

Annual Report 2012

## Premier Canadian Income Fund

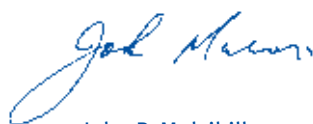


## Letter to Unitholders

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

During the 2012 fiscal year, the Fund paid cash distributions of \$0.22 per unit contributing to the overall decline in the net asset value per unit from \$3.59 per unit at December 31, 2011 to \$3.23 per unit at December 31, 2012. However, the decline in the net asset value during the year was mitigated by the Strathbridge Selective Overwriting strategy (see “The Fund”) which generated a net realized gain on options of \$0.11 per unit. The annual total return of the Fund, including reinvestment of distributions, was negative 4.1 percent. 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 maximize total returns for unitholders and pay unitholders monthly tax efficient distributions in an amount targeted to be 6.5 percent per annum on the net asset value of the Fund. The units are listed on the Toronto Stock Exchange under the ticker symbol PCU.UN. To accomplish its objectives the Fund invests in a portfolio principally consisting of common shares selected from the Energy, Financials and Materials sectors of the S&P/TSX 60 Index. In addition, the Fund may invest up to 20 percent of its net assets in equity securities of other issuers selected from the S&P/TSX Composite Index.

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

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

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## Management Report of Fund Performance

This annual management report of fund performance contains the financial highlights for the year ended December 31, 2012 of Premier Canadian Income Fund (formerly Global Plus Income 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 and quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll free, by writing to the Fund at Investor Relations, 121 King Street West, Suite 2600, Standard Life Centre, P.O. Box 113, Toronto, Ontario, M5H 3T9, or by visiting our website at [www.strathbridge.com](http://www.strathbridge.com). You can also request semi-annual or annual reports at no cost by using one of the above methods.

## Investment Objectives and Strategies

The Fund’s investment objectives are to:

- (1) maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and distributions, and
- (2) pay unitholders monthly tax efficient distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

The Fund invests in a portfolio principally consisting of common shares selected from the Energy, Financials and Materials sectors of the S&P/TSX 60 Index. In addition, the Fund may invest up to 20 percent of its net assets in equity securities of other issuers selected from the S&P/TSX Composite Index.

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

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

## Risk

Risks associated with an investment in the securities of the Fund are discussed in the Fund’s 2012 annual information form, which is available on the Fund’s website at [www.strathbridge.com](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, 2012, cash distributions of \$0.22 per unit were paid compared to \$0.26 per unit a year ago.

Since the inception of the Fund in September 1999, the Fund has paid total cash distributions of \$16.38 per unit, of which \$0.90 per unit were special distributions.

### Revenue and Expenses

For the year ended December 31, 2012, the Fund's total revenue was \$0.10 per unit, down from \$0.11 per unit a year ago. Overall expenses decreased by \$0.1 million from the prior year, whereas total expenses per unit remained flat at \$0.14 due to a decreased number of units outstanding during the year. The Fund had a net realized and unrealized loss of \$0.11 per unit in 2012 as compared to a net realized and unrealized loss of \$0.59 per unit in 2011.

### Net Asset Value

The net asset value per unit of the Fund decreased 10.0 percent, from \$3.59 per unit at December 31, 2011 to \$3.23 per unit at December 31, 2012, due to a net decrease in net assets from operations and cash distributions during the year. The total net asset value of the Fund decreased \$2.1 million from \$9.3 million at December 31, 2011 to \$7.2 million at December 31, 2012, reflecting unit redemptions of \$1.1 million, cash distributions of \$0.6 million and a net decrease in net assets from operations of \$0.4 million.

For the year ended December 31, 2012, the annual total return of the Fund was negative 4.1 percent, mainly attributable to losses in Inmet Mining Corporation in the Materials sector along with EnCana Corporation and Nexen Inc. in the Energy sector. In comparison, the S&P/TSX 60 Index had a total return of 8.1 percent for the same period. Among the three major sectors the Fund invested in, the S&P/TSX Financials Index total return was 17.6 percent, the S&P/TSX Energy Index total return was negative 0.6 percent and the S&P/TSX Materials Index total return was negative 5.7 percent. As a result of the Fund utilizing a covered call writing strategy to generate income, comparisons with market indices may not be appropriate. The total return of the sector 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

There were no recent developments pertaining to the Fund during the year.

