

SEMI-ANNUAL REPORT 2012

Top 10 Canadian Financial Trust




strathbridge
ASSET MANAGEMENT

Top 10 Canadian Financial Trust

Letter to Unitholders

We are pleased to present the 2012 semi-annual report containing the management report of fund performance and the unaudited financial statements for Top 10 Canadian Financial Trust.

During the six months ended June 30, 2012, the Fund paid distributions of \$0.34 per unit. The net asset value decreased from \$8.71 per unit at December 31, 2011 to \$8.53 per unit at June 30, 2012 primarily as a result of distributions in excess of income earned. During the period, the net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see “The Fund”) amounted to \$0.02 per unit. For a more detailed review of the operations of the Fund, please see the Results of Operations and the Portfolio Manager Report sections.

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



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

The Fund

The Fund is a closed-end investment trust designed to provide unitholders with a stable stream of tax-efficient quarterly cash distributions in an amount targeted to be 7.5 percent per annum on the net asset value of the Fund and to return \$15.60 per unit to unitholders upon termination of the Fund. The units are listed on the Toronto Stock Exchange under the ticker symbol TCT.UN. To accomplish its objectives, the Fund invests exclusively in shares of the six largest Canadian banks and four largest Canadian life insurance companies generally investing not less than 5 percent and not more than 15 percent of the Fund's assets in each company.

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

Management Report of Fund Performance

This semi-annual management report of fund performance contains the financial highlights for the six months ended June 30, 2012 of Top 10 Canadian Financial Trust (the “Fund”). The unaudited semi-annual financial statements of the Fund are attached.

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

Results of Operations

Distributions

The policy of the Fund is to pay quarterly distributions calculated as 7.5 percent per annum on the net asset value of the Fund, which are generally classified as a return of capital for tax purposes. For the six months ended June 30, 2012, cash distributions were \$0.34 per unit compared to \$0.41 per unit a year ago.

Since the reorganization of the Fund in August 2005 when the Fund adopted new objectives and a new investment strategy as the Top 10 Canadian Financial Trust, the Fund has paid total cash distributions of \$6.50 per unit.

Revenue and Expenses

The Fund’s total revenue and expenses were \$0.21 and \$0.11 per unit respectively for the six months ended June 30, 2012, both unchanged from the prior year. The Fund had a net realized and unrealized gain of \$0.06 per unit in the first six months of 2012 as compared to a net realized and unrealized gain of \$0.24 per unit a year earlier.

Net Asset Value

The net asset value per unit of the Fund decreased 2.1 percent from \$8.71 per unit at December 31, 2011 to \$8.53 per unit at June 30, 2012 primarily as a result of distributions in excess of income earned during the period. The total net asset value of the Fund declined slightly from \$24.7 million at December 31, 2011 to \$24.2 million at June 30, 2012, reflecting cash distributions of \$0.9 million partially offset by an increase in net assets from operations of \$0.4 million.

Management Report of Fund Performance

During the six months ended June 30, 2012, the total return of the Fund was 1.6 percent for the reasons noted above. Over the same period, the S&P/TSX Capped Financials Index (the “Financials Index”) total return was 4.2 percent, and the equal-weighted total return of the ten issuers that make up the Financial Portfolio was 5.3 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, comparison with a market index may not be appropriate. The Financials 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

No recent developments occurred during the semi-annual period ending June 30, 2012.

Future Accounting Policy Changes

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

The changeover plan was prepared to address the requirements and includes disclosures of the qualitative and quantitative impact, if any, of the changeover to IFRS in the 2012 financial statements and the preparation of the 2013 financial statements in accordance with IFRS with comparatives. In January 2011, the Canadian Accounting Standards Board (“AcSB”) approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies (“AcG-18”). Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for its fiscal period beginning January 1, 2014 and will issue its initial financial statements in accordance with IFRS, with comparative information, for the semi-annual period ending June 30, 2014.

