

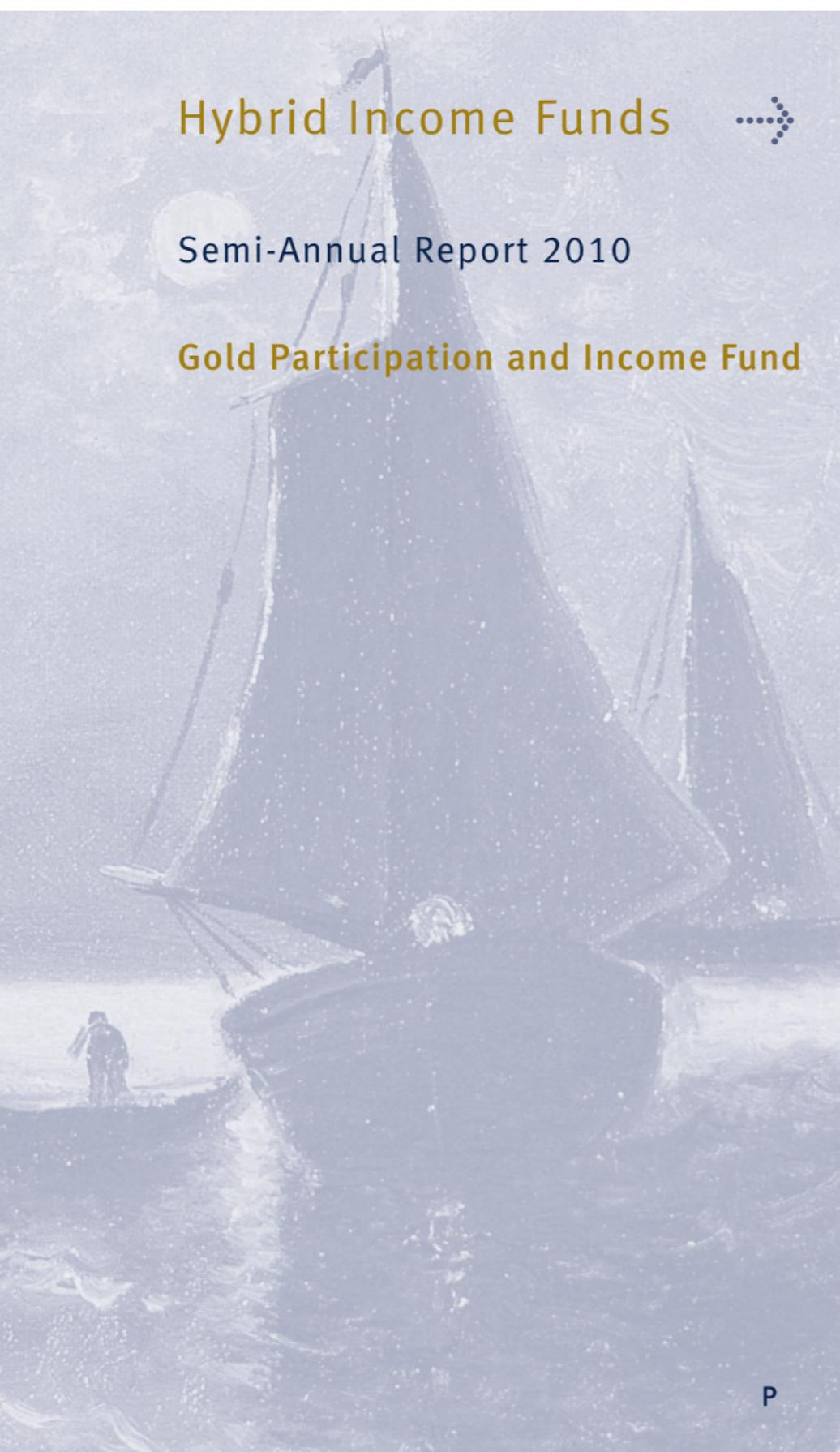


Hybrid Income Funds



Semi-Annual Report 2010

Gold Participation and Income Fund



# Gold Participation and Income Fund

## Message to Unitholders

We are pleased to present the semi-annual financial results of Gold Participation and Income Fund.

The following is intended to provide you with the financial highlights of the Fund and we hope you will read the more detailed information contained within the report.

The Fund was launched in August of 2009 with the objectives 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 distributions in an amount targeted to be 6.5 percent per annum on the NAV of the Fund.

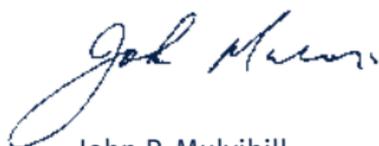
To accomplish these objectives the Fund invests its net assets in the gold sector - initially 50 percent in shares of SPDR Gold Trust, an exchange-traded fund that seeks to track the price of gold by investing directly in gold bullion, and 50 percent in a portfolio (the “Managed Gold Portfolio”) of equity securities selected from the S&P/TSX Global Gold Index, a dynamic international benchmark of the world’s leading gold companies. During the six-month period ended June 30, 2010, the Fund’s total return was 14.93 percent. Distributions amounting to \$0.40 per unit were paid during the period. The net asset value increased from \$12.16 per unit as at December 31, 2009 to \$13.54 per unit as at June 30, 2010.

The financial highlights of the Fund are as follows:

	June 30, 2010	December 31, 2009 <sup>(1)</sup>
Total Fund Return	14.93%	11.45%
Distribution Paid (target of 6.5 percent per annum on the Net Asset Value)	\$ 0.39915	\$ 0.72647
Ending Net Asset Value per Combined Unit (initial issue price was \$12.00 per unit)	\$ 13.54	\$ 12.16

<sup>(1)</sup> For the period from inception on August 7, 2009 to December 31, 2009.

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 & President,  
Mulvihill Capital Management Inc.

## Management Report on Fund Performance

This report, prepared in accordance with National Instrument 81-106 (Investment Fund Continuous Disclosure), contains the financial highlights for the six months ended June 30, 2010 of Gold Participation and Income Fund (the “Fund”). The June 30, 2010 unaudited semi-annual financial statements of the Fund are attached.

Copies of the Fund’s proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosure may be obtained by calling 1-800-725-7172 toll-free, or 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.mulvihill.com](http://www.mulvihill.com).

# Gold Participation and Income Fund

## Management Report on Fund Performance

### Summary of Investment Portfolio

The composition of the portfolio may change due to ongoing portfolio transactions of the Fund. A quarterly update will be available on our website at [www.mulvihill.com](http://www.mulvihill.com).

#### Asset Mix

June 30, 2010

	% of Net Asset Value
Canada	45 %
United States	43 %
International	10 %
Cash and Short-Term Investments	4 %
Other Assets (Liabilities)	(2)%
	100 %

#### Portfolio Holdings

June 30, 2010

	% of Net Asset Value
SPDR Gold Trust	27 %
Newmont Mining Corporation	10 %
Barrick Gold Corporation	8 %
Goldcorp Inc.	6 %
Randgold Resources Limited ADR	6 %
Alamos Gold Inc.	5 %
Semafo Inc.	5 %
Agnico-Eagle Mines Limited	5 %
Osisko Mining Corporation	5 %
Red Back Mining Inc.	5 %
Gold Fields Limited ADR	4 %
Royal Gold, Inc.	4 %
Cash and Short-Term Investments	4 %
Centamin Egypt Limited	3 %
IAMGOLD Corporation	3 %
U.S. Gold Corporation	2 %
	102 %

# Gold Participation and Income Fund

## Management Report on Fund Performance

### Results of Operations

For the six-month period ended June 30, 2010, the net asset value of the Fund for pricing purposes based on closing prices was \$13.54 per unit (see Note 2 to the financial statements) compared to \$12.16 per unit at December 31, 2009. Fund units and warrants were traded on the Toronto Stock Exchange under the symbols GPF.UN and GPF.WT, respectively. Each warrant of the Fund entitles its holder to purchase one unit of the Fund at a subscription price of \$12.00 on a quarterly basis up until August 6, 2010. The Fund's units, GPF.UN, closed on June 30, 2010 at \$12.36 per unit and the Fund's warrants, GPF.WT, closed on June 30, 2010 at \$0.24 per warrant.

Distributions totalling \$0.40 per unit were made to unitholders during the first six months of the fiscal period.

Volatility remained at high levels versus the rest of the market and was sufficient to maintain the option-writing program. The distributions were generated using a mix of option writing premium as well as capital gains from the sale of stock.

The Fund had a total return of 14.9 percent, including reinvestment of distributions, for the six months ended June 30, 2010, which was in line with the S&P/TSX Gold Index which had a total return of 15.0 percent in Canadian dollars and the SPDR Gold Trust which had a return of 13.4 percent in U.S. dollar terms.

The U.S. dollar was fairly strong versus European currencies in light of the European sovereign debt crisis. Against the Canadian dollar, the U.S. dollar was fairly flat. The Fund continues to hedge its U.S. dollar exposure.

For more detailed information on the investment returns, please see the Annual Total Return bar chart on page 8.

# Gold Participation and Income Fund

## Management Report on 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 period ended December 31 is derived from the Fund's audited annual financial statements.

Information for the period ended June 30, 2010 is derived from the Fund's unaudited semi-annual financial statements.

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#### NET ASSETS PER UNIT

##### Net Assets, beginning of period (based on bid prices)<sup>(1)</sup>

##### INCREASE (DECREASE) FROM OPERATIONS

Total revenue

Total expenses

Realized gain (loss) for the period

Unrealized gain (loss) for the period

##### Total Increase (Decrease) from Operations<sup>(2)</sup>

##### DISTRIBUTIONS

From net investment income

From capital gains

Non-taxable Distributions

##### Total Distributions<sup>(3)</sup>

##### Net Assets, end of period (based on bid prices)<sup>(4)</sup>

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

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

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#### RATIOS/SUPPLEMENTAL DATA

Net Asset Value (\$millions)

Number of units outstanding

Management expense ratio<sup>(1)</sup>

Portfolio turnover rate<sup>(2)</sup>

Trading expense ratio<sup>(3)</sup>

Net Asset Value per unit<sup>(6)</sup>

Closing market price – unit

Closing market price – warrant

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(1) Management expense ratio ("MER") is the ratio of all fees and expenses, including goods and service taxes and excluding transaction fees charged to the Fund to the average net asset value. In August of 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. The Fund employs an option overlay strategy which can result in higher portfolio turnover by

## Gold Participation and Income Fund

### Management Report on Fund Performance

For June 30, 2010 and December 31, 2009, the Net Assets included in the Net Assets per Unit table is from the Fund's financial statements and calculated using bid prices while the Net Asset Value included in the Ratios/Supplemental Data table is for Fund pricing purposes and calculated using closing prices. All other calculations for the purposes of this Management Report on Fund Performance are made using Net Asset Value.

<b>Six months ended June 30, 2010</b>	<b>Period ended December 31, 2009<sup>(4)</sup></b>
<b>\$ 12.14</b>	<b>\$ 11.19<sup>(5)</sup></b>
–	0.03
<b>(0.18)</b>	<b>(0.15)</b>
<b>0.56</b>	<b>0.83</b>
<b>1.41</b>	<b>0.54</b>
<b>1.79</b>	<b>1.25</b>
<b>(0.31)</b>	<b>(0.10)</b>
<b>(0.04)</b>	<b>(0.63)</b>
<b>(0.05)</b>	<b>(0.63)</b>
<b>(0.40)</b>	<b>(0.73)</b>
<b>\$ 13.53</b>	<b>\$ 12.14</b>

(3) Distributions to unitholders are based on the number of units outstanding on the record date for each distribution. For December 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) Net of agent fees and initial issue costs.

<b>Six months ended June 30, 2010</b>	<b>Period ended December 31, 2009<sup>(4)</sup></b>
<b>\$ 31.84</b>	<b>\$ 28.57</b>
<b>2,350,530</b>	<b>2,350,100</b>
<b>2.23%<sup>(5)</sup></b>	<b>1.98%<sup>(5)</sup></b>
<b>87.37%</b>	<b>78.35%</b>
<b>0.63%<sup>(5)</sup></b>	<b>1.08%<sup>(5)</sup></b>
<b>\$ 13.54</b>	<b>\$ 12.16</b>
<b>\$ 12.36</b>	<b>\$ 10.46</b>
<b>\$ 0.24</b>	<b>\$ 0.25</b>

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

(5) Annualized.

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

# Gold Participation and Income Fund

## Management Report on Fund Performance

### Management Fees

Mulvihill Capital Management Inc. (“MCM”) 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 and writing of covered call options in accordance with the investment objectives, strategy and criteria of the Fund. MCM also makes all decisions as to the purchase and sale of securities in the Fund’s portfolio and the execution of all portfolio and other transactions.

Mulvihill Fund Services Inc. 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 required administrative services to the Fund.

### Recent Developments

Gold prices after retreating most of January made a low of \$1,045 before rising steadily right into the end of June making a new high of \$1,265. A reason for the impressive rise in gold has been largely due to concerns about a sovereign debt crisis in Greece and the possibility of contagion to the rest of Europe.

Gold will continue to be the primary vehicle used by investors to hedge away inflation if fiscal and monetary policy makers do not show considerable restraint over the next few years following the stimulative policies in the aftermath of the credit crisis. Governments in response to this have announced several austerity measures to tackle ballooning deficits especially in some European countries. We continue to see some Central Banks diversify their holdings away from some sovereign debt which could benefit gold.

We continue to be positive on gold equities and their ability to offer good leverage to rising gold prices. We like their strong balance sheets and rising free cash flow while the focus will continue to be reserve replacement.

The Fund issued combined units which separated into units and warrants on August 26, 2009 for a total of 2,350,000 units and 2,350,000 warrants issued and outstanding. Each warrant entitles the unitholder to purchase one unit at a subscription price of \$12.00 on the first Friday of the third, sixth, ninth and twelfth month following the closing of the offering, each an “Exercise Date”. During the period, 430 warrants were exercised for net proceeds of \$5,031.

The governments of Ontario have taken steps to harmonize their provincial sales taxes with the federal goods and services tax effective July 1, 2010. Implementation of the proposed changes will increase the amount of taxes paid by the Fund on its expenses, including but not limited to management fees, and therefore increase the management expense ratio.

## Management Report on Fund Performance

### Future Accounting Policy Changes

The Manager has developed a changeover plan to meet the timetable published by the Canadian Institute of Chartered Accountants 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 2010 financial statements and the preparation of the 2011 financial statements in accordance with IFRS with comparatives. However, the Accounting Standards Board is proposing that Canadian investment companies have the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Manager is currently assessing the impact of this announcement on the Fund and its plans for adopting IFRS. Accordingly, the Fund will adopt IFRS for either its fiscal period beginning January 1, 2011 or 2012, and will issue its initial financial statements in accordance with IFRS, including comparative information, for either the interim period ending June 30, 2011 or 2012.

The key elements of the changeover plan deal with the requirements for financial reporting, net asset value per unit calculations, systems and processes, and training. The plan also sets out the timeline for implementation of the changes and the required technical training or support required for a smooth transition.

As at June 30, 2010, 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 Accounting Guideline 18 – Investment Companies (“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.

Due to anticipated changes in IFRS prior to the transition to IFRS, the Manager cannot conclusively determine the impact of the Fund’s financial results at this time. Based on the Manager’s current understanding and analysis of IFRS to the current 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.

Implementation of the changeover plan is progressing as scheduled. The Manager will continue to monitor ongoing changes to IFRS and adjust their changeover plan accordingly.

# Gold Participation and Income Fund

## Management Report on Fund Performance

### Past Performance

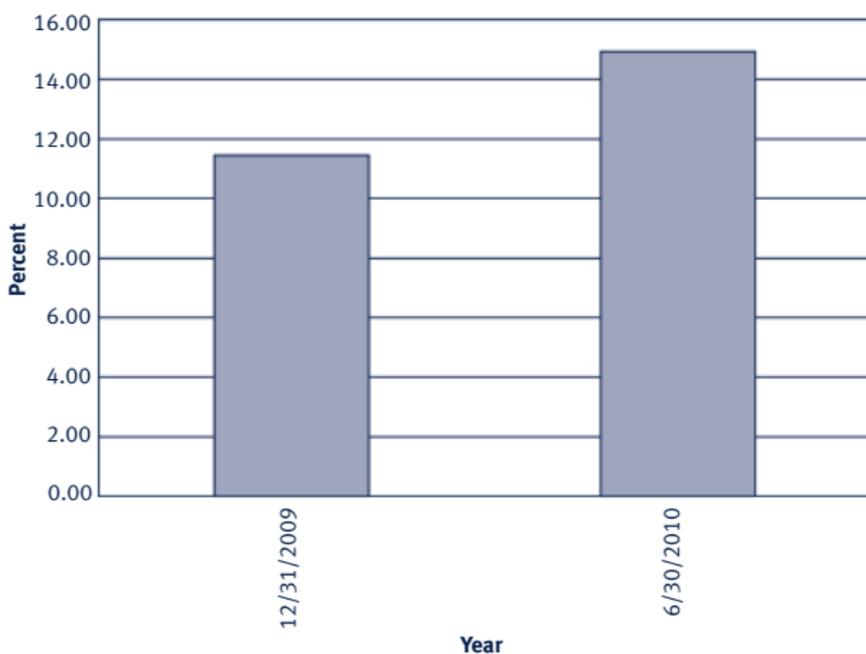
The chart below sets out the Fund's year-by-year past performance. It is important to note that:

- (1) the information shown assumes that all distributions made by the Fund during these periods were reinvested in 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 bar chart below illustrates the Fund's total return since inception and for the six month period ended June 30, 2010. The chart also shows, in percentage terms, how much an investment made on January 1, 2010 or the date of inception in 2009 would have increased or decreased by the end of the fiscal year, or June 30, 2010 for the six months then ended.

### Annual Total Return



# Gold Participation and Income Fund

## Management Report on Fund Performance

### Related Party Transactions

Mulvihill Capital Management Inc. (“MCM”) 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 between MCM and Mulvihill Fund Services Inc. (“Mulvihill”) dated July 27, 2009.

Mulvihill is the Manager of the Fund pursuant to a Trust Agreement made between Mulvihill and RBC Dexia Investor Services Trust (the “Trustee”) dated July 27, 2009, and as such, is responsible for providing or arranging for required administrative services to the Fund. Mulvihill is a wholly-owned subsidiary of MCM. These parties are paid the fees described under the Management Fees section of this report.

Mulvihill and MCM plan to amalgamate. The continuing company will be named Mulvihill Capital Management Inc. Such change is expected to occur on or after September 1, 2010. Fees currently paid to each entity will be paid to Mulvihill Capital Management Inc. from and after the effective date of the amalgamation.

### Independent Review Committee

On September 19, 2006, the Canadian Securities Administrators approved the final version of National Instrument 81-107 - Independent Review Committee for Investment Funds (“NI 81-107”). NI 81-107 requires all publicly offered investment funds to establish an independent review committee (“IRC”) to whom the Manager must refer conflict of interest matters for review or approval. NI 81-107 also imposes obligations upon the Manager to establish written policies and procedures for dealing with conflict of interest matters, maintaining records in respect of these matters and providing assistance to the IRC in carrying out its functions.

In accordance with NI 81-107, the members of the IRC are Robert W. Korthals, Michael M. Koerner and Robert G. Bertram.

### 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

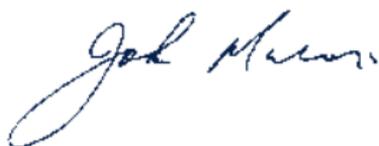
### Management's Responsibility for Financial Reporting

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 Mulvihill Fund Services Inc. (the "Manager"), and have been approved by the 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, 2009.

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 external auditors 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 external auditors' report. Deloitte & Touche LLP, the Fund's independent auditors, has full and unrestricted access to the Board.



John P. Mulvihill  
Director  
Mulvihill Fund Services Inc.



Sheila S. Szela  
Director  
Mulvihill Fund Services Inc.

August 2010

### Notice to Unitholders

The Fund's independent auditors have not performed a review of these Interim 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

June 30, 2010 (Unaudited) and December 31, 2009 (Audited)

	2010	2009
<b>ASSETS</b>		
Investments at fair value (cost - \$26,030,547; 2009 - \$26,149,549)	<b>\$ 30,605,609</b>	\$ 27,413,838
Short-term investments at fair value (cost - nil; 2009 - \$1,418,574)	-	1,418,574
Cash	<b>1,109,205</b>	13,104
Interest receivable	-	185
Dividends receivable	<b>1,910</b>	3,858
Due from brokers - investments	<b>170,037</b>	-
<b>TOTAL ASSETS</b>	<b>31,886,761</b>	<b>28,849,559</b>
<b>LIABILITIES</b>		
Accrued liabilities	<b>76,461</b>	74,830
Issue expense payable	-	255,509
<b>TOTAL LIABILITIES</b>	<b>76,461</b>	<b>330,339</b>
<b>NET ASSETS, REPRESENTED BY UNITHOLDERS' EQUITY</b>	<b>\$ 31,810,300</b>	<b>\$ 28,519,220</b>
<b>Number of Units Outstanding</b>	<b>2,350,530</b>	<b>2,350,100</b>
<b>Net Assets per Unit - Basic</b>	<b>\$ 13.5332</b>	<b>\$ 12.1353</b>
<b>Net Assets per Unit - Diluted</b>	<b>\$ 12.6168</b>	<b>\$ 11.9177</b>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Financial Operations

For the six months ended June 30 (Unaudited)

	2010
<b>REVENUE</b>	
Dividends	\$ 36,093
Interest	(25,894)
Withholding taxes	(1,877)
<b>TOTAL REVENUE</b>	<b>8,322</b>
<b>EXPENSES</b>	
Management fees	117,170
Service fees	59,402
Administrative and other expenses	40,816
Transaction fees	92,129
Custodian fees	16,259
Audit fees	13,545
Advisory board fees	10,445
Independent review committee fees	3,173
Legal fees	39,165
Unitholder reporting costs	14,187
Goods and services tax	13,721
<b>TOTAL EXPENSES</b>	<b>420,012</b>
<b>Net Investment Loss</b>	<b>(411,690)</b>
Net gain on sale of investments	991,080
Net gain on sale of derivatives	322,134
<b>Net Gain on Sale of Investments</b>	<b>1,313,214</b>
Unrealized appreciation/depreciation of investments	3,322,632
<b>Net Gain on Investments</b>	<b>4,635,846</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS</b>	<b>\$ 4,224,156</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT - BASIC</b> (based on the weighted average number of units outstanding during the period of 2,350,236)	<b>\$ 1.7973</b>
<b>NET INCREASE IN NET ASSETS FROM OPERATIONS PER UNIT - DILUTED</b>	<b>\$ 1.6908</b>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Changes in Net Assets

For the six months ended June 30 (Unaudited)

	2010
NET ASSETS, BEGINNING OF PERIOD	\$ 28,519,220
<b>Net Increase in Net Assets from Operations</b>	<b>4,224,156</b>
<b>Unit Transactions</b>	
Proceeds from units issued, net of warrant exercise fees	5,031
<b>Distributions to Unitholders</b>	
From net investment income	(726,709)
From net realized gain on sale of investments	(85,914)
Non-taxable distributions	(125,484)
	<u>(938,107)</u>
<b>Changes in Net Assets during the Period</b>	<b>3,291,080</b>
NET ASSETS, END OF PERIOD	<u>\$ 31,810,300</u>

### Statement of Net Gain on Sale of Investments

For the six months ended June 30 (Unaudited)

	2010
<b>Proceeds from Sale of Investments</b>	<b>\$ 25,927,836</b>
<b>Cost of Investments Sold</b>	
Cost of investments, beginning of period	26,149,549
Cost of investments purchased	24,495,620
	<u>50,645,169</u>
<b>Cost of Investments, End of Period</b>	<b>(26,030,547)</b>
	<u>24,614,622</u>
<b>NET GAIN ON SALE OF INVESTMENTS</b>	<u>\$ 1,313,214</u>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments

June 30, 2010 (Unaudited)

	Number of Shares	Average Cost	Fair Value	% of Portfolio
<b>INVESTMENTS</b>				
<b>Canadian Common Shares</b>				
<b>Materials</b>				
Agnico-Eagle Mines Limited	24,600	\$ 1,526,850	\$ 1,588,668	
Alamos Gold Inc.	101,000	1,401,274	1,649,330	
Barrick Gold Corporation	54,300	2,201,574	2,623,776	
Centamin Egypt Limited	390,000	861,851	994,500	
Goldcorp Inc.	41,000	1,706,803	1,911,010	
IAMGOLD Corporation	53,000	969,775	994,280	
Osisko Mining Corporation	138,000	1,356,806	1,581,480	
Red Back Mining Inc.	55,700	850,087	1,498,330	
Semafo Inc.	202,000	1,179,034	1,626,100	
<b>Total Materials</b>		<b>12,054,054</b>	<b>14,467,474</b>	<b>47.3%</b>
<b>Total Canadian Common Shares</b>		<b>\$ 12,054,054</b>	<b>\$ 14,467,474</b>	<b>47.3%</b>
<b>Non-North American Common Shares</b>				
<b>Materials</b>				
Gold Fields Limited ADR	94,000	\$ 1,225,697	\$ 1,335,523	
Randgold Resources Limited ADR	17,400	1,430,638	1,750,650	
<b>Total Materials</b>		<b>2,656,335</b>	<b>3,086,173</b>	<b>10.0 %</b>
<b>Total Non-North American Common Shares</b>		<b>\$ 2,656,335</b>	<b>\$ 3,086,173</b>	<b>10.0 %</b>
<b>United States Common Shares</b>				
<b>Materials</b>				
Newmont Mining Corporation	50,000	\$ 2,594,572	\$ 3,279,350	
Royal Gold, Inc.	23,500	1,209,598	1,197,675	
U.S. Gold Corporation	100,000	483,763	532,390	
<b>Total Materials</b>		<b>4,287,933</b>	<b>5,009,415</b>	<b>16.4 %</b>
<b>Total United States Common Shares</b>		<b>\$ 4,287,933</b>	<b>\$ 5,009,415</b>	<b>16.4 %</b>
<b>Exchange-Traded Funds</b>				
SPDR Gold Trust	66,700	\$ 7,118,896	\$ 8,621,725	28.2 %
<b>Total Exchange-Traded Funds</b>		<b>\$ 7,118,896</b>	<b>\$ 8,621,725</b>	<b>28.2 %</b>
<b>Forward Exchange Contracts</b>				
Bought USD \$1,600,000, Sold CAD \$1,636,896 @ 0.97746 - July 28, 2010			\$ 63,597	
Sold USD \$800,000, Bought CAD \$818,448 @ 0.97746 - July 28, 2010			(31,798)	
Sold USD \$5,500,000, Bought CAD \$5,502,365 @ 0.99957 - July 28, 2010			(342,989)	
Sold USD \$250,000, Bought CAD \$261,313 @ 0.95671 - August 25, 2010			(4,438)	
Sold USD \$3,400,000, Bought CAD \$3,553,850 @ 0.95671 - August 25, 2010			(60,362)	
Sold USD \$3,900,000, Bought CAD \$4,064,151 @ 0.95961 - September 8, 2010			(81,993)	
Sold USD \$4,100,000, Bought CAD \$4,272,569 @ 0.95961 - September 8, 2010			(86,198)	
<b>Total Forward Exchange Contracts</b>			<b>\$ (544,181)</b>	<b>(1.8)%</b>

# Gold Participation and Income Fund

## Financial Statements

### Statement of Investments (continued)

June 30, 2010 (Unaudited)

	Number of Contracts	Proceeds	Fair Value	% of Portfolio
<hr/> OPTIONS				
<b>Written Covered Call Options</b> (100 shares per contract)				
Gold Fields Limited ADR				
- July 2010 @ \$13	(470)	\$ (26,174)	\$ (21,698)	
Royal Gold, Inc.				
- July 2010 @ \$50	(118)	(22,430)	(13,299)	
<b>Total Written Covered Call Options</b>		<b>(48,604)</b>	<b>(34,997)</b>	<b>(0.1)%</b>
<b>TOTAL OPTIONS</b>		<b>\$ (48,604)</b>	<b>\$ (34,997)</b>	<b>(0.1)%</b>
Adjustment for transaction fees		(38,067)		
<b>TOTAL INVESTMENTS</b>		<b>\$ 26,030,547</b>	<b>\$ 30,605,609</b>	<b>100.0 %</b>

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2010

### 1. Basis of Presentation

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The interim 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 interim financial statements should be read in conjunction with the most recently prepared annual financial statements for the year ended December 31, 2009.

These interim financial statements follow the same accounting policies and method of application as the most recent financial statements for the year ended December 31, 2009.

### 2. Net Asset Value

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The Net Asset Value of the Fund is calculated using the fair value of investments using the close or last trade price (“Net Asset Value”). 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 Net Asset Value per unit is as follows:

	<b>June 30, 2010</b>	Dec. 31, 2009
Net Asset Value (for pricing purposes)	<b>\$ 13.54</b>	\$ 12.16

### 3. Warrants

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The Fund issued combined units which separated into units and warrants on August 26, 2009 for a total of 2,350,000 units and 2,350,000 warrants issued and outstanding. Each warrant entitles the unitholder to purchase one unit at a subscription price of \$12.00 on the first Friday of the third, sixth, ninth and twelfth month following the closing of the offering, each an “Exercise Date”. Warrants for units not exercised by the final Exercise Date will be void and of no value. During the period, 430 warrants were exercised for total gross proceeds of \$5,160. As at June 30, 2010, 2,349,470 warrants remain outstanding.

Upon exercise of a warrant, the Fund will pay a fee of \$0.12 per warrant to RBC Dominion Securities Inc. for and on behalf of the agents and a fee of \$0.18 per warrant to the dealer whose client has exercised the warrant. Such fees will be paid by the Fund out of the assets attributable to the units. During the period, warrant exercise fees paid amounted to \$129.

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2010

### 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 are described in Note 11 of the annual financial statements for the year ended December 31, 2009.

The following is a summary of the three-tier hierarchy of inputs used as of June 30, 2010 in valuing the Fund's investments and derivatives carried at fair value:

	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Canadian Common Shares	\$ 14,467,474	\$ -	\$ -	\$ 14,467,474
Non-North American Common Shares	3,086,173	-	-	\$ 3,086,173
United States Common Shares	5,009,415	-	-	\$ 5,009,415
Exchange-Traded Funds	8,621,725	-	-	\$ 8,621,725
Forward Exchange Contracts	-	(544,181)	-	\$ (544,181)
Options	-	(34,997)	-	\$ (34,997)
<b>Total Investments</b>	<b>\$ 31,184,787</b>	<b>\$ (579,178)</b>	<b>\$ -</b>	<b>\$ 30,605,609</b>

#### Other Price Risk

Approximately 98 percent (December 31, 2009 - 96 percent) of the Fund's net assets held at June 30, 2010 were publicly traded equities. If equity prices on the exchange increased or decreased by 10 percent as at June 30, 2010, the net assets of the Fund would have increased or decreased by \$3.1M (December 31, 2009 - \$2.7M) respectively or 9.8 percent (December 31, 2009 - 9.6 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 55 percent (December 31, 2009 - 56 percent) of the Fund's net assets held at June 30, 2010 were held in securities denominated in U.S. currency. This risk is mitigated by the Fund through the use of forward contracts. At June 30, 2010 the Fund had minimal currency risk as a result of its investment in forward currency contracts. If the Canadian dollar strengthened or weakened by 1 percent in relation to the U.S. currency, the net assets of the Fund would have decreased or increased, by approximately \$0.01M (December 31, 2009 - nil) respectively or 0.0 percent (December 31, 2009 - 0.0 percent) of the net assets with all other factors remaining constant.

# Gold Participation and Income Fund

## Notes to Financial Statements

June 30, 2010

### Credit Risk

The following are the credit ratings for the counterparties to derivative financial instruments that the Fund dealt with during the period, based on Standard & Poor's credit ratings as of June 30, 2010:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
<b>Canadian Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
<b>US Dollar</b>		
Citigroup Inc.	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 the Fund dealt with during the prior year, based on Standard & Poor's credit ratings as of December 31, 2009:

Dealer	Long-Term Local Currency Rating	Short-Term Local Currency Rating
<b>Canadian Dollar</b>		
Bank of Montreal	A+	A-1
Canadian Imperial Bank of Commerce	A+	A-1
Citigroup Inc.	A	A-1
National Bank of Canada	A	A-1
Royal Bank of Canada	AA-	A-1+
The Toronto-Dominion Bank	AA-	A-1+
<b>US Dollar</b>		
Citigroup Inc.	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, 2010

The Fund holds no short-term investments as of June 30, 2010.

The following are the credit ratings for short-term investments held by the Fund based on Standard & Poor's credit ratings as of December 31, 2009:

Type of Short-Term Investment	Rating	% of Short-Term Investments
Government of Canada Treasury Bills	AAA	63%
Province of Ontario Treasury Bills	AA	37%
<b>Total</b>		<b>100%</b>

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

### 5. Future Accounting Policy Changes

The Fund is currently required to adopt International Financial Reporting Standards ("IFRS") for the year beginning on January 1, 2011. The IFRS compliant financial statements will be on a comparative basis. However, the Accounting Standards Board is proposing that Canadian investment companies have the option to defer adoption of IFRS until fiscal years beginning on or after January 1, 2012. The Manager is currently assessing the impact of this announcement on the Fund and its plans for adopting IFRS. Accordingly, the Fund will adopt IFRS for either its fiscal period beginning January 1, 2011 or 2012, and will issue its initial financial statements in accordance with IFRS, including comparative information, for either the interim period ending June 30, 2011 or 2012.

# Gold Participation and Income Fund

## Hybrid Income Funds Managed by Mulvihill Structured Products

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### UNIT SHARES

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

### SPLIT SHARES

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

### PRINCIPAL PROTECTED FUNDS

Government Strip Bond Trust  
Mulvihill Pro-AMS RSP Split Share Corp.  
Pro-AMS U.S. Trust

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