued to gain momentum, and Standard & Poor's downgraded the rating of the U.S. Government debt to AA+ from AAA for the first time ever. This confluence of events caused volatility to spike in both the U.S. and Canada. The VIXC saw a dramatic intra-day range on August 9, 2011 from 19 percent at the low to over 38 percent. Uncertainty continued for the rest of year but drifted gradually lower in the fourth quarter. The Fund stepped up overwriting activity during summer and fall to monetize this increased volatility. Our average overwritten level for 2011 was 18.7 percent and the Fund ended the year at 12.5 percent. During 2011, the net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy was \$0.28 per unit.

The Fund continues to selectively overwrite several names in the Fund using the SSO proprietary process. The uncertainty caused by the European debt crisis will continue to impact Canadian investors, stock prices, and volatility levels throughout 2012. While events outside Canada will continue to be newsworthy and possibly market moving with the Canadian economy showing continued improvement, investors are expected to resume their focus on corporate fundamentals in the coming quarters.

## 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](http://www.strathbridge.com).

### Asset Mix

December 31, 2011

	% OF NET ASSET VALUE
Financials	57 %
Energy	19 %
Telecommunication Services	10 %
Utilities	9 %
Industrials	8 %
Materials	6 %
Consumer Discretionary	6 %
Cash	1 %
Other Assets (Liabilities)	(16)%
	100 %

### Portfolio Holdings

December 31, 2011

	% OF NET ASSET VALUE
Enbridge Inc.	10 %
BCE Inc.	10 %
Royal Bank of Canada	9 %
TransCanada Corp.	9 %
Canadian Utilities Ltd.	9 %
The Toronto-Dominion Bank	9 %
Russel Metals Inc.	8 %
Canadian Imperial Bank of Commerce	8 %
National Bank of Canada	8 %
The Bank of Nova Scotia	7 %
Bank of Montreal	7 %
Teck Resources Limited - Class B	6 %
Thompson Reuters Corp.	6 %
AGF Management Limited - Class B	5 %
Manulife Financial Corporation	4 %
Cash	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 Core Canadian Dividend Trust (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 Core Canadian Dividend Trust

We have audited the accompanying financial statements of Core Canadian Dividend Trust, which comprise the statement of investments as at December 31, 2011, the statements of net assets as at December 31, 2011 and 2010, and the statements of financial operations, changes in net assets and net gain on sale of investments for the 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 Core Canadian Dividend Trust as at December 31, 2011 and 2010, and the results of its operations and its changes in the net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte & Touche LLP*

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

## Statements of Net Assets

As at December 31

	2011	2010
<b>ASSETS</b>		
Investments at fair value (cost - \$13,042,979; 2010 - \$15,516,914)	<b>\$ 12,587,662</b>	\$ 16,248,885
Short-term investments at fair value (cost - nil; 2010 - \$1,647,574)	-	1,647,574
Cash	<b>112,400</b>	36,340
Dividends receivable	<b>58,697</b>	53,115
Accrued interest	-	419
<b>TOTAL ASSETS</b>	<b>12,758,759</b>	17,986,333
<b>LIABILITIES</b>		
Redemptions payable	<b>1,688,558</b>	3,975,398
Accrued liabilities	<b>52,564</b>	68,165
<b>TOTAL LIABILITIES</b>	<b>1,741,122</b>	4,043,563
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 11,017,637</b>	\$ 13,942,770
<b>Number of Units Outstanding</b> (Note 5)	<b>1,588,084</b>	1,831,294
<b>Net Assets per Unit</b> (Note 4)	<b>\$ 6.9377</b>	\$ 7.6136