## Future Accounting Policy Changes

Strathbridge Asset Management Inc., as the Manager of the Fund, has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants ("CICA") for changeover to International Financial Reporting Standards ("IFRS").

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2012 financial statements and the preparation of the 2013 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board ("AcSB") approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies ("AcG-18"). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its first annual statements in accordance with IFRS, with comparative information, for the year ending December 31, 2014.

As at December 31, 2012, some anticipated changes to financial reporting include:

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

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

## Related Party Transactions

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

Strathbridge, as the Investment Manager of the Fund, manages the Fund's investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated August 30, 1999 and amended as of October 26, 2009.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated August 30, 1999. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

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

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

## Independent Review Committee

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

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

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance 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	2012	2011	2010	2009	2008
<b>THE FUND'S NET ASSETS PER UNIT</b>					
<b>Net Assets, beginning of year (based on bid prices)<sup>(1)</sup></b>	<b>\$ 3.59</b>	<b>\$ 4.49</b>	<b>\$ 5.12</b>	<b>\$ 6.74</b>	<b>\$ 10.55</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>					
Total revenue	0.10	0.11	0.11	(0.09)	0.86
Total expenses	(0.14)	(0.14)	(0.20)	(0.86) <sup>(4)</sup>	(0.32)
Realized gain (loss) for the period	(0.33)	(0.28)	(0.03)	(0.07)	(3.91)
Unrealized gain (loss) for the period	0.22	(0.31)	0.32	0.09	0.64
<b>Total Increase (Decrease) from Operations<sup>(2)</sup></b>	<b>(0.15)</b>	<b>(0.62)</b>	<b>0.20</b>	<b>(0.93)</b>	<b>(2.73)</b>
<b>DISTRIBUTIONS</b>					
Non-taxable distributions	(0.22)	(0.26)	(0.31)	(0.69)	(1.10)
<b>Total Annual Distributions<sup>(3)</sup></b>	<b>(0.22)</b>	<b>(0.26)</b>	<b>(0.31)</b>	<b>(0.69)</b>	<b>(1.10)</b>
<b>Net Assets, as at December 31 (based on bid prices)<sup>(1)</sup></b>	<b>\$ 3.22</b>	<b>\$ 3.59</b>	<b>\$ 4.49</b>	<b>\$ 5.12</b>	<b>\$ 6.74</b>

(1) Net Assets per unit is the difference between the aggregate value of the assets including the valuation of securities at bid prices and the aggregate value of the liabilities divided by the number of units then outstanding.

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss), net of withholding tax and foreign exchange gain (loss), less expenses, and is calculated based on the weighted average number of units outstanding during the 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.

(4) Total expenses for 2009 include restructuring expenses in the amount of \$337,500.

Years ended December 31	2012	2011	2010	2009	2008
<b>RATIOS/SUPPLEMENTAL DATA</b>					
<b>Net Asset Value (\$millions)<sup>(1)</sup></b>	<b>\$ 7.24</b>	<b>\$ 9.31</b>	<b>\$ 14.10</b>	<b>\$ 2.90</b>	<b>\$ 4.46</b>
<b>Number of units outstanding<sup>(1)</sup></b>	<b>2,245,630</b>	<b>2,593,937</b>	<b>3,137,400</b>	<b>563,646</b>	<b>662,340</b>
<b>Management expense ratio<sup>(2)</sup></b>	<b>3.63%</b>	<b>3.09%</b>	<b>3.89%</b>	<b>14.43%</b>	<b>3.45%</b>
<b>Portfolio turnover rate<sup>(3)</sup></b>	<b>243.61%</b>	<b>295.24%</b>	<b>333.20%</b>	<b>243.98%</b>	<b>128.83%</b>
<b>Trading expense ratio<sup>(4)</sup></b>	<b>0.50%</b>	<b>0.45%</b>	<b>0.51%</b>	<b>0.63%</b>	<b>0.26%</b>
<b>Net Asset Value per Unit<sup>(5)</sup></b>	<b>\$ 3.23</b>	<b>\$ 3.59</b>	<b>\$ 4.50</b>	<b>\$ 5.14</b>	<b>\$ 6.74</b>
<b>Closing market price</b>	<b>\$ 3.04</b>	<b>\$ 3.23</b>	<b>\$ 4.31</b>	<b>\$ 4.67</b>	<b>\$ 6.39</b>

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

(2) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, divided by the Fund to the average net asset value. The MER for 2010 and 2009 includes the restructuring expenses. The MER for 2010 and 2009 excluding the restructuring expenses is 3.37% and 5.20% respectively.

