

Semi-Annual Report 2013

# Gold Participation and Income Fund



## Gold Participation and Income Fund

### Letter to Unitholders

We are pleased to present the 2013 semi-annual report containing the management report of fund performance and the unaudited financial statements for Gold Participation and Income Fund.

During the six months ended June 30, 2013, the Fund paid cash distributions of \$0.28 per unit. The Fund's total return, including reinvestment of distributions, for the six month period ended June 30, 2013 was negative 32.8 percent compared to the S&P/TSX Global Gold Index total return of negative 43.2 percent during the same period. The net asset value decreased from \$9.82 per unit at December 31, 2012 to \$6.38 per unit at June 30, 2013 amid continued price weakness in the gold sector. During the period, the net realized gain on options attributable to Strathbridge Selective Overwriting strategy (see "The Fund") amounted to \$0.05 per unit as compared to a net realized gain on options of \$0.24 per unit a year ago. 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 investors with Canadian dollar exposure to the long-term performance of gold bullion and gold equity securities, while providing monthly distributions. The units are listed on the Toronto Stock Exchange under the ticker symbol GPF.UN. To accomplish its objectives the Fund invests its net assets in the Gold sector with up to 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion and the balance in a portfolio of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world's leading gold companies.

The Fund employs a proprietary investment strategy, Strathbridge Selective Overwriting (“SSO”), to enhance the income generated by the portfolio and to reduce volatility. The Fund may, from time to time, selectively write covered call options in respect of up to a maximum of 25 percent of the securities in the portfolio. In addition, the Fund may write cash covered put options in respect of securities in which it is permitted to invest.

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

# Gold Participation and Income Fund

## 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, 2013 of Gold Participation and Income Fund (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, 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.

### Results of Operations

#### Distributions

For the six months ended June 30, 2013, cash distributions of \$0.28 per unit were paid to unitholders compared to \$0.37 per unit a year ago.

Since the inception of the Fund on August 7, 2009, the Fund has paid total distributions of \$4.09 per unit, including special year-end distributions of \$0.15 in cash and \$0.97 in units of the Fund.

#### Revenue and Expenses

For the six months ended June 30, 2013, the Fund's revenue and expenses on a per-unit basis remained unchanged at \$0.03 and \$0.15 respectively. The Fund had a net realized and unrealized loss of \$2.98 per unit in the first half of 2013 as compared to a net realized and unrealized gain of \$0.01 per unit a year earlier.

#### Net Asset Value

The net asset value per unit of the Fund decreased 35.0 percent, from \$9.82 per unit at December 31, 2012 to \$6.38 per unit at June 30, 2013, largely due to a sharp decline in gold-related investments. The total net asset value of the Fund decreased \$6.7 million from \$15.7 million at December 31, 2012 to \$9.0 million at June 30, 2013, primarily reflecting a net decrease in net assets from operations of \$4.5 million, redemptions of \$1.7 million and cash distributions of \$0.4 million.

# Gold Participation and Income Fund

## Management Report of Fund Performance

### Recent Developments

On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 134,627 units representing approximately 10 percent of the Fund's public float of 1,346,277 units as at April 25, 2013. The Fund may purchase up to 28,261 Units in any 30-day period which is 2 percent of the 1,413,077 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, nil units had been purchased by the Fund.

### Future Accounting Policy Changes

Strathbridge Asset Management Inc. ("Strathbridge"), 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 2013 financial statements and the preparation of the 2014 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 year ending December 31, 2014.

As at June 30, 2013, 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.

## Gold Participation and Income Fund

### Management Report of Fund Performance

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

### Related Party Transactions

Strathbridge, as the Investment Manager of the Fund, manages the 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 Strathbridge dated July 27, 2009.

Strathbridge is the Manager of the Fund pursuant to a Trust Agreement made between the Fund and Strathbridge dated July 27, 2009. As such, Strathbridge is responsible for providing or arranging for required administrative services to the Fund.

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

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

# Gold Participation and Income Fund

## 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. 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.

# Gold Participation and Income Fund

## 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 from its inception on August 7, 2009.

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

Information for the period ended June 30, 2013 is derived from the Fund's unaudited semi-annual financial statements.