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

	2011	2010
<b>REVENUE</b>		
Dividends	\$ 496,806	\$ 601,363
Interest	2,198	4,347
<b>TOTAL REVENUE</b>	<b>499,004</b>	<b>605,710</b>
<b>EXPENSES (Note 6)</b>		
Management fees	146,626	190,281
Service fees	52,729	69,189
Administrative and other expenses	62,229	61,177
Transaction fees (Note 9)	30,588	60,622
Custodian fees	37,033	36,723
Audit fees	25,680	22,928
Advisory board fees	19,631	19,631
Independent review committee fees	7,787	6,601
Legal fees	3,393	5,342
Unitholder reporting costs	15,906	18,472
Federal and provincial sales taxes	26,761	22,515
<b>TOTAL EXPENSES</b>	<b>428,363</b>	<b>513,481</b>
<b>Net Investment Income</b>	<b>70,641</b>	<b>92,229</b>
Net gain on sale of investments	220,325	653,998
Net gain (loss) on sale of derivatives	524,740	(180,648)
<b>Net Gain on Sale of Investments</b>	<b>745,065</b>	<b>473,350</b>
Net change in unrealized appreciation/depreciation of investments	(1,187,288)	1,106,794
<b>Net Gain (Loss) on Investments</b>	<b>(442,223)</b>	<b>1,580,144</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (371,582)</b>	<b>\$ 1,672,373</b>
<b>NET INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the year of 1,830,626; 2010 - 2,346,455)	<b>\$ (0.2030)</b>	<b>\$ 0.7127</b>

## Statements of Changes in Net Assets

Years ended December 31

	2011	2010
NET ASSETS, BEGINNING OF YEAR	\$ 13,942,770	\$ 17,251,471
<b>Net Increase (Decrease) in Net Assets from Operations</b>	<b>(371,582)</b>	1,672,373
<b>Unit Transactions (Note 5)</b>		
Proceeds from issuance of units, net of warrant exercise fees	–	120,179
Value for units redeemed	<b>(1,688,558)</b>	(3,975,398)
	<b>(1,688,558)</b>	(3,855,219)
<b>Distributions to Unitholders (Note 7)</b>		
Non-taxable distributions	<b>(864,993)</b>	(1,125,855)
<b>Change in Net Assets during the Year</b>	<b>(2,925,133)</b>	(3,308,701)
NET ASSETS, END OF YEAR	\$ 11,017,637	\$ 13,942,770

## Statements of Net Gain on Sale of Investments

Years ended December 31

	2011	2010
<b>Proceeds from Sale of Investments</b>	<b>\$ 19,117,007</b>	\$ 31,592,013
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of year	15,516,914	19,789,655
Cost of investments purchased	<b>15,898,007</b>	26,845,922
	<b>31,414,921</b>	46,635,577
<b>Cost of Investments, End of Year</b>	<b>(13,042,979)</b>	(15,516,914)
	<b>18,371,942</b>	31,118,663
NET GAIN ON SALE OF INVESTMENTS	\$ 745,065	\$ 473,350



## Statement of Investments

As at December 31, 2011

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Consumer Discretionary</b>				
Thompson Reuters Corp.	22,800	\$ 806,250	\$ 619,932	5.6 %
<b>Energy</b>				
Enbridge Inc.	29,600	936,857	1,127,464	
TransCanada Corp.	23,100	967,606	1,027,950	
<b>Total Energy</b>		1,904,463	2,155,414	19.6 %
<b>Financials</b>				
AGF Management Limited - Class B	36,200	550,421	572,684	
Bank of Montreal	13,900	848,210	776,315	
Canadian Imperial Bank of Commerce	11,400	875,041	840,750	
Manulife Financial Corporation	45,900	775,595	497,097	
National Bank of Canada	11,600	847,027	836,824	
Royal Bank of Canada	19,800	1,059,642	1,028,214	
The Bank of Nova Scotia	15,730	861,515	798,612	
The Toronto-Dominion Bank	12,700	939,530	968,375	
<b>Total Financials</b>		6,756,981	6,318,871	57.4 %
<b>Industrials</b>				
Russel Metals Inc.	37,700	907,197	844,480	7.7 %
<b>Materials</b>				
Teck Resources Limited - Class B	19,300	918,515	691,905	6.3 %
<b>Telecommunication Services</b>				
BCE Inc.	25,200	857,249	1,069,992	9.7 %
<b>Utilities</b>				
Canadian Utilities Ltd.	16,000	973,211	984,480	8.9 %
<b>Total Canadian Common Shares</b>		\$ 13,123,866	\$ 12,685,074	115.2 %
<b>Options</b>				
<b>Purchased Put Options</b> (100 shares per contract)				
Manulife Financial Corporation - January 2012 @ \$10	58	\$ 3,016	\$ 769	0.0 %
<b>Written Covered Call Options</b> (100 shares per contract)				
Canadian Imperial Bank of Commerce - January 2012 @ \$71	(29)	(3,770)	(8,198)	
Teck Resources Limited - Class B - January 2012 @ \$35	(97)	(22,504)	(22,093)	
Teck Resources Limited - Class B - February 2012 @ \$33	(96)	(34,560)	(36,335)	
The Bank of Nova Scotia - January 2012 @ \$49	(26)	(3,068)	(5,641)	
The Toronto-Dominion Bank - January 2012 @ \$72	(32)	(5,392)	(14,457)	
Thompson Reuters Corp. - January 2012 @ \$26	(57)	(4,902)	(7,752)	
Thompson Reuters Corp. - January 2012 @ \$27	(57)	(2,679)	(3,705)	
<b>Total Written Covered Call Options</b>		(76,875)	(98,181)	(0.9)%
<b>Total Options</b>		\$ (73,859)	\$ (97,412)	(0.9)%
Adjustment for transaction fees		(7,028)		
<b>TOTAL INVESTMENTS</b>		\$ 13,042,979	\$ 12,587,662	114.3 %
<b>OTHER NET LIABILITIES</b>			(1,570,025)	(14.3)%
<b>TOTAL NET ASSETS</b>			\$ 11,017,637	100.0 %