(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 including the valuation of securities at closing prices and the aggregate value of the liabilities 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.



## Past Performance

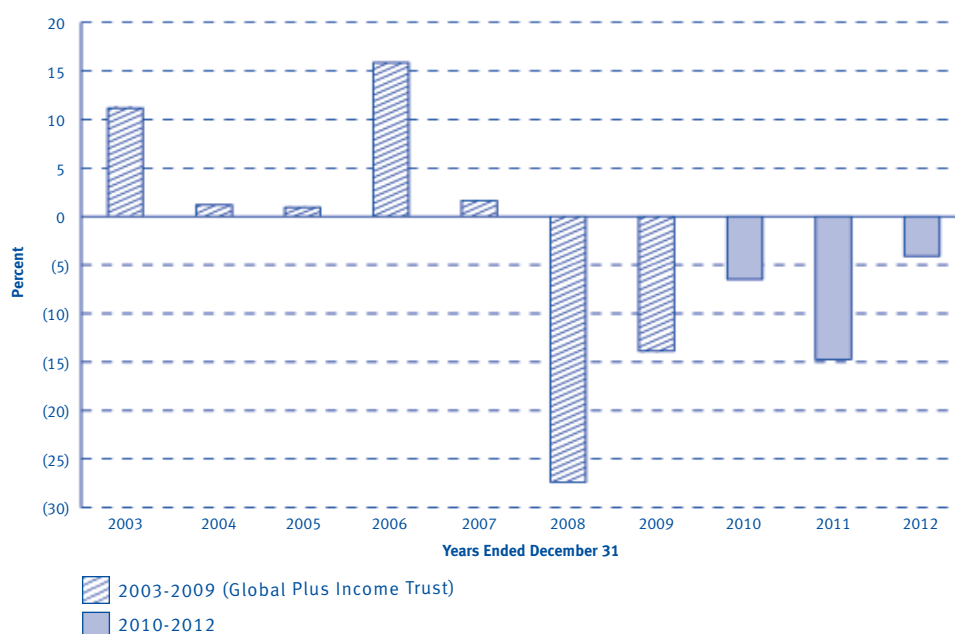
The following chart sets out the Fund's year-by-year past performance. It is important to note that the:

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

### Annual Total Return



## Annual Compound Returns

The following table shows the Fund's historical annual compound return (net of expenses) for the periods ended December 31, 2012 as compared to the performance of the S&P 100 Index, MSCI EAFE Index and S&P/TSX 60 Index.

(In Canadian Dollars)	One Year	Three Years	Five Years	Ten Years
Premier Canadian Income Fund	<b>(4.07)%</b>	(8.55)%	(13.71)%	(4.37)%
S&P 100 Index <sup>(1)</sup>	<b>n/a</b>	n/a	1.36 %	1.35 %
MSCI EAFE Index <sup>(2)</sup>	<b>n/a</b>	n/a	(3.14)%	3.76 %
S&P/TSX 60 Index <sup>(3)</sup>	<b>8.07 %</b>	3.81 %	n/a	n/a

(1) The S&P 100 Index is a capitalization-weighted index based on 100 highly capitalized stocks for which options are listed.

(2) The MSCI EAFE Index comprises 21 MSCI country indices, representing the developed markets outside of North America: Europe, Australia and the Far East.

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

The performance of the Fund from the period of inception to October 26, 2009 was based on the investment objectives and strategy of the Fund as Global Plus Income Trust which invested in a diversified portfolio consisting primarily of common shares selected from the S&P 100 Index and American Depositary Receipts ("ADRs") of the top 100 corporations selected on the basis of market capitalization whose ADRs are trading on the New York Stock Exchange or NASDAQ. On October 26, 2009 unitholders approved a proposal resulting in a change in the investment objectives and strategy of the Fund. Since October 26, 2009 the Fund invests in a portfolio principally consisting of common shares selected from the Energy, Financials and Materials sectors of the S&P/TSX 60 Index.