As at June 30, 2012, some anticipated changes to financial reporting include:

- Compliance with the full body of IFRS without industry specific exemptions. Unlike Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) where investment fund accounting was based upon guidance in AcG-18,
- Implementation of cash flow statements,

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Management Report of Fund Performance

- Presentation of comparative information, and
- Additional financial statement note disclosures on the recognition and classification of financial instruments.

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

Related Party Transactions

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

Strathbridge, as the Investment Manager of the Fund pursuant to an Investment Management Agreement made between the Fund and MCM dated February 15, 2000 and amended as of August 2, 2005, manages the investment portfolio in a manner consistent with the investment objectives, strategy and criteria of the Fund.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and MCM dated February 15, 2000 and amended as of August 2, 2005. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

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

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

Management Report of Fund Performance

Independent Review Committee

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

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Management Report of Fund Performance

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years.

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

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

	Six months ended June 30, 2012
NET ASSETS PER UNIT	
Net Assets, beginning of period (based on bid prices) ⁽¹⁾	\$ 8.70
INCREASE (DECREASE) FROM OPERATIONS	
Total revenue	0.21
Total expenses	(0.11)
Realized gain (loss) for the period	(0.52)
Unrealized gain (loss) for the period	0.58
Total Increase (Decrease) from Operations ⁽²⁾	0.16
DISTRIBUTIONS	
Non-taxable distributions	(0.34)
Total Distributions ⁽³⁾	(0.34)
Net Assets, end of period (based on bid prices) ⁽¹⁾	\$ 8.52

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

(2) Total increase (decrease) from operations consists of interest and dividend revenue, realized and unrealized gain (loss) less expenses and is calculated based on the weighted average number of units outstanding during the period. The schedule is not intended to total to the

	Six months ended June 30, 2012
RATIOS/SUPPLEMENTAL DATA	
Net Asset Value (\$millions)	\$ 24.18
Number of units outstanding	2,835,356
Management expense ratio ⁽¹⁾	2.38% ⁽⁴⁾
Portfolio turnover rate ⁽²⁾	35.67%
Trading expense ratio ⁽³⁾	0.10% ⁽⁴⁾
Net Asset Value per unit ⁽⁵⁾	\$ 8.53
Closing market price	\$ 8.63

(1) The management expense ratio ("MER") is the sum of all fees and expenses for the stated period, including federal and provincial sales taxes but excluding transaction fees, divided by the average net asset value. The MER for 2011 includes special resolution recovery. The MER for 2011 excluding special resolution recovery is 2.13%. The MER for 2010 includes the special resolution expense and warrant exercise fees. The MER for 2010 excluding the special resolution expense and warrant exercise fees is 1.86%. The MER for 2009 includes the warrant offering costs. The MER for 2009 excluding the warrant offering costs is 1.78%.

(2) Portfolio turnover rate is calculated based on the lesser of purchases or sales of investments, excluding short-term investments, divided by the average value of the portfolio securities.

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Management Report of Fund Performance

The net assets per unit presented in the financial statements differs from the net asset value per unit calculated weekly, primarily as a result of investments being valued at bid prices for financial statements purposes and at closing prices for weekly net asset value purposes.

Years ended December 31				
2011	2010	2009	2008	2007
\$ 10.52	\$ 10.90	\$ 9.58	\$ 14.28	\$ 15.95 ⁽⁴⁾
0.41	0.44	0.40	0.46	0.49
(0.21)	(0.26)	(0.22)	(0.21)	(0.26)
(0.11)	(0.58)	(1.88)	(0.89)	0.85
(1.16)	0.88	3.75	(3.13)	(1.57)
(1.07)	0.48	2.05	(3.77)	(0.49)
(0.75)	(0.79)	(0.76)	(0.93)	(1.17)
(0.75)	(0.79)	(0.76)	(0.93)	(1.17)
\$ 8.70	\$ 10.52	\$ 10.90	\$ 9.58	\$ 14.28

ending net assets as calculations are based on the weighted average number of units outstanding during the period.