	<b>Six months ended June 30, 2013</b>
<b>NET ASSETS PER UNIT</b>	
<b>Net Assets, beginning of period</b> (based on bid prices) <sup>(1)</sup>	<b>\$ 9.80</b>
<b>INCREASE (DECREASE) FROM OPERATIONS</b>	
Total revenue	<b>0.03</b>
Total expenses	<b>(0.15)</b>
Realized gain (loss) for the period	<b>(1.07)</b>
Unrealized gain (loss) for the period	<b>(1.91)</b>
<b>Total Increase (Decrease) from Operations</b> <sup>(2)</sup>	<b>(3.10)</b>
<b>DISTRIBUTIONS</b>	
From net investment income	–
From capital gains	–
Non-taxable distributions	<b>(0.28)</b>
<b>Total Distributions</b> <sup>(3)</sup>	<b>(0.28)</b>
<b>Net Assets, end of period</b> (based on bid prices) <sup>(1)</sup>	<b>\$ 6.37</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 period. The schedule is not intended to total to the ending net assets as calculations are based on the weighted average number of units outstanding during the period.

	<b>Six months ended June 30, 2013</b>
<b>RATIOS/SUPPLEMENTAL DATA</b>	
Net Asset Value (\$millions)	<b>\$ 9.01</b>
Number of units outstanding	<b>1,413,077</b>
Management expense ratio <sup>(1)</sup>	<b>3.08%</b> <sup>(4)</sup>
Portfolio turnover rate <sup>(2)</sup>	<b>38.00%</b>
Trading expense ratio <sup>(3)</sup>	<b>0.59%</b> <sup>(4)</sup>
Net Asset Value per unit <sup>(5)</sup>	<b>\$ 6.38</b>
Closing market price	<b>\$ 6.01</b>

(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 warrant offering costs and warrant exercise fees. The MER for 2011 excluding warrant offering costs and warrant exercise fees is 2.00%. In August 2009, the Fund realized issuance costs of \$1,903,500 in connection with its issuance of 2,350,000 units and 2,350,000 warrants. The MER for 2009 including these issuance costs is 8.79%.

(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.

## Gold Participation and Income Fund

### 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					
2012		2011		2010		2009 <sup>(4)</sup>	
\$	11.40	\$	13.56	\$	12.14	\$	11.19 <sup>(5)</sup>
	0.05		0.04		0.03		0.03
	(0.29)		(0.38)		(0.32)		(0.15)
	0.02		(0.53)		2.19		0.83
	0.03		(1.52)		0.95		0.54
	(0.19)		(2.39)		2.85		1.25
	(0.67)		(0.18)		(0.58)		(0.10)
	–		–		(0.95)		(0.63)
	(0.04)		(0.67)		–		–
	(0.71)		(0.85)		(1.53)		(0.73)
\$	9.80	\$	11.40	\$	13.56	\$	12.14

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. For 2010, distributions of \$0.98 were paid in cash and distributions of \$0.55 were paid in units. For 2009, distributions of \$0.31 were paid in cash and distributions of \$0.42 were paid in units. Immediately following the distribution of units, the issued and outstanding capital of the Fund was consolidated such that the number of issued and outstanding units of the Fund did not change due to the distribution.

(4) For the period from inception on August 7, 2009 to December 31, 2009.

(5) Initial issue price, net of agent fees and initial issue costs.

		Years ended December 31					
2012		2011		2010		2009 <sup>(6)</sup>	
\$	15.71	\$	32.73	\$	43.78	\$	28.57
	1,599,034		2,870,624		3,226,994		2,350,100
	2.17%		2.86%		1.95%		1.98% <sup>(4)</sup>
	136.49%		212.19%		212.02%		78.35%
	0.49%		0.48%		0.52%		1.08% <sup>(4)</sup>
\$	9.82	\$	11.40	\$	13.57	\$	12.16
\$	9.78	\$	11.15	\$	14.20	\$	10.46

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 including the valuation of securities at closing prices and the aggregate value of the liabilities, divided by the number of units then outstanding.