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 quarterly dividends and return the original invested amount at the termination date. As a result, the Fund has, from time to time, maintained cash balances in an effort to provide greater net asset value stability and employs a covered option writing strategy to enhance income generated by the portfolio and reduce volatility.

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

## Portfolio Manager Report

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

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

The S&P/TSX 60 Index had an annual total return of 8.1 percent for the year. Among the three major sectors the Fund invests in, the Financials sector had the best performance with a total return of 17.6 percent. The Energy sector had a total return of negative 0.6 percent, largely helped by dividends which cushioned the negative price performance, while the Materials sector lagged with a total return of negative 5.7 percent. The annual total return of the Fund, including reinvestment of distributions, was negative 4.1 percent. The underperformance can be attributed to losses in Inmet Mining Corporation in the Materials sector, along with EnCana Corporation and Nexen Inc. in the Energy sector. Overwritten positions in Canadian banks also limited upside in the Financials sector. The total return of the sector 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.

Volatility in Canada was at moderate levels but was driven by macroeconomic news with a gradual rise in volatility in May and June with debt concerns of Greece and Spain making headlines again and another small rise in early November with the uncertainty of the U.S. presidential election being the main factor. Our selective option writing activity was positive and contributed to overall income generated. The Fund also benefitted from put protection bought on a portion of the portfolio in the third quarter, albeit not enough to offset the decline in value of the portfolio shares. During 2012, the net realized gain on options attributable to the Strathbridge Selective Overwriting ("SSO") strategy was \$0.11 per unit.

## 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, 2012

	% OF NET ASSET VALUE
Financials	39 %
Energy	33 %
Materials	21 %
Cash	6 %
Telecommunication Services	2 %
Other Assets (Liabilities)	(1)%
	100 %

### Top 25 Holdings

December 31, 2012

	% OF NET ASSET VALUE
Husky Energy Inc.	7 %
Manulife Financial Corporation	6 %
Sun Life Financial Inc.	6 %
Cash	6 %
Canadian Imperial Bank of Commerce	5 %
Suncor Energy Inc.	5 %
TransCanada Corp.	5 %
Enbridge Inc.	5 %
ARC Resources Ltd.	4 %
National Bank of Canada	4 %
Teck Resources Limited - Class A	4 %
Bank of Montreal	4 %
Yamana Gold Inc.	4 %
Royal Bank of Canada	4 %
Silver Wheaton Corp.	4 %
The Bank of Nova Scotia	4 %
Brookfield Asset Management Inc. - Class A	3 %
Kinross Gold Corporation	3 %
Agnico-Eagle Mines Limited	3 %
Cameco Corporation	3 %
Cenovus Energy Inc.	2 %
First Quantum Minerals Ltd.	2 %
TELUS Corporation	2 %
EnCana Corporation	2 %
The Toronto-Dominion Bank	2 %

### 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 Premier Canadian Income Fund (the "Fund") and all the information in this annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager"), and have been approved by the Fund's Board of Advisors (the "Board").

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

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

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



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



John D. Germain  
Director  
Strathbridge Asset Management Inc.

## To the Unitholders of Premier Canadian Income Fund

We have audited the accompanying financial statements of Premier Canadian Income Fund, which comprise the statement of investments as at December 31, 2012, the statements of net assets as at December 31, 2012 and 2011, and the statements of financial operations, changes in net assets, and net loss 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 Premier Canadian Income Fund as at December 31, 2012 and 2011, and the results of its operations and its changes in net assets for the years then ended in accordance with Canadian generally accepted accounting principles.

*Deloitte LLP*

Chartered Professional Accountants

Chartered Accountants

Licensed Public Accountants

March 5, 2013

Toronto, Ontario

## Statements of Net Assets

As at December 31

	2012	2011
<b>ASSETS</b>		
Investments at fair value (cost - \$6,563,904; 2011 - \$8,812,656)	\$ 6,893,830	\$ 8,564,965
Short-term investments at fair value (cost - nil; 2011 - \$149,598)	–	149,598
Cash	435,171	604,386
Dividends receivable	28,874	35,986
Accrued interest	–	135
<b>TOTAL ASSETS</b>	<b>7,357,875</b>	<b>9,355,070</b>
<b>LIABILITIES</b>		
Due to brokers - investments	76,374	–
Accrued liabilities	46,568	42,755
Redemptions payable	–	6,556
<b>TOTAL LIABILITIES</b>	<b>122,942</b>	<b>49,311</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 7,234,933</b>	<b>\$ 9,305,759</b>
<b>Number of Units Outstanding (Note 5)</b>	<b>2,245,630</b>	<b>2,593,937</b>
<b>Net Assets per Unit (Note 4)</b>	<b>\$ 3.2218</b>	<b>\$ 3.5875</b>

On behalf of the Manager,  
Strathbridge Asset Management Inc.