## 1. Establishment of the Fund

Core Canadian Dividend Trust (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario on October 27, 2006. The Fund began operations on November 16, 2006.

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

## 2. Investment Objectives of the Fund

The Fund’s investment objectives are to:

- (i) provide unitholders with a stable stream of monthly distributions targeted to be 6.5 percent per annum on the net asset value (“NAV”) of the Fund, and;
- (ii) preserve and grow the NAV.

The Fund invests its assets primarily in dividend-paying shares listed on the Toronto Stock Exchange (“TSX”). The Fund will generally invest not less than 4 percent and not more than 10 percent of the NAV in each security comprising the Core Canadian Dividend Portfolio, as well as, up to 15 percent in other securities listed on the TSX.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the Portfolio and to reduce volatility. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

## 3. Summary of Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”), which include estimates and assumptions by management that may affect the reported amounts of assets, liabilities, income and expenses during the reported 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.

#### 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.

#### 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)	\$6.9428	\$7.6252
Difference	(0.0051)	(0.0116)
Net Assets per unit (for financial statement purposes)	\$6.9377	\$7.6136

#### 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.

All units have equal voting rights and privileges. Each whole unit is entitled to one vote at all meetings of unitholders and is entitled to participate equally with respect to any and all distributions made by the Fund including distributions of net income and net realized capital gains, and distributions upon the termination 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 the monthly Valuation Date (as defined below). Units surrendered for redemption by a unitholder at least 20 business days prior to the end of the year (the "December Valuation Date") will be redeemed on such December Valuation Date and the unitholder will receive payment on or before the fifteenth day following such December Valuation Date (the "Redemption Payment Date"). Units surrendered for redemption by a unitholder at least 10 business days prior to the last day of any other month (a "Valuation Date") will be redeemed on such Valuation Date and the unitholder will receive payment on or before the fifteenth day following such Valuation Date.

Unitholders whose units are redeemed on the December Valuation Date in each year will be entitled to receive a redemption price per unit (the "Unit Redemption Price") equal to the NAV per unit determined as of such Valuation Date.

For unitholders whose units are redeemed on any other Valuation 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" is 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 Valuation Date, and;
- (ii) 100 percent of the Closing Market Price of the units on the applicable Valuation 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 Valuation Date in respect of units tendered for redemption on such Valuation Date will also be paid on the applicable Redemption Payment Date.

In June 2010, the Toronto Stock Exchange ("TSX") accepted a normal course issuer bid filed by the Fund. Under the terms of the normal course issuer bid, the Fund proposed to purchase, if considered advisable, up to a maximum of 235,205 or 10 percent of its public float as determined in accordance with the rules of the TSX. The Fund could not purchase more than 47,041 of its units (representing approximately 2 percent of the Fund's issued and outstanding units as of May 31, 2010) in any 30-day period under the bid. The purchases would be made in the open market through facilities of the TSX. The normal course issuer bid remained in effect until June 9, 2011 and at such date nil units (2010 – nil) had been purchased by the Fund.