(6) For the period from inception on August 7, 2009 to December 31, 2009.

# Gold Participation and Income Fund

## 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 0.70 percent of the net asset value of the Fund at each month end. Services received under the Investment Management Agreement include the making of all investment decisions in accordance with the investment objectives, strategy and criteria of the Fund. Strathbridge also makes all decisions as to the purchase and sale of securities in the Fund's portfolio and as to the execution of all portfolio and other transactions.

Strathbridge, as the Manager of the Fund, is entitled to fees under the Trust Agreement calculated monthly as  $1/12$  of 0.10 percent of the net asset value of the Fund at each month end. Services received under the Trust Agreement include providing or arranging for required administrative services to the Fund.

### Past Performance

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

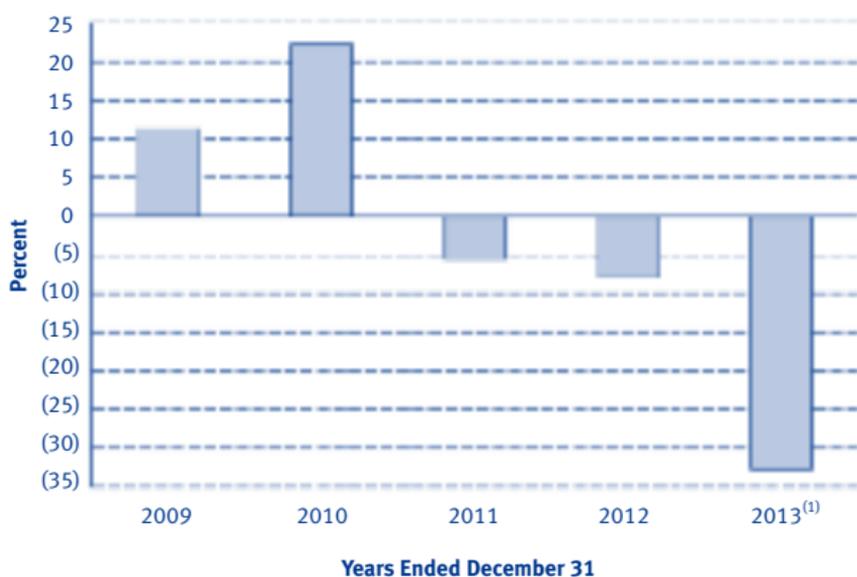
- (1) information shown assumes that all distributions (including deemed distributions based on the intrinsic value of the warrants exercised prior to the expiry date of the warrants) made by the Fund during these periods were reinvested in units of the Fund,
- (2) information does not take into account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

### Year-By-Year Returns

The following bar chart illustrates how the Fund's total return varied from year to year for each of the past four years and for the six months ended June 30, 2013. The chart also shows, in percentage terms, how much an investment made on January 1 or the date of inception in 2009 would have increased or decreased by the end of the fiscal year or June 30, 2013 for the six months ended.

## Management Report of Fund Performance

### Annual Total Return



<sup>(1)</sup> For the six months ended June 30, 2013.

### Portfolio Manager Report

While most Global financial markets trended higher, gold prices were headed in the opposite direction, gradually drifting lower during the first quarter before breaking the multi-year support level of US\$1,539 in April to move drastically lower. Gold prices traded in a range from a high of US\$1,696 on January 17, 2013 to a low of US\$1,180 on June 28, 2013.

Exchange traded funds (“ETFs”) have provided investors with exposure to gold bullion and perhaps helped fuel the 12-year bull run on the commodity. However, the end of the gold bull run, which began to unfold last year despite unprecedented money supply expansion by developed central banks, was exacerbated on the downside with investors unwinding their positions in gold ETFs as well as ongoing liquidation of gold ETFs by hedge funds. Consumers in Asia, especially India and China, have historically accounted for a large percentage of gold demand, but the recent slowdown in China coupled with the Indian Government’s attempt to curb gold imports through increased import duties has resulted in a sharp decline in demand. In Europe, Cyprus had a bank run which led to the possibility of Cyprus’s central bank selling its gold reserves and the wider possibility of other central banks following suit. Finally, inflation expectations have come down and discussions about the Federal Reserve tapering its bond purchasing program were further drivers of gold price weakness.