John P. Mulvihill, Director



John D. Germain, Director

## Statements of Financial Operations

Years ended December 31

	2012	2011
<b>REVENUE</b>		
Dividends	\$ 253,942	\$ 330,961
Interest	217	5,592
<b>TOTAL REVENUE</b>	<b>254,159</b>	<b>336,553</b>
<b>EXPENSES (Note 6)</b>		
Management fees	95,576	137,587
Service fees	24,225	34,374
Administrative and other expenses	59,749	67,053
Transaction fees (Note 9)	43,918	56,057
Custodian fees	47,524	49,082
Audit fees	22,531	22,470
Advisory board fees	19,945	19,630
Independent review committee fees	7,976	7,787
Legal fees	2,512	2,036
Unitholder reporting costs	15,951	19,525
Harmonized sales tax	21,460	27,704
<b>TOTAL EXPENSES</b>	<b>361,367</b>	<b>443,305</b>
<b>Net Investment Loss</b>	<b>(107,208)</b>	<b>(106,752)</b>
Net realized loss on sale of investments	(1,147,191)	(1,819,761)
Net realized gain on sale of derivatives	300,290	938,499
<b>Net Loss on Sale of Investments</b>	<b>(846,901)</b>	<b>(881,262)</b>
Net change in unrealized appreciation/depreciation of investments	577,617	(955,119)
<b>Net Loss on Investments</b>	<b>(269,284)</b>	<b>(1,836,381)</b>
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (376,492)</b>	<b>\$ (1,943,133)</b>
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the year of 2,576,807; 2011 - 3,112,238)	<b>\$ (0.1461)</b>	<b>\$ (0.6244)</b>

## Statements of Changes in Net Assets

Years ended December 31

	2012	2011
NET ASSETS, BEGINNING OF YEAR	\$ 9,305,759	\$ 14,085,147
<b>Net Decrease in Net Assets from Operations</b>	<b>(376,492)</b>	<b>(1,943,133)</b>
<b>Unit Transactions (Note 5)</b>		
Value for units redeemed	(1,124,892)	(2,018,372)
<b>Distributions to Unitholders (Note 7)</b>		
Non-taxable distributions	(569,442)	(817,883)
<b>Changes in Net Assets during the Year</b>	<b>(2,070,826)</b>	<b>(4,779,388)</b>
NET ASSETS, END OF YEAR	\$ 7,234,933	\$ 9,305,759

## Statements of Net Loss on Sale of Investments

Years ended December 31

	2012	2011
<b>Proceeds from Sale of Investments</b>	<b>\$ 21,758,544</b>	<b>\$ 38,011,060</b>
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of year	8,812,656	12,574,900
Cost of investments purchased	20,356,693	35,130,078
	29,169,349	47,704,978
<b>Cost of Investments, End of Year</b>	<b>(6,563,904)</b>	<b>(8,812,656)</b>
	22,605,445	38,892,322
NET LOSS ON SALE OF INVESTMENTS	\$ (846,901)	\$ (881,262)



## Statement of Investments

As at December 31, 2012

	Number of Shares	Average Cost	Fair Value	% of Net Assets
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Energy</b>				
ARC Resources Ltd.	13,000	\$ 309,007	\$ 316,030	
Cameco Corporation	9,300	185,070	181,815	
Cenovus Energy Inc.	5,400	181,806	179,766	
Enbridge Inc.	7,700	307,716	331,100	
EnCana Corporation	7,900	178,127	154,840	
Husky Energy Inc.	16,400	425,973	481,996	
Suncor Energy Inc.	11,400	364,708	372,894	
TransCanada Corp.	7,900	351,822	371,063	
<b>Total Energy</b>		2,304,229	2,389,504	33.0%
<b>Financials</b>				
Bank of Montreal	4,700	278,362	285,807	
Brookfield Asset Management Inc. - Class A	6,600	223,953	239,976	
Canadian Imperial Bank of Commerce	4,800	361,223	383,856	
Manulife Financial Corporation	34,600	419,270	466,408	
National Bank of Canada	4,100	305,677	316,315	
Royal Bank of Canada	4,750	286,367	284,192	
Sun Life Financial Inc.	17,100	414,599	450,414	
The Bank of Nova Scotia	4,500	249,173	258,390	
The Toronto-Dominion Bank	1,400	113,266	117,110	
<b>Total Financials</b>		2,651,890	2,802,468	38.8%
<b>Materials</b>				
Agnico-Eagle Mines Limited	4,100	166,394	213,282	
Agrium Inc.	900	79,217	89,226	
First Quantum Minerals Ltd.	7,800	164,438	170,742	
Kinross Gold Corporation	22,500	227,989	216,675	
Silver Wheaton Corp.	7,600	242,376	271,928	
Teck Resources Limited - Class A	8,100	253,633	292,005	
Yamana Gold Inc.	16,700	309,014	284,735	
<b>Total Materials</b>		1,443,061	1,538,593	21.3%
<b>Telecommunication Services</b>				
TELUS Corporation	2,600	164,918	169,104	2.3%
<b>Total Canadian Common Shares</b>		\$ 6,564,098	\$ 6,899,669	95.4%

## Statement of Investments

As at December 31, 2012

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
<b>Options</b>				
<b>Purchased Put Options</b> (100 shares per contract)				
iShares S&P/TSX Capped Energy Index Fund - February 2013 @ \$16	163	\$ 12,225	\$ 4,047	
iShares S&P/TSX Global Gold Index - February 2013 @ \$19	80	9,680	5,265	
<b>Total Purchased Put Options</b>		21,905	9,312	0.1 %
<b>Written Covered Call Options</b> (100 shares per contract)				
Agnico-Eagle Mines Limited - January 2013 @ \$54	(28)	(4,626)	(1,904)	
Bank of Montreal - March 2013 @ \$58	(24)	(4,248)	(5,790)	
Canadian Imperial Bank of Commerce - March 2013 @ \$78	(24)	(6,120)	(4,168)	
The Bank of Nova Scotia - March 2013 @ \$54	(11)	(1,925)	(3,289)	
<b>Total Written Covered Call Options</b>		(16,919)	(15,151)	(0.2)%
<b>Total Options</b>		\$ 4,986	\$ (5,839)	(0.1)%
Adjustment for transaction costs		(5,180)		
<b>TOTAL INVESTMENTS</b>		\$ 6,563,904	\$ 6,893,830	95.3 %
<b>OTHER NET ASSETS</b>			341,103	4.7 %
<b>TOTAL NET ASSETS</b>			\$ 7,234,933	100.0 %

## 1. Establishment of the Fund

Premier Canadian Income Fund (formerly Global Plus Income Trust) (the “Fund”) is a closed-end investment trust established under the laws of the Province of Ontario on August 30, 1999. The Fund began operations on September 13, 1999.

Strathbridge Asset Management Inc. (“Strathbridge”) is the Manager as well as the Investment Manager of the Fund. On October 3, 2011, Mulvihill Capital Management Inc. announced a name change to Strathbridge. RBC Investor Services Trust is the Custodian of the Fund.

## 2. Investment Objectives of the Fund

The Fund’s investment objectives are to:

- (i) maximize total returns for unitholders including both long-term appreciation in net asset value (“NAV”) per unit and distributions, and
- (ii) pay unitholders monthly tax efficient distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

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

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

## 3. Summary of Significant Accounting Policies

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

### Financial Instruments – Disclosures

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

The significant accounting policies of the Fund are as follows:

### Valuation of Investments

Investments are recorded in the financial statements at their fair value which is determined by the closing bid price for long positions and by

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

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

### 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 on 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:

	2012	2011
Net Asset Value per unit (for pricing purposes)	\$ 3.2264	\$ 3.5910
Difference	(0.0046)	(0.0035)
Net Assets per unit (for financial statement purposes)	\$ 3.2218	\$ 3.5875

#### 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 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.

Unitholders have an annual redemption right in November of each year at 100 percent of the NAV per unit and a monthly redemption right at a redemption price determined by reference to market price for units redeemed on the last day of any other month.