In July 2011, the TSX accepted a normal course issuer bid filed by the Fund. Under the terms of the normal course issuer bid, the Fund proposes to purchase, if considered advisable, up to a maximum of 183,129 units or approximately 10 percent of the Fund's public float as of June 30, 2011 as determined in accordance with the rules of the TSX commencing July 15, 2011. The Fund may not purchase more than 36,625 of its units (representing approximately 2 percent of the Fund's issued and outstanding units as of June 30, 2011) in any 30-day period under the bid. The purchases made pursuant to the normal course issuer bid will be made in the open market through the facilities of the TSX. The normal course issuer bid will remain in effect until the earlier of July 14, 2012, the termination of the bid by the Fund or the Fund purchasing the maximum number of units permitted under the bid. Units purchased by the Fund pursuant to the issuer bid will be cancelled. As at December 31, 2011, nil units had been purchased by the Fund.

Unit transactions during the year are as follows:

	2011	2010
Units outstanding, beginning of year	1,831,294	2,335,451
Units redeemed	(243,210)	(521,350)
Units issued upon exercise of warrants	–	17,193
Units outstanding, end of year	1,588,084	1,831,294

## Warrants

The Fund issued 2,949,146 warrants to unitholders of record at the close of business on November 19, 2009 at a cost of \$156,065. Each warrant entitled the holder thereof to acquire one unit upon payment of \$7.11 on or before on June 15, 2010. As at June 15, 2010, 17,193 warrants were exercised.

Upon exercise of a warrant, the Fund paid a fee of \$0.12 per warrant to the dealer whose client had exercised the warrant. During 2010, warrant exercise fees paid amounted to \$2,063 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 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 endeavours to make monthly 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 will not be 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 and 2010.

Accumulated non-capital losses of \$0.3M (2010 - \$0.3M) and capital losses of approximately \$4.8M (2010 - \$4.8M) are available for utilization against realized gains on sale of investments in future years. The capital losses can be carried forward indefinitely. The non-capital losses expire as follows:

Expiration Date	Amount (in \$M)
2029	\$0.2
2031	0.1
<b>Total</b>	<b>\$0.3</b>

Issue costs of nil (2010 - \$0.8M) 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 \$30,588 (2010 - \$60,622). Of this amount \$4,384 (2010 - \$17,730) was directed to cover payment of research services provided to the Investment Manager.

## 10. Capital Disclosures

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

## 11. Financial Instruments and Risk Management

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

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

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

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 12,685,074	\$ -	\$ -	\$ 12,685,074
Options	(11,457)	(85,955)	-	(97,412)
Total Investments	\$ 12,673,617	\$ (85,955)	\$ -	\$ 12,587,662

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Short-Term Investments	\$ -	\$ 1,647,993	\$ -	\$ 1,647,993
Canadian Common Shares	16,267,807	-	-	\$ 16,267,807
Options	-	(18,922)	-	\$ (18,922)
Total Investments	\$ 16,267,807	\$ 1,629,071	\$ -	\$ 17,896,878

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 other price risk, liquidity risk, interest rate risk and credit risk.

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

#### 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 115 percent (2010 - 117 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 \$1.3M (2010 - \$1.6M) respectively or 11.5 percent (2010 - 11.7 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 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.

#### 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
<b>Canadian Dollar</b>		
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
<b>Canadian Dollar</b>		
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 Fund held no short-term investments as of December 31, 2011.

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, 2010:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	100%
<b>Total</b>		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.

## Board of Advisors

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**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<sup>1</sup>**  
Corporate Director

**Robert W. Korthals<sup>1</sup>**  
Corporate Director

**Robert G. Bertram<sup>1</sup>**  
Corporate Director

<sup>1</sup> *Independent Review Committee Member*

## Information

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### Independent Auditor:

Deloitte & Touche LLP  
Brookfield Place  
181 Bay Street, Suite 1400  
Toronto, Ontario  
M5J 2V1

### Transfer Agent:

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

### Units Listed:

Toronto Stock Exchange  
trading under  
CDD.UN

### Custodian:

RBC Dexia Investor Services Trust  
RBC Centre  
155 Wellington Street West, 2nd Floor  
Toronto, Ontario  
M5V 3L3

Visit our website at [www.strathbridge.com](http://www.strathbridge.com) for additional information on all Strathbridge Investment Funds.

## Investment Funds Managed by Strathbridge Asset Management Inc.

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### 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

## Head Office:

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M5H 3T9

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Contact your broker directly for address changes.







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strathbridge  
ASSET MANAGEMENT

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