Gold equities have been decimated during the first half of the year with the S&P/TSX Global Gold Index having a total return of

## Gold Participation and Income Fund

### Management Report of Fund Performance

negative 43.2 percent. Not a single stock in the universe had a positive return. Gold stocks are trading at extremely low levels; however, the operating environment could be challenging should gold prices continue to hover around these levels. There is a strong possibility of mergers and consolidations, especially among some of the small cap companies with adjacent mines, to help lower operating costs and achieve economies of scale. The S&P/TSX Global Gold Index began the year with 55 constituents and ended June 2013 with 50 members. Going forward, gold mining companies will possibly have some leverage in negotiating wage freezes and lower cost of leased mining equipment and will also be cost conscious with reference to capital expenditures which could result in better valuations albeit from very depressed levels.

During the six month period, the allocation to the SPDR Gold Trust was approximately 50 percent of the net assets in the Fund with the balance invested in gold equities and cash. Volatility during the second quarter was at elevated levels not seen since the financial crisis. The Fund selectively wrote covered calls on a portion of the portfolio if the Manager perceived the stock had a flat to downward bias over the short-term. The net realized gain on options attributable to Strathbridge Selective Overwriting strategy amounted to \$0.05 per unit during the period. The Fund ended June 30, 2013 with covered call positions on approximately 28 percent of the invested portfolio.

The return of the Fund, including reinvestment of distributions, for the six months ended June 30, 2013 was negative 32.8 percent. The Fund held a larger cash position than normal which helped cushion the losses from operations. The Fund ended the quarter with a cash position of 15 percent.

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

### Summary of Investment Portfolio

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

# Gold Participation and Income Fund

## Management Report of Fund Performance

### Asset Mix

June 30, 2013

	% of Net Asset Value
United States	56%
Canada	25%
Cash	15%
International	4%
	100%

### Portfolio Holdings

June 30, 2013

	% of Net Asset Value
SPDR Gold Trust	52%
Cash	15%
Goldcorp Inc.	10%
Rangold Resources Limited ADR	4%
Barrick Gold Corporation	4%
Newmont Mining Corporation	4%
Franco-Nevada Corporation	4%
Alamos Gold Inc.	3%
Agnico-Eagle Mines Limited	3%
Argonaut Gold Inc.	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.

## Gold Participation and Income Fund

### Management's Responsibility for Financial Reporting

The accompanying financial statements of Gold Participation and Income 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, 2012.

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.



John D. Germain

Director

Strathbridge Asset Management Inc.

August 6, 2013

### 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.

# Gold Participation and Income Fund

## Financial Statements

### Statements of Net Assets

As at June 30, 2013 (Unaudited) and December 31, 2012 (Audited)

	<b>2013</b>	2012
<b>ASSETS</b>		
Investments at fair value (cost - \$9,797,353; 2012- \$14,779,400)	<b>\$ 7,378,926</b>	\$ 15,155,890
Cash	<b>1,306,012</b>	580,739
Dividends receivable	–	5,045
Due from brokers - investments	<b>356,689</b>	–
<b>TOTAL ASSETS</b>	<b>9,041,627</b>	15,741,674
<b>LIABILITIES</b>		
Accrued liabilities	<b>41,956</b>	67,702
<b>TOTAL LIABILITIES</b>	<b>41,956</b>	67,702
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 8,999,671</b>	\$ 15,673,972
Number of Units Outstanding	<b>1,413,077</b>	1,599,034
Net Assets per Unit (Note 3)	<b>\$ 6.3688</b>	\$ 9.8022

# Gold Participation and Income Fund

## Financial Statements

### Statements of Financial Operations

Six months ended June 30 (Unaudited)

	2013	2012
<b>REVENUE</b>		
Dividends	\$ 42,638	\$ 50,107
Interest	497	1,332
Withholding taxes	(1,524)	(2,252)
<b>TOTAL REVENUE</b>	<b>41,611</b>	49,187
<b>EXPENSES</b>		
Management fees	46,170	80,987
Service fees	18,379	33,730
Administrative and other expenses	52,168	53,568
Transaction fees (Note 4)	36,217	52,138
Custodian fees	19,269	19,420
Audit fees	13,265	13,339
Advisory board fees	9,815	10,445
Independent review committee fees	4,224	4,041
Legal fees	4,249	2,734
Unitholder reporting costs	7,012	8,142
Harmonized sales tax	13,368	14,448
<b>TOTAL EXPENSES</b>	<b>224,136</b>	292,992
<b>Net Investment Loss</b>	<b>(182,525)</b>	(243,805)
Net loss on sale of investments	(1,364,010)	(723,589)
Net gain (loss) on sale of derivatives	(201,483)	861,483
<b>Net Gain (Loss) on Sale of Investments</b>	<b>(1,565,493)</b>	137,894
Net change in unrealized appreciation/ depreciation of investments	(2,787,198)	(122,139)
<b>Net Gain (Loss) on Investments</b>	<b>(4,352,691)</b>	15,755
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ (4,535,216)</b>	\$ (228,050)
<b>NET DECREASE IN NET ASSETS FROM OPERATIONS PER UNIT</b> (based on the weighted average number of units outstanding during the period of 1,459,309; 2012 - 1,913,438)	<b>\$ (3.1078)</b>	\$ (0.1192)

# Gold Participation and Income Fund

## Financial Statements

### Statements of Changes in Net Assets

Six months ended June 30 (Unaudited)

	2013	2012
NET ASSETS, BEGINNING OF PERIOD	\$ 15,673,972	\$ 32,712,387
<b>Net Decrease in Net Assets from Operations</b>	<b>(4,535,216)</b>	(228,050)
<b>Unit Transactions</b>		
Value for units redeemed	(1,736,076)	(15,510,982)
<b>Distributions to Unitholders</b>		
From net investment income	-	(637,479)
Non-taxable distributions	(403,009)	(30,350)
	<b>(403,009)</b>	(667,829)
<b>Changes in Net Assets during the Period</b>	<b>(6,674,301)</b>	(16,406,861)
NET ASSETS, END OF PERIOD	\$ 8,999,671	\$ 16,305,526

### Statements of Net Gain (Loss) on Sale of Investments

Six months ended June 30 (Unaudited)

	2013	2012
Proceeds from Sale of Investments	\$ 7,690,890	\$ 28,556,987
<b>Cost of Investments Sold</b>		
Cost of investments, beginning of period	14,779,400	30,755,945
Cost of investments purchased	4,274,336	12,793,169
	<b>19,053,736</b>	43,549,114
<b>Cost of Investments, End of Period</b>	<b>(9,797,353)</b>	(15,130,021)
	<b>9,256,383</b>	28,419,093
NET GAIN (LOSS) ON SALE OF INVESTMENTS	\$ (1,565,493)	\$ 137,894

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Net Assets
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Materials</b>				
Agnico-Eagle Mines Limited	9,400	\$ 305,666	\$ 271,472	
Alamos Gold Inc.	25,500	366,212	323,595	
Argonaut Gold Inc.	14,000	100,398	79,100	
Barrick Gold Corporation	20,400	961,311	337,416	
Franco-Nevada Corporation	8,800	385,644	330,616	
Goldcorp Inc.	34,800	1,360,047	903,408	
<b>Total Materials</b>		<b>3,479,278</b>	<b>2,245,607</b>	<b>24.9 %</b>
<b>Total Canadian Common Shares</b>		<b>\$ 3,479,278</b>	<b>\$ 2,245,607</b>	<b>24.9 %</b>
<b>Non-North American Common Shares</b>				
<b>Materials</b>				
Rangold Resources Limited ADR	5,100	\$ 422,797	\$ 344,337	3.8 %
<b>Total Non-North American Common Shares</b>		<b>\$ 422,797</b>	<b>\$ 344,337</b>	<b>3.8 %</b>
<b>United States Common Shares</b>				
<b>Materials</b>				
Newmont Mining Corporation	10,700	\$ 571,088	\$ 338,075	3.8 %
<b>Total United States Common Shares</b>		<b>\$ 571,088</b>	<b>\$ 338,075</b>	<b>3.8 %</b>
<b>Exchange-Traded Funds</b>				
SPDR Gold Trust	37,600	\$ 5,381,707	\$ 4,725,039	52.5 %
<b>Total Exchange-Traded Funds</b>		<b>\$ 5,381,707</b>	<b>\$ 4,725,039</b>	<b>52.5 %</b>
<b>Forward Exchange Contracts</b>				
Sold USD \$2,550,000, Bought CAD \$2,602,836 @ 0.97970 - July 17, 2013			\$ (88,457)	
Sold USD \$1,900,000, Bought CAD \$1,952,782 @ 0.97297 - July 17, 2013			(52,506)	
Bought USD \$175,000, Sold CAD \$178,097 @ 0.98261 - August 14, 2013			6,723	
Bought USD \$1,000,000, Sold CAD \$1,018,200 @ 0.98213 - August 14, 2013			37,919	
Sold USD \$1,300,000, Bought CAD \$1,323,010 @ 0.98261 - August 14, 2013			(49,944)	
Sold USD \$450,000, Bought CAD \$454,185 @ 0.99079 - August 14, 2013			(21,061)	
Sold USD \$1,000,000, Bought CAD \$1,018,200 @ 0.98213 - August 14, 2013			(37,919)	
Sold USD \$250,000, Bought CAD \$257,288 @ 0.97167 - August 14, 2013			(6,747)	
<b>Total Forward Exchange Contracts</b>			<b>\$ (211,992)</b>	<b>(2.4)%</b>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments

As at June 30, 2013 (Unaudited)

	Number of Contracts	Average Cost/ Proceeds	Fair Value	% of Net Assets
<b>Options</b>				
<b>Purchased Put Options</b> (100 shares per contract)				
SPDR Gold Trust				
- December 2013 @ \$125	37	\$ 29,859	\$ 42,741	0.5 %
<b>Written Covered Call Options</b> (100 shares per contract)				
Agnico-Eagle Mines Limited				
- July 2013 @ \$28	(94)	(12,808)	(21,503)	
Alamos Gold Inc.				
- July 2013 @ \$12	(64)	(3,776)	(7,040)	
Barrick Gold Corporation				
- July 2013 @ \$18	(137)	(8,360)	(4,658)	
Franco-Nevada Corporation				
- July 2013 @ \$36	(70)	(8,960)	(17,500)	
Goldcorp Inc.				
- July 2013 @ \$25	(232)	(27,492)	(37,957)	
Newmont Mining Corporation				
- July 2013 @ \$29	(27)	(3,212)	(5,013)	
Newmont Mining Corporation				
- July 2013 @ \$31	(54)	(4,787)	(4,216)	
Randgold Resources Limited ADR				
- July 2013 @ \$68	(51)	(13,667)	(6,994)	
<b>Total Written Covered Call Options</b>		(83,062)	(104,881)	(1.1)%
<b>Total Options</b>		\$ (53,203)	\$ (62,140)	(0.6)%
Adjustment for transaction fees		(4,314)		
<b>TOTAL INVESTMENTS</b>		\$ 9,797,353	\$ 7,378,926	82.0 %
<b>OTHER NET ASSETS</b>			1,620,745	18.0 %
<b>TOTAL NET ASSETS</b>			\$ 8,999,671	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, 2012.

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, 2012.

### 2. Normal Course Issuer Bid

On April 29, 2013, the Fund announced it filed a Notice of Intention to make a normal course issuer bid to purchase up to 134,627 units representing approximately 10 percent of the Fund’s public float of 1,346,277 units as at April 25, 2013. The Fund may purchase up to 28,261 Units in any 30-day period which is 2 percent of the 1,413,077 units issued and outstanding as at April 25, 2013. The units may be purchased for cancellation from May 1, 2013 to April 30, 2014 through the facilities of the Toronto Stock Exchange or other eligible alternative market and may only be purchased at a price per unit not exceeding the last net asset value per unit. As at June 30, 2013, nil units had been purchased by the Fund.