Units may be surrendered at any time for redemption but will be redeemed only on a monthly valuation date. Units surrendered for redemption by a unitholder at least 20 business days prior to the November Valuation Date will be redeemed on such November Valuation Date. Units surrendered for redemption by a unitholder at least ten business days prior to any other Valuation Date (a "Monthly Valuation Date") will be redeemed on such Monthly Valuation Date.

Unitholders will receive a redemption price on a Monthly Valuation Date which will be equal to the lesser of:

- (i) 95 percent of the Redemption Market Price. For such purposes, "Redemption 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 Monthly Valuation Date, and

- (ii) 100 percent of the Closing Redemption Market Price of the units on the applicable Monthly 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 Redemption 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.

Unit transactions during the year are as follows:

	2012	2011
Units outstanding, beginning of year	2,593,937	3,137,400
Units redeemed	(348,307)	(543,463)
Units outstanding, end of year	2,245,630	2,593,937

#### 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 0.30 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 pay unitholders monthly distributions in an amount targeted to be 6.5 percent per annum on 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").

The non-taxable distributions received by the unitholders reduce the adjusted cost base of the unit for tax purposes.

## 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 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 for income taxes in 2012 and 2011.

Accumulated non-capital losses of approximately \$2.0M (2011 - \$2.0M) and capital losses of approximately \$31.5M (2011 - \$30.5M) are available for utilization against net investment income and 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)
2014	\$1.1
2015	0.2
2029	0.6
2030	0.1
<b>Total</b>	<b>\$2.0</b>

## 9. Transaction Fees

Total transaction fees for the year ended December 31, 2012 in connection with portfolio transactions were \$43,918 (2011 - \$56,057). Of this amount \$16,647 (2011 - \$12,820) 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, receivables, payables, investments and certain derivative contracts. In accordance with CICA Handbook Section 3862, “Financial Instruments - Disclosures”, the Fund uses a three-tier hierarchy as a framework for disclosing fair value based on inputs used to value the Fund’s investments. The hierarchy of inputs is summarized below:

- (i) Level 1 - for unadjusted quoted prices in active markets for identical assets or liabilities,
- (ii) Level 2 - for inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and
- (iii) Level 3 - for inputs that are based on unobservable market data.

The following is a summary of the inputs used as of December 31, 2012 in valuing the Fund’s investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 6,899,669	\$ -	\$ -	\$ 6,899,669
Options	(1,904)	(3,935)	-	(5,839)
<b>Total Investments</b>	<b>\$ 6,897,765</b>	<b>\$ (3,935)</b>	<b>\$ -</b>	<b>\$ 6,893,830</b>

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	\$ -	\$ 149,733	\$ -	\$ 149,733
Canadian Common Shares	8,723,099	-	-	8,723,099
Options	(36,777)	(121,357)	-	(158,134)
<b>Total Investments</b>	<b>\$ 8,686,322</b>	<b>\$ 28,376</b>	<b>\$ -</b>	<b>\$ 8,714,698</b>

There were no transfers between Level 1 and Level 2 during 2012 and 2011.

The Fund is exposed to various types of risks that are associated with its investment strategies, financial instruments and markets in which it invests. The most important risks include 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 is its investments in securities in the Fund. 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. The Fund’s market risk is managed by taking a long-term perspective and utilizing an option writing program, as well as by the use of purchased put options.

Approximately 95 percent (2011 - 94 percent) of the Fund’s net assets held at December 31, 2012 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at December 31, 2012, the net assets of the Fund would have increased or decreased by \$0.7M (2011 - \$0.9M) respectively or 9.5 percent (2011 - 9.4 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 longer the duration, the more sensitive the security or portfolio is to changes in interest rates. The Fund has minimal sensitivity to change in rates since they are usually held to maturity and 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 were authorized for trading with the Fund during the year based on Standard & Poor's credit ratings as of December 31, 2012:

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

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

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

The Fund held no short-term investments at December 31, 2012.

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	100%
<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 first annual statements, with comparative information, for the year ending December 31, 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 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

PCU.UN

**Custodian:**

RBC 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

Low Volatility U.S. Equity Income Fund

Premier Canadian Income Fund

Top 10 Canadian Financial Trust

### SPLIT SHARES

Premium Income Corporation

S Split Corp.

Top 10 Split Trust

World Financial Split Corp.

## Head Office:

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