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

(4) Net Assets per unit has been adjusted for the change in accounting policy relating to the calculation of net asset value based on bid prices versus closing prices prior to 2007.

Years ended December 31				
2011	2010	2009	2008	2007
\$ 24.70	\$ 33.99	\$ 53.48	\$ 59.60	\$ 107.65
2,835,356	3,224,405	4,896,746	6,201,992	7,524,019
1.98%	2.55%	2.06%	1.67%	1.64%
93.65%	113.97%	70.70%	19.72%	75.28%
0.11%	0.15%	0.13%	0.06%	0.07%
\$ 8.71	\$ 10.57	\$ 10.92	\$ 9.61	\$ 14.31
\$ 8.40	\$ 10.25	\$ 10.87	\$ 9.00	\$ 14.00

The Fund employs an option overlay strategy which can result in higher portfolio turnover by virtue of option exercises, when compared to a conventional equity mutual fund.

(3) Trading expense ratio represents total commissions expressed as a percentage of the daily average net asset value during the period.

(4) Annualized.

(5) Net Asset Value per unit is the difference between the aggregate value of the assets and the aggregate value of the liabilities, including the valuation of securities at closing prices, divided by the number of units then outstanding.

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Management Report of Fund Performance

Management Fees

Strathbridge, as the Investment Manager of the Fund, is entitled to fees under the Investment Management Agreement calculated monthly as 1/12 of 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:

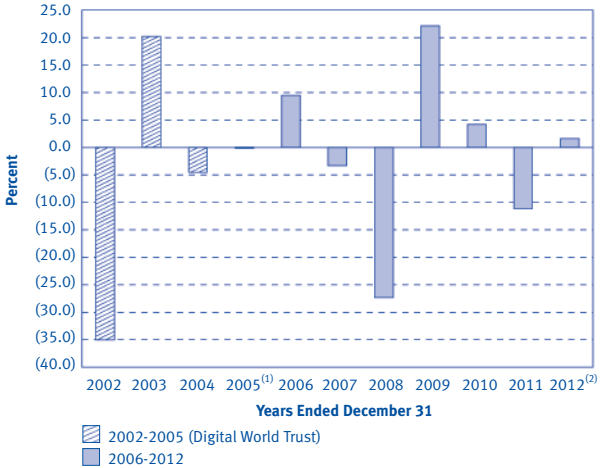
- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in units of the Fund,
- (2) the information does not take into account sales, redemptions, distributions or other optional charges that would have reduced returns, and
- (3) the past performance of the Fund does not necessarily indicate how it will perform in the future.

Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past ten years and for the six month period ended June 30, 2012. The chart also shows, in percentage terms, how much an investment made on January 1 in each year would have increased or decreased by the end of that fiscal year or June 30, 2012 for the six months then ended.

Management Report of Fund Performance

Annual Total Return



⁽¹⁾ As of August 2, 2005, the Fund amended its investment strategy and changed its name to Top 10 Canadian Financial Trust and consolidated the units on a 5 to 1 basis.
⁽²⁾ For the six months ended June 30, 2012.

Portfolio Manager Report

Global financial markets in the first half of 2012 performed very similar to the first half of 2011. After posting strong first quarter gains, most global financial markets weakened during the second quarter due to continued concerns regarding the European Union and certain countries' debt levels, as well as the potential slowdown in global growth. Although a number of geopolitical events occurred during the period such as the election of new governments in Greece, France, and Egypt, volatility levels as measured by the Chicago Board Options Exchange Market Volatility Index and the S&P/TSX 60 VIX Index have remained in a fairly defined range and ended the period at the lower end of the range. The Canadian economy meanwhile has remained resilient with employment and housing conditions much stronger than most developed countries and the government enjoying a much stronger fiscal position. The Bank of Canada kept interest rates on hold during the first half of 2012 due to slower than expected growth and a relatively strong Canadian dollar which decreased by 0.6 percent relative to the U.S. dollar.

The Canadian banks have reported mixed results so far in 2012 as strong first quarter earnings were offset by weaker than expected second quarter earnings due to decelerating personal loan growth and lower net interest margins. Capital continues to remain strong with all the banks ending the second quarter with Tier 1 common ratios above the regulatory minimum requirement of 7 percent by 2019. The Canadian banks continued to return capital to shareholders during the period as four of the banks increased their dividend. The Canadian life insurance companies reported better than expected earnings and profitability in the first quarter of 2012

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Management Report of Fund Performance

benefitting from higher global equity markets and rising ten year bond yields in both Canada and the United States. However, second quarter results are likely to reverse course due to the headwinds of lower equity markets and lower interest rates.

The total return for the S&P/TSX Capped Financials Index for the period was 4.2 percent, and the equal-weighted total return of the ten issuers that make up the Financial Portfolio was 5.3 percent. Both outperformed the broader S&P/TSX Composite Total Return Index which declined 1.5 percent during the same period. The Canadian life insurers outperformed the Canadian banks during the period up 7.7 percent and 3.9 percent respectively. Eight of the ten Financial Services equities that make up the portfolio experienced positive returns with Sun Life Financial Inc. and Great-West Lifeco Inc. posting the strongest total returns of 21.2 percent and 11.3 percent respectively. Industrial Alliance Insurance and Financial Services Inc. and the Canadian Imperial Bank of Commerce lagged the group for the period, generating a total return of negative 5.2 percent and negative 0.5 percent respectively.

The total return of the Fund, including reinvestment of distributions, for the six month period ending June 30, 2012, was 1.6 percent. The relative underperformance during the period was mostly due to having an underweight position in life insurance companies due to concerns regarding the impact that low bond yields will have on their earnings. The Fund maintained its invested position during the majority of the period and ended with a cash position of 1 percent compared to 2 percent at the end of 2011.

Volatility levels for Canadian Financial Services companies traded at the lower end of the range established over the past few years since the global financial crisis. The covered call writing activity was opportunistic over the period and took advantage of signals generated by the Strathbridge Selective Overwriting (“SSO”) strategy. The Fund ended June 2012 with approximately 57 percent of the portfolio subject to covered calls. The Fund also opportunistically purchased some protective puts on individual holdings as well as the iShares S&P/TSX Capped Financials Index Fund in the first half of May and June due to concerns of European sovereign default risk rising again as well as concerns about the global economic recovery as some statistics out of the U.S. and China have started to decelerate. During the first half of 2012, the net realized gain on options attributable to the SSO strategy was \$0.02 per unit.

The Canadian banks and life insurance companies profitability is likely to grow at a slower pace in 2012 due to decelerating personal loan growth, volatile capital markets along with net interest margin compression. In the context of record low global interest rates, the valuations of companies in the portfolio remain at attractive levels when measured by price to earnings ratios and current dividend yields and this should continue to act as major support for the share prices. As regulatory certainty has started to improve, Canadian Financial Services companies are expected to continue to return capital to shareholders in the form of increased dividends.

Management Report of Fund Performance

Summary of Investment Portfolio

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

Asset Mix

June 30, 2012

	% of Net Asset Value
Financials	100 %
Cash	1 %
Other Assets (Liabilities)	(1)%
	100 %

Portfolio Holdings

June 30, 2012

	% of Net Asset Value
The Toronto-Dominion Bank	14 %
The Bank of Nova Scotia	14 %
Canadian Imperial Bank of Commerce	11 %
National Bank of Canada	10 %
Sun Life Financial Inc.	10 %
Royal Bank of Canada	10 %
Bank of Montreal	9 %
Manulife Financial Corporation	8 %
Great-West Lifeco Inc.	8 %
Industrial Alliance Insurance and Financial Services Inc.	6 %
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.

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Management's Responsibility for Financial Reporting

The accompanying financial statements of Top 10 Canadian Financial Fund (the "Fund") and all the information in this semi-annual report are the responsibility of the management of Strathbridge Asset Management Inc. (the "Manager") and have been approved by the Fund's Board of Advisors (the "Board").

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and include certain amounts that are based on estimates and judgments. Management has ensured that the other financial information presented in this semi-annual report is consistent with the financial statements. The significant accounting policies which management believes are appropriate for the Fund are described in Note 3 of the annual financial statements for the year ended December 31, 2011.

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

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



John P. Mulvihill

Director

Strathbridge Asset Management Inc.



John D. Germain

Director

Strathbridge Asset Management Inc.

August 7, 2012

Notice to Unitholders

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

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Financial Statements

Statements of Net Assets

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

	2012	2011
ASSETS		
Investments at fair value (cost - \$27,023,846; 2011 - \$30,687,206)	\$ 23,809,037	\$ 25,837,413
Short-term investments at fair value (cost - nil; 2011 - \$349,034)	-	349,034
Cash	314,874	212,248
Dividends receivable	93,829	99,558
Accrued interest	-	347
Due from brokers - investments	-	1,636,011
TOTAL ASSETS	24,217,740	28,134,611
LIABILITIES		
Accrued liabilities	63,684	77,653
Redemptions payable	-	3,386,112
TOTAL LIABILITIES	63,684	3,463,765
NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY	\$ 24,154,056	\$ 24,670,846
Number of Units Outstanding	2,835,356	2,835,356
Net Assets per Unit (Note 2)	\$ 8.5189	\$ 8.7011

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Financial Statements

Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2012	2011
REVENUE		
Dividends	\$ 581,783	\$ 655,394
Interest	2,104	8,191
TOTAL REVENUE	583,887	663,585
EXPENSES		
Management fees	140,862	191,739
Service fees	37,624	51,000
Administrative and other expenses	49,156	49,072
Transaction fees (Note 3)	12,360	24,069
Custodian fees	14,751	16,279
Audit fees	13,339	13,141
Advisory board fees	10,445	10,445
Independent review committee fees	4,041	3,851
Legal fees	1,930	–
Unitholder reporting costs	12,489	15,353
Harmonized sales tax	21,205	27,501
Subtotal Expenses	318,202	402,450
Special resolution recovery	–	(48,237)
TOTAL EXPENSES	318,202	354,213
Net Investment Income	265,685	309,372
Net gain (loss) on sale of investments	(1,533,885)	205,001
Net gain on sale of derivatives	68,028	14,974
Net Gain (Loss) on Sale of Investments	(1,465,857)	219,975
Net change in unrealized appreciation/ depreciation of investments	1,634,984	541,164
Net Gain on Investments	169,127	761,139
NET INCREASE IN NET ASSETS FROM OPERATIONS	\$ 434,812	\$ 1,070,511
NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT (based on the weighted average number of units outstanding during the period of 2,835,356; 2011 - 3,224,208)	\$ 0.1534	\$ 0.3320

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Financial Statements

Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2012	2011
NET ASSETS, BEGINNING OF PERIOD	\$ 24,670,846	\$ 33,930,284
Net Increase in Net Assets from Operations	434,812	1,070,511
Unit Transactions		
Value for units redeemed	-	(3,357)
Distributions to Unitholders		
Non-taxable distributions	(951,602)	(1,334,775)
Changes in Net Assets during the Period	(516,790)	(267,621)
NET ASSETS, END OF PERIOD	\$ 24,154,056	\$ 33,662,663

Statements of Net Gain (Loss) on Sale of Investments

Six months ended June 30 (Unaudited)

	2012	2011
Proceeds from Sale of Investments	\$ 11,081,789	\$ 30,952,801
Cost of Investments Sold		
Cost of investments, beginning of period	30,687,206	37,586,648
Cost of investments purchased	8,884,286	27,022,272
	39,571,492	64,608,920
Cost of Investments, End of Period	(27,023,846)	(33,876,094)
	12,547,646	30,732,826
NET GAIN (LOSS) ON SALE OF INVESTMENTS	\$ (1,465,857)	\$ 219,975

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Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Shares/ Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
INVESTMENTS				
Canadian Common Shares				
Financials				
Bank of Montreal	40,900	\$ 2,487,231	\$ 2,298,580	
Canadian Imperial Bank of Commerce	36,000	2,746,714	2,577,600	
Great-West Lifeco Inc.	86,200	2,331,095	1,899,848	
Industrial Alliance Insurance and Financial Services Inc.	64,100	2,149,113	1,568,527	
Manulife Financial Corporation	173,900	2,593,367	1,925,073	
National Bank of Canada	34,350	2,557,226	2,493,810	
Royal Bank of Canada	44,800	2,495,337	2,333,184	
Sun Life Financial Inc.	109,300	3,071,080	2,418,809	
The Bank of Nova Scotia	62,350	3,396,852	3,283,974	
The Toronto-Dominion Bank	41,300	3,269,210	3,287,480	
Total Financials		27,097,225	24,086,885	99.7 %
Total Canadian Common Shares		\$ 27,097,225	\$ 24,086,885	99.7 %

Options

Purchased Put Options

(100 shares per contract)

Bank of Montreal				
- August 2012 @ \$57	110	\$ 23,650	\$ 19,908	
Canadian Imperial Bank of Commerce				
- August 2012 @ \$73	65	17,940	15,328	
iShares S&P/TSX Capped Financials Index Fund - August 2012 @ \$23				
	1,103	93,755	120,262	
Manulife Financial Corporation				
- August 2012 @ \$13	295	26,402	48,022	
Manulife Financial Corporation				
- September 2012 @ \$10	102	7,038	4,039	
National Bank of Canada				
- September 2012 @ \$73	43	12,685	10,682	
Royal Bank of Canada				
- August 2012 @ \$54	65	16,380	18,743	
Royal Bank of Canada				
- September 2012 @ \$50	50	13,506	8,607	
Sun Life Financial Inc.				
- September 2012 @ \$22	137	20,413	15,878	
The Bank of Nova Scotia				
- August 2012 @ \$53	69	15,525	10,840	
The Bank of Nova Scotia				
- September 2012 @ \$51	48	11,978	7,148	
The Bank of Nova Scotia				
- September 2012 @ \$52	39	10,101	6,299	

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Financial Statements

Statement of Investments

As at June 30, 2012 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
Options (continued)				
Purchased Put Options (continued)				
(100 shares per contract)				
The Toronto-Dominion Bank				
- August 2012 @ \$80	46	15,686	10,010	
The Toronto-Dominion Bank				
- September 2012 @ \$78	57	21,813	12,289	
Total Purchased Put Options		306,872	308,055	1.3 %
Written Covered Call Options				
(100 shares per contract)				
Bank of Montreal				
- July 2012 @ \$54	(108)	(13,284)	(21,235)	
Bank of Montreal				
- July 2012 @ \$56	(96)	(8,640)	(12,599)	
Canadian Imperial Bank of Commerce				
- July 2012 @ \$71	(84)	(8,988)	(12,587)	
Canadian Imperial Bank of Commerce				
- July 2012 @ \$73	(96)	(7,536)	(7,073)	
National Bank of Canada				
- July 2012 @ \$71	(86)	(11,610)	(15,458)	
National Bank of Canada				
- July 2012 @ \$86	(86)	(10,406)	(6,165)	
National Bank of Canada				
- August 2012 @ \$71	(171)	(25,650)	(37,369)	
Manulife Financial Corporation				
- July 2012 @ \$11	(1,739)	(88,689)	(107,780)	
Royal Bank of Canada				
- July 2012 @ \$50	(115)	(15,295)	(25,738)	
Royal Bank of Canada				
- July 2012 @ \$52	(109)	(11,663)	(14,346)	
Sun Life Financial Inc.				
- July 2012 @ \$20	(1,093)	(103,289)	(239,876)	
The Bank of Nova Scotia				
- July 2012 @ \$51	(156)	(13,416)	(23,879)	
The Bank of Nova Scotia				
- July 2012 @ \$53	(156)	(11,076)	(15,690)	
The Toronto-Dominion Bank				
- July 2012 @ \$78	(206)	(35,020)	(46,108)	
Total Written Covered Call Options		(364,562)	(585,903)	(2.4)%
Total Options		\$ (57,690)	\$ (277,848)	(1.1)%
Adjustment for transaction costs		(15,689)		
TOTAL INVESTMENTS		\$ 27,023,846	\$ 23,809,037	98.6 %
OTHER NET ASSETS			345,019	1.4 %
TOTAL NET ASSETS			\$ 24,154,056	100.0 %

1. Basis of Presentation

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

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

2. Net Asset Value

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

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

	June 30, 2012	Dec. 31, 2011
Net Asset Value (for pricing purposes)	\$ 8.5293	\$ 8.7113
Difference	(0.0104)	(0.0102)
Net Assets (for financial statement purposes)	\$ 8.5189	\$ 8.7011

3. Transaction Fees

Total transaction fees for the six month period ended June 30, 2012 in connection with portfolio transactions were \$12,360 (June 30, 2011 - \$24,069). Of this amount \$6,087 (June 30, 2011 - \$6,486) was directed to cover payment of research services provided to the Investment Manager.

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Notes to Financial Statements

June 30, 2012

4. Financial Instruments and Risk Management

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

The following is a summary of the inputs used as of June 30, 2012 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 24,086,885	\$ -	\$ -	\$ 24,086,885
Options	-	(277,848)	-	(277,848)
Total Investments	\$ 24,086,885	\$ (277,848)	\$ -	\$ 23,809,037

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	\$ -	\$ 349,381	\$ -	\$ 349,381
Canadian Common Shares	25,983,283	-	-	25,983,283
Options	-	(145,870)	-	(145,870)
Total Investments	\$ 25,983,283	\$ 203,511	\$ -	\$ 26,186,794

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

Other Price Risk

Approximately 100 percent (December 31, 2011 - 105 percent) of the Fund's net assets held at June 30, 2012 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2012, the net assets of the Fund would have increased or decreased by \$2.4M (December 31, 2011 - \$2.6M) respectively or 10.0 percent (December 31, 2011 - 10.5 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

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Notes to Financial Statements

June 30, 2012

Credit Risk

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

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

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

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

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

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

Type of Short-Term Investment	Rating	% of Short-Term Investments
Bankers' Acceptances	A-1	100%
Total		100%

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

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Notes to Financial Statements

June 30, 2012

5. Future Accounting Policy Changes

The Fund was required to adopt International Financial Reporting Standards (“IFRS”) for the year beginning on January 1, 2011. In January 2011, the Canadian Accounting Standards Board (“AcSB”) approved a two year deferral from IFRS adoption for investment companies applying Accounting Guideline 18 - Investment Companies. Subsequently, in December 2011, AcSB extended the deferral for another year to January 1, 2014. As a result, the Fund will adopt IFRS for the year beginning on January 1, 2014 and will issue its initial statements, with comparative information, for the semi-annual period ending June 30, 2014.

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Investment Funds Managed by Strathbridge Asset Management Inc.

UNIT TRUSTS

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

SPLIT SHARES

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

PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust

Head Office

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Toll Free: 1 800 725-7172
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Visit our website at www.strathbridge.com for additional information on all Strathbridge Investment Funds.

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