### 3. 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, 2013	Dec. 31, 2012
Net Asset Value per unit (for pricing purposes)	<b>\$ 6.3790</b>	\$ 9.8223
Difference	<b>(0.0102)</b>	(0.0201)
Net Assets per unit (for financial statement purposes)	<b>\$ 6.3688</b>	\$ 9.8022

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2013

### 4. Transaction Fees

Total transaction fees for the six months ended June 30, 2013 in connection with portfolio transactions were \$36,217 (June 30, 2012 - \$52,138). Of this amount \$18,638 (June 30, 2012 - \$22,137) was directed to cover payment of research services provided to the Investment Manager.

### 5. 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, 2012.

The following is a summary of the inputs used as of June 30, 2013 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	\$ 2,245,607	\$ -	\$ -	\$ 2,245,607
Non-North American Common Shares	344,337	-	-	344,337
United States Common Shares	338,075	-	-	338,075
Exchange-Traded Funds	4,725,039	-	-	4,725,039
Forward Exchange Contracts	-	(211,992)	-	(211,992)
Options	(2,680)	(59,460)	-	(62,140)
Total Investments	\$ 7,650,378	\$ (271,452)	\$ -	\$ 7,378,926

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

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 6,604,510	\$ -	\$ -	\$ 6,604,510
United States Common Shares	951,620	-	-	951,620
Exchange-Traded Funds	7,662,847	-	-	7,662,847
Forward Exchange Contracts	-	(82,074)	-	(82,074)
Options	(15,033)	34,020	-	18,987
Total Investments	\$ 15,203,944	\$ (48,054)	\$ -	\$ 15,155,890

There were no transfers between Level 1 and Level 2 during the six months ended June 30, 2013 and during the year ended December 31, 2012.

### Other Price Risk

Approximately 85 percent (December 31, 2012 - 97 percent) of the

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2013

Fund's net assets held at June 30, 2013 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2013, the net assets of the Fund would have increased or decreased by \$0.8M (December 31, 2012 - \$1.5M) respectively or 8.5 percent (December 31, 2012 - 9.7 percent) of the net assets, all other factors remaining constant. In practice, actual trading results may differ and the difference could be material.

### Currency Risk

Approximately 65 percent (December 31, 2012 - 55 percent) of the Fund's net assets held at June 30, 2013 were held in securities denominated in U.S. currency. Currency risk is mitigated by the Fund through the use of forward contracts. At June 30, 2013 and December 31, 2012, the Fund had no currency risk as a result of its investment in foreign currency contracts.

### Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that were authorized for trading with the Fund during the current period based on Standard & Poor's credit ratings as of June 30, 2013:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
Bank of Montreal	A-	A-2
Canadian Imperial Bank of Commerce	A+	A-1
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, 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

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2012

### 6. Future Accounting Policy Changes

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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, 2015. 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 year ending December 31, 2014.

### 7. Comparative Figures

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Distributions for the six months ended June 30, 2012 of \$30,350 have been reclassified from net investment income to non-taxable distributions to conform with the presentation in the most recent audited financial statements for the year ended December 31, 2012.

# Gold Participation and Income Fund

## Investment Funds Managed by Strathbridge Asset Management Inc.

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### UNIT TRUSTS

Canadian Utilities & Telecom Income Fund (UTE.UN)

Core Canadian Dividend Trust (CDD.UN)

Gold Participation and Income Fund (GPF.UN)

Low Volatility U.S. Equity Income Fund (LVU.UN)

Premier Canadian Income Fund (PCU.UN)

Top 10 Canadian Financial Trust (TCT.UN)

### SPLIT SHARES

Premium Income Corporation (PIC.PR.A/PIC.A)

S Split Corp. (SBN.PR.A/SBN)

Top 10 Split Trust (TXT.PR.A/TXT.UN)

World Financial Split Corp. (WFS.PR.A/WFS